

NEW AMERICA ENERGY CORP.  
Form 10-K  
December 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended August 31, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

000-54243  
Commission File Number

NEW AMERICA ENERGY CORP.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

N/A  
(I.R.S. Employer Identification No.)

3651 Lindell Rd., Ste D#138, Las Vegas, NV  
(Address of principal executive offices)

89103  
(Zip Code)

(800) 508-6149  
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
n/a	n/a

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

Common Stock, \$0.001 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 15(d) of the Act.

Yes[ ] No[X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes[X] No[ ]

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes[ ] No[ ]

Indicate by check mark 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.

Yes[ ] No[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 [ ]

Non-accelerated filer [ ] Smaller reporting company [X]  
(Do not check if a 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 voting and non-voting common stock held by non-affiliates of the registrant was approximately \$7,170,000 (based on 23,900,000 shares held by non-affiliates and a February 28, 2011 closing market price of \$0.30 per share) as of February 28, 2011 (the last business day of the registrant's most recently completed second quarter), assuming solely for the purpose of this calculation that all directors, officers and greater than 10% stockholders of the registrant are affiliates. The determination of affiliate status for this purpose is not necessarily conclusive for any other purpose.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PAST 5 YEARS:**

Indicate by check mark whether the issuer has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes[ ] No[ ]

**APPLICABLE ONLY TO CORPORATE REGISTRANTS**

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

51,250,000 shares of common stock issued and outstanding as of December 8, 2011

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g. Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes.

None

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## ITEM 1. BUSINESS

### Forward Looking Statements

This Annual Report on Form 10-K ("Annual Report") contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

These risks include, by way of example and not in limitation:

- the uncertainty that we will not be able to successfully identify commercially viable resources on our exploration properties;
- risks related to the large number of established and well-financed entities that are actively competing for limited resources within the mineral property exploration field;
- risks related to the failure to successfully manage or achieve growth of our business if we are successful in identify a viable mineral resource, and;
  - other risks and uncertainties related to our business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

The safe harbors of forward-looking statements provided by Section 21E of the Exchange Act are unavailable to issuers of penny stock. As we issued securities at a price below \$5.00 per share, our shares are considered penny stock and such safe harbors set forth under the Private Securities Litigation Reform Act of 1995 are unavailable to us.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common stock" refer to the common shares in our capital stock.

As used in this Annual Report, the terms "we," "us," "Company," "our" and "New America" mean New America Energy Corp., unless otherwise indicated.

## Measurement &amp; Currency

Conversion of metric units into imperial equivalents is as follows:

Metric Units	Multiply by	Imperial Units
hectares	2.471	= acres
meters	3.281	= feet
kilometers	0.621	= miles (5,280 feet)
grams	0.032	= ounces (troy)
tonnes	1.102	= tons (short) (2,000 lbs)
grams/tonne	0.029	= ounces (troy)/ton

## Cautionary Note to United States Investors

We caution U.S. investors that the Company may have materials in the public domain that may use terms that are recognized and permitted under Canadian regulations, however the U.S. Securities and Exchange Commission (“S.E.C.”) may not recognize such terms. We have detailed below the differences in the SEC regulations as compared to the Canadian Regulations under National Instrument NI 43-101.

## S.E.C. Industry Code

## National Instrument 43-101 (“NI 43-101”)

**Reserve:** That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The United States Securities and Exchange Commission requires a final or full Feasibility Study to be completed in order to support either Proven or Probably Reserves and does not recognize other classifications of mineralized deposits. Note that for industrial mineral properties, in addition to the Feasibility Study, “sales” contracts or actual sales may be required in order to prove the project’s commerciality and reserve status.

**Mineral Reserve:** The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

**Proven Mineral Reserve:** The economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility study. This study must include adequate information on mining, processing, measurement are spaced so closely and the geologic character is so well defined that size, share, depth and mineral content of reserves are well established.

**Probably Mineral Reserve:** The economically mineable part of an indicated, and in some circumstances, a Measured Mineral Resource, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of factors that demonstrate, at the time of reporting, that economic extraction is justified.

observation.

reporting, that economic extraction can be justified.

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## Corporate Information

The address of our principal executive office is 3651 Lindell Road, Ste. D#138, Las Vegas, Nevada. Our telephone number is 800-508-6149.

Our common stock is quoted on the OTCBB (“Over-the-Counter- Bulletin-Board”) under the symbol “NECA”.

New America Energy Corp (formerly “Atheron, Inc.”) was incorporated in Nevada on May 8, 2006 as a development stage company, initially developing a technology for ethanol-methanol gasoline. The Company did not progress the development of this technology.

On November 5, 2010, we underwent a change of control and the Company’s newly appointed sole director and majority shareholder approved a name change to New America Energy Corp. and a twenty-five (25) new for one (1) old forward stock split of the Company’s issued and outstanding shares of common stock. This forward split did not affect the number of the Company’s authorized common shares, which remains at 75,000,000.

On November 16, 2010, the Nevada Secretary of State accepted for filing of the Certificate of Amendment to the Company’s Articles of Incorporation to change our name from Atheron Inc. to New America Energy Corp. The forward stock split and name change became effective at the opening of trading on December 1, 2010.

At the report date mineral claims, with unknown reserves, have been acquired. The Company has not established the existence of a commercially mineable ore deposit and therefore has not reached the development stage and is considered to be in the exploration stage.

We do not have any subsidiaries.

Other than as set out herein, we have not been involved in any bankruptcy, receivership or similar proceedings, nor have we been a party to any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of our business.

## Our Current Business

We are an exploration stage company engaged in the exploration of mineral properties.

On February 3, 2011, we entered into property acquisition agreements with First Liberty Power Corp. (“FLPC”), and GeoXplor Inc. (“GeoXplor”). Pursuant to the terms of the agreements, we acquired an option, as well as exploration rights, in certain unpatented mining claims located in Southern Utah which we refer to the “Uravan Property”. The option was extended to September 30, 2011, however these properties were lost subsequent to the year-end due to the failure to meet the payment requirements.

On May 31, 2011, we entered into a property acquisition agreement with GeoXplor Corp. Pursuant to the terms of the agreement we acquired an option, as well as exploration rights, in certain unpatented mining claims located in Clayton Valley, Nye County, Nevada. Subsequently on October 27, 2011, we entered into an amended property acquisition agreement whereby we acquired additional claims. We intend to concentrate on these mineral properties as our core properties.

The Company is focused exclusively on the acquisition and development of mineral resource properties.

Our exploration program will be exploratory in nature and there is no assurance that a commercially viable mineral deposit, a reserve, exists until further exploration, particularly drilling, is undertaken and a comprehensive evaluation

concludes economic and legal feasibility. We have not yet generated or realized any revenues from our business operations.

## Market, Customers and Distribution Methods

Although there can be no assurance, large and well capitalized markets are readily available for all metals and precious metals throughout the world. A very sophisticated futures market for the pricing and delivery of future production also exists. The price for metals is affected by a number of global factors, including economic strength and resultant demand for metals for production, fluctuating supplies, mining activities and production by others in the industry, and new and or reduced uses for subject metals.

The mining industry is highly speculative and of a very high risk nature. As such, mining activities involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few mining projects actually become operating mines.

The mining industry is subject to a number of factors, including intense industry competition, high susceptibility to economic conditions (such as price of metal, foreign currency exchange rates, and capital and operating costs), and political conditions (which could affect such things as import and export regulations, foreign ownership restrictions). Furthermore, the mining activities are subject to all hazards incidental to mineral exploration, development and production, as well as risk of damage from earthquakes, any of which could result in work stoppages, damage to or loss of property and equipment and possible environmental damage. Hazards such as unusual or unexpected geological formations and other conditions are also involved in mineral exploration and development.

## Competition

The mineral exploration industry is highly competitive. We are a new exploration stage company and have a weak competitive position in the industry. We compete with junior and senior mineral exploration companies, independent producers and institutional and individual investors who are actively seeking to acquire mineral exploration properties throughout the world together with the equipment, labor and materials required to operate on those properties. Competition for the acquisition of mineral exploration interests is intense with many mineral exploration leases or concessions available in a competitive bidding process in which we may lack the technological information or expertise available to other bidders.

Many of the mineral exploration companies with which we compete for financing and for the acquisition of mineral exploration properties have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquiring mineral exploration interests of merit or on exploring or developing their mineral exploration properties. This advantage could enable our competitors to acquire mineral exploration properties of greater quality and interest to prospective investors who may choose to finance their additional exploration and development. Such competition could adversely impact our ability to attain the financing necessary for us to acquire further mineral exploration interests or explore and develop our current or future mineral exploration properties.

We also compete with other junior mineral exploration companies for financing from a limited number of investors that are prepared to invest in such companies. The presence of competing junior mineral exploration companies may impact our ability to raise additional capital in order to fund our acquisition or exploration programs if investors perceive that investments in our competitors are more attractive based on the merit of their mineral exploration properties or the price of the investment opportunity. In addition, we compete with both junior and senior mineral exploration companies for available resources, including, but not limited to, professional geologists, land specialists, engineers, camp staff, helicopters, float planes, mineral exploration supplies and drill rigs.

General competitive conditions may be substantially affected by various forms of energy legislation and/or regulation introduced from time to time by the governments of the United States and other countries, as well as factors beyond our control, including international political conditions, overall levels of supply and demand for mineral exploration.



In the face of competition, we may not be successful in acquiring, exploring or developing profitable mineral properties or interests, and we cannot give any assurance that suitable oil and gas properties or interests will be available for our acquisition, exploration or development. Despite this, we hope to compete successfully in the mineral exploration industry by:

keeping our costs low;

relying on the strength of our management's contacts; and

using our size and experience to our advantage by adapting quickly to changing market conditions or responding swiftly to potential opportunities.

#### Intellectual Property

We have not filed for any protection of our trademark, and we do not have any other intellectual property.

#### Research and Development

We did not incur any research and development expenses during the period from May 8, 2006 (inception) to our fiscal year ended August 31, 2011.

#### Reports to Security Holders

We are subject to the reporting and other requirements of the Exchange Act and we intend to furnish our shareholders annual reports containing financial statements audited by our independent registered public accounting firm and to make available quarterly reports containing unaudited financial statements for each of the first three quarters of each year. After the effectiveness of this Registration Statement we will begin filing Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K and Current Reports on Form 8-K with the Securities and Exchange Commission in order to meet our timely and continuous disclosure requirements. We may also file additional documents with the Commission if they become necessary in the course of our company's operations.

The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

#### Government Regulations

Any operations at our mineral properties will be subject to various federal and state laws and regulations in the United States which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. We will be required to obtain those licenses, permits or other authorizations currently required to conduct exploration and other programs. There are no current orders or directions relating to us or our properties with respect to the foregoing laws and regulations. Such compliance may include feasibility studies on the surface impact of our proposed operations, costs associated with minimizing surface impact, water treatment and protection, reclamation activities, including rehabilitation of various sites, on-going efforts at alleviating the mining impact on wildlife and permits or bonds as may be required to ensure our compliance with applicable regulations. It is possible that the costs and delays associated with such compliance could become so prohibitive that we may decide to not proceed with exploration,

development, or mining operations on any of our mineral properties. We are not presently aware of any specific material environmental constraints affecting our properties that would preclude the economic development or operation of property in the United States.

The U.S. Forest Service requires that mining operations on lands subject to its regulation obtain an approved plan of operations subject to environmental impact evaluation under the National Environmental Policy Act. Any significant modifications to the plan of operations may require the completion of an environmental assessment or Environmental Impact Statement prior to approval. Mining companies must post a bond or other surety to guarantee the cost of post-mining reclamation. These requirements could add significant additional cost and delays to any mining project undertaken by us.

Under the U.S. Resource Conservation and Recovery Act, mining companies may incur costs for generating, transporting, treating, storing, or disposing of hazardous waste, as well as for closure and post-closure maintenance once they have completed mining activities on a property. Any future mining operations at our mining properties may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment which are subject to review, monitoring and/or control requirements under the Federal Clean Air Act and state air quality laws. Permitting rules may impose limitations on our production levels or create additional capital expenditures for pollution control in order to comply with the rules.

The U.S. Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"), imposes strict joint and several liability on parties associated with releases or threats of releases of hazardous substances. Those liable groups include, among others, the current owners and operators of facilities which release hazardous substances into the environment and past owners and operators of properties who owned such properties at the time the disposal of the hazardous substances occurred. This liability could include the cost of removal or remediation of the release and damages for injury to the surrounding property. We cannot predict the potential for future CERCLA liability with respect to our mining properties or surrounding areas.

#### Environmental Regulations

We are not aware of any material violations of environmental permits, licenses or approvals that have been issued with respect to our operations. We expect to comply with all applicable laws, rules and regulations relating to our business, and at this time, we do not anticipate incurring any material capital expenditures to comply with any environmental regulations or other requirements.

While our intended projects and business activities do not currently violate any laws, any regulatory changes that impose additional restrictions or requirements on us or on our potential customers could adversely affect us by increasing our operating costs or decreasing demand for our products or services, which could have a material adverse effect on our results of operations.

#### Employees

As of August 31, 2011 we did not have any employees. Rick Walchuk, our sole director and officer spends about 20 hours per week on our operations on a consulting basis.

#### ITEM 1A. RISK FACTORS

An investment in our securities should be considered highly speculative due to various factors, including the nature of our business and the present stage of our development. An investment in our securities should only be undertaken by persons who have sufficient financial resources to afford the total loss of their investment. In addition to the usual risks associated with investment in a business, the following is a general description of significant risk factors which should be considered. You should carefully consider the following material risk factors and all other information contained in this Annual Report before deciding to invest in our Common Shares. If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. Additional risks and uncertainties we do not presently know or that we currently deem immaterial may also impair our business, financial condition or operating results.

#### RISKS RELATING TO OUR COMPANY

We currently have no source of operating cash flow and we have a history of operating losses.

We have no revenues from operations, our mineral property interests are in the exploration stage and we have a history of operating losses. We will not receive revenues from operations at any time in the near future, and we have no prior year's history of earnings or cash flow. We have incurred losses. There can be no assurance that our operations will ever generate sufficient revenues to fund our continuing operations or that we will ever generate positive cash flow from our operations. Further, we can give no assurance that we will attain or sustain profitability in any future period.



The feasibility of mineral extraction on the our mining claims has not been established; as we have not completed exploration or other work necessary to determine if it is commercially feasible to develop the properties.

We are currently a mining pre-exploration stage company. See “Item 2 Properties” of this Report for more information regarding our mining assets.

According to SEC definitions, our concessions do not have any proven or probable reserves. A “reserve,” as defined by the SEC, is that part of a mineral deposit which could 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 extracted and produced. We have not carried out any feasibility study with regard to our mining concessions. As a result, we currently have no reserves and there are no assurances that we will be able to prove that there are reserves on our mining concessions.

Mineral exploration is highly speculative in nature and there can be no certainty of our successful development of profitable commercial mining operations.

The exploration and development of mineral properties involve significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few explored properties develop into producing mines. Substantial expenses may be incurred to locate and establish mineral reserves, develop metallurgical processes, and construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, and proximity to infrastructure; metals prices which are highly cyclical; drilling and other related costs that appear to be rising; and government regulations, including those related to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by us towards the exploration and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

The Company may be unable to obtain the funds necessary to finalize our property option agreement.

Under the terms of our option agreement for our mining claims, we are required to expend a total of \$1,000,000 on exploration and make property payments of \$300,000. \$100,000 must be expended prior to May 31, 2012, with a further \$200,000 to be expended by May 31, 2013, \$300,000 to be expended by May 31, 2014 and the remaining \$400,000 to be expended on or before May 31, 2015. Currently we do not have sufficient funds to expend the exploration funds and property payments required under the option agreement. We have been successful in obtaining financing for operations by way of loans and financings and we currently have a financing agreement for \$1,000,000 but as an exploration company it is often difficult to obtain adequate financing when required, and it is not necessarily the case that the terms of such financings will be favorable. If we fail to obtain additional financing on a timely basis, we could forfeit our mineral property interests and/or reduce or terminate operations.

Because our business involves numerous operating hazards, we may be subject to claims of a significant size, which would cost a significant amount of funds and resources to rectify. This could force us to cease our operations.

Our operations are subject to the usual hazards inherent in exploring for minerals, such as general accidents, explosions, chemical exposure and cratering. The occurrence of these or similar events could result in the suspension of operations, damage to or destruction of the equipment involved and injury or death to personnel. Operations also

may be suspended because of machinery breakdowns, abnormal climatic conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. The occurrence of any such contingency would require us to incur additional costs, which would adversely affect our business.

Damage to the environment could also result from our operations. If our business is involved in one or more of these hazards, we may be subject to claims of a significant size that could force us to cease our operations.

Mineral resource exploration, production and related operations are subject to extensive rules and regulations of federal, provincial, state and local agencies. Failure to comply with these rules and regulations can result in substantial penalties. Our cost of doing business may be affected by the regulatory burden on the mineral industry. Although we intend to substantially comply with all applicable laws and regulations, because these rules and regulations frequently are amended or interpreted, we cannot predict the future cost or impact of complying with these laws.

Environmental enforcement efforts with respect to mineral operations have increased over the years, and it is possible that regulations could expand and have a greater impact on future mineral exploration operations. Although our management intends to comply with all legislation and/or actions of local, provincial, state and federal governments, non-compliance with applicable regulatory requirements could subject us to penalties, fines and regulatory actions, the costs of which could harm our results of operations. We cannot be sure that our proposed business operations will not violate environmental laws in the future.

Our operations and properties are subject to extensive laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to health and safety. These laws and regulations may do any of the following: (i) require the acquisition of a permit or other authorization before exploration commences; (ii) restrict the types, quantities and concentration of various substances that can be released in the environment in connection with exploration activities; (iii) limit or prohibit mineral exploration on certain lands lying within wilderness, wetlands and other protected areas; (iv) require remedial measures to mitigate pollution from former operations; and (v) impose substantial liabilities for pollution resulting from our proposed operations.

The exploration of mineral reserves are subject to all of the usual hazards and risks associated with mineral exploration, which could result in damage to life or property, environmental damage, and possible legal liability for any or all damages. Difficulties, such as unusual or unexpected rock formations encountered by workers but not indicated on a map, or other conditions may be encountered in the gathering of samples and information, and could delay our exploration program. Even though we are at liberty to obtain insurance against certain risks in such amounts we deem adequate, the nature of those risks is such that liabilities could exceed policy limits or be excluded from coverage. We do not currently carry insurance to protect against these risks and there is no assurance that we will obtain such insurance in the future. There are also risks against that we cannot, or may not elect to insure. The costs, which could be associated with any liabilities, not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting our financial position, future earnings, and/or competitive positions.

The prices of metals are highly volatile and a decrease in metal prices can have a material adverse effect on our business.

The profitability of natural resource operations are directly related to the market prices of the underlying commodities. The market prices of metals fluctuate significantly and are affected by a number of factors beyond our control, including, but not limited to, the rate of inflation, the exchange rate of the dollar to other currencies, interest rates, and global economic and political conditions. Price fluctuations in the metals market from the time exploration for a mine is undertaken and the time production can commence can significantly affect the profitability of a mine. Accordingly, we may begin to develop a minerals property at a time when the price of the underlying metals make such exploration economically feasible and, subsequently, incur losses because metal prices have decreased. Adverse fluctuations of metals market prices may force us to curtail or cease our business operations.

Mining operations generally involve a high degree of risk.

Mining operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in

the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Mining operations could also experience periodic interruptions due to bad or hazardous weather conditions and other acts of God. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailing disposal areas, which may result in environmental pollution and consequent liability.

If any of these risks and hazards adversely affect our mining operations or our exploration activities, they may: (i) increase the cost of exploration to a point where it is no longer economically feasible to continue operations; (ii) require us to write down the carrying value of one or more mines or a property; (iii) cause delays or a stoppage in the exploration of minerals; (iv) result in damage to or destruction of mineral properties or processing facilities; and (v) result in personal injury, death or legal liability. Any or all of these adverse consequences may have a material adverse effect on our financial condition, results of operations, and future cash flows.

We may not be able to compete with current and potential exploration companies, some of whom have greater resources and experience than we do in developing mineral reserves.

The natural resource market is intensely competitive, highly fragmented and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. We will be competing with many exploration companies that have significantly greater personnel, financial, managerial and technical resources than we do. This competition from other companies with greater resources and reputations may result in our failure to maintain or expand our business.

We may not have access to all of the supplies and materials we need to begin exploration, which could cause us to delay or suspend operations.

Competition and unforeseen limited sources of supplies in the industry could result in occasional spot shortages of supplies and certain equipment such as bulldozers and excavators that we might need to conduct exploration. We have not attempted to locate or negotiate with any suppliers of products, equipment or materials. We will attempt to locate products, equipment and materials prior to undertaking exploration programs. If we cannot find the products, equipment and materials we need, we will have to suspend our exploration plans until we do find the products, equipment and materials.

We are an exploration stage company, and there is no assurance that a commercially viable deposit or “reserve” exists in the property in which we have claim.

We are an exploration stage company and cannot assure you that a commercially viable deposit, or “reserve,” exists on our mineral properties. Therefore, determination of the existence of a reserve will depend on appropriate and sufficient exploration work and the evaluation of legal, economic and environmental factors. If we fail to find commercially viable deposits, our financial condition and results of operations will be materially adversely affected.

We depend on our sole officer and director and the loss of this individual could adversely affect our business.

Our Company is completely dependent on our sole officer and director, Rick Walchuk. We currently have no employees and the loss of this individual could significantly and adversely affect our business. We do not carry any life insurance on the life of Mr. Walchuk.

## RISKS RELATING TO AN INVESTMENT IN OUR SECURITIES

Our Common Stock Price May be Volatile

The trading price of our common stock may fluctuate substantially. The price of our common stock, at any given time, may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following: (i) price and volume fluctuations in the overall stock market from time to time; (ii) volatility resulting from trading in derivative securities related to our common stock including puts, calls, long-term equity anticipation securities, or leaps, or short trading positions; (iii) actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts; (iv) general economic conditions and trends; (v) loss of a major funding source; or (vi) departures of key personnel.

Because of the early stage of development and the nature of our business, our securities are considered highly speculative.

Our securities must be considered highly speculative, generally because of the nature of our business and the early stage of its development. We are engaged in the business of exploring and, if warranted and feasible, developing natural resource properties. Our mining claims are in the exploration stage only and are without proven reserves of natural resources. Accordingly, we have not generated any revenues nor have we realized a profit from our -operations to date and there is little likelihood that we will generate any revenues or realize any profits in the short term. Any profitability in the future from our business will be dependent upon locating and developing economic reserves of natural resources, which itself is subject to numerous risk factors as set forth herein. Since we have not generated any revenues, we will have to raise additional monies through the sale of our equity securities or debt in order to continue our business operations.

We may, in the future, issue additional common shares that would reduce investors' percent of ownership and may dilute our share value.

The future issuance of common shares may result in substantial dilution in the percentage of our common shares held by our then existing stockholders. We may value any common shares issued in the future on an arbitrary basis. The issuance of common shares for future services or acquisitions or other corporate actions may have the effect of diluting the value of the common shares held by our investors, and might have an adverse effect on any trading market for our common shares.

Market for Penny Stock has suffered in recent years from patterns of fraud and abuse. Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include: (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced salespersons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and, (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequential investor losses.

Our common shares are subject to the "Penny Stock" Rules of the SEC, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted regulations that generally define a "penny stock" to be any equity security other than a security excluded from such definition by Rule 3a51-1 under the Securities Exchange Act of 1934, as amended. For the purposes relevant to our Company, it is any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions.

Our common shares are currently regarded as a "penny stock", since our shares are not listed on a national stock exchange or quoted on the NASDAQ Market within the United States, to the extent the market price for its shares is less than \$5.00 per share. The penny stock rules require a broker-dealer to deliver a standardized risk disclosure document prepared by the SEC, to provide a customer with additional information including current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, monthly account statements showing the market value of each penny stock held in the customer's account, and to make a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

To the extent these requirements may be applicable; they will reduce the level of trading activity in the secondary market for the common shares and may severely and adversely affect the ability of broker-dealers to sell the common shares.



FINRA sales practice requirements may also limit a stockholders ability to buy and sell our stock.

In addition to the penny stock rules promulgated by the SEC, which are discussed in the immediately preceding risk factor, FINRA rules require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit the ability to buy and sell our stock and have an adverse effect on the market value for our shares.

Our common stock may experience extreme rises or declines in price, and you may not be able to sell your shares at or above the price paid.

Our common stock may be highly volatile and could be subject to extreme fluctuations in response to various factors, many of which are beyond our control, including (but not necessarily limited to): (i) the trading volume of our shares; (ii) the number of securities analysts, market-makers and brokers following our common stock; (iii) changes in, or failure to achieve, financial estimates by securities analysts; (iv) actual or anticipated variations in quarterly operating results; (v) conditions or trends in our business industries; (vi) announcements by us of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; (vii) additions or departures of key personnel; (viii) sales of our common stock; and (ix) general stock market price and volume fluctuations of publicly-trading and particularly , microcap companies.

Investors may have difficulty reselling shares of our common stock, either at or above the price they paid for our stock, or even at fair market value. The stock markets often experience significant price and volume changes that are not related to the operating performance of individual companies, and because our common stock is thinly traded it is particularly susceptible to such changes. These broad market changes may cause the market price of our common stock to decline regardless of how well we perform as a company. In addition, there is a history of securities class action litigation following periods of volatility in the market price of a company's securities. Although there is no such shareholder litigation currently pending or threatened against the Company, such a suit against us could result in the incursion of substantial legal fees, potential liabilities and the diversion of management's attention and resources from our business. Moreover, and as noted below, our shares are currently traded on the OTCBB and, further, are subject to the penny stock regulations. Price fluctuations in such shares are particularly volatile and subject to manipulation by market-makers, short-sellers and option traders.

We have not and do not intend to pay any cash dividends on our common shares and, consequently, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We have not, and do not, anticipate paying any cash dividends on our common shares in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

A decline in the price of our common stock could affect our ability to raise further working capital, it may adversely impact our ability to continue operations and we may go out of business.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because we may attempt to acquire a significant portion of the funds we need in order to conduct our planned operations through the sale of equity securities, or convertible debt instruments,

a decline in the price of our common stock could be detrimental to our liquidity and our operations because the decline may cause investors to not choose to invest in our stock. If we are unable to raise the funds we require for all our planned operations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. a result, our business may suffer, and not be successful and we may go out of business. We also might not be able to meet our financial obligations if we cannot raise enough funds through the sale of our common stock and we may be forced to go out of business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive staff offices remotely from corporate offices in Las Vegas, Nevada, which are our principal offices. These offices provide mail, and the use of office facilities as required. The fees for these offices are approximately \$50 per month. Our sole director and officer, Rick Walchuk provides office space where he works in his country of residence, free of charge to the Company. Our office is located at 3651 Lindell Road, Ste. D#138, Las Vegas, Nevada. Our telephone number is 800-508-6149.

Clayton Valley Properties

Clayton Ridge and Ralston Basin (Mud Lake)

On May 31, 2011, entered into a property acquisition agreement with GeoXplor Corp. Pursuant to the terms of the agreement, we acquired an option, as well as exploration rights, in certain unpatented mining claims located in Clayton Valley, Nye County, Nevada. Subsequently on October 27, 2011, we entered into an amended property acquisition agreement which amended and replaced the original agreement. The amended agreement added additional mining claims. We agreed to provide the following payments and other consideration to GeoXplor:

- \$75,000 on May 31, 2011;
- \$100,000 on May 31, 2012;
- \$100,000 on May 31, 2013;
- \$100,000 on May 31, 2014;
- 500,000 shares of our common stock on execution of the agreement;
- 250,000 shares of our common stock on execution of the amended agreement;
- 500,000 shares of our common stock on or before the date one year from the date of the agreement;
- 500,000 shares of our common stock on or before the date two years from the date of the agreement;
- 500,000 shares of our common stock on or before the date three years from the date of the agreement; and
- A 3.0% net smelter royalty on all net revenue derived from production from the Nye County Property.

We have also committed to a 4 year work program of no less than \$1,000,000 with \$100,000 to be spent in the first year, \$200,000 during the second year, \$300,000 during the third year and \$400,000 during the fourth year.

If we are unable to make any of the share issuances or payments under the agreements with GeoXplor, the property rights would revert to GeoXplor.

During the fiscal year ended August 31, 2011, the Company made cash payments in the amount of \$75,000 and issued 500,000 shares of common stock to GeoXplor.

Clayton Ridge Location and Access

The Clayton Ridge CR 1 – 15 claims are association placer claims in good standing on Bureau of Land Management land in Esmeralda County, Nevada. The Clayton Ridge mineral claims are located in the western part of Esmeralda County, Nevada, 38 miles southwest of Tonopah. The nearest town is Silver Peak, which has a population of approximately 200 and is accessible via State Highway 47.

Access to the property is via paved roads, US highway 95 from the town of Tonopah and Goldfield and direct access to the property is via secondary gravel and dirt roads. There are a few four-wheel-drive trails and tracks which turn off from that graded road and provide established paths to various parts of the claim block. Actual four wheel drive is rarely needed on those paths. The nearest rail and commercial airline service is to Las Vegas, NV approximately 190 miles to the southeast.

Water and grid-supplied electricity are available in close proximity.



## History of Operations

This property is currently without known reserves and the proposed property is exploratory in nature. There is insufficient information for a resource estimate of lithium brines on the property.

A reconnaissance gravity survey consisting of two lines was recently conducted over the Clayton Ridge claims by Hasbrouck Geophysics under the guidance of GeoXplor Corp. Jim Hasbrouck analyzed and interpreted the survey's data; the results indicated the presence of significant bedrock and elevation lows which clearly recommend further exploration of the property.













There is no history of lithium exploration on the property previous to GeoXplor Corp.

#### Present Condition and Plan of Exploration

On November 22, 2011, the Company determined to commence initial exploration on Clayton Ridge. The initial phase of the exploration program will consist of a complete gravity survey over the claim area to determine the depths of the basin and delineate troughs or traps that might contain economic values and concentrations of lithium brines. A total of about 125 gravity stations will be used. The gravity data will be acquired with a leased LaCoste and Romberg Model G gravity meter.

The project, including mobilization-demobilization, should take approximately 2 weeks for field completion and another 30 days for the interpretation and final report. The Company is required to expend a total of \$100,000 in exploration on or before May 31, 2012. Planned exploration will be to undertake an exploration program to include controlled source audio magnetotellurics. The planned exploration program costs are estimated at \$101,000 and the Company intends to spend an addition \$25,000 for taxes and claim staking and has allowed \$15,000 as a contingency. Anticipated exploration expenditures are included in the table below and includes project presentation, mobilization-demobilization, consulting, sub- contracting, wages, room and board, consumables, rentals, trucks, ATV's, equipment and supplies, supervision, disbursements and administration:

Expenditure	Amount
	\$
Project preparation	2,500
Mobilization and de-mobilization (3 men days, including travel costs	8,740
Chief Geologist/Operator	8,400
Geotechnicians (2)	14,000
Accommodations (room and board)	5,250
Vehicle and ATV rentals	3,430
Gas, Equipment rental (including shipping and insurance), field supplies	7,500
Subcontractor – Hasbrouck Geophysics	33,500
Administration and Miscellaneous Disbursements	16,248
Total	101,268

#### Geology

Lithium is a locatable mineral according to the Code of Federal Regulations. Lithium should be located by lode claims where it occurs in bedrock and by placer claims where it occurs in alluvium. The claims cover a conceptual target for lithium brines. The concept is consistent with generally accepted data and theories about the formation of the extensive lithium brine resources in the area.

Lithium production by Foote Minerals (now Chemetall Foote) began in 1967 from brines pumped from the Clayton Valley region, the next major valley to the west beyond Clayton Ridge and about 10 miles west of the claim group.

A preliminary reconnaissance gravity geophysical survey conducted consisting of two lines was conducted over the CR Claims in August 2011 by GeoXplor Corp. so that initial modeling of bedrock depth and elevation could be conducted.

The modeled bedrock depth and elevation results show significant bedrock and elevation lows along the two lines. These lows, are probably connected, however the bedrock depth and elevation contour maps indicate a small saddle in between the two lines which is actually an artifact of the contouring algorithm and is not real (this occurs because the stations are nominally 600 meters apart while the lines are two kilometers apart). Although the modeling of the gravity data indicates that a substantial thickness of sediments exists in the middle of the valley between Clayton Ridge to the west and the Montezuma Range to the east, additional gravity surveys will need to be conducted in the area to determine if these bedrock and elevation lows become shallower to the south and/or north such that a closed basin exists.

The claims are located in the Basin and Range physiographic region which stretches from southern Oregon and Idaho to Mexico. It is characterized by extreme elevation changes between linear, north to northeasterly trending mountains and flat intermountain valleys or basins. Volcanism began as early as the Oligocene geologic epoch about 30 million years ago and with tectonic extension reaching full stride during the Miocene epoch about 17 million years ago.

Clayton Valley-Montezuma Range is underlain by a thick body of tuffaceous sediments, ranging from upper Miocene to Pliocene in age. The volcanic sequence has been named the Esmeralda formation and consists of approximately 15,000 feet of lacustrine volcanic sediments which include poorly sorted conglomerates and sandstones, limestone, mudstones and tuffaceous units. Fossils suggest a relatively fresh environment of deposition. Two major volcanic events were recorded in the Tertiary sediments. An early Pliocene volcanic episode is represented by a single welded tuff unit with an age of 22 million years and is exposed on the northern end of the Silver Peak Range. The tuff was ejected prior to the block faulting that disturbed the drainage of the Silver Peak region and created several closed basins into which the lower part of the Esmeralda formation was deposited.

A second period of volcanic eruptions with major faulting occurred during the middle Pliocene and resulted in the deformation of the lower Esmeralda sediments creating an angular unconformity. The oldest sediments above the unconformity were assigned to the upper Esmeralda unit and have been dated at 6.9 million years. The widespread ash fall tuff that crops out around Clayton Valley and the Montezuma peak area has the same age as the upper Esmeralda sediments (6.9 million years) and has been subjected to major faulting in the form of the Clayton Ridge as well as numerous other unnamed faults which created the present topography.

The uplift of the Sierra Nevada at the beginning of the Pleistocene caused the climate of the Basin and Range Province to become generally arid. Pluvial periods, correlative with the glacial stages in the highlands, resulted in increased runoff and formation of temporary lakes in the basins. The interpluvial periods were more arid and led to the concentration of the lake waters the remnants of which are the lithium- rich evaporites and brines.

#### Ralston Basin - Mud Lake Location and Access

The Mud Lake lithium project property is located nine miles southwest of Tonopah Nevada in the Ralston Valley. The Mud Lake property consists of twenty placer claims covering approximately 3200 acres in Nye County and is readily accessible year round.



## History of Operations

In 1979, the U.S. Department of Energy through the U.S. Geological Survey ("USGS") conducted a regional lithium project which included sampling, gravity and seismic surveys on the property.

A reconnaissance drill Hole (ML-17) was completed by the U.S. Department of Energy in September, 1979. The drill hole is located on the northern edge of the playa off of the Mudlake claims and penetrated mostly sand, layers of clay and tuffs that terminated in sandstone at 275 feet. Lithium values of the sediments ranged from 24 ppm to 75 ppm and averaged 33.5 ppm for the 28 samples analyzed.

## Present Condition and Plan of Exploration

The first phase of the exploration for the Mud Lake Basin would be the completion of a gravity survey to determine the basin sediments-basin interface and define the area with the thickest accumulation of the sediments. A reflective seismic survey would comprise the second phase of the Mud Lake exploration program. The seismic survey will define the brine layers in the basin sediments and provide definitive drill targets. This two phase program is anticipated to cost \$250,000. The Company does not intend to undertake exploration on Mud Lake until after they have completed the exploration on Clayton Ridge.

## Geology

The Ralston basin, which contains Mud Lake, appears to have similar geological features that provided both a source and trap for lithium brines found in Clayton Valley which is located 29 miles west from the property. Chemetall-Foote Corp's Silver Peak operation, located in Clayton Valley, is the only lithium brine producer in North America and has been in operation since 1966.

The Ralston basin drainage area covers 3189 square miles and contains centers of volcanic activity of the style that can form lithium sources for subsequent accumulation in a low point of the valley at Mud Lake. We intend to explore the property to determine if lithium evaporates and brine deposits have formed.



Mud Lake occupies a depression in the southern end of Ralston Valley. The basin is approximately 5 miles wide and 5 miles long and has a surface area of about 25 square miles. The playa is bounded by the Cactus Range and Monitor Hills to the east, Goldfields, Nevada to the south, Alkali Valley to the west, and Ralston Valley to the north.

Lithium is a locatable mineral according to the Code of Federal Regulations (Bays). Lithium should be located by lode claims where it occurs in bedrock and by placer claims where it occurs in alluvium. It should be noted that potash, which often occurs with lithium in the area, is only a leasable commodity

Lithium production by Foote Minerals (now Chemetall Foote) began in 1967 from brines pumped from Clayton Valley, the next major valley to the west beyond Clayton Ridge and about 10 miles west of the claim group.

## Index of Geologic Terms

TERM	DEFINITION
alluvium	sediment deposited by flowing water, especially soil formed in river valleys and deltas from material washed down by the river
bedrock	the solid rock beneath a layer of soil, rock fragments, or gravel
Evaporate	Refers to any of a variety of individual minerals found in the sedimentary deposit of soluble salts that results from the evaporation of water
interpluvial	comparatively dry and occurring between times of greater precipitation
Lacustrine	lakes that get filled up by the sediments brought down by the rivers and turn into plains in the course of time
magnetotellurics	is an electromagnetic geophysical method of imaging the earth's subsurface by measuring natural variations of electrical and magnetic fields at the Earth's surface.
Miocene	the epoch of geologic time, 24 million to 5 million years ago, during which the modern ocean currents were established and Antarctica became frozen
Mudstone	a grey sedimentary rock formed from mud, similar to shale but with less developed lamination
Pliocene	the epoch of geologic time, 5 million to 1.6 million years ago, during which a hominid species Homo erectus first appeared
Pluvial	a period of heavy rainfall
Sandstone	a sedimentary rock made up of particles of sand bound together with a mineral cement.
Tertiary	the period of geologic time, 65 million to 1.6 million years ago, during which mammals became dominant and modern plants evolved
tuffaceous	Rock that contains greater than 50% tuff is considered tuffaceous
unconformity	a break in the continuity of sedimentary rocks resulting from erosion or cessation of deposition
Volcanism	the processes involved in the formation of volcanoes, and in the transfer of magma and volatile material from the interior of the Earth to its surface

## ITEM 3. LEGAL PROCEEDINGS

We know of no material, active or pending legal proceedings against our Company, nor of any proceedings that a governmental authority is contemplating against us.

## ITEM 4. [REMOVED AND RESERVED]

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

## Market Information

The Company's common stock is currently quoted on the Over-the-Counter Bulletin Board (OTC/BB) under the trading symbol "NECA". Following is a report of high and low closing bid prices for each quarterly period for the fiscal years ended August 31, 2011 and August 31, 2010.

Quarter	High (\$)	Low (\$)
4th Quarter ended 8/31/2011	0.35	0.35
3rd Quarter ended 5/31/2011	0.60	0.21
2nd Quarter ended 2/28/2011	0.30	0.05
1st Quarter ended 11/30/2010	0.75	0.06
4th Quarter ended 8/31/2010	0.06	0.06
3rd Quarter ended 5/31/2010	0.00	0.00
2nd Quarter ended 2/28/2010	0.00	0.00
1st Quarter ended 11/30/2009	0.00	0.00

The above information was provided by OTC Markets. The quotations provided may reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

## Holders

As of November 29, 2011, there were 28 record holders of the Company's common stock (which number does not include the number of stockholders whose shares are held by a brokerage house or clearing agency, but does include such brokerage houses or clearing agencies as one record holder).

## Dividends

We have never declared or paid dividends on our common stock. We intend to retain earnings, if any, to support the development of our business and therefore do not anticipate paying cash dividends for the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including current financial condition, operating results and current and anticipated cash needs.

## Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

## Recent Sales of Unregistered Securities:

There were no unregistered securities to report which were sold or issued by the Company without the registration of these securities under the Securities Act of 1933 in reliance on exemptions from such registration requirements, within the period covered by this report, which have not been previously included in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

ITEM 6. SELECTED FINANCIAL DATA

The Company is a smaller reporting company and is not required to provide this information.

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

Forward Looking Statements

This current report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

In this report unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to the common shares of our capital stock.

The management's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Liquidity & Capital Resources

We are an exploration stage company engaged in the exploration of mineral properties. To date, we have not generated any revenues.

Cash on hand at August 31, 2011 was \$19,992 as compared to \$nil as of August 31, 2010. Our total liabilities were \$12,209 as compared to \$55,827 as at August 31, 2010. This significant change was as a result of all loans owed to a related party being forgiven and recorded as additional paid-in-capital, and a private placement in the amount of \$120,000 by way of the issuance of 4,000,000 shares, 200,000 shares issued on December 23, 2010, and 200,000 shares issued on February 14, 2011.

On February 3, 2011 pursuant to the option of certain mineral claims we entered into a contingency liability with First Liberty Power Corp. and GeoXplor in the amount of \$150,000 within the next 12 months, \$10,000 payable to First Liberty and \$50,000 payable to GeoXplor. On May 31, 2011 we extended the option for a further 120 days. Subsequent to the period covered by this report the Company defaulted on its payment obligations to First Liberty and GeoXplor and the option agreement terminated. There are no further commitments required by the Company on this property.

On May 31, 2011, pursuant to the option of certain mineral claims with GeoXplor, as amended on October 27, 2011, we have a contingent liability of \$200,000 within the next 12 month period, of which \$100,000 is by way of option payment and \$100,000 is required to be spent on exploration activities.

In order to meet all of the current commitments and fund operations for the next twelve months the Company estimates it will require a minimum of \$500,000. We intend to undertake an exploration program on Clayton Ridge of approximately \$100,000 and we have property taxes of \$10,000 and have allowed \$15,000 for additional claim staking, \$15,000 for contingencies and \$100,000 for property payments. We have allocated an additional \$259,000 for operations, which may include the acquisition of additional properties as well as general and administrative costs. The Company

believes it will have sufficient funding to meet its ongoing obligations for the next twelve months. On November 22, 2011, we entered into a financing agreement with one non-US investor pursuant to which, the investor will make available of up to \$1,000,000 by way of advances until the completion date of November 22, 2012. The completion date may be extended for an additional term of up to twelve months at the option of the Company or the investor upon written notice on or before the completion date.

While we believe we have sufficient funding to meet our next twelve month obligations, our ability to meet our financial liabilities and commitments is primarily dependent upon the continued issuance of equity to new stockholders, the ability to borrow funds, and ultimately upon our ability to achieve and maintain profitable operations. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms.

The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholder. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

### Results of Operations

We have recently changed our business plan with the change in control of the Company and the option of certain mineral claims on which we intend to commence exploration activities. We do not have any revenues and have not had any revenue since inception on May 8, 2006.

Due to this change in business, we have a net loss of (\$692,217) for the fiscal year ended August 31, 2011 as compared to a net loss of (\$10,842) for the fiscal year ended August 31, 2010. This loss is mainly comprised of the amount of \$610,000 for impairment of our mineral claims and \$3,466 for mineral license fees. For the comparable period in 2010 we did not have any mineral claims. Due to increased operations we had an increase in professional fees from \$10,842 (2010) to \$39,858 (2011) and a consulting contract with our sole director for \$2,500 per month resulting in an expense of \$25,000 in management fees (2011) as compared to no expense for management fees (2010) and we had an increase in general and administrative fees from \$nil (2010) to \$13,893 (2011).

### Off-balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in the Notes to our Financial Statements.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company and is not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All financial information required by this Item is attached hereto below beginning on page F-1.

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AUDITED FINANCIAL STATEMENTS:

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Balance Sheets as of August 31, 2011 and 2010	F-3
Statements of Operations for the years ended August 31, 2011 and August 31, 2010, and the period from inception to August 31, 2011	F-4
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
New America Energy Corp.  
Las Vegas, Nevada

We have audited the accompanying balance sheets of New America Energy Corp. (an exploration stage company) as of August 31, 2011 and 2010 and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended and for the period from May 8, 2006 (inception) to August 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New America Energy Corp. as of August 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended and for the period from May 8, 2006 (inception) to August 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has limited working capital, has not yet received revenue from sales of products or services, and has incurred losses from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC  
Bingham Farms, Michigan  
December 12, 2011



NEW AMERICA ENERGY CORP.  
(AN EXPLORATION STAGE COMPANY)  
BALANCE SHEETS

	August 31, 2011	August 31, 2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$19,992	\$-
<b>TOTAL ASSETS</b>	<b>\$19,992</b>	<b>\$-</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$11,209	\$842
Accounts payable – related parties	1,000	-
Loan payable - related parties	-	54,985
<b>TOTAL LIABILITIES</b>	<b>12,209</b>	<b>55,827</b>
<b>Stockholders' Equity (Deficit)</b>		
Common Stock, \$.001 par value, 75,000,000 shares authorized 51,000,000 and 53,750,000 shares issued and outstanding at August 31, 2011 and August 31, 2010, respectively		
	51,000	53,750
Additional paid-in capital	747,827	(10,750 )
Deficit accumulated during the exploration stage	(791,044 )	(98,827 )
Total stockholders' equity (deficit)	7,783	(55,827 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$19,992</b>	<b>\$-</b>

See accompanying notes to the financial statements.

## NEW AMERICA ENERGY CORP.

(AN EXPLORATION STAGE COMPANY)

## STATEMENTS OF OPERATIONS

Years Ended August 31, 2011 and 2010

Period from May 8, 2006 (Inception) to August 31, 2011

	Year Ended		Period from
	August 31,		May 8,
	2011	2010	(Inception) to August 31, 2011
REVENUES	\$-	\$-	\$-
EXPENSES:			
Impairment of mineral properties	610,000	-	610,000
Mineral license fees	3,466	-	3,466
Professional fees	39,858	10,842	138,685
Management Fees	25,000	-	25,000
General and administration	13,893	-	13,893
Total expenses	692,217	10,842	791,044
NET LOSS	\$(692,217 )	\$(10,842 )	\$(791,044 )
NET LOSS PER SHARE	\$(0.01 )	\$(0.00 )	
WEIGHTED AVERAGE SHARES OUTSTANDING: BASIC AND DILUTED	51,316,027	53,750,000	

See accompanying notes to the financial statements.

NEW AMERICA ENERGY CORP.  
 (AN EXPLORATION STAGE COMPANY)  
 STATEMENT OF STOCKHOLDERS' DEFICIT  
 Period from May 8, 2006 (Inception) to August 31, 2011

	Common Stock		Additional Paid in Capital	Deficit	
	Shares	Amount		Accumulated	
					During the Exploration stage
Issuance of common stock for cash @ \$0.001	53,750,000	\$2,150	\$40,850	\$ -	\$43,000
Net loss for the period ended August 31, 2006				(43,985 )	(43,985 )
Balance, August 31, 2006	53,750,000	2,150	40,850	(43,985 )	(985 )
Net loss for the period ended August 31, 2007				(25,000 )	(25,000 )
Balance, August 31, 2007	53,750,000	2,150	40,850	(68,985 )	(25,985 )
Net loss for the period ended August 31, 2008				(9,000 )	(9,000 )
Balance, August 31, 2008	53,750,000	2,150	40,850	(77,985 )	(34,985 )
Net loss for the period ended August 31, 2009				(10,000 )	(10,000 )
Balance, August 31, 2009					

\$391

\$—

\$39,878

Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises  
218,882

8,753

(89  
)

227,546

Obligations of states and political subdivisions

59,826

2,110

—

61,936

Individual name issuer trust preferred debt securities

30,724

—

(5,344

)

25,380

Corporate bonds

6,124

144

(8

)

6,260

Total securities available for sale

\$355,043

\$11,398

(\$5,441

)

\$361,000

Held to Maturity:

Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises

\$28,889

\$291

\$—

\$29,180

Total securities held to maturity

\$28,889

\$291

\$—

\$29,180

Total securities

\$383,932

\$11,689

(\$5,441)



)

\$390,180

(Dollars in thousands)

December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Available for Sale:				
Obligations of U.S. government-sponsored enterprises	\$54,474	\$720	(\$79 )	\$55,115
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	230,387	8,369	(401 )	238,355
Obligations of states and political subdivisions	60,659	2,200	—	62,859
Trust preferred securities:				
Individual name issuers	30,715	—	(6,031 )	24,684
Collateralized debt obligations	547	—	—	547
Corporate bonds	11,128	231	(16 )	11,343
Total securities available for sale	\$387,910	\$11,520	(\$6,527 )	\$392,903
Held to Maturity:				
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	\$29,905	\$14	(\$54 )	\$29,865
Total securities held to maturity	\$29,905	\$14	(\$54 )	\$29,865
Total securities	\$417,815	\$11,534	(\$6,581 )	\$422,768

At March 31, 2014 and December 31, 2013, securities available for sale and held to maturity with a fair value of \$375.6 million and \$397.5 million, respectively, were pledged as collateral for Federal Home Loan Bank of Boston (“FHLBB”) borrowings and letters of credit, potential borrowings with the FRB, certain public deposits and for other purposes.

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The schedule of maturities of debt securities available for sale and held to maturity is presented below. Mortgage-backed securities are included based on weighted average maturities, adjusted for anticipated prepayments. All other debt securities are included based on contractual maturities. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties. Yields on tax exempt obligations are not computed on a tax equivalent basis.

(Dollars in thousands)	March 31, 2014					Totals
	Within 1 Year	1-5 Years	5-10 Years	After 10 Years		
<b>Securities Available for Sale:</b>						
<b>Obligations of U.S. government-sponsored enterprises:</b>						
Amortized cost	\$39,487	\$—	\$—	\$—	\$—	\$39,487
Weighted average yield	4.79	% —	% —	% —	% —	% 4.79
<b>Mortgage-backed securities issued by U.S. government-sponsored enterprises:</b>						
Amortized cost	39,783	102,288	52,054	24,757		218,882
Weighted average yield	4.00	% 3.68	% 2.90	% 2.34	% 3.40	% 3.40
<b>Obligations of state and political subdivisions:</b>						
Amortized cost	20,769	39,057	—	—		59,826
Weighted average yield	3.85	% 3.93	% —	% —	% 3.90	% 3.90
<b>Individual name issuer trust preferred debt securities:</b>						
Amortized cost	—	—	—	30,724		30,724
Weighted average yield	—	% —	% —	% 1.04	% 1.04	% 1.04
<b>Corporate bonds:</b>						
Amortized cost	—	5,715	409	—		6,124
Weighted average yield	—	% 2.80	% 2.41	% —	% 2.78	% 2.78
<b>Total debt securities available for sale:</b>						
Amortized cost	\$100,039	\$147,060	\$52,463	\$55,481		\$355,043
Weighted average yield	4.28	% 3.71	% 2.90	% 1.62	% 3.42	% 3.42
Fair value	\$102,737	\$147,626	\$54,176	\$56,461		\$361,000
<b>Securities Held to Maturity:</b>						
<b>Mortgage-backed securities issued by U.S. government-sponsored enterprises:</b>						
Amortized cost	\$4,226	\$12,127	\$8,238	\$4,298		\$28,889
Weighted average yield	3.00	% 2.92	% 2.72	% 1.11	% 2.60	% 2.60
Fair value	\$4,269	\$12,249	\$8,321	\$4,341		\$29,180

Included in the above table were debt securities with an amortized cost balance of \$88.5 million and a fair value of \$85.1 million at March 31, 2014 that are callable at the discretion of the issuers. Final maturities of the callable securities range from eighteen months to twenty-two years, with call features ranging from one month to three years.

#### Other-Than-Temporary Impairment Assessment

The Corporation assesses whether the decline in fair value of investment securities is other-than-temporary on a regular basis. Unrealized losses on debt securities may occur from current market conditions, increases in interest rates since the time of purchase, a structural change in an investment, volatility of earnings of a specific issuer, or deterioration in credit quality of the issuer. Management evaluates impairments in value both qualitatively and

quantitatively to assess whether they are other-than-temporary.

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize temporarily impaired securities, segregated by length of time the securities have been in a continuous unrealized loss position:

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
March 31, 2014									
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	3	\$19,796	(\$55 )	1	\$933	(\$34 )	4	\$20,729	(\$89 )
Individual name issuer trust preferred debt securities	—	—	—	11	25,380	(5,344 )	11	25,380	(5,344 )
Corporate bonds	2	413	(8 )	—	—	—	2	413	(8 )
Total temporarily impaired securities	5	20,209	(\$63 )	12	\$26,313	(\$5,378 )	17	\$46,522	(\$5,441 )

(Dollars in thousands)	Less than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
December 31, 2013									
Obligations of U.S. government-sponsored enterprises	1	\$9,909	(\$79 )	—	\$—	\$—	1	\$9,909	(\$79 )
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	7	76,748	(455 )	—	—	—	7	76,748	(455 )
Individual name issuer trust preferred debt securities	—	—	—	11	24,684	(6,031 )	11	24,684	(6,031 )
Corporate bonds	2	407	(16 )	—	—	—	2	407	(16 )
Total temporarily impaired securities	10	\$87,064	(\$550 )	11	\$24,684	(\$6,031 )	21	\$111,748	(\$6,581 )

Further deterioration in credit quality of the underlying issuers of the securities, further deterioration in the condition of the financial services industry, a continuation or worsening of the current economic environment, or additional declines in real estate values, among other things, may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods, and the Corporation may incur additional write-downs.

#### Trust Preferred Debt Securities of Individual Name Issuers

Included in debt securities in an unrealized loss position at March 31, 2014 were eleven trust preferred security holdings issued by seven individual companies in the financial services industry, specifically, the banking sector. Management believes the decline in fair value of these trust preferred securities primarily reflects investor concerns about global economic growth and how it will affect potential future losses in the financial services industry. These concerns resulted in increased risk premiums for securities in this sector. Based on the information available through the filing date of this report, all individual name issuer trust preferred debt securities held in our portfolio continue to accrue and make payments as expected with no payment deferrals or defaults on the part of the

issuers. As of March 31, 2014, individual name issuer trust preferred debt securities with an amortized cost of \$11.9 million and unrealized losses of \$2.1 million were rated below investment grade by Standard & Poors, Inc. (“S&P”). Management reviewed the collectibility of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings including ratings in effect as of the reporting period date as well as credit rating changes between the reporting period date and the filing date of this report and other information. We noted no additional downgrades to below investment grade between the reporting period date and the filing date of this report. Based on these analyses, management concluded that it expects to recover the entire amortized cost basis of these securities. Furthermore, Washington Trust does not intend to sell these securities and it is not more-likely-than-not that Washington Trust will be required to sell these securities before recovery of their cost basis, which may be maturity. Therefore, management does not consider these investments to be other-than-temporarily impaired at March 31, 2014.

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit-Related Impairment Losses Recognized on Debt Securities

The following table presents a rollforward of the cumulative credit-related impairment losses on debt securities held by the Corporation:

(Dollars in thousands)

Three months ended March 31,	2014	2013
Balance at beginning of period	\$—	\$3,325
Credit-related impairment loss on debt securities for which an other-than-temporary impairment was not previously recognized	—	—
Additional increases to the amount of credit-related impairment loss on debt securities for which an other-than-temporary impairment was previously recognized	—	2,772
Reductions for securities for which a liquidation notice was received during the period	—	(4,868 )
Balance at end of period	\$—	\$1,229

The January 1, 2014 beginning balance of the cumulative credit-related impairment losses was corrected from the \$6.8 million reported in our Form 10-K for the fiscal year ended December 31, 2013 to reflect the impact of the notice of liquidation of a pooled trust preferred security that occurred during the first quarter of 2013 and management's change in intent to no longer hold its other pooled trust preferred security, which was made in December 2013.

(5)Loans

The following is a summary of loans:

(Dollars in thousands)

	March 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Commercial:				
Mortgages (1)	\$788,836	32 %	\$796,249	32 %
Construction and development (2)	24,696	1	36,289	1
Other (3)	523,751	21	530,797	22
Total commercial	1,337,283	54	1,363,335	55
Residential real estate:				
Mortgages (4)	784,623	32	749,163	30
Homeowner construction	25,770	1	23,511	1
Total residential real estate	810,393	33	772,674	31
Consumer:				
Home equity lines	233,728	9	231,362	9
Home equity loans	41,991	2	40,212	2
Other (4)	55,208	2	55,301	3
Total consumer	330,927	13	326,875	14
Total loans (5)	\$2,478,603	100 %	\$2,462,884	100 %

(1) Amortizing mortgages and lines of credit, primarily secured by income producing property.

(2) Loans for construction commercial properties, loans to developers for construction of residential properties and loans for land development.

(3) Loans to businesses and individuals, a substantial portion of which are fully or partially collateralized by real estate.

(4) Fixed-rate consumer installment loans.

Includes net unamortized loan origination costs of \$1.1 million and \$879 thousand, respectively, and net (5) unamortized premiums on purchased loans of \$102 thousand and \$99 thousand, respectively, at March 31, 2014 and December 31, 2013.

At March 31, 2014 and December 31, 2013, there were \$1.16 billion and \$1.14 billion, respectively, of loans pledged as collateral for FHLBB borrowings, line of credit and letters of credit and were collateralized for the discount window at the FRB.

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Nonaccrual Loans

Loans, with the exception of certain well-secured loans that are in the process of collection, are placed on nonaccrual status and interest recognition is suspended when such loans are 90 days or more overdue with respect to principal and/or interest or sooner if considered appropriate by management. Well-secured loans are permitted to remain on accrual status provided that full collection of principal and interest is assured and the loan is in the process of collection. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. Interest previously accrued but not collected on such loans is reversed against current period income. Subsequent interest payments received on nonaccrual loans are applied to the outstanding principal balance of the loan or recognized as interest income depending on management's assessment of the ultimate collectability of the loan. Loans are removed from nonaccrual status when they have been current as to principal and interest for a period of time, the borrower has demonstrated an ability to comply with repayment terms, and when, in management's opinion, the loans are considered to be fully collectible.

The following is a summary of nonaccrual loans, segregated by class of loans:

(Dollars in thousands)	Mar 31, 2014	Dec 31, 2013
Commercial:		
Mortgages	\$2,293	\$7,492
Construction and development	—	—
Other	1,198	1,291
Residential real estate:		
Mortgages	8,975	8,315
Homeowner construction	—	—
Consumer:		
Home equity lines	568	469
Home equity loans	474	687
Other	66	48
Total nonaccrual loans	\$13,574	\$18,302
Accruing loans 90 days or more past due	\$—	\$—

As of March 31, 2014 and December 31, 2013, nonaccrual loans of \$2.1 million and \$2.7 million, respectively, were current as to the payment of principal and interest.

At March 31, 2014, there were no significant commitments to lend additional funds to borrowers whose loans were on nonaccrual status.



WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Past Due Loans

Past due status is based on the contractual payment terms of the loan. The following tables present an age analysis of past due loans, segregated by class of loans:

(Dollars in thousands)	Days Past Due			Total Past Due	Current	Total Loans
	30-59	60-89	Over 90			
March 31, 2014						
Commercial:						
Mortgages	\$—	\$15	\$2,238	\$2,253	\$786,583	\$788,836
Construction and development	—	—	—	—	24,696	24,696
Other	3,351	127	428	3,906	519,845	523,751
Residential real estate:						
Mortgages	2,232	1,265	5,634	9,131	775,492	784,623
Homeowner construction	—	—	—	—	25,770	25,770
Consumer:						
Home equity lines	1,004	492	269	1,765	231,963	233,728
Home equity loans	351	116	366	833	41,158	41,991
Other	10	50	66	126	55,082	55,208
Total loans	\$6,948	\$2,065	\$9,001	\$18,014	\$2,460,589	\$2,478,603

(Dollars in thousands)	Days Past Due			Total Past Due	Current	Total Loans
	30-59	60-89	Over 90			
December 31, 2013						
Commercial:						
Mortgages	\$—	\$—	\$7,492	\$7,492	\$788,757	\$796,249
Construction and development	—	—	—	—	36,289	36,289
Other	276	302	731	1,309	529,488	530,797
Residential real estate:						
Mortgages	4,040	1,285	5,633	10,958	738,205	749,163
Homeowner construction	—	—	—	—	23,511	23,511
Consumer:						
Home equity lines	831	100	269	1,200	230,162	231,362
Home equity loans	448	66	349	863	39,349	40,212
Other	43	—	38	81	55,220	55,301
Total loans	\$5,638	\$1,753	\$14,512	\$21,903	\$2,440,981	\$2,462,884

Included in past due loans as of March 31, 2014 and December 31, 2013, were nonaccrual loans of \$11.5 million and \$15.6 million, respectively. All loans 90 days or more past due at March 31, 2014 and December 31, 2013 were classified as nonaccrual.

WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impaired Loans

Impaired loans are loans for which it is probable that the Corporation will not be able to collect all amounts due according to the contractual terms of the loan agreements and loans restructured in a troubled debt restructuring. Impaired loans do not include large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, which consist of most residential mortgage loans and consumer loans.

The following is a summary of impaired loans:

(Dollars in thousands)	Recorded Investment (1)		Unpaid Principal		Related Allowance	
	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013
No Related Allowance Recorded:						
Commercial:						
Mortgages	\$9,084	\$998	\$9,077	\$998	\$—	\$—
Construction and development	—	—	—	—	—	—
Other	1,052	1,055	1,045	1,050	—	—
Residential real estate:						
Mortgages	789	1,167	872	1,259	—	—
Homeowner construction	—	—	—	—	—	—
Consumer:						
Home equity lines	—	—	—	—	—	—
Home equity loans	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	\$10,925	\$3,220	\$10,994	\$3,307	\$—	\$—
With Related Allowance Recorded:						
Commercial:						
Mortgages	\$16,045	\$29,335	\$18,610	\$31,731	\$292	\$552
Construction and development	—	—	—	—	—	—
Other	1,142	1,506	1,457	1,945	297	463
Residential real estate:						
Mortgages	2,735	3,122	3,037	3,507	436	463
Homeowner construction	—	—	—	—	—	—
Consumer:						
Home equity lines	93	173	91	174	1	1
Home equity loans	135	55	135	54	1	—
Other	117	127	118	130	—	2
Subtotal	\$20,267	\$34,318	\$23,448	\$37,541	\$1,027	\$1,481
Total impaired loans	\$31,192	\$37,538	\$34,442	\$40,848	\$1,027	\$1,481
Total:						
Commercial	\$27,323	\$32,894	\$30,189	\$35,724	\$589	\$1,015
Residential real estate	3,524	4,289	3,909	4,766	436	463
Consumer	345	355	344	358	2	3
Total impaired loans	\$31,192	\$37,538	\$34,442	\$40,848	\$1,027	\$1,481

The recorded investment in impaired loans consists of unpaid principal balance, net of charge-offs, interest payments received applied to principal and unamortized deferred loan origination fees and costs. For impaired (1) accruing loans (troubled debt restructurings for which management has concluded that the collectibility of the loan is not in doubt), the recorded investment also includes accrued interest.



WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the average recorded investment balance of impaired loans and interest income recognized on impaired loans segregated by loan class, for the periods indicated:

(Dollars in thousands)	Average Recorded Investment		Interest Income Recognized	
	2014	2013	2014	2013
Three months ended March 31,				
Commercial:				
Mortgages	\$28,340	\$20,903	\$165	\$100
Construction and development	—	—	—	—
Other	2,366	10,635	23	64
Residential real estate:				
Mortgages	3,744	4,000	14	22
Homeowner construction	—	—	—	—
Consumer:				
Home equity lines	134	263	1	3
Home equity loans	95	105	1	3
Other	125	163	2	2
Totals	\$34,804	\$36,069	\$206	\$194

#### Troubled Debt Restructurings

Loans are considered restructured in a troubled debt restructuring when the Corporation has granted concessions to a borrower due to the borrower's financial condition that it otherwise would not have considered. These concessions may include modifications of the terms of the debt such as deferral of payments, extension of maturity, reduction of principal balance, reduction of the stated interest rate other than normal market rate adjustments, or a combination of these concessions. Debt may be bifurcated with separate terms for each tranche of the restructured debt. Restructuring a loan in lieu of aggressively enforcing the collection of the loan may benefit the Corporation by increasing the ultimate probability of collection.

Restructured loans are classified as accruing or non-accruing based on management's assessment of the collectibility of the loan. Loans which are already on nonaccrual status at the time of the restructuring generally remain on nonaccrual status for approximately six months before management considers such loans for return to accruing status. Accruing restructured loans are placed into nonaccrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term.

Troubled debt restructurings are reported as such for at least one year from the date of the restructuring. In years after the restructuring, troubled debt restructured loans are removed from this classification if the restructuring did not involve a below market rate concession and the loan is not deemed to be impaired based on the terms specified in the restructuring agreement.

Troubled debt restructurings are classified as impaired loans. The Corporation identifies loss allocations for impaired loans on an individual loan basis. The recorded investment in troubled debt restructurings was \$26.4 million at both March 31, 2014 and December 31, 2013. These amounts included accrued interest of \$50 thousand and \$44 thousand, respectively. The allowance for loan losses included specific reserves for these troubled debt restructurings of \$347 thousand and \$556 thousand, respectively, at March 31, 2014 and December 31, 2013.

As of March 31, 2014, there were no significant commitments to lend additional funds to borrowers whose loans had been restructured.



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The following table presents loans modified as a troubled debt restructuring during the periods indicated:

(Dollars in thousands)	# of Loans		Outstanding Recorded Investment (1)			
	2014	2013	Pre-Modifications 2014	2013	Post-Modifications 2014	2013
Three months ended March 31,						
Commercial:						
Mortgages	—	2	\$—	\$452	\$—	\$372
Construction and development	—	—	—	—	—	—
Other	—	—	—	—	—	—
Residential real estate:						
Mortgages	2	—	479	—	479	—
Homeowner construction	—	—	—	—	—	—
Consumer:						
Home equity lines	—	1	—	92	—	92
Home equity loans	—	—	—	—	—	—
Other	—	—	—	—	—	—
Totals	2	3	\$479	\$544	\$479	\$464

The recorded investment in troubled debt restructurings consists of unpaid principal balance, net of charge-offs and (1) unamortized deferred loan origination fees and costs, at the time of the restructuring. For accruing troubled debt restructured loans, the recorded investment also includes accrued interest.

The following table provides information on how loans were modified as a troubled debt restructuring during the periods indicated.

(Dollars in thousands)	2014	2013
Three months ended March 31,		
Below market interest rate concession	\$—	\$314
Payment deferral	479	—
Maturity / amortization concession	—	—
Interest only payments	—	92
Combination (1)	—	138
Total	\$479	\$544

(1) Loans included in this classification were modified with a combination of any two of the concessions listed in this table.

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The following table presents loans modified in a troubled debt restructuring within the previous twelve months for which there was a payment default during the periods indicated:

(Dollars in thousands)	# of Loans		Recorded Investment (1)	
	2014	2013	2014	2013
Three months ended March 31,				
Commercial:				
Mortgages	—	1	\$—	\$235
Construction and development	—	—	—	—
Other	6	—	1,191	—
Residential real estate:				
Mortgages	—	—	—	—
Homeowner construction	—	—	—	—
Consumer:				
Home equity lines	—	1	—	32
Home equity loans	—	—	—	—
Other	—	—	—	—
Totals	6	2	\$1,191	\$267

The recorded investment in troubled debt restructurings consists of unpaid principal balance, net of charge-offs and (1) unamortized deferred loan origination fees and costs. For accruing troubled debt restructured loans, the recorded investment also includes accrued interest.

#### Credit Quality Indicators

##### Commercial

The Corporation utilizes an internal rating system to assign a risk to each of its commercial loans. Loans are rated on a scale of 1 to 10. This scale can be assigned to three broad categories including “pass” for ratings 1 through 6, “special mention” for 7-rated loans, and “classified” for loans rated 8, 9 or 10. The loan rating system takes into consideration parameters including the borrower’s financial condition, the borrower’s performance with respect to loan terms, and the adequacy of collateral. As of March 31, 2014 and December 31, 2013, the weighted average risk rating of the Corporation’s commercial loan portfolio was 4.61 and 4.64, respectively. For non-impaired loans, the Corporation assigns a loss allocation factor to each loan, based on its risk rating for purposes of establishing an appropriate allowance for loan losses. See Note 6 for additional information.

Descriptions of the commercial loan categories are as follows:

**Pass** - Loans with acceptable credit quality, defined as ranging from superior or very strong to a status of lesser stature. Superior or very strong credit quality is characterized by a high degree of cash collateralization or strong balance sheet liquidity. Lesser stature loans have an acceptable level of credit quality but exhibit some weakness in various credit metrics such as collateral adequacy, cash flow, or performance inconsistency or may be in an industry or of a loan type known to have a higher degree of risk.

**Special Mention** - Loans with potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank’s position as creditor at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Examples of these conditions include but are not limited to outdated or poor quality financial data, strains on liquidity and leverage, losses or negative trends in operating results, marginal cash flow, weaknesses in occupancy rates or trends in the case of commercial real estate and frequent delinquencies.

Classified - Loans identified as “substandard”, “doubtful” or “loss” based on criteria consistent with guidelines provided by banking regulators. A “substandard” loan has defined weaknesses which make payment default or principal exposure likely, but not yet certain. Such loans are apt to be dependent upon collateral liquidation, a secondary source of repayment or an event outside of the normal course of business. The loans are closely watched and are either already on nonaccrual status or may be placed on nonaccrual status when management determines there is uncertainty of collectibility. A “doubtful” loan is placed on



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non-accrual status and has a high probability of loss, but the extent of the loss is difficult to quantify due to dependency upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. A loan in the “loss” category is considered generally uncollectible or the timing or amount of payments cannot be determined. “Loss” is not intended to imply that the loan has no recovery value but rather it is not practical or desirable to continue to carry the asset.

The Corporation’s procedures call for loan ratings and classifications to be revised whenever information becomes available that indicates a change is warranted. The criticized loan portfolio, which consists of commercial and commercial real estate loans that are risk rated special mention or worse, are reviewed by management on a quarterly basis, focusing on the current status and strategies to improve the credit. An annual loan review program is conducted by a third party to provide an independent evaluation of the creditworthiness of the commercial loan portfolio, the quality of the underwriting and credit risk management practices and the appropriateness of the risk rating classifications. This review is supplemented with selected targeted internal reviews of the commercial loan portfolio.

The following table presents the commercial loan portfolio, segregated by category of credit quality indicator:

(Dollars in thousands)	Pass		Special Mention		Classified	
	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013
Mortgages	\$754,727	\$756,838	\$23,089	\$23,185	\$11,020	\$16,226
Construction and development	24,696	36,289	—	—	—	—
Other	504,857	507,962	15,923	19,887	2,971	2,948
Total commercial loans	\$1,284,280	\$1,301,089	\$39,012	\$43,072	\$13,991	\$19,174

#### Residential and Consumer

The residential and consumer portfolios are monitored on an ongoing basis by the Corporation using delinquency information and loan type as credit quality indicators. These credit quality indicators are assessed on an aggregate basis in these relatively homogeneous portfolios. For non-impaired loans, the Corporation assigns loss allocation factors to each respective loan type and delinquency status. See Note 6 for additional information.

Various other techniques are utilized to monitor indicators of credit deterioration in the portfolios of residential real estate mortgages and home equity lines and loans. Among these techniques is the periodic tracking of loans with an updated FICO score and an estimated loan to value (“LTV”) ratio. LTV is determined via statistical modeling analyses. The indicated LTV levels are estimated based on such factors as the location, the original LTV, and the date of origination of the loan and do not reflect actual appraisal amounts. The results of these analyses are taken into consideration in the determination of loss allocation factors for residential mortgage and home equity consumer credits. See Note 6 for additional information.

The following table presents the residential and consumer loan portfolios, segregated by category of credit quality indicator:

(Dollars in thousands)	Under 90 Days Past Due		Over 90 Days Past Due	
	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013
Residential real estate:				
Accruing mortgages	\$775,648	\$740,848	\$—	\$—
Nonaccrual mortgages	3,341	2,682		