NEW JERSEY MINING CO
Form 10-Q
May 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2012**

or

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

For the transition period from ______to ______

Commission file number: **000-28837**

NEW JERSEY MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho	**82-0490295**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification No.)

89 Appleberg Road, Kellogg, Idaho 83837
(Address of principal executive offices) (zip code)

(208) 783-3331
Registrant s telephone number, including area code

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 as the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

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

Large Accelerated Filer [ ]	Accelerated Filer [ ]
Non-Accelerated Filer [ ]	Smaller reporting company [X]

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

On May 1, 2012, 45,305,862 shares of the registrant s common stock were outstanding.

NEW JERSEY MINING COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 2012

TABLE OF CONTENTS

PART I-FINANCIAL INFORMATION

Item 1: CONSOLIDATED FINANCIAL STATEMENTS

New Jersey Mining Company
(A Development Stage Company)
Consolidated Balance Sheets
March 31, 2012 and December 31, 2011

ASSETS

	March 31, 2012 (Unaudited)	December 31, 2011
Current assets:		
Cash and cash equivalents	$ 167,443	$ 612,989
Investment in marketable equity security at market (cost-$3,868)	19,150	19,344
Joint venture receivables	202,997	131,718
Other current assets	20,608	55,442
Deposits		44,280
Inventory	19,353	18,410
Total current assets	429,551	882,183
Property, plant, and equipment, net of accumulated depreciation	4,489,217	3,967,467
Mineral properties, net of accumulated amortization	699,575	699,575
Investment in Golden Chest LLC	599,266	553,205
Total assets	$ 6,217,609	$ 6,102,430

LIABILITIES AND STOCKHOLDERS EQUITY

	March 31, 2012	December 31, 2011
Current liabilities:		
Accounts payable	$ 116,065	$ 122,060
Accrued payroll and related payroll expenses	72,689	54,367
Account payable, related party	1,500	1,500
Accounts payable, joint venture and related party	137,662	
Obligations under capital lease, current	30,111	30,153
Notes payable, current	101,530	102,151
Total current liabilities	459,557	310,231
Asset retirement obligation	8,933	8,645
Obligations under capital lease, non-current	50,693	58,376
Notes payable, non-current	282,827	308,362
Total non-current liabilities	342,453	375,383
Total liabilities	802,010	685,614
Commitments (Note 5)		
Stockholders equity:		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued and outstanding	10,423,469	10,423,469
Common stock, no par value, 200,000,000 shares		

authorized; 45,305,862 shares issued and outstanding both periods				
Deficit accumulated during the development stage		(7,556,074)		(7,233,754)
Accumulated other comprehensive income				
Unrealized gain in marketable equity security		15,281		15,475
Total New Jersey Mining Company stockholders' equity		2,882,676		3,205,190
Noncontrolling interest in New Jersey Mill Joint Venture		2,532,923		2,211,626
Total stockholders equity		5,415,599		5,416,816
Total liabilities and stockholders equity	$	6,217,609	$	6,102,430

3

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

New Jersey Mining Company
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
For the Three Month Periods Ended March 31, 2012 and 2011,
And from Inception (July 18, 1996) through March 31, 2012

	March 31, 2012	March 31, 2011	From Inception (July 18, 1996) Through March 31, 2012
Income earned during the development stage:			
Sales of gold	$	$	$ 437,122
Sales of concentrate			601,168
Drilling and exploration contract income	413,044	183,836	2,015,304
Joint venture management fee income	23,242	14,035	102,273
Engineering services income	39,900	32,700	203,723
Total income earned during the development stage	476,186	230,571	3,359,590
Costs and expenses:			
Direct production costs	3,071	544	1,336,279
Drilling and exploration contract expense	229,886	108,997	1,079,431
Engineering services expense	9,750		61,841
Management	12,443	24,228	1,928,982
Exploration	584	2,813	2,419,665
Net loss (gain) on sale of or default on mineral property			(281,398)
Net gain on sale of equipment		(12,895)	(47,993)
Depreciation and amortization	31,005	14,687	854,718
General and administrative expenses	111,746	102,265	3,196,762
Total operating expenses	398,485	240,639	10,548,287
Other (income) expense:			
Timber sales			(54,699)
Timber expense			14,554
Royalties and other income	(3,000)	(8,612)	(108,445)
Royalties expense			44,089
Gain on sale of marketable equity security			(92,269)
Interest income	(217)	(358)	(49,117)
Interest expense		1,522	91,887
Write off of goodwill and investment			120,950
Equity in loss of Golden Chest LLC	403,940		403,940
Total other (income) expense	400,723	(7,448)	370,890
Net loss	323,022	2,620	7,559,587
Net loss attributable to non controlling interest-Mill JV	702		3,513
Net loss attributable to the Company	322,320	2,620	7,556,074
Income tax (provision) benefit			

Other comprehensive (income) loss:						
Unrealized (gain) loss on marketable equity security		193		9,672		(15,281)
Comprehensive loss	$	322,513	$	12,292	$	7,540,793
Net loss per common share-basic	$	0.01	$	Nil	$	0.32
Weighted average common shares outstanding-basic		45,302,862		45,017,862		23,675,669

4

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

New Jersey Mining Company
(A Development Stage Company)
Consolidated Statements of Cash Flows (Unaudited)
For the Three Month Periods Ended March 31, 2012 and 2011,
And from Inception (July 18, 1996) through September 30, 2012

	March 31, 2012	March 31, 2011	From Inception (July 18, 1996) through March 31, 2012
Cash flows from operating activities:			
Net income (loss)	$ (323,022)	$ (2,620)	$ (7,559,587)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	31,005	14,687	854,718
(Gain) loss on sale of equipment		(12,895)	(36,721)
Write-off of goodwill and investment			120,950
Gain on sale of mineral property			(281,334)
Gain on sale of marketable equity security			(92,269)
Accretion of asset retirement obligation	288	868	8,095
Equity in loss of Golden Chest LLC	403,940		403,940
Common stock issued for:			
Management and directors fees			1,169,335
Services and other			255,874
Exploration			96,521
Mineral property agreement			15,000
Change in:			
Deposits	44,280		
Inventory	(942)	(335)	(19,353)
Joint venture receivables	(71,280)	(149,333)	(202,996)
Other current assets	34,835	6,992	(20,607)
Other assets			(778)
Accounts payable	(5,996)	98,465	131,808
Accrued payroll and related payroll expense	18,322	40,745	72,689
Accounts payable joint venture and related party	137,662		137,662
Accrued reclamation costs			(1,443)
Net cash provided (used) by operating activities	269,092	(3,426)	(4,948,496)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(552,755)	(588,604)	(3,905,298)
Deposit on equipment purchase		(310,820)	
Purchase (sales)of mineral property		(10,000)	(3,904)
Proceeds from sale of mineral property			240,000
Deposit received on sale of mineral property			320,000
Contribution to Golden Chest LLC	(450,000)		(450,000)
Proceeds from sale of equipment		12,676	49,174
Redemption (purchase) of reclamation bonds		(110)	(120,500)
Purchase of marketable equity security			(7,500)
Proceeds from sales of marketable equity securities			95,901

Cash of acquired companies						38,269
Deferral of development costs						(759,209)
Net cash provided (used) by investing activities		(1,002,755)		(896,858)		(4,503,067)
Cash flows from financing activities:						
Exercise of stock purchase warrants						2,571,536
Sales of common stock, net of issuance costs						5,246,236
Principal payments on capital lease		(7,726)		(3,316)		(220,235)
Principal payments on notes payable		(26,157)		(18,035)		(516,466)
Note and interest payable, related party, net						1,500
Contributions from noncontrolling equity interest in Mill JV		322,000		989,420		2,536,435
Net cash provided by financing activities		288,117		968,069		9,619,006
Net change in cash and cash equivalents		(445,546)		67,785		167,443
Cash and cash equivalents, beginning of period		612,989		357,317		0
Cash and cash equivalents, end of period	**$**	**167,443**	**$**	**425,102**	**$**	**167,443**
Supplemental disclosure of cash flow information						
Interest paid in cash, net of amount capitalized			$	1,522	$	93,986
Non-cash investing and financing activities:						
Common stock issued for:						
Property, plant and equipment					$	50,365
Mineral properties agreement					$	351,600
Payment of accounts payable					$	18,730
Acquisitions of companies, excluding cash					$	743,653
Capital lease obligation incurred for equipment acquired					$	275,838
Notes payable for property and equipment acquired			$	62,613	$	884,397
Mineral property transferred to Golden Chest LLC					$	553,205
Debt relieved from sale of truck			$	2,785	$	2,785

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

New Jersey Mining Company
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Unaudited)

1. The Company and Significant Accounting Policies:

These unaudited interim consolidated financial statements have been prepared by the management of New Jersey Mining Company (the Company) in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of the Company s management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim consolidated financial statements have been included.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's financial position and results of operations. Operating results for the three month period ended March 31, 2012, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

For further information refer to the financial statements and footnotes thereto in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

The Company presents its consolidated financial statements in accordance with accounting guidance for development stage entities, as management believes that while the Company s planned principal operations have commenced, the revenue generated from them is not sufficient to consistently cover all corporate costs. Additional development of the Company s properties is necessary before a transition is made to reporting as a production stage company.

Principles of Consolidation
At March 31, 2012, the consolidated financial statements include the accounts of the Company and the accounts of our majority owned New Jersey Mill Joint Venture. Intercompany items and transactions between companies included in the consolidation are eliminated.

2. Related Party Transactions

The Company jointly owns with Marathon Gold USA (MUSA) and acts as the operator of the Golden Chest LLC (GC LLC). Accounts receivable are a part of normal operations which include operating costs, payroll, and drilling. As of March 31, 2012, a related party account receivable existed with MUSA and GC LLC for $185,068. In addition, income, expense, and equity in loss items for the three month period ended March 31, 2012 related to MUSA and GC LLC were as follows:

Drilling and exploration contract income	$ 413,044
Joint Venture Management fees income	23,242
Drilling and exploration contract expense	229,886
Equity in loss of Golden Chest LLC	403,940

Engineering services income includes engineering services provided to United Mine Services (UMS). UMS holds the noncontrolling interest in the Company's New Jersey Mill Joint Venture. Engineering services to UMS in the three period ended March 31, 2012 were $39,900. As of March 31, 2012, a related party account receivable existed with the Mill Joint Venture and UMS for $17,929. As of March 31, 2012, $137,662 was recorded as an account payable to Mine Fabrication and Machine, a wholly owned subsidiary of UMS, a related party. $1,500 is payable quarterly by the Company to Mine Systems Design, a related party, for office rent. The first quarter's office rent to Mine System Design was recorded as a related party account payable on March 31, 2012.

3 Earnings per Share

For the quarters ended March 31, 2011 and 2012, the effect of the Company s potential issuance of shares from the exercise of 6,099,550 outstanding warrants would have been anti-dilutive. Accordingly, only basic net loss per share has been presented.

Common Stock Issued for Cash

There was no stock issued in the first quarter of 2011 or 2012.

4. Fair Value Measurement

The table below sets forth our financial assets that were accounted for at fair value on at March 31, 2012 and December 31, 2011, and their respective hierarchy level. We had no other financial assets or liabilities accounted for at fair value on a recurring basis at March 31, 2012 and December 31, 2011.

	Balance at March 31, 2012	Balance at December 31, 2011	Hierarchy Level
Investments in marketable equity securities	$ 19,150	$19,344	Level 1

5. Joint Venture partnerships

For joint ventures where the Company holds more than 50% of the voting interest and has significant influence, the joint venture is consolidated with the presentation of noncontrolling interest. In determining whether significant influence exists, the Company considers its participation in policy-making decisions and its representation on the venture s management committee.

For joint ventures in which the Company does not have joint control or significant influence, the cost method is used. Under the cost method, these investments are carried at the lower of cost or fair value. For those joint ventures in which there is joint control between the parties, the equity method is utilized whereby the Company s share of the ventures earnings and losses is included in the statement of operations as earnings in joint ventures and its investments therein are adjusted by a similar amount.

At March 31, 2012 and December 31, 2011, the Company s percentage ownership and method of accounting for each joint venture is as follows:

	March 31, 2012			**December 31, 2011**		
Joint Venture	**% Ownership**	**Significant Influence?**	**Accounting Method**	**% Ownership**	**Significant Influence?**	**Accounting Method**
New Jersey Mill Joint Venture	67%	Yes	Consolidated	71%	Yes	Consolidated
Golden Chest LLC	50%	No	Equity	50%	No	Cost

New Jersey Mill Joint Venture Agreement

In January 2011, the New Jersey Mill Joint Venture agreement was signed by the Company and United Mine Services, Inc. (UMS) relating to the New Jersey mineral processing plant. To earn a one third interest in the venture, UMS will provide funding to expand the processing plant to 15 tonnes/hr, which is estimated to cost $2.5 million. The proposed expansion budget included purchasing land held by the Company, known as the Zanetti Mining Lease, which was cancelled by the purchase of the land. The Company is the operator of the venture and will charge operating costs to UMS for milling its ore up to 7,000 tonnes/month, retain a milling capacity of 3,000 tonnes/month, and as the operator of the venture receive a fee of $2.50/tonne milled. UMS has contributed $2,536,435 for a vested, noncontrolling interest of 33% as of March 31, 2012. The Company holds the remaining interest. Losses attributed to the Mill JV are the result of equipment depreciation expenses charged to the Joint Venture. For the three month period ending March 31, 2011 they are $2,128.

Golden Chest LLC Joint Venture

The Company has a joint venture with Marathon Gold USA (MUSA). Upon MUSA's completion of their initial contribution in November 2011 the company and MUSA each have 50% ownership and an equal amount of control over the joint venture. Funding for the Golden Chest Joint Venture in 2011 was paid by MUSA's initial $4,000,000 contribution. Funding in 2012 is being provided based upon ownership at 50% per partner. The Company provided

$450,000 of funding in the first quarter of 2012 of which $46,060 was capitalized and the remaining amount was recognized as a Equity loss in the joint venture. These cash call commitments may continue throughout 2012. Because both partners have now completed their initial contribution and the Company is now contributing additional funding, the cost method has been replaced by the equity method of accounting for this joint venture as of January 1, 2012, and accordingly, the Company is now recognizing its proportional share of the LLC's losses.

6. Property, Plant, and Equipment

Property, plant and equipment at March 31, 2012 and December 31, 2011, consisted of the following:

	March 31, 2012	December 31,2011
Mill land at cost	$ 225,289	$ 225,289
Mill building at cost	519,067	430,118
Milling equipment at cost	3,266,731	2,802,925
Less accumulated depreciation	(80,385)	(80,385)
Total mill	3,930,702	3,377,947
Building and equipment at cost	771,419	771,419
Less accumulated depreciation	(472,313)	(441,308)
Total building and equipment	299,106	330,111
Land	259,409	259,409
Total	$ 4,489,217	$ 3,967,467