ADINO ENERGY CORP
Form 10-Q
November 19, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

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

Commission File #333-74638

ADINO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

MONTANA (State or other jurisdiction of incorporation)		82-0369233 (IRS Employer Identification Number)
2500 CITY WEST BOULEVARD, SUITE 300 (Address of principal executive offices)	**HOUSTON, TEXAS**	77042 (Zip Code)

(281) 209-9800

(Registrant's telephone number, including area code)

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

Common stock, $0.001 par value per share

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. S Yes ¨ 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 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 (Do not check if smaller reporting company)	¨	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

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: At November 19, 2012 there were 156,249,330 shares of common stock outstanding.

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ITEM 1. FINANCIAL STATEMENTS

ADINO ENERGY CORPORATION

Consolidated Balance Sheets

AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash in bank	$ 1,218	$ 52,540
Certificate of deposit - restricted	50,056	50,000
Accounts receivable, net of allowances	10,000	10,000
Deposits and prepaid assets	902	6,530
Assets held for sale - current	1,174,224	1,387,307
Total current assets	1,236,400	1,506,377
Fixed assets, net of accumulated depreciation of $0 and $69,052, respectively	-	355,329
Assets held for sale	811,188	2,513,597
Total non-current assets	811,188	2,868,926
TOTAL ASSETS	$ 2,047,588	$ 4,375,303
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Account payable	$ 369,651	$ 428,493
Accounts payable - related party	16,125	61,387
Accrued liabilities	9,777	129,387
Accrued liabilities - related party	537,959	568,689
Contract clawback Provision	-	386,739
Notes payable - current portion	-	445,995
Convertible notes payable - current portion	201,078	119,514
Interest Payable	17,984	10,156
Derivative liability	108,286	136,894
Deferred revenue	50,000	50,000
Liabilities associated with assets held for sale - current	3,369,247	4,264,093
Total current liabilities	4,680,107	6,601,347
Notes payable	-	5,007
Convertible notes payable	-	85,000
Liabilities associated with assets held for sale	400,000	400,000

TOTAL LIABILITIES	$ 5,080,107	7,091,354
SHAREHOLDERS' DEFICIT		
Capital stock, $0.001 par value, 500 million shares authorized, 148,888,219 and 125,574,295 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	148,888	125,573
Preferred stock	708,955	685,558
Additional paid in capital	14,275,073	14,177,563
Retained deficit	(18,165,435)	(17,704,745)
Total shareholders' deficit	(3,032,519)	(2,716,051)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 2,047,588	$ 4,375,303

See accompanying notes to the financial statements

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Adino Energy Corporation

Consolidated Statements of Operations

For the three and nine months ended September 30, 2012 and 2011

(unaudited)

	Three months ended Sept 30 2012	Three months ended Sept 30 2011	Nine months ended Sept 30 2012	Nine months ended Sept 30 2011
REVENUES AND GROSS MARGINS				
Terminal operations	$-	$-	$-	$50,000
Total revenues	-	-	-	50,000
OPERATING EXPENSES				
Cost of product sales	11,246	76,062	33,595	-
Payroll and related expenses	(25)	29,898	5,064	111,958
General and administrative	(8,281)	(27,907)	376,339	44,832
Legal and professional	39,323	76,959	64,414	217,277
Consulting fees	3,822	282,327	125,148	631,595
Repairs	-	785	-	-
Depreciation expense	-	(17,650)	5,083	790
Operating supplies	(140)	5,787	(415)	8,744
Total operating expenses	45,945	426,261	609,228	1,015,196
OPERATING (LOSS)	(45,945)	(426,261)	(609,228)	(965,196)
OTHER INCOME AND EXPENSES				
Interest income	-	6,970	-	46,570
Interest expense	(84,790)	(73,721)	(223,550)	(206,458)
Gain on debt conversion	-	-	87,962	-
Gain from lawsuit/sale leaseback	-	224,049	-	228,185
Gain on foreclosure	13,277	-	13,277	-
Gain (loss) on derivative	(1,482)	35,419	15,986	28,144
(Loss) on change in fair value of clawback	-	(64,683)	(198,643)	(65,379)
Gain on sale/relinquishment	-	-	473,232	-
Gain on asset sale	-	-	161,905	-
Other (expense)	-	(9,644)	-	(39,649)
Total other income and (expense)	(72,995)	118,390	330,169	(8,587)
Income (loss) from continuing operations	$(118,940)	$(307,871)	$(279,059)	$(973,783)
Discontinued Operations				
	(78,369)	(60,731)	(243,140)	(121,652)

Loss from operations of discontinued Adino Exploration, LLC				
Gain (loss) from operations of discontinued Intercontinental Fuels, LLC	-	(32,687)	61,509	515,907
Loss from operations of discontinued Adino Drilling, LLC	-	-	-	(272,042)
Net income (loss)	$(197,309)	$(401,289)	$(460,690)	$(851,570)
Net loss per share, basic and fully diluted - continuing operations	$(0.00)	$(0.00)	$(0.00)	$(0.01)
Net income (loss) per share, basic and fully diluted - discontinued operations	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Total net loss per share, basic and fully diluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)
Weighted average shares outstanding, basic	148,888,219	117,505,341	141,108,379	107,685,367
Weighted average shares outstanding, fully diluted	148,888,219	117,505,341	141,108,379	107,685,367

ADINO ENERGY CORPORATION

Consolidated Statement of Changes in Shareholders' Deficit

FOR THE PERIOD ENDED SEPTEMBER 30, 2012

(Unaudited)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	APIC	Retained Deficit	Total
Balance December 31, 2011	125,574,295	$125,573	109,642	$685,558	$14,177,563	$(17,704,745)	$(2,716,051)
Shares issued in debt conversion - common	23,313,924	23,315	-	-	63,769	-	87,084
Reduction in derivative liability	-	-	-	-	33,741	-	33,741
Shares issued in debt conversion - preferred	-	-	681	22,500	-	-	22,500
Shares issued for cash	-	-	857	30,000	-	-	30,000
Dividend on preferred stock	-	-	-	(29,103)	-	-	(29,103)
Net loss	-	-	-	-	-	(460,690)	(460,690)
Balance September 30, 2012	148,888,219	148,888	111,180	708,955	14,275,073	(18,165,435)	(3,032,519)

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

ADINO ENERGY CORPORATION

Consolidated Statements of Cash Flows

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(Unaudited)

	September 30, 2012	September 30, 2011
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (460,690)	$ (851,570)
Adjustments to reconcile net income (loss) to net cash provided from (used in) operating activities:		
Depreciation and depletion	121,980	80,770
Accretion	3,198	-
Amortization of discount on note receivable	-	(46,570)
Shares issued in debt conversion	(87,962)	242,108
Amortization of note payable discount	39,359	50,031
Gain on change in derivative liability	(15,985)	(28,144)
Gain on sale Ashton assets	(161,905)	-
Loss on change in fair value of clawback provision	198,643	65,379
Gain on lawsuit settlement	(32,607)	(293,460)
Loss on sale of subsidiary	8,415	252,524
Bad debt expense	358,401	-
Gain on foreclosure	(13,277)	-
Gain on clawback relinquishment	(473,232)	-
Change in operating assets and liabilities		
Accounts receivable	(7,211)	(27,413)
Other assets	63,252	(6,376)
Accounts payable	14,234	333,660
Accrued interest	132,502	-
Accrued liabilities	(155,143)	-
Net cash provided from (used in) operating activities	$ (468,028)	$ (229,061)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(71,373)	(277,185)
Proceeds from sale of IFL	244,825	-
Proceeds from sale of fixed assets - Ashton	500,000	-
Net cash provided from (used in) investing activities	$ 673,452	$ (277,185)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing on debt	40,000	453,500
Proceeds from preferred stock sale	30,000	-

Dividends paid	(21,295)	-
Principal payments on note payable	(576,556)	(55,569)
Net cash provided from (used in) financing activities	$ (527,851)	$ 397,931
		-
Net change in cash and cash equivalents	(322,427)	(108,315)
Cash and cash equivalents, beginning of period	331,945	285,171
Cash and cash equivalents, end of period	$ 9,518	$ 176,856
Cash paid for:		
Interest	42,719	12,582
Income taxes	-	-
Non-cash transactions:		
Stock issued in debt conversion - common stock	$ 87,084	$ 57,500
Stock issued in debt conversion - preferred stock	$ 22,500	$ -
Asset retirement obligation	$ -	$ 3,669
Derivative liability new debt	$ 21,119	$ 85,579
Reduction in derivative due to debt conversions	$ 33,741	$ -
Derivative settlement	$ -	$ 38,544

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

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ADINO ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - ORGANIZATION

Adino was incorporated under the laws of the State of Montana on August 13, 1981, under the name Golden Maple Mining and Leaching Company, Inc. In 1985, the Company ceased its mining operations and discontinued all business operations in 1990. The Company then acquired Consolidated Medical Management, Inc. (“CMMI”) and kept the CMMI name. The Company initially focused its efforts on the continuation of the business services offered by CMMI. These services focused on the delivery of turn-key management services for the home health industry, predominately in south Louisiana. The Company exited the medical business in December 2000. In August 2001, the Company decided to refocus on the oil and gas industry. In 2003, we decided to cease our oil and gas activities and focus on becoming a fuel company.

The Company’s wholly owned subsidiary, Intercontinental Fuels, LLC (“IFL”), a Texas limited liability company, was founded in 2003. Adino first acquired 75% of IFL’s membership interests in 2003. The Company acquired 100% ownership of IFL shortly thereafter.

In January 2008, the Company changed its name to Adino Energy Corporation. We believed that this name better reflected our current and future business activities.

As of July 1, 2010, the Company acquired PetroGreen Energy LLC, a Nevada limited liability company, and AACM3, LLC, a Texas limited liability company d/b/a Petro 2000 Exploration Co. (together "Petro Energy"). Petro Energy was a licensed Texas oilfield operator currently operating 11 wells on two leases covering approximately 300 acres in Coleman County, Texas. Petro Energy also owned a drilling rig, two service rigs and associated tools and equipment. The Company also acquired the operator license held by the principal of Petro Energy.

After the acquisition of Petro Energy, the Company created two wholly owned subsidiaries: Adino Exploration, LLC (“Adino Exploration”) and Adino Drilling, LLC (“Adino Drilling”). All oil and gas leases were transferred from the Petro Energy companies to Adino Exploration and future oil and gas exploration acquisitions and activity are to be operated through this company. The large drilling rig acquired in the Petro Energy transaction and other associated drilling machinery and equipment were transferred to Adino Drilling.

On March 31, 2011, the Company sold the membership interest of Adino Drilling, LLC to a related party. Under the terms of the agreement, the Company realized a reduction in accrued liability of $100,000 and acquired a $500,000 six year, 5.24% interest note receivable, for a total sale price of $600,000. However, the transaction's related party note of $500,000 is not allowed for reporting purposes, therefore the Company had a reportable loss of $252,624.

In October 2011 Adino signed a letter of intent to purchase all of the assets of Ashton, AOS 1A, and AOS 1-B. The proposed purchase price for the assets was $6,000,000 in face value of convertible preferred stock of the Company, with the preferred stock converting to common stock at the rate of $0.15 per share. The parties agreed that partial closing of the purchase would occur once the sellers received clear title to the assets subject to the agreement. The first partial closing of purchase occurred on November 3, 2011, and the Company issued 100,000 shares of Adino's Class "B" Preferred Stock Series 1 (the "Preferred Stock"), as follows: 95,534 shares to AOS 1A, and 4,466 shares to AOS 1-B. The Preferred Stock shall be convertible into common shares at AOS 1A or AOS 1-B's option at any time after six months, provided that (a) immediately after the first six months, only 25% of the Preferred Stock may be converted to common stock, and (b) each month thereafter, only up to 12.5% of the Preferred Stock may be converted to common stock. The Preferred Stock shall have other terms as determined by Adino's Board of Directors. The number of shares of Preferred Stock was chosen to conform to the agreed upon value of $1,500,000 for the assets. The Company later decided not to acquire the remaining Ashton assets. On February 7, 2012, the Company sold all oilfield machinery and equipment it had purchased from Ashton Oilfield Services in its November 2011 acquisition for $500,000.

With the Company's focus on oil and gas exploration and production, the Company decided to sell its interest in IFL. To that end, on February 7, 2012, Adino sold all of its membership interest in IFL to Pomisu XXI S.L. ("Buyer"). The purchase price to be paid by the Buyer was $900,000, paid in two installments with the first installment of $244,825 paid on February 7, 2012, and the balance due not later than May 7, 2012. The balance of the purchase price shall be computed as follows: $900,000 minus $244,825 (initial installment) minus $655,157 of IFL liabilities assumed and settled by the Buyer. The liabilities included $106,520 in accounts payable, $1,500 to a related party, $110,000 in retained customer deposit and $437,155 for the G J Capital lawsuit judgment (see Note 21 for a more thorough discussion). The balance due had not been paid as of September 30, 2012 and the full receivable balance has been reserved.

On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC (“Gator-Dawg”). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement, which stated that the Sellers could repurchase the assets sold to the Company for $1.00 if the price of the Company’s stock did not reach $0.25 per share by the specified date. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg agreed to transfer the drilling rig and associated assets purchased from the Company in March, 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company forfeited the $500,000 note due from Gator-Dawg for purchase of those assets (disallowed for consolidation), executed a $100,000 note payable to Gator-Dawg for rig improvements and transferred a truck and trailer purchased in early 2012 to Gator-Dawg. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012.

On October 31, 2012 the Company and Adino Exploration, LLC (“Exploration”), a wholly owned subsidiary of the Company, entered into an Asset Purchase and Sales Agreement (“Agreement”) with Broadway Resources, LLC (“Buyer”). The Agreement provides that Exploration has agreed to sell all of its rights, title and interest to its oil and gas leases located in Coleman and Runnels Counties, Texas. The purchase price paid by the Buyer was $2,921,616, which includes a cash payment of $811,825 and the elimination of the Company and Exploration debts in the amount of $2,109,791.

The Company’s Chairman and Chief Financial Officer have an ownership interest in the Buyer. Exploration’s members approved the sale of assets and the terms of the Agreement as being fair and reasonable. In evaluating the sale of Exploration’s assets, including the determination of an appropriate purchase price paid, the Company considered a variety of factors, including the estimated future net oil reserves of the oil and gas leases, comparable sales of other oil and gas leases in the area, and the value of the equipment sold.

On October 31, 2012, Shannon McAdams, the Company’s chief financial officer, resigned his employment with the Company and with Adino Exploration, LLC.

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements of Adino Energy Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in Adino Energy Corporation's Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Significant accounting policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include all of the assets, liabilities and results of operations of subsidiaries in which the Company has a controlling interest. All significant inter-company accounts and transactions among consolidated entities have been eliminated.

Concentrations of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents and accounts receivable.

The Company maintains its cash in well-known banks selected based upon management's assessment of the banks' financial stability. Balances rarely exceed the $250,000 federal depository insurance limit. The Company has not experienced any losses on deposits and believes the risk of loss is minimal.

Management assesses the need for an allowance for doubtful accounts based upon the financial strength of our customers, historical experience with our customers and the aging of the amounts due. For the year ended December 31, 2011, we had no reserve for doubtful accounts as all of our receivables were collected early in the subsequent period and had no expectation of loss. At September 30, 2012, the Company reserved the amount due from the sale of IFL, or $358,401.

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Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. We had no cash equivalents at either September 30, 2012 or December 31, 2011.

Investments

The Company from time to time maintains a portfolio of marketable investment securities for deposit requirements associated with our oil and gas operator licenses. The securities have an investment grade and a term to earliest maturity generally of ten months to over one year and include certificates of deposit. These securities are carried at cost, which approximates market. The Company's securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity.

Other Assets

Supplies consisting of equipment and parts to be used for future drilling projects and repair to existing wells are stated at cost. As the supplies are assigned to a particular project, they are then capitalized or expensed, accordingly. Supplies are evaluated at each balance sheet date for obsolescence and impairment.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. Expenditures for major renewals and betterments that extend the original estimated economic useful lives of the applicable assets are capitalized. Expenditures for normal repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in operations.

Oil and Gas Producing Activities

The Company follows the full cost method of accounting for oil and gas operations whereby all costs associated with the exploration and development of oil and gas properties are initially capitalized into a single cost center (full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of drilling directly related to acquisition and exploration activities. Proceeds from property sales are generally credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of the proved reserves related to a full cost pool.

Depletion of exploration and production costs and depreciation of production equipment is computed using the units of production method based upon estimated proved oil and gas reserves as determined by consulting engineers and prepared (annually) by independent petroleum engineers. Costs included in the depletion base to be amortized include (a) all proved capitalized costs including capitalized asset retirement costs, net of estimated salvage values, less accumulated depletion, (b) estimated future development cost to be incurred in developing proved reserves; and (c) estimated dismantlement and abandonment costs, net of estimated salvage values that have not been included as capitalized costs because they have not yet been capitalized in asset retirement costs. The costs of unproved properties are withheld from the depletion base until it is determined whether or not proved reserves can be assigned to the properties. The unproved properties are reviewed quarterly for impairment. When proved reserves are assigned or the unproved property is considered to be impaired, the cost of the property or the amount of the impairment is added to the costs subject to depletion calculations.

Current guidance requires that unamortized capitalized costs (less certain adjustments) for each cost center not exceed the cost ceiling, which is defined as the present value of future net revenues from estimated production of proved oil and gas reserves (plus certain adjustments). If adjusted unamortized costs capitalized within a cost center exceed the cost center ceiling, the excess is charged to expenses and separately disclosed during the period it occurs. The Company evaluates the carrying cost of the applicable oil producing properties for any impairment as required.

Derivatives

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported as charges or credits to income. For option−based derivative financial instruments, the Company uses the lattice model to value the derivative instruments. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non−current based on whether or not cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Asset Retirement Obligation

The Company accounts for its asset retirement obligations by recording the fair value of a liability for an asset retirement obligation recognized for the period in which it was incurred if a reasonable estimate of fair value could be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The increase in carrying value of a property associated with the capitalization of an asset retirement cost is included in proved oil and gas properties in the consolidated balance sheets. The Company depletes the amount added to proved oil and gas property costs. The future cash outflows associated with settling the asset retirement obligation that have been accrued in the accompanying balance sheets are excluded from the ceiling test calculations. The Company also depletes the estimated dismantlement and abandonment costs, net of salvage values, associated with future development activities that have not yet been capitalized as asset retirement obligations. These costs are also included in the ceiling test calculations. Accretion of the asset retirement liability is allocated to operating expense using the discount method.

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Revenue Recognition

IFL earns revenue from customer contract payments on a monthly basis. The Company recognizes revenue from the contracts in the month that the services are provided based upon contractually determined rates.

As described above, in accordance with the requirement of current guidance, the Company recognizes revenue when (1) persuasive evidence of an arrangement exists (contracts) (2) delivery has occurred (monthly) (3) the seller's price is fixed or determinable (per the customer's contract or current market price) and (4) collectability is reasonably assured (based upon our credit policy).

The Company has performed an analysis and determined that gross revenue reporting is appropriate since (1) the Company is the primary obligor in the transaction (2) the Company has latitude in establishing price and (3) the Company provides the product and performs part of the service.

Adino Exploration earns revenue from the sale of oil. The Company recognizes oil, gas and natural gas condensate revenue in the period of delivery. Settlement for oil sales occurs 30 days after the oil has been sold; and settlement for gas sales would occur 60 days after the gas had been sold. The Company recognizes revenue when an arrangement exists, the product or service has been provided, the sales price is fixed or determinable, and collectability is reasonably assured.

Income Taxes

The Company uses the asset and liability approach to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted.

On January 1, 2007, the Company adopted an accounting standard which clarifies the accounting for uncertainty in income taxes recognized in financial statements. This standard provides guidance on recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that a company has taken or expects to take on a tax return.

Income (Loss) Per Share

Current guidance requires earnings per share ("EPS") to be computed and reported as both basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares and dilutive common stock equivalents (convertible notes and interest on the notes, stock awards and stock options) outstanding during the period. Dilutive EPS reflects the potential dilution that could occur if options to purchase common stock were exercised for shares of common stock. The dilutive effect of convertible instruments on earnings per share is not presented in the consolidated statements of operations for periods with a net loss.

Stock-Based Compensation

We record stock-based compensation as a charge to earnings, net of the estimated impact of forfeited awards. As such, we recognize stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants. The process of estimating the fair value of stock-based compensation awards and recognizing stock-based compensation cost over their requisite service periods involves significant assumptions and judgments.

We estimate the fair value of stock option awards on the date of grant using a Black-Scholes valuation model which requires management to make certain assumptions regarding: (i) the expected volatility in the market price of the Company's common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). The dividend yield is based on the approved annual dividend rate in effect and current market price of the underlying common stock at the time of grant. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for bonds with maturities ranging from one month to ten years. The expected holding period of the awards granted is estimated using the historical exercise behavior of employees. In addition, we estimate the expected impact of forfeited awards and recognize stock-based compensation cost only for those awards expected to vest. We use historical experience to estimate projected forfeitures. If actual forfeiture rates are materially different from our estimates, stock-based compensation expense could be significantly different from what we have recorded in the current period. We periodically review actual forfeiture experience and revise our estimates, as considered necessary. The cumulative effect on current and prior periods of a change in the estimated forfeiture rate is recognized as compensation cost in earnings in the period of the revision.

The Company has granted options and warrants to purchase Adino's common stock. These instruments have been valued using the Black-Scholes model.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the carrying value of a long-lived asset may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset or the asset's estimated fair value to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required.

At September 30, 2012 and December 31, 2011, Adino evaluated and determined that no impairment was warranted on the fixed assets of the Company. Additionally, no impairment was required on the oil and gas assets of the Company. There was no change to the impairment analysis performed at the December 31, 2011 audit and no indicators of impairment at the review. See Notes 12 and 13 for a more thorough discussion of the Company's fixed assets and oil and gas assets as of September 30, 2012 and December 31, 2011.

Goodwill

Through December 31, 2011, goodwill had been our single largest asset. We evaluated the recoverability and measure the potential impairment of our goodwill annually. The annual impairment test is a two-step process that begins with the estimation of the fair value of the reporting unit. The first step screens for potential impairment and the second step measures the amount of the impairment, if any. Our estimate of fair value considers the financial projections and future prospects of our business, including its growth opportunities and likely operational improvements. As part of the first step to assess potential impairment, we compared our estimate of fair value for the reporting unit to the book value of the reporting unit. We determined the fair value of the reporting units based on the income approach. Under the income approach, we calculated the fair value of a reporting unit based on the present value of estimated future cash flows. If the book value was greater than our estimate of fair value, we would then proceed to the second step to measure the impairment, if any. The second step compared the implied fair value of goodwill with its carrying value. The implied fair value was determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the reporting unit's goodwill is greater than its implied fair value, an impairment loss is recognized in the amount of the excess. We believe our estimation methods were reasonable and reflected common valuation practices.

In December 2010, the FASB issued FASB ASU No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts," which is now codified under FASB ASC Topic 350, Intangibles - Goodwill and Other." This ASU provides amendments to Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not goodwill impairment exists. When determining whether it is more likely than not impairment exists, an entity should consider whether there are any adverse qualitative factors, such as a significant deterioration in market conditions, indicating impairment may exist. FASB ASU No. 2010-28 is effective for fiscal years (and interim periods within those years) beginning after December 15, 2010. Upon adoption of the amendments, an entity with reporting units having carrying amounts which are zero or negative is required to assess whether it is more likely than not the reporting units' goodwill is impaired. If the entity determines impairment exists, the entity must perform Step 2 of the goodwill impairment test for that reporting unit or units. Step 2 involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss results if the amount of recorded goodwill exceeds the implied goodwill. Any resulting goodwill impairment should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of adoption.

On a quarterly basis, we performed a review of our business to determine if events or changes in circumstances have occurred which could have a material adverse effect on the fair value of the Company and its goodwill. If such events or changes in circumstances were deemed to have occurred, we would perform an impairment test of goodwill as of the end of the quarter, consistent with the annual impairment test performed at the end of our fiscal year on December 31, and record any noted impairment loss.

With the sale of IFL in February 2012, the Company has removed all IFL goodwill at September 30, 2012.

Fair Value of Financial Instruments

On January 1, 2008, the Company adopted a new standard related to the accounting for financial assets and financial liabilities and items that are recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually. This standard provides a single definition of fair value and a common framework for measuring fair value as well as new disclosure requirements for fair value measurements used in financial statements. Fair value measurements are based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, and are determined by either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability. Absent a principal market to measure fair value, the Company would use the most advantageous market, which is the market that the Company would receive the highest selling price for the asset or pay the lowest price to settle the liability, after considering transaction costs. However, when using the most advantageous market, transaction costs are only considered to determine which market is the most advantageous and these costs are then excluded when applying a fair value measurement. The adoption of this standard did not have a material effect on the Company’s financial position, results of operations or cash flows.

On January 1, 2009, the Company adopted an accounting standard for applying fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value. The adoption did not have a material effect on the Company’s financial position, results of operations or cash flows.

In August 2009, the FASB issued an amendment to the accounting standards related to the measurement of liabilities that are routinely recognized or disclosed at fair value. This standard clarifies how a company should measure the fair value of liabilities, and that restrictions preventing the transfer of a liability should not be considered as a factor in the measurement of liabilities within the scope of this standard. This standard became effective for the Company on October 1, 2009. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

The fair value accounting standard creates a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Discontinued Operations

The results of operations of a component of an entity that either has been disposed of or is classified as held for sale is reported in discontinued operations if both of the following conditions are met:

a. The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction.

b. The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

In a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statement of the Company for current and prior periods will report the results of operations of the component, including any gain or loss recognized, in discontinued operations. The results of operations of a component classified as held for sale shall be reported in discontinued operations in the period(s) in which they occur.

Reclassification

Certain amounts reported in the prior period financial statements may have been reclassified to the current period presentation.

NOTE 3 -GOING CONCERN

As of September 30, 2012, the Company has a working capital deficit of $3,443,707 and total shareholders' deficit of $3,032,519. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern depends upon its ability to obtain funding for its working capital deficit. Of the outstanding current liabilities at September 30, 2012, $860,081 of the outstanding current liabilities is due to certain officers and directors for prior years' accrued compensation. These officers and directors have agreed in writing to postpone payment if necessary, should the Company need capital it would otherwise pay these individuals. Additionally, non-cash items include a derivative liability of $108,286. The Company plans to satisfy current year and future cash flow requirements through its oil and gas operations and merger and acquisition opportunities including the expansion of existing business opportunities. The Company expects these growth opportunities to be financed by a combination of equity and debt capital; however, in the event the Company is unable to obtain additional debt and equity financing, the Company may not be able to continue its operations.

NOTE 4 - LEASE COMMITMENTS

On April 1, 2007, IFL agreed to lease a fuel storage terminal from 17617 Aldine Westfield Road, LLC for 18 months at $15,000 per month. The lease contained an option to purchase the terminal for $3.55 million by September 30, 2008. The Company evaluated this lease and determined that it qualified as a capital lease for accounting purposes. The terminal was capitalized at $3,179,572, calculated using the present value of monthly rent at $15,000 for the months April 2007 - September 2008 and the final purchase price of $3.55 million discounted at IFL's incremental borrowing rate of 12.75%. The terminal was depreciated over its useful life of 15 years resulting in monthly depreciation expense of $17,664. As of December 31, 2007, the carrying value of the capital lease liability was $3,355,984.

Due to the difficult credit markets, the Company was unable to secure financing for the Houston terminal facility and assigned its rights under the terminal purchase option to Lone Star Fuel Storage and Transfer, LLC ("Lone Star"). Lone Star purchased the terminal from 17617 Aldine Westfield Road, LLC on September 30, 2008. Lone Star then entered into a five year operating lease with option to purchase with IFL. The five year lease has monthly rental payments of $30,000, escalating 3% per year. IFL's purchase option allows for the terminal to be purchased at any time prior to October 1, 2009 for $7,775,552. The sale price escalated $1,000,000 per year after this date, through the lease expiration date of September 30, 2013. The Company recognized the escalating lease payments on a straight line basis.

The Lone Star lease was evaluated and was deemed to be an operating lease.

The transactions that led to the above two leases both resulted in gains to the Company. The lawsuit settlement just prior to the lease with 17617 Aldine Westfield Road, LLC resulted in a gain to the Company of $1,480,383. The Company amortized this amount over the life of the capital asset, or 15 years.

At the expiration of the capital lease, September 30, 2008, the above remaining gain of $1,332,345 was rolled into the gain on the sale assignment transaction with Lone Star of $624,047. The total remaining gain to be amortized as of September 30, 2008 was $1,956,392. This amount is being amortized over the life of the Lone Star operating lease, or 60 months. The operating lease expires on September 30, 2013. This treatment is consistent with sale leaseback gain recognition rules.

With the Company's focus on oil and gas exploration and production, the Company decided to sell its interest in IFL. To that end, on February 7, 2012, Adino sold all of its membership interest in IFL to Pomisu XXI S.L. ("Buyer"). The purchase price to be paid by the Buyer was $900,000, paid in two installments with the first installment of $244,825 paid on February 7, 2012, and the balance due not later than May 7, 2012. The balance of the purchase price shall be computed as follows: $900,000 minus $244,825 (initial installment) minus $655,157 of IFL liabilities assumed and settled by the Buyer. The liabilities included $106,520 in accounts payable, $1,500 to a related party, $110,000 in retained customer deposit and $437,155 for the G J Capital lawsuit judgment (see Part II, Item 1 for a more thorough discussion). At September 30, 2012, the balance due from Buyer had not been paid. The Company has reserved the full receivable amount.

NOTE 5 - CERTIFICATE OF DEPOSIT

At September 30, 2012 and December 31, 2011, the Company has $50,056 and $50,000, respectively, of restricted certificates of deposit (CDs"). These investments are classified as either a current or long-term asset based on their maturity date. The securities generally have maturity dates of ten months to over one year. The restricted investments serve as collateral for an oil and gas operator license held by the Company's wholly-owned subsidiary, Adino Exploration, LLC. The cash is held in custody by the issuing bank, is restricted as to withdrawal or use, and is currently invested in certificates of deposit. Income from these investments is paid to the Company at maturity of the certificates of deposit. These investments are classified as held-to-maturity and are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are recorded at amortized cost. The Company's securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity.

NOTE 6 - ACCOUNTS RECEIVABLE

The Company advanced $10,000 to a business associate in December 2011 for repayment in 2012.

	September 30, 2012	December 31, 2011
Advances	10,000	10,000
Total	$ 10,000	$ 10,000

NOTE 7 - PETRO ENERGY ACQUISITION PURCHASE PRICE ALLOCATION

The Company's acquisition of Petro Energy (see Note 1) included operating wells and fixed assets. The transaction, treated as a business combination, was valued under current guidance using fair value methods. To arrive at the acquired asset's fair value, the valuation considered the value to be the price, in cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

The Company issued ten million (10,000,000) shares of common stock at closing as consideration for the companies. The stock price as of July 1, 2010 was $0.015 per common share, representing a value of $150,000.

The tangible assets acquired were valued based on the appropriate application of the market or cost approaches. The fair value was estimated at the depreciable value of the current replacement costs based on the age of the assets, assuming they are in good, working order. Additionally, the Company had an independent third party value the oil reserves for the Felix Brandt wells in Coleman, Texas.

A component of the acquisition agreement with PetroGreen Energy and AACM3, LLC gave the former owners of these companies the option to repurchase for $1.00 the assets held by the companies as of July 1, 2010 if the Company's common stock price fails to reach $0.25 per share within three years of the original acquisition date. This contract clawback provision was valued as a liability at July 1, 2010 at $408,760.

The above valuations resulted in a goodwill calculation on acquisition of $7,139 at July 1, 2010.

Below is the acquisition summary including fair value of assets acquired, liabilities assumed and consideration given as of July 1, 2010:

	Fair Value at July 1, 2010		
Assets acquired:			
Tangible drilling costs	$	155,700	
Proved oil and gas properties		71,060	
Machinery and equipment		324,861	
Total acquired asset fair value		551,621	
Less liability assumed:			
Contract clawback provision		(408,760	)
Consideration - Common stock		(150,000	)
Goodwill from acquisition	$	7,139	

After acquisition of the Petro Energy companies, the Company created two wholly owned subsidiaries: Adino Exploration, LLC ("Adino Exploration") and Adino Drilling, LLC ("Adino Drilling"). All oil and gas leases and a portion of the machinery and equipment were transferred from the Petro Energy companies to Adino Exploration and future oil and gas exploration acquisitions and activity are to be operated through this company. The large drilling rig acquired in the Petro Energy transaction and other associated drilling machinery and equipment were transferred to Adino Drilling.

NOTE 8 - SALE OF ADINO DRILLING, LLC

On March 31, 2011, the Company sold the membership shares of Adino Drilling, LLC to a related party. Under the terms of the agreement, the Company realized a reduction in accrued liability of $100,000 and acquired a $500,000 six year, 5.24% interest note receivable, for a total sale price of $600,000. The sale resulted in a gain to the Company of $247,376; however the transaction's related party note of $500,000 is not allowed for reporting purposes, therefore the Company realized a reportable loss of $252,624. Adino's management believes that the sale of the drilling rig and associated equipment was in the best interest of the Company and the shareholders. The rig held by the Company was primarily suited for drilling up to 3,500 feet. However, the Company is currently drilling shallower wells. This large rig would be uneconomical for drilling smaller wells. The Company has decided to contract with service companies that specialize in shallower wells, thus reducing drilling expense. The cash flow to be realized from the $500,000 note, accompanied by the decreased related party compensation of $100,000, is expected to increase Adino's cash flow.

With the sale of Adino Drilling, LLC, the $7,139 of goodwill resulting from the original PetroGreen acquisition, discussed in Note 7 was written off. The transaction has been accounted for as a discontinued operation.

Below are the asset and liability values for Adino Drilling, LLC at March 31, 2011:

	Assets disposed at March 31, 2011
Cash	$ 100
Fixed assets, net of depreciation of $34,837 and $21,186 at March 31, 2011	350,702
Total assets	350,802
Accounts payable	5,317
Accounts payable - related party	-
Total liabilities	5,317
Net assets - discontinued operations	$ 345,485

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's $50,000 CD is carried at cost, which approximates market. During the nine months ended September 30, 2012, the Company realized $56 in interest income on the CD. The Company valued the current convertible note and warrant derivatives using Level 3 criterion, shown below. As of September 30, 2012, the valuations resulted in a gain on derivatives of $15,986 and loss on contract clawback provision of $198,643 for a net loss of $182,657. As of December 31, 2011, the valuations resulted in a gain on derivatives of $10,850, loss on contract clawback provision of $49,385 and goodwill impairment of $4,827 for a net loss of $53,859.

September 30, 2012

Description	Level 1	Level 2	Level 3	Total Realized Gain (Loss) due to Valuation at	Total Unrealized Gain (Loss) due to valuation
Marketable security - CD	$50,056	$ -	$-	$ 56	$ -
Notes payable - derivative	-	-	108,239	(12,374)	-
Haag warrants - derivative	-	-	47	(3,612)	-
Contract clawback provision	-	-	-	198,643	-
Total	$50,056	$ -	$108,286	$ 182,713	$ -

December 31, 2011

Description	Level 1	Level 2	Level 3	Total Realized Gain (Loss) due to Valuation	Total Unrealized Gain (Loss) due to Valuation
Marketable security - CD	$50,000	$ -	$-	$ -	$ -
Goodwill	-	-	1,554,413	(4,827)	-
Notes payable - derivative	-	-	133,235	14,541	-
Haag warrants - derivative	-	-	3,659	(3,691)	-
Contract clawback provision	-	-	386,739	49,385	-
Total	$50,000	$ -	$2,078,046	$ 53,859	$ -

With the sale of IFL, the Company removed all associated goodwill at the sale date, February 7, 2012. At December 31, 2011, the Company recognized a loss on goodwill of $4,827 for an ending balance of $1,554,413.

On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC ("Gator-Dawg"). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement, which stated that the Sellers could repurchase the assets sold to the Company for $1.00 if the price of the Company's stock did not reach $0.25 per share by the specified date. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg agreed to transfer the drilling rig and associated assets purchased from the Company in March, 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company forfeited the $500,000 note due from Gator-Dawg for purchase of those assets (disallowed for consolidation), executed a $100,000 note payable to Gator-Dawg for rig improvements and transferred a truck and trailer purchased in early 2012 to Gator-Dawg. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012.

The clawback was valued at the agreement date, June 29, 2012, resulting in an additional loss on clawback of $78,994 during the quarter, for a total change in clawback value of $198,643 for the nine months ended September 30, 2012.

NOTE 10 - RECEIVABLE - ASSET SALES

In October 2011, Adino signed a letter of intent to purchase all of the assets of Ashton, AOS 1A, and AOS 1-B. The proposed purchase price for the assets was $6,000,000 in face value of convertible preferred stock of the Company, with the preferred stock converting to common stock at the rate of $0.15 per share. The parties agreed that partial closing of the purchase would occur once the sellers received clear title to the assets subject to the agreement. The first partial closing of purchase occurred on November 3, 2011, and the Company issued 100,000 shares of Adino's Class "B" Preferred Stock Series 1 (the "Preferred Stock"), as follows: 95,534 shares to AOS 1A, and 4,466 shares to AOS 1-B. The Preferred Stock shall be convertible into common shares at AOS 1A or AOS 1-B's option at any time after six months, provided that (a) immediately after the first six months, only 25% of the Preferred Stock may be converted to common stock, and (b) each month thereafter, only up to 12.5% of the Preferred Stock may be converted to common stock. The Preferred Stock shall have other terms as determined by Adino's Board of Directors. The number of shares of Preferred Stock was chosen to conform to the agreed upon value of $1,500,000 for the assets. The Company later decided not to acquire the remaining Ashton assets. On February 7, 2012, the Company sold all oilfield machinery and equipment it had purchased from Ashton Oilfield Services in its November 2011 acquisition for $500,000. At September 30, 2012, the outstanding balance on the purchase was fully collected.

With the Company’s focus on oil and gas exploration and production, the Company decided to sell its interest in IFL. To that end, on February 7, 2012, Adino sold all of its membership interest in IFL to Pomisu XXI S.L. (“Buyer”). The purchase price to be paid by the Buyer was $900,000, paid in two installments with the first installment of $244,825 paid on February 7, 2012, and the balance due not later than May 7, 2012. The balance of the purchase price shall be computed as follows: $900,000 minus $244,825 (initial installment) minus $655,157 of IFL liabilities assumed and settled by the Buyer. The agreement also called for any cash payments made by the Company, on behalf of the Buyer, to be repaid to the Company at the settlement. As of March 31, 2012, the Company had paid $200,321 in partial settlement of the G J Capital lawsuit judgment. The full receivable balance due from Buyer of $358,401 has been reserved, as the balance had not been collected by the May 7, 2012 settlement date.

A schedule of the balances at September 30, 2012 and December 31, 2011 is as follows:

	September 30, 2012	December 31, 2011
IFL membership sale	$ 358,401	$ -
Less: allowance for uncollectible accounts	(358,401)	-
Total receivable - asset sales	$ -	$ -

NOTE 11 - FIXED ASSETS

The following is a summary of this category:

	September 30, 2012	December 31, 2011
Machinery and equipment	$ -	$ 350,001
Vehicles	-	60,927
Total assets	-	410,928
Less: Accumulated depreciation	-	(55,599)
Total	$ -	$ 355,329

The Company owned a vehicle that was no longer needed. The Company chose to allow the vehicle to be repossessed, in settlement of the auto note outstanding. The repossession resulted in a gain to the Company of $13,277.

Machinery and equipment has a useful life of seven years and vehicles' useful life is five years. Depreciation expense for the quarter and nine months ended September 30, 2012 and 2011 was $0 and $17,650 and $5,083 and $790, respectively.

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NOTE 12 - ACCRUED LIABILITIES / ACCRUED LIABILITIES - RELATED PARTY

Other liabilities and accrued expenses consisted of the following as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
Accrued accounting and legal fees	$ -	$ 104,000
Property and payroll tax accrual	27	2,445
Dividend payable	9,750	1,942
Total accrued liabilities	$ 9,777	$ 129,387
Accrued salaries-related party	$ 537,959	$ 568,689

Accrued accounting and legal fees: On April 18, 2012, the Company converted the accrued consultant debt of $104,000 into 2,060,000 shares of Rule 144 common stock. See Note 16 for further discussion.

Dividend payable: Of the current year dividend expense of $29,103 for the nine months ended September 30, 2012, $19,353 has been paid prior to quarter end.

Accrued salaries - related party: This liability is due to a Company officer for prior years' accrued compensation. He has agreed to postpone payment if necessary, should the Company need capital it would otherwise pay these individuals.

NOTE 13 - NOTES PAYABLE / CONVERTIBLE NOTES PAYABLE

	September 30, 2012	December 31, 2011
NOTES PAYABLE		
Note payable - Gulf Coast Fuels/GJ Capital	-	436,380
Note payable - GMAC, bearing interest of 11.7% per annum with 60 monthly payments of $895, due May 13, 2013	-	14,622
Total notes payable	-	451,002
Less: current portion	-	(445,995)
Long term notes payable	-	5,007

CONVERTIBLE NOTES PAYABLE		
Note payable - Asher notes, net of discount of $3,922 and $50,986 at September 30, 2012 and December 31, 2011, respectively	138,578	119,514
bearing interest of 8% per annum, due February 16, 2012 (balance $0 at 9/30/12; $5,000 at 12/31/11)		
bearing interest of 8% per annum, due March 23,2012 (balance $0 at96/30/12; $53,000 at 12/31/11)		
bearing interest of 8% per annum, due April 7, 2012 (balance $27,500 at 9/30/12 and 12/31/11)		
bearing interest of 8% per annum, due June 12, 2012 (balance $37,500 at 9/30/12 and 12/31/11)		
bearing interest of 8% per annum, due August 28, 2012 (balance $37,500 at 9/30/12 and 12/31/11)		
bearing interest of 8% per annum, due October 23, 2012 (balance $40,000 at 9/30/12; $0 at 12/31/11)		
Notes payable - Schwartz group, bearing interest at 6%, due January 9, 2013	62,500	85,000
Total convertible notes payable	$ 201,078	$ 204,514
Less: current portion	(201,078)	(119,514)
Long term convertible notes payable	$ -	$ 85,000

Gulf Coast Fuels / GJ Capital: In December 2011, the court rendered judgment for G J Capital and against Adino and IFL in the amount of $250,000, plus $152,988 in attorneys' fees, $9,300 in court costs, plus $20,616 in prejudgment interest. The Company did not appeal this judgment ..In February 2012, the Company paid $200,321 in partial settlement of the amount due. The balance due at March 31, 2012 was $236,834. On May 1, 2012, the Company paid the final balance due on the GJ Capital suit, receiving a full release on all liability.

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Asher Notes: On August 11, 2010, the Company issued a convertible promissory note to Asher Enterprises, Inc. (Asher"), in the amount of $57,500. The note had a maturity date of May 13, 2011 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has an initial conversion price of fifty eight percent (58%) of the 3 lowest closing bid prices for the 10 days preceding the conversion date and full reset provision. The note's convertible feature was valued and resulted in a debt discount of $35,838, which is being amortized over the nine month note life, using the straight line method. In this case, using the straight line method approximates the effective interest method, given the short time to maturity.

With the Asher notes, the Company has the right to redeem the notes within 90 days from the date of issuance for 135% of the redemption amount and accrued interest, from days 91-120, the Company has the right to redeem the notes for 145% of the redemption amount and accrued interest, and from days 121-180, the Company has the right to redeem the notes for 150% of the redemption amount and accrued interest.

During the first quarter of 2011, Asher converted $34,000 of the notes into the Company's common stock, resulting in an issuance of 1,862,833 shares to Asher. During the second quarter of 2011, Asher converted the remaining balance of $23,500 into the Company's common stock, resulting in an issuance of 2,036,820 shares to Asher. No amounts were converted during the third quarter, 2011. During the fourth quarter of 2011, Asher converted $48,000 into the Company's common stock, resulting in an issuance of 2,664,063 shares to Asher. See Note 16 for a detailed description of each conversion.

During the second quarter of 2011, the Company issued two nine-month convertible promissory notes to Asher in the amount of $53,000 each. The notes have maturity dates of February 16, 2012 and March 23, 2012 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has an initial conversion price of sixty five percent (65%) of the three lowest closing bid prices for the ten days preceding the conversion date. The notes' convertible features were valued and resulted in debt discounts of $23,918 and $23,998 respectively, which is being amortized over the nine month note life, using the straight line method. In this case, using the straight line method approximates the effective interest method, given the short time to maturity.

During the third quarter of 2011, the Company issued two nine-month convertible promissory notes to Asher in the amount of $37,500 each. The notes have maturity dates of April 17, 2012 and June 12, 2012 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note due April 17, 2012 has an initial conversion price of sixty five percent (65%) of the three lowest closing bid prices for the ten days preceding the conversion date. The note due June 12, 2012 has an initial conversion price of fifty six percent (56%) of the three lowest closing bid prices for the ten days preceding the conversion date. The notes' convertible features were valued and resulted in debt discounts of $15,943 and $21,720 respectively, which is being amortized over the nine month note life, using the straight line method. In this case, using the straight line method approximates the effective interest method, given the short time to maturity.

On November 22, 2011, the Company issued a nine-month convertible promissory note to Asher in the amount of $37,500. The note has a maturity date of August 28, 2012 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has an initial conversion price of fifty eight percent (58%) of the three lowest closing bid prices for the ten days preceding the conversion date. The note's convertible feature was valued and resulted in a debt discount of $21,477, which is being amortized over the nine month note life, using the straight line method. In this case, using the straight line method approximates the effective interest method, given the short time to maturity.

On January 19, 2012, the Company issued a nine-month convertible promissory note to Asher in the amount of $40,000. The note has a maturity date of October 23, 2012 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has an initial conversion price of fifty eight percent (58%) of the three lowest closing bid prices for the ten days preceding the conversion date. The note's convertible feature was valued and resulted in a debt discount of $21,119, which is being amortized over the nine month note life, using the effective interest method.

During the first quarter of 2012, Asher converted $45,000 of the notes and $2,120 in interest into the Company's common stock, resulting in an issuance of 9,912,748 shares to Asher. There was no gain or loss on the transaction.

During the second quarter of 2012, Asher converted $23,000 of the notes and $2,120 in interest into the Company's common stock, resulting in an issuance of 11,341,176 shares to Asher. There was no gain or loss on the transaction.

There were no conversions of the notes during the quarter ended September 30, 2012.

The Company fully settled all notes due to Asher on November 1, 2012, receiving full release on the notes and reserved common shares.

Schwartz Notes: On January 10, 2011, the Company issued convertible promissory notes to investors in the amount of $272,500, to fund drilling activities associated with the recent Petro Energy acquisition. The notes have a maturity date of January 9, 2013, with interest accrued and paid at the option of the holder at an annual interest rate of six percent (6%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has a fixed conversion price of $0.35. During December 2011, the Company offered to convert the notes into shares of the Company's Class B Preferred Stock, Series 3. Three of the investors then chose to convert their notes, totaling $187,500 into shares of the preferred stock. In January 2012, a fourth investor chose to convert his note balance of $22,500 into shares of the Company's Class B Preferred Stock, Series 3. The final note of $62,500 remains outstanding at September 30, 2012.

The table below reflects the aggregate principal maturities of long-term debt for years ended December 31:

	Principal
2013	$201,078
2014	-
2015	-
2016	-
2017	-
Total	$201,078

NOTE 14 - CONTRACT CLAWBACK PROVISION

A component of the acquisition agreement with PetroGreen Energy and AACM3, LLC gave the former owners of these companies the option to repurchase for $1.00 the assets held by the companies as of July 1, 2010 if the Company's common stock price fails to reach $0.25 per share within three years of the original acquisition date. The contract clawback provision was valued at December 31, 2011 at $386,739.

The contract clawback was valued at March 31 and June 29, 2012 and the increase in provision for the quarters was recorded as a loss on contract clawback in the statement of operations.

On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC ("Gator-Dawg"). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement, which stated that the Sellers could repurchase the assets sold to the Company for $1.00 if the price of the Company's stock did not reach $0.25 per share by the specified date. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg agreed to transfer the drilling rig and associated assets purchased from the Company in March 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company forfeited the $500,000 note due from Gator-Dawg for purchase of those assets (disallowed for consolidation), executed a $100,000 note payable to Gator-Dawg for rig improvements and transferred a truck and trailer purchased in early 2012 to Gator-Dawg. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012.

NOTE 15 - DERIVATIVE LIABILITY

Based on current guidance, the Company concluded that the convertible notes payable to Asher referred to in Note 16 were required to be accounted for as a derivative. This guidance requires the Company to bifurcate and separately account for the conversion features of the convertible notes issued as embedded derivatives.

With convertible notes in general, there are three primary events that can occur: the holder can convert the note into stock; the Company can force conversion of the convertible note; or the Company can default on the note or liquidate. The model analyzed the underlying economic factors that influenced which of these events would occur, when they were likely to occur, and the specific terms that would be in effect at the time (i.e. interest rates, stock price, conversion price etc.). Projections were then made on these underlying factors which led to a set of potential scenarios. Probabilities were assigned to each of these scenarios based on management projections. This led to a cash flow projection and a probability associated with that cash flow. A discounted weighted average cash flow over the various scenarios was completed, and it was compared to the discounted cash flow of a hypothetical one year 0% debt instrument without the embedded derivatives, thus determining a value for the compound embedded derivatives at the date of issue.

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

The Company used a lattice model that values the compound embedded derivatives based on a probability weighted discounted cash flow model. This model is based on future projections of the various potential outcomes. The Asher notes contained embedded derivatives that were analyzed. Certain features of the Asher notes were incorporated into the derivative valuation model, including the conversion feature with a reduction of the conversion rate based upon future below-market issuances and the redemption options.

The structure of the Asher notes caused two other financial instruments held by the Company to be deemed derivatives: The BWME notes and the Haag warrants. Both were valued as derivatives as of the date of the Asher note issuance (Haag warrants) or date of issuance (BWME notes) and are revalued at each balance sheet reporting date.

Below is detail of the derivative liability balances as of September 30, 2012 and December 31, 2011.

Derivative Liability	December 31, 2011	Additions	Increase (Decrease) from valuation	September 30, 2012
Asher note / BWME notes	$ 133,234	$ 21,119	$ (46,114)	$ 108,239
Haag warrants	3,660	-	(3,613)	47
Total	$ 136,894	$ 21,119	$ (49,727)	$ 108,286

The net decrease of $28,608 is split between changes to derivative liability due to new note addition of $21,119, a reduction of $33,741 to additional paid-in-capital for the derivative reduction attributable to the Asher note conversions discussed in Notes 17 and 20. The remaining $15,986 is reflected as gain on derivatives in the statement of operations.

NOTE 16 - STOCK

COMMON STOCK

The Company's common stock has a par value of $0.001. There were 50,000,000 shares authorized as of December 31, 2007. At the Company’s January 2008 shareholder meeting, the shareholders voted to increase the authorized common stock to 500,000,000 shares. As of September 30, 2012 and December 31, 2011, the Company had 135,487,043 and 125,574,295 shares issued and outstanding, respectively.

On January 11, 2012, Asher converted $5,000 of its note and $2,120 in accrued interest into 569,600 shares of the Company's common stock.

On January 24, 2012, Asher converted $12,000 of its note into 2,181,818 shares of the Company's common stock.

On February 21, 2012, Asher converted $15,000 of its note into 2,678,571 shares of the Company's common stock.

On March 12, 2012, Asher converted $13,000 of its note into 4,482,759 shares of the Company's common stock.

On April 16, 2012, Asher converted $12,000 of its note into 6,666,667 shares of the Company's common stock.

On May 23, 2012, Asher converted $10,000 of its note into 2,941,176 shares of the Company's common stock.

On May 23, 2012, Asher converted $1,000 of its note and $2,120 in accrued interest into 1,733,333 shares of the Company's common stock.

There were no Asher shares converted in the third quarter, 2012.

All note conversions were within the terms of the agreement and did not result in a gain or loss.

On April 18, 2012, The Board of Directors approved a stock conversion of $103,000 in accrued consulting expense into Rule 144 common stock, at a conversion rate of $0.05 per share. The conversion resulted in issuance of 2,060,000 shares of stock and a gain to the Company of $87,962, based on the difference between the conversion rate and the market price on the date of conversion.

As a result of the above common stock issuances, there were 148,888,219 shares issued and outstanding as of September 30, 2012.

PREFERRED STOCK

In 1998, the Company amended its articles to authorize Preferred Stock. There are 20,000,000 shares authorized with a par value of $0.001. The shares are non-voting and non-redeemable by the Company. The Company further designated two series of its Preferred Stock: "Series 'A' $12.50 Preferred Stock" with 2,159,193 shares of the total shares authorized and "Series "A" $8.00 Preferred Stock," with the number of authorized shares set at 1,079,957 shares.

Any holder of either series may convert any or all of such shares into shares of common stock of the Company at any time. Said shares shall be convertible at a rate equal to three (3) shares of common stock of the Company for each one (1) share of Series "A" $12.50 Preferred Stock. The Series "A" 12.50 Preferred Stock shall be convertible, in whole or in part, at any time after the common stock of the Company shall maintain an average bid price per share of at least $12.50 for ten (10) consecutive trading days.

Series "A" $8.00 Preferred Stock shall be convertible at a rate equal to three (3) shares of common stock of the Company for each one (1) share of Series "A" $8.00 Preferred Stock. The Series "A" $8.00 Preferred Stock shall be convertible, in whole or in part, at any time after the common stock of the Company shall maintain an average bid price per share of at least $8.00 for ten (10) consecutive trading days.

The preferential amount payable with respect to shares of either Series of Preferred Stock in the event of voluntary or involuntary liquidation, dissolution, or winding-up, shall be an amount equal to $5.00 per share, plus the amount of any dividends declared and unpaid thereon.

As of September 30, 2012, the Company has also designated two series of Class B Preferred Stock.

The number of authorized shares of Class B Preferred Stock Series 1 is 666,680 shares. At any time after six months from the date of issuance of Class B Preferred Stock Series 1, any holder may convert up to 25% of such holder’s initial holdings (i.e. before taking into account any prior conversions, but taking into account any sales or transfers) of Class B Preferred Stock Series 1 into fully paid and nonassessable shares of common stock of the Company at the rate of one hundred (100) shares of common stock per share of Class B Preferred Stock Series 1. Every month thereafter, any holder of Class B Preferred Stock Series 1 may convert up to 12.5% of such stockholder’s initial holdings of Class B Preferred Stock Series 1 (i.e. before taking into account any prior conversions, but taking into account any sales or transfers) into fully paid and nonassessable shares of common stock of the Company at the rate of one hundred (100) shares of common stock per share of Class B Preferred Stock Series 1. Any such conversion may be effected by giving to the Secretary of the Company written notice of conversion, accompanied by the surrender of the certificate(s) of the stock to be converted, duly endorsed, along with any other information or documents reasonably requested by the Secretary to effect the conversion. The shares of Class B Preferred Stock Series 1 shall not have any voting rights. Any outstanding shares of Class B Preferred Stock Series 1 may be redeemed by the Company, at the Company’s option, at any time for $15.00 per share.

On November 3, 2011, The Company acquired all unencumbered assets owned by two limited partnerships managed by Ashton Oilfield Services, LLC (Ashton”). The assets were purchased for one million five hundred thousand dollars ($1,500,000) and the Company issued 100,000 shares of Class B Preferred Stock Series 1 to Ashton. The assets were valued based on fair market value for similar assets in good, working condition.

At September 30, 2012 and December 31, 2011, there were 100,000 shares of Class B Preferred Stock Series 1 issued and outstanding.

The number of authorized shares of Class B Preferred Stock Series 3 is 18,570 shares. The issue price for Class B Preferred Stock Series 3 is $35.00. The holders of Class B Preferred Stock Series 3 shall be entitled to receive a quarterly dividend equal to 2.5% of the issue price of each share. The dividends shall be paid quarterly, when as and if declared payable by the Company’s Board of Directors from funds legally available for the payment thereof. If in any quarter the Company does not pay any accrued dividends, such dividends shall cumulate. Interest shall not be paid on cumulated dividends. Each share of Class B Preferred Stock Series 3 shall rank on the same parity with each other share of preferred stock, irrespective of series, with respect to dividends at the respective fixed or maximum rate for such series. Any holder of Class B Preferred Stock Series 3 may convert, at any time, any or all shares held into common stock of the Company. Each Class B Preferred Stock Series 3 share held may be converted into one hundred (100) fully paid and nonassessable shares of common stock of the Company at the conversion rate of $0.35 per common stock .

On December 10, 2011, three of the Schwartz investors, each holding a note for $62,500, converted their notes into 1,786 shares of the Company’s Class B Preferred Stock Series 3, for a total issuance of 5,358 shares. Additionally, each investor invested an additional $50,000 in the Company through the purchase of 1,428 shares of Class B Preferred Stock Series 3 shares, for a total issuance of 4,284 shares. The conversion was within the terms of the agreement and there was no gain or loss on the transaction.

On January 9, 2012, one of the Schwartz investors converted his $22,500 note into 681 shares of the Company’s Class B Preferred Stock Series 3. Additionally, he invested an additional $30,000 in the Company through the purchase of 857 shares of Class B Preferred Stock Series 3 shares. The conversion was within the terms of the agreement and there was no gain or loss on the transaction.

At September 30, 2012 and December 31, 2011, there were 11,180 and 9,642 shares of Class B Preferred Stock Series 3 issued and outstanding, respectively.

DIVIDENDS

Dividends for Class B Preferred Stock Series 3 are cumulative. The holders of Class B Preferred Stock Series 3 shall be entitled to receive a quarterly dividend equal to 2.5% of the issue price of each share. The dividends shall be paid quarterly, when as and if declared payable by the Company’s Board of Directors from funds legally available for the payment thereof. If in any quarter the Company does not pay any accrued dividends, such dividends shall cumulate. Interest shall not be paid on cumulated dividends.

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Dividends for Class A Preferred Stock and Class B Series 1 Preferred Stock are non-cumulative, however, the holders of such series, in preference to the holders of any common stock, shall be entitled to receive, as and when declared payable by the Board of Directors from funds legally available for the payment thereof, dividends in lawful money of the United States of America at the rate per annum fixed and determined as herein authorized for the shares of such series, but no more.

Dividends for Class A Preferred Stock are payable quarterly on the last days of March, June, September, and December in each year with respect to the quarterly period ending on the day prior to each such respective dividend payment date. In no event shall the holders of Class A Preferred Stock receive dividends of more than percent (1%) in any fiscal year, and each share shall rank on parity with each other share of preferred stock, irrespective of class or series, with respect to dividends at the respective fixed or maximum rates for such series.

At September 30, 2012 and December 31, 2011, the Company recorded dividends paid for the Class B Preferred Stock Series 3 shares of $29,103 and $1,942 respectively, for those shares issued in the Schwartz debt conversions, discussed above.

NOTE 17 - STOCK OPTIONS / STOCK WARRANTS

In September 2007, the Company entered into a consulting agreement with Small Cap Support Services, Inc. (Small Cap") to provide investor relations services. In addition to monthly compensation, Small Cap was entitled to 500,000 options, vesting ratably over 8 quarters through August 30, 2009, priced at 166,667 shares at $0.15, $0.25, and $0.35 each. Using the Black-Scholes valuation model and an expected life of 3.5 years, volatility of 271.33%, and a discount rate of 4.53%, the Company determined the aggregate value of the 500,000 seven year options to be $59,126. The options became fully expensed and vested as of June 30, 2009. All options are outstanding at September 30, 2012 and December 31, 2011.

NOTE 18 - EARNINGS PER SHARE

The table below sets forth the computation of basic and diluted net income (loss) per share for the three and nine months ended September 30, 2012 and 2011.

	For the quarter ended September 30		For the nine months ended September 30	
	2012	2011	2012	2011

Numerator:				
(Loss) from continuing operations	$ (118,940)	$ (307,871)	$ (279,059)	$ (973,783)
Gain (loss) from discontinued operations	$ (78,369)	$ (93,418)	$ (181,631)	$ 122,213
Basic net income (loss)	$ (197,309)	$ (401,289)	$ (460,690)	$ (851,570)
Diluted net income (loss)	$ (197,309)	$ (401,289)	$ (460,690)	$ (851,570)
Denominator:				
Basic weighted average common shares outstanding	148,888,219	117,505,341	141,108,379	107,685,367
Effect of dilutive securities Convertible note	0	0	0	0
Dilutive weighted average common shares outstanding	148,888,219	117,505,341	141,108,379	107,685,367
Net (loss) per share, basic and fully diluted - continuing operations	(0.00)	(0.00)	(0.00)	(0.01)
Net income (loss) per share, basic and fully diluted - discontinued operations	(0.00)	(0.00)	(0.00)	0.00
Basic net income (loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Diluted net income (loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

As of September 30, 2012, Adino had 148,888,219 shares outstanding, with no shares payable outstanding. The Company uses the treasury stock method to determine whether any outstanding options or warrants are to be included in the diluted earnings per share calculation.

At September 30, 2012, the Company has 500,000 options outstanding to a former consultant, exercisable between $0.15 and $0.35 each. Using an average share price for the three and nine months ended September 30, 2012 and 2011 of $0.005 and $0.01, and $0.02 and $0.03 respectively, the options resulted in no additional dilution to the Company.

The Company calculated the dilutive effect of the convertibility of the Asher notes, resulting in additional weighted average share additions of 33,352,494 for the three and nine months ended September 30, 2012. The Company's conversion of several of the Schwartz notes into Preferred Class B Series 3 shares (discussed in Note 16) resulted in dilution of 1,114,286 common shares. Additional dilution of 10,000,000 shares resulted from the Company's purchase of the Ashton assets (see Notes 1 and 19). The effect on earnings per share from the Company's BWME, Schwartz and Gator-Dawg convertible notes was excluded from the diluted weighted average shares outstanding because the conversion of these instruments would have been non-dilutive since the strike price is above the market price for our stock.

There were no dilutive note instruments in place at September 30, 2011.

The dilutive effect of convertible instruments on earnings per share is not presented in the consolidated statements of operations for periods with a net loss.

NOTE 19 - CONCENTRATIONS

The following table sets forth the amount and percentage of revenue from those customers that accounted for at least 10% of revenues for the three and nine months ended September 30, 2012 and 2011.

	Quarter Ended September 30, 2012	%	Quarter Ended September 30, 2011	%	Nine months ended September 30, 2012	%	Nine months ended September 30, 2011	%
Customer A	$ -	-	$ 456,000	100.00	$ 152,000	31%	$ 1,368,000	100%
Customer B	$ 111,575	100%	$ -	-	$ 332,524	69%	$ -	-
Total	$ 111,575		$ 456,000		$ 484,524		$ 1,368,000	

The Company had $10,000 due from a third party at both December 31, 2011 and September 30, 2012.

NOTE 20 - SALE OF INTERCONTINENTAL FUELS, LLC

On February 7, 2012, Adino sold all of its membership interest in IFL to Pomisu XXI S.L. ("Buyer"). The purchase price paid by the Buyer was $900,000, paid in two installments with the first installment of $244,825 paid on February 7, 2012, and the balance due not later than May 7, 2012. The balance of the purchase price shall be computed as follows: $900,000 minus $244,825 (initial installment) minus any IFL liabilities plus any cash on deposit with Regions Bank for the benefit of IFL or cash on deposit with J.P. Morgan Bank for the benefit of the Company.

The Buyer agreed to assume the following liabilities in the transaction:

Description	Amount
Accounts payable	$106,520
G J Capital judgment	437,154
Due to related party	1,500
Prepaid rent deposit	110,000
Total	$655,175

The February 7, 2012 IFL balance sheet (unconsolidated) is presented below:

	February 7, 2012
Assets	
Cash	$ 82,409
Fixed Assets net of depreciation	6,131
Total assets	$ 88,540
Liabilities	
Accounts payable	$ 148,258
Accrued liabilities	76,215
Due to related party	1,500
Deferred gain on sale/leaseback	171,293
Due to G J Capital	437,155
Total liabilities	834,421
Equity	
Additional paid-in-capital	1,870,100
Distributions	(663,476)
Retained earnings	(2,069,189)
Net income	116,684
Total equity	(745,881)
Total liabilities and equity	$ 88,540

IFL net income for the three months ended March 31, 2012 and 2011, reflected as discontinued operations on this quarter's Statement of Operations is as follows:

	IFL Three months ended 3/31/12	IFL Three months ended 3/31/11
Revenues:		
Terminal operations revenue	$ 152,000	$ 456,000
Operating expenses:		
Terminal management	33,430	100,290
General and administrative	43,949	125,281
Legal and professional	8,762	27,248
Consulting fees	28,000	42,000
Depreciation expense	150	8,173
Total operating expenses	114,291	302,992
Operating income (expense)	37,709	153,008
Other income (expense)		
Interest income	350	258
Interest expense	(741)	(2,125)
Gain from lawsuit/sale leaseback	32,607	97,820
Total other income and expense	32,216	95,953
		-
Net income	$ 69,925	$ 248,961
Net loss on sale	8,416	-
Total net income from discontinued operations	$ 61,509	$ 248,961

NOTE 21 - LAWSUIT SETTLEMENT - G J CAPITAL

On March 15, 2010, G J Capital, Ltd. (G J Capital") filed suit against Adino Energy Corporation and IFL in the 129th Judicial District Court of Harris County, Texas. G J Capital's claim relates to a repurchase agreement whereby IFL sold to G J Capital certain assets for $250,000 and retained the ability to repurchase the assets in sixty days by paying to G J Capital the amount of $275,000. G J Capital's petition alleged claims of breach of contract, money had and received, and fraudulent misrepresentation. G J Capital later amended its petition to allege that certain of Adino's directors and officers (Mr. Timothy Byrd and Mr. Sonny Wooley) fraudulently transferred assets of Adino and/or IFL. G J Capital has also alleged that Mr. Wooley and Mr. Byrd are the *alter ego* of Adino and IFL, and/or that Adino and/or IFL are *alter egos* of one another. G J Capital also alleged fraudulent conduct by one or more of the defendants.

Adino, IFL, Mr. Byrd and Mr. Wooley countersued G J Capital and filed third-party claims against CapNet Securities Corporation (CapNet"), Daniel L. Ritz, Jr. (Ritz"), Gulf Coast Fuels, Inc. (Gulf Coast") and Paul Groat (Groat"), alleging that they conspired to damage IFL and Adino by involving it in the transaction described above. In this action, Adino, IFL, Mr. Byrd and Mr. Wooley contended that Ritz, CapNet, Gulf Coast, and Groat were involved together for the common, improper scheme to cause IFL immense financial hardship so that Gulf Coast could acquire the fuel terminal currently leased by IFL at an unfairly low price; that as part of this conspiracy they also effected a settlement of the Gulf Coast claim (which, if true, would mean that G J Capital acquired no claim at all against any of the defendants); and that in addition or in the alternative, even if G J Capital acquired some cognizable interest against IFL, Adino, IFL, Byrd and Wooley are entitled to indemnification by and contribution by Ritz, CapNet, Gulf Coast, and Groat.

In December 2011, G J Capital dismissed its claims against Mr. Byrd and Mr. Wooley. Also in December 2011, the court rendered judgment for G J Capital and against Adino and IFL in the amount of $250,000, plus $152,988 in attorneys' fees, $9,300 in court costs, plus $20,616 in prejudgment interest. The Company did not appeal this judgment. In February 2012, the Company paid $200,321 in partial settlement of the amount due. The balance due at March 31, 2012 was $236,834. On May 1, 2012, the Company paid the final balance due on the GJ Capital suit, receiving a full release on all liability.

NOTE 22 - GAIN ON SALE / RELINQUISHMENT

On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC ("Gator-Dawg"). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement, which stated that the Sellers could repurchase the assets sold to the Company for $1.00 if the price of the Company's stock did not reach $0.25 per share by the specified date. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg agreed to transfer the drilling rig and associated assets purchased from the Company in March 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company forfeited the $500,000 note due from Gator-Dawg for purchase of those assets (disallowed for consolidation), executed a $100,000 note payable to Gator-Dawg for rig improvements and transferred a truck and trailer purchased in early 2012 to Gator-Dawg.

The contract clawback was valued at March 31 and June 29, 2012 and the increase in provision for the quarters was recorded as a loss on contract clawback in the statement of operations. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012.

	Gain (loss) at September 30, 2012
Contract clawback	$ 585,382
Note payable related party - Gator Dawg	(100,000)
Truck and trailer to Gator Dawg, net of accumulated depreciation	(12,150)
Total	$ 473,232

NOTE 23 - SALE OF OIL AND GAS INTERESTS

On October 31, 2012 the Company and Adino Exploration, LLC (“Exploration”), a wholly owned subsidiary of the Company, entered into an Asset Purchase and Sales Agreement (“Agreement”) with Broadway Resources, LLC (“Buyer”), The Agreement provided that Exploration agreed to sell all of its rights, title and interest to its oil and gas leases located in Coleman and Runnels Counties, Texas. The purchase price paid by the Buyer was $2,921,616, which includes a cash payment of $811,825 and the elimination of the Company and Exploration debts in the amount of $2,109,791.

The Company’s Chairman and Chief Financial Officer have an ownership interest in the Buyer. Exploration’s members approved the sale of assets and the terms of the Agreement as being fair and reasonable. In evaluating the sale of Exploration’s assets, including the determination of an appropriate purchase price paid, the Company considered a variety of factors, including the estimated future net oil reserves of the oil and gas leases, comparable sales of other oil and gas leases in the area, and the value of the equipment sold.

On October 31, 2012, Shannon McAdams, the Company’s chief financial officer, resigned his employment with the Company and with Adino Exploration, LLC.

The cash payment at closing was comprised of a payment to the Company of $300,000 and payment of liabilities, shown below.

Description	Amount
Accounts payable	$227,996
Note payable – BlueRock Energy Capital II, LLC	283,829
Total	$511,825

In the sale, Broadway acquired the following assets and liabilities from both Adino Exploration and Adino Energy Corporation, reflected as assets held for sale, and liabilities associated with assets held for sale at September 30, 2012:

	9/30/2012 AE	9/30/2012 ADNY	9/30/2012 Total
Cash in bank	$ 8,300	-	$ 8,300
Accounts receivable, net of allowances	12,070	-	12,070
Note Receivable - current portion	-	750,000	750,000
Other assets	26,208	-	26,208
Interest receivable	-	375,208	375,208
Deposits and Prepaid assets	2,438	-	2,438
Total current assets	49,016	1,125,208	1,174,224
Fixed assets, net of depreciation	150,817	-	150,817
Oil and gas properties	660,371	-	660,371
Total non-current assets	811,188	-	811,188
TOTAL ASSETS	$ 860,204	$ 1,125,208	$ 1,985,412
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Accounts payable	$ 189,557	-	$ 189,557
Accounts payable - related party	21,765	-	21,765
Accrued liabilities - related party	-	322,122	322,122
Asset retirement obligation	54,142	-	54,142
Notes payable - current portion	241,023	1,500,000	1,741,023
Convertible notes payable - current portion	-	100,000	100,000
Interest payable	2,138	938,500	940,638
Total current liabilities	508,625	$ 2,860,622	3,369,247
Convertible notes payable	-	400,000	400,000
TOTAL LIABILITIES	$ 508,625	$ 3,260,622	$ 3,769,247

The Company classified all similar assets and liabilities at December 31, 2011 as assets held for sale, for comparative purposes.

Net loss for Adino Exploration for the three and nine months ended September 30, 2012 and 2011 is reflected as Loss from Discontinued Operations. The Statement of Operations information for those periods is detailed as follows:

	For the three months ended		For the nine months ended	
	9/30/2012	9/30/2011	9/30/2012	9/30/2011
REVENUES AND GROSS MARGINS				
Oil and gas operations	$ 111,574	$ 233,828	$ 386,903	$ 258,581
Total revenues	111,574	233,828	386,903	258,581

OPERATING EXPENSES				
Cost of product sales	-	36,907	64,380	36,907
Payroll and related expenses	20,236	16,643	72,020	46,644
Terminal management	-	11,222	-	11,543
General and administrative	28,318	108,324	102,791	127,641
Legal and professional	308	235	3,475	576
Consulting fees	66,200	57,160	143,200	100,860
Repairs	121	3,352	3,743	9,392
Depreciation expense	41,340	43,795	119,083	53,411
Operating supplies	20,925	9,249	78,652	11,444
Total operating expenses	177,448	286,887	587,344	398,418
OPERATING (LOSS)	(65,874)	(53,059)	(200,441)	(139,837)
OTHER INCOME AND EXPENSES				
Interest income	19	58	685	58
Interest expense	(12,514)	(17)	(44,065)	-
Gain from lawsuit/sale leaseback	-	(7,671)	-	(11,807)
Other income (expense)	-	(42)	681	29,934
Total other income and expense	(12,495)	(7,672)	(42,699)	18,185
(Loss) from continuing operations	$ (78,369)	$ (60,731)	$ (243,140)	$ (121,652)

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NOTE 24 - SUBSEQUENT EVENTS

On October 5, 2012, Asher converted $5,300 of its note into 7,361,111 shares of the Company's common stock. The note conversion was within the terms of the agreement and did not result in a gain or loss.

On October 31, 2012 the Company and Adino Exploration, LLC ("Exploration"), a wholly owned subsidiary of the Company, entered into an Asset Purchase and Sales Agreement ("Agreement") with Broadway Resources, LLC ("Buyer"), The Agreement provides that Exploration has agreed to sell all of its rights, title and interest to its oil and gas leases located in Coleman and Runnels Counties, Texas. The purchase price paid by the Buyer was $2,921,616, which includes a cash payment of $811,825 and the elimination of the Company and Exploration debts in the amount of $2,109,791.

The Company's Chairman and Chief Financial Officer have an ownership interest in the Buyer. Exploration's members approved the sale of assets and the terms of the Agreement as being fair and reasonable. In evaluating the sale of Exploration's assets, including the determination of an appropriate purchase price paid, the Company considered a variety of factors, including the estimated future net oil reserves of the oil and gas leases, comparable sales of other oil and gas leases in the area, and the value of the equipment sold.

On October 31, 2012, Shannon McAdams, the Company's chief financial officer, resigned his employment with the Company and with Adino Exploration, LLC. See Note 23 for a detailed presentation.

On November 1, 2012, the Company fully paid all notes due to Asher for $145,000 and received full release on the notes and reserved common stock shares.

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

The following discussion should be read in conjunction with our unaudited consolidated interim financial statements and related notes thereto included in this quarterly report and in our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contained in our Form 10-K for the year ended December 31, 2011. Certain statements in the following MD&A are forward looking statements. Words such as "expects", "anticipates", "estimates" and similar expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected.

RECENT DEVELOPMENTS

Fuel Storage Operations

With the Company's focus on oil and gas exploration and production, the Company decided to sell its interest in IFL. To that end, on February 7, 2012, Adino sold all of its membership interest in IFL to Pomisu XXI S.L. ("Buyer"). The purchase price to be paid by the Buyer is $900,000, paid in two installments with the first installment of $244,824.97 paid on February 7, 2012, and the balance due not later than May 7, 2012. The balance of the purchase price shall be computed as follows: $900,000 minus $244,842.97 (initial installment) minus $655,157 of IFL liabilities assumed and settled by the Buyer. The liabilities included $106,520 in accounts payable, $1,500 to a related party, $110,000 in retained customer deposit and $437,155 for the G J Capital lawsuit judgment (see Note 21 for a more thorough discussion). As of September 30, 2012, amounts due from Buyer had not been collected and are fully reserved.

Oil and Gas Operations

On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC ("Gator-Dawg"). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg (formerly Adino Drilling, LLC) agreed to transfer the drilling rig and associated assets purchased from the Company in March, 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company transferred a truck and trailer purchased in early 2012 and executed a $100,000 note payable to Gator-Dawg. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012.

On October 31, 2012 the Company and Adino Exploration, LLC (“Exploration”), a wholly owned subsidiary of the Company, entered into an Asset Purchase and Sales Agreement (“Agreement”) with Broadway Resources, LLC (“Buyer”), The Agreement provides that Exploration has agreed to sell all of its rights, title and interest to its oil and gas leases located in Coleman and Runnels Counties, Texas. The purchase price paid by the Buyer was $2,921,616, which includes a cash payment of $811,825 and the elimination of the Company and Exploration debts in the amount of $2,109,791.

The Company’s Chairman and Chief Financial Officer have an ownership interest in the Buyer. Exploration’s members approved the sale of assets and the terms of the Agreement as being fair and reasonable. In evaluating the sale of Exploration’s assets, including the determination of an appropriate purchase price paid, the Company considered a variety of factors, including the estimated future net oil reserves of the oil and gas leases, comparable sales of other oil and gas leases in the area, and the value of the equipment sold.

On October 31, 2012, Shannon McAdams, the Company’s chief financial officer, resigned his employment with the Company and with Adino Exploration, LLC. See Note 23 for a detailed presentation.

RESULTS OF OPERATIONS

The Company sold its wholly-owned subsidiary, IFL, as of February 2012. The revenues and expenses from that subsidiary have been shown as net income from discontinued operations for the quarter and nine months ended September 30, 2012. The Company’s net income (loss) for the quarter and nine months ended September 30, 2011 has also been separated from the consolidated entity and presented in discontinued operations for comparison purposes.

The Company sold its oil and gas operations, primarily Adino Exploration and certain additional liabilities owned by the Company as of October 31, 2012. The revenues and expenses from that subsidiary and associated activities have been shown as net loss from discontinued operations for the quarter and nine months ended September 30, 2012. The Company’s net loss for the quarter and nine months ended September 30, 2011 has also been separated from the consolidated entity and presented in discontinued operations for comparison purposes. See Note 23 for detail on those amounts.

Revenue: The Company had $50,000 in consulting revenues for the nine months ended September 30, 2011. All other Company revenue from the oil and gas operations are reflected in discontinued operations for the three and nine months ended September 30, 2012. See Note 23 for a more thorough discussion.

Cost of Product Sales: Cost of product sales, severance taxes, for the three and nine months ended September 30, 2012 and 2011 were $11,246 and $33,595 and $76,062 and $0, respectively. The Company saw significant increases in its production on the Felix Brandt and James Leonard leases, resulting in increased severance taxes paid as a percent of revenues.

Payroll and Related Expenses: Payroll and related expenses for the three and nine months ended September 30, 2012 and 2011 were $(25) and $5,064 and $29,898 and $111,958 respectively The Company had several employees during 2011, but now primarily utilizes contract workers for those services, contributing to the decreased expense.

General and Administrative: : The Company's expense for the quarter and nine months ended September 30, 2012 was $(8,281) and $376,339 compared to $(27,907) and $44,832 for the same periods in 2011. The increase is primarily due to bad debt expense of $358,401 to reserve for potentially uncollectible receivables. Additionally, the Company incurred moving expenses associated with the Ashton asset purchase (see Note 1) of $19,842.

Legal and Professional: Legal and professional expense was $39,323 and $76,959 for the three months ended September 30, 2012 and 2011, respectively and $64,414 and $217,277 for the nine months ended September 30, 2012 and 2011, respectively. During 2011, the Company experienced significant legal expense associated with the G J Capital lawsuit. Expenses incurred in 2012 relate primarily to the oil and gas sale to Broadway. Legal fees were negotiated and the Company received a credit on legal billings of $52,785 during the first quarter, 2012. See Note 23 for discussion of the oil and gas interest sale and Note 21 for discussion on the G J Capital lawsuit

Consulting Expense: The Company's consulting expense for the quarter and nine months ended September 30, 2012 was $3,822 and $125,148 compared to $282,327 and $631,595 for the same periods in 2011. The Company retained the services of several consultants to assist in business development. During 2012, the Company retained one fewer consultant and reduced compensation to existing consultants, reducing expense compared to the prior year.

Depreciation Expense: Depreciation expense was $5,083 and $790 for the years nine months ended September 30, 2012 and 2011, respectively. The increase is due to asset purchased from AOS, owned by the Company.

Interest Income: Interest income for the three and nine months ended September 30, 2011 was $6,970 and $46,570. There was no accompanying interest income for 2012. The Company had agreed to an amendment on the $750,000 note receivable with Mr. Sundlun. This amendment extended the maturity date of the note to August 2011 at no additional interest past the original maturity date of November 6, 2008. Due to the lack of interest expense, the Company recognized a discount on the note and amortized that discount through the note's maturity date. The decrease in income from 2012 to 2011 is a result of the discount being fully amortized at July 31, 2011.

Interest Expense: Interest expense was $84,790 and $73,721 for the three months ended September 30, 2012 and 2011, respectively, and $223,550 and $206,458 for the nine months ended September 30, 2012 and 2011, respectively, an increase of $17,092 or 8%. The Company entered a promissory note payable to the Schwartz Group, resulting in 6% annual interest to the Company. Activity associated with the Asher notes derivative resulted in increased note discount expense in 2012.

Gain on Debt Conversion: On April 18, 2012, The Board of Directors approved a stock conversion of $103,000 in accrued consulting expense into Rule 144 common stock, at a conversion rate of $0.05 per share. The conversion resulted in issuance of 2,060,000 shares of stock and a gain to the Company of $87,962.

Gain on Sale/Relinquishment: On June 29, 2012, the Company executed a multi-party agreement with the Sellers of the PetroGreen assets and Gator-Dawg Drilling, LLC ("Gator-Dawg"). In the agreement, the Company released the restriction on the 10 million shares of common stock held in escrow on behalf of the Sellers in the PetroGreen asset purchase in July of 2010. In exchange, the Sellers released all claims to the contract clawback agreement. The Company also transferred the membership shares of AACM3, LLC to its former owner, Alex Perales. AACM3, LLC did not hold any assets at the time of transfer. Gator-Dawg (formerly Adino Drilling, LLC) agreed to transfer the drilling rig and associated assets purchased from the Company in March, 2011 to AACM3, LLC. In exchange for the drilling rig transfer, the Company transferred a truck and trailer purchased in early 2012 and executed a $100,000 note payable to Gator-Dawg. The completion of this multi-party agreement extinguished the contract clawback provision at June 29, 2012. The net effect of the multi-party agreement resulted in a gain on sale/relinquishment to the Company of $473,232 at September 30, 2012.

Gain (Loss) on Derivative: The Company entered into a series of promissory notes that permits conversion of the notes into shares of the Company's common stock at a discount to the market price. This discount to market conversion feature is treated as a derivative for accounting purposes. This note also caused two other financial instruments held by the Company to be considered derivatives. The Company has calculated the change in value of those instruments for the three months ended September 30, 2012 for a loss of $1,482, compared with a gain of $35,419 for the three months ended September 30, 2011. Year to date amounts are a gain on change in value at September 30, 2012 of $15,986 compared to a gain of $28,144 at September 30, 2011. See Note 15 of the Company's financial statements for a more thorough discussion of this item.

Gain (Loss) on Change in Fair Value of Clawback: A component of the Petro Energy acquisition agreement gave the former owners of these companies the option to repurchase for $1.00 the assets held by the companies as of July 1, 2010 if the Company's common stock price fails to reach $0.25 per share within three years of the original acquisition date. Although the clawback was relinquished by the Petro Energy sellers at June 29, 2012, the Company was required to recognize the change in value through the relinquishment date. The change in value for the nine months ended September 30, 2012 was $198,643 compared to $65,379 for the same period, 2011. See Note 14 for a discussion of the clawback and the relinquishment agreement.

Gain on Sale of Assets: The Company sold the assets acquired from Ashton for $500,000 on February 7, 2012, resulting in a gain on sale of $161,905. See Note 1 for a more thorough discussion of the asset purchase and sale transactions.

Net Income/Loss: The Company had net losses of $159,655 and $401,289 for the three months ended September 30, 2012 and 2011, respectively and net losses of $423,036 and $851,570 for the nine months ended September 30, 2012 and 2011, respectively. The Company's contract clawback relinquishment contributed a gain of $473,232 to the 2012 second quarter income, contributing to the decreased loss from 2011 to 2012. Of the totals, net income contributed by IFL, reflected in discontinued operations, was $61,509 and $515,907, for the nine months ended September 30, 2012 and 2011, respectively. The 2011 amount represented six full months of activity, whereas only one month of activity was included in the gain on discontinued operations at September 30, 2012. Of the totals, net loss contributed by Adino Exploration reflected in discontinued operations, was $78,369 and $60,731, for the three months ended September 30, 2012 and 2011, respectively and losses of $243,140 and $121,652, for the nine months ended September 30, 2012 and 2011, respectively. See Note 20 for detailed information of the IFL net income per quarter and Note 23 for discussion of the Adino Exploration oil and gas interest sale.

Cash: The Company's available cash decreased from $52,540 at December 31, 2011 to $1,218 at September 30, 2012. In December 2011, the Company received additional investment from members of the Schwartz group of $150,000.

CAPITAL RESOURCES AND LIQUIDITY

As of September 30, 2012, our cash and cash equivalents were $51,274, compared to $102,540 at December 31, 2011. The Company's liquidity decreased as funds received from oil and gas operations are reflected in assets from discontinued operations.

In order to provide additional financing to the Company in the first quarter of 2012, the Company took on an additional short-term convertible note with Asher Enterprises, Inc., of $40,000. Additionally, one of the Schwartz investors purchased Preferred Stock Class B Series 3 for $30,000 in January, 2012.

Cash flow has been an ongoing concern for the Company due to the large amount of legacy liabilities that Adino accumulated during previous years. These liabilities will likely continue to be a drag on the Company’s financial statements unless and until Adino obtains financing or cash flow from operations increases sufficiently, allowing us to pay off these liabilities.

As of September 30, 2012, the Company has a working capital deficit of $3,443,707 and total stockholders’ deficit of $2,994,865. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern depends upon its ability to obtain funding for its working capital deficit. Of the outstanding current liabilities at September 30, 2012, $860,081 of the outstanding current liabilities is due to certain officers and directors for prior years’ accrued compensation. These officers and directors have agreed in writing to postpone payment if necessary, should the Company need capital it would otherwise pay these individuals. Additionally, non-cash items include a derivative liability of $108,286. The Company plans to satisfy current year and future cash flow requirements through its oil and gas operations and merger and acquisition opportunities including the expansion of existing business opportunities. The Company expects these growth opportunities to be financed by a combination of equity and debt capital; however, in the event the Company is unable to obtain additional debt and equity financing, the Company may not be able to continue its operations.

For the nine months ended September 30, 2012, cash used by operating activities was $667,243 compared to cash used by operating activities of $229,061 for the nine months ended September 30, 2011. The primary difference was a charge to bad debt at September 30, 2012 of $358,401 and payment of the GJ Capital lawsuit and expenses.

The Company incurred capital expenditures of $70,511 in the nine months ended September 30, 2012 to develop its recently acquired oil and gas leases. We were able to secure debt financing at reasonable rates for these expenditures.

RISK FACTORS

The market price of the Company's common stock has fluctuated significantly since it began to be publicly traded and may continue to be highly volatile. Factors such as the ability of the Company to achieve development goals, the ability of the Company to compete in the oil and gas exploration and production business, the ability of the Company to raise additional funds, general market conditions and other factors affecting the Company's business that are beyond the Company's control may cause significant fluctuations in the market price of the Company's common stock. Such market fluctuations could adversely affect the market price for the Company's common stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were ineffective at ensuring that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. We performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this quarterly report have been prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Changes in internal controls. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2012 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

G J Capital, Ltd. v. Adino Energy Corporation, et. al.

On March 15, 2010, G J Capital, Ltd. ("G J Capital") filed suit against Adino Energy Corporation and IFL in the 129th Judicial District Court of Harris County, Texas. G J Capital's claim related to a repurchase agreement whereby IFL sold to G J Capital certain assets for $250,000 and retained the ability to repurchase the assets in sixty days by paying to G J Capital the amount of $275,000. G J Capital's petition alleged claims of breach of contract, money had and received, and fraudulent misrepresentation. G J Capital later amended its petition to allege that certain of Adino's directors and officers (Mr. Timothy Byrd and Mr. Sonny Wooley) fraudulently transferred assets of Adino and/or IFL. G J Capital also alleged that Mr. Wooley and Mr. Byrd were the *alter ego* of Adino and IFL, and/or that Adino and/or IFL were *alteregos* of one another. G J Capital also alleged fraudulent conduct by one or more of the defendants.

Adino, IFL, Mr. Byrd and Mr. Wooley countersued G J Capital and filed third-party claims against CapNet Securities Corporation ("CapNet"), Daniel L. Ritz, Jr. ("Ritz"), Gulf Coast Fuels, Inc. ("Gulf Coast") and Paul Groat ("Groat"), alleging that they conspired to damage IFL and Adino by involving it in the transaction described above. In this action, Adino, IFL, Mr. Byrd and Mr. Wooley contended that Ritz, CapNet, Gulf Coast, and Groat were involved together for the common, improper scheme to cause IFL immense financial hardship so that Gulf Coast could acquire the fuel terminal currently leased by IFL at an unfairly low price; that as part of this conspiracy they also effected a settlement of the Gulf Coast claim (which, if true, would mean that G J Capital acquired no claim at all against any of the defendants); and that in addition or in the alternative, even if G J Capital acquired some cognizable interest against IFL, Adino, IFL, Byrd and Wooley are entitled to indemnification by and contribution by Ritz, CapNet, Gulf Coast, and Groat. Adino nonsuited its claims against CapNet, Ritz, Gulf Coast, and Groat in February 2012.

In December 2011, G J Capital dismissed its claims against Mr. Byrd and Mr. Wooley. Also in December 2011, the court rendered judgment for G J Capital and against Adino and IFL in the amount of $250,000, plus $152,988 in attorneys' fees, $9,300 in court costs, plus $20,616 in prejudgment interest. The Company did not appeal this judgment .In February 2012, the Company paid $200,321 in partial settlement of the amount due. The balance due at March 31, 2012 was $236,834. On May 1, 2012, the Company paid the final balance due on the GJ Capital suit, receiving a full release on all liability.

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

During the first quarter of 2012, the Company issued a nine-month convertible promissory note to Asher in the amount of $40,000. The note has a maturity date of October 23, 2012 and an annual interest rate of eight percent (8%) per annum. The holders have the right from and after the date of issuance, and until any time until the note is fully paid, to convert any outstanding and unpaid principal portion of the note, and accrued interest, into fully paid and non-assessable shares of common stock. The note has an initial conversion price of fifty eight percent (58%) of the three lowest closing bid prices for the ten days preceding the conversion date.

On January 9, 2012, one of the Schwartz investors converted his $22,500 note into 681 shares of the Company's Class B Preferred Stock Series 3. Additionally, he invested an additional $30,000 in the Company through the purchase of 857 shares of Class B Preferred Stock Series 3 shares.

On April 18, 2012, the Company approved a stock conversion of $103,000 in accrued consulting expense into common stock, at a conversion rate of $0.05 per share. On October 24, 2012 the consultant converted $103,000 in accrued consulting fees into 2,060,000 shares of the Company's common stock.

The Company claims an exemption from registration for the above issuances pursuant to Section 4(2) of the Securities Act due to the small number of purchasers and their sophistication in financial and business matters.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following documents are filed or furnished as part of this report:

Exhibit Number	Exhibit
3.1	Articles of Incorporation (incorporated by reference to our Form 10-K filed on March 18, 2009)
3.2	By-laws of Golden Maple Mining and Leaching Company, Inc. (now Adino Energy Corporation) (incorporated by reference to our Form 10-K filed on March 18, 2009)
3.3	Amendment to Articles of Incorporation (incorporated by reference to our Form 10-Q filed on August 15, 2012)
10.1	Membership Interest Purchase Agreement (incorporated by reference to our Form 10-K filed on April 1, 2011)
10.2	Post-Closing Agreement (incorporated by reference to our Form 10-K filed on April 1, 2011)
10.3	Employment agreement of Sonny Wooley (incorporated by reference to our Form 10-Q filed on August 15, 2011)
10.4	Employment agreement of Timothy G. Byrd, Sr. (incorporated by reference to our Form 10-Q filed on August 15, 2011)
10.5	Membership Interest Purchase and Sale Agreement (incorporated by reference to our Form 10-Q filed on August 15, 2012)
10.6	Asset Purchase Agreement (incorporated by reference to our Form 8-K filed on November 14, 2011)
10.7	Relinquishment of Repurchase Rights Agreement (incorporated by reference to our Form 10-Q filed on August 15, 2012)
10.8	Asset Purchase and Sale Agreement (incorporated by reference to our Form 8-K filed on November 5, 2012)
14	Code of Business Conduct and Ethics (incorporated by reference to our Form 10-K filed on March 18, 2009)
31.1	Certification of Chief Executive Officer pursuant to Rule 15d-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer pursuant to Rule 15d-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data File

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

ADINO ENERGY CORPORATION

By: /s/ Timothy G. Byrd, Sr.
Timothy G. Byrd, Sr.
Chief Executive Officer and Director
November 19, 2012

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