

Graystone Co
Form 10-Q
August 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended JUNE 30, 2013

or

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

For the transition period from

to

Commission File Number: 000-54254

The Graystone Company, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

27-3051592
(I.R.S. Employer Identification No.)

2620 Regatta Drive, Ste 102, Las Vegas, NV
(Address of principal executive offices)

89128
(Zip Code)

(702) 438-4100
(Registrant's telephone number, including area code)

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer

Non-accelerated filer
Smaller reporting company

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

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

| Title of Each Class | Outstanding as of August 9, 2013, |
|--|-----------------------------------|
| Class A Common stock, par value \$0.0001 per share | 1,807,484,303 |
| Class B Common stock, par value \$0.001 per share | 5,000,000 |

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THE GRAYSTONE COMPANY, INC.

FORM 10-Q
June 30, 2013

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PART I -- FINANCIAL INFORMATION

ITEM 1 –FINANCIAL STATEMENTS

THE GRAYSTONE COMPANY, INC.
CONSOLIDATED BALANCE SHEET

| | June 30, 2013 (unaudited) | December 31, 2012 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,891 | \$ 14,922 |
| Prepaid expense | - | 50,000 |
| Loan to joint venture | 89,624 | - |
| Total current assets | 92,515 | 64,922 |
| Plant, property & equipment (net of depreciation) | 55,218 | 70,841 |
| Total assets | \$ 147,733 | \$ 135,763 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 10,480 | \$ 10,487 |
| Accrued expenses | 10,147 | 8,604 |
| Accrued expenses - related party | 120,899 | 78,399 |
| Convertible notes payable (net of discount) | 143,500 | 136,373 |
| Notes payable | 357,950 | 244,950 |
| Notes payable (related party) | 116,539 | 82,908 |
| Derivative liability | - | 19,807 |
| Total liabilities | 759,515 | 581,528 |
| Stockholders' (deficit) equity | | |
| Class A Common stock, \$.0001 par value; 5,000,000,000 shares authorized, 1,164,484,303 and 345,777,234 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively. | 116,448 | 34,578 |
| Class B Common stock, \$.001 par value; 5,000,000 shares authorized, 5,000,000 and 0 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively. | 5,000 | 5,000 |
| Additional paid-in capital | 6,579,009 | 5,471,670 |
| Accumulated deficit | (7,312,239) | (5,957,013) |
| Total stockholders' (deficit) equity | (611,782) | (445,765) |
| Total liabilities and stockholders' (deficit) equity | \$ 147,733 | \$ 135,763 |

See accompanying notes to unaudited consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|---|---------------------------|--------------|-----------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Sales, net | \$40,320 | 42,470 | 13,672 | 27,369 |
| Cost of goods sold | 196,911 | \$14,279 | \$67,449 | \$8,938 |
| Gross profit | \$(156,591) | \$28,191 | \$(53,777) | \$18,431 |
| Operating Expenses | | | | |
| General and administrative | 569,052 | 302,434 | 160,545 | 270,487 |
| Legal and professional | 206,336 | 555,192 | 6,624 | 230,018 |
| Depreciation and amortization | 15,624 | - | 4,956 | - |
| Research and development | - | 45,035 | - | 10,996 |
| Loss on settlement of AP-related party | 210,000 | - | 210,000 | - |
| Total operating expenses | 1,001,012 | 902,661 | 382,125 | 511,501 |
| Loss from operations | (1,157,603) | (874,470) | (435,902) | (493,070) |
| Other income (expense) | | | | |
| Interest expense | (120,156) | (84,483) | (50,200) | (27,642) |
| Loss on settlement of debt | (101,400) | - | (101,400) | - |
| Gain/loss on derivatives | 23,933 | - | - | - |
| Loss on sale of assets | - | (5,329) | - | (5,329) |
| Total other income (expense) | (197,623) | (89,812) | (151,600) | (32,971) |
| Loss before income taxes | (1,355,226) | (964,282) | (587,502) | (526,041) |
| Net loss | \$(1,355,226) | \$(964,282) | \$(587,502) | \$(526,041) |
| Net loss per share of common stock: | | | | |
| Basic | \$(0.00) | \$(0.01) | \$(0.00) | \$(0.00) |
| Weighted average number of shares outstanding | 536,454,547 | 115,660,875 | 655,988,102 | 231,494,808 |

See accompanying notes to unaudited consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six Months Ended June 30, | |
|--|---------------------------|--------------|
| | 2013 | 2012 |
| Cash flows from operating activities | | |
| Net Income(loss) | \$(1,355,226) | \$(964,282) |
| Adjustments to reconcile net income (loss) to net cash used by operating activities: | | |
| Depreciations on plant, property & equipment | 15,623 | 1,258 |
| Amortizations on intangible assets | - | 500 |
| Loss on settlement of debt | 101,400 | - |
| Loss on settlement of AP – related party | 210,000 | - |
| Gain on derivative liability | (88,933) | - |
| Loss on sale of plant, property, & equipment | - | 5,329 |
| Issuance of common stock for services | 402,950 | 623,585 |
| Issuance of notes for services | - | 31,250 |
| Amortization of debt discount | 177,113 | 81,089 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | (4,810) |
| Prepaid expenses | 50,000 | - |
| Accounts payable | (7) | 7,728 |
| Accrued expenses | 8,042 | 5,341 |
| Net cash used by operating activities | (479,038) | (213,012) |
| Cash flows from investing activities | | |
| Sale of plant, property & equipment | - | 9,613 |
| Loan to joint venture | (89,624) | - |
| Net cash provided (used) by investing activities | (89,624) | 9,613 |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of issuance costs | - | 86,950 |
| Proceeds from notes payable | 390,500 | 189,064 |
| Proceeds from notes payable - related party | 300,699 | - |
| Repayment from notes payable | - | (27,390) |
| Repayment from notes payable - related party | (134,568) | - |
| Net cash provided by financing activities | 556,631 | 248,624 |
| Net change in cash and cash equivalent | (12,031) | 45,225 |
| Cash and cash equivalent at the beginning of period | 14,922 | 793 |
| Cash and cash equivalent at the end of period | \$2,891 | \$46,018 |
| Noncash investing and financing activities: | | |
| Stock issued for conversion of debt and accrued interest | \$153,999 | \$13,400 |
| Stock issued for settlement of debt | \$235,400 | \$- |
| Stock issued to settle accrued liabilities- related party | \$300,000 | \$- |
| Debt discount from derivatives | \$130,000 | \$- |
| BCF | \$- | \$80,000 |
| Common stock cancelled with subscription receivable | \$- | \$(218,200) |

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| | | |
|--|-----|-----------|
| Subscription receivable compensated with professional services | \$- | \$131,800 |
|--|-----|-----------|

See accompanying notes to unaudited consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited financial statements of The Graystone Company, Inc. (the “Company”) 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 the Company’s registration statement 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. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2012 as reported in Form 10-K, have been omitted.

Note 2 – Going Concern

The Company’s financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has negative working capital, recurring losses, and does not have an established source of revenues sufficient to cover its operating costs. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading, or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

In the coming year, the Company’s foreseeable cash requirements will relate to continual development of the operations of its business, maintaining its good standing and making the requisite filings with the Securities and Exchange Commission, and the payment of expenses associated with operations and business developments. The Company may experience a cash shortfall and be required to raise additional capital.

Historically, it has mostly relied upon internally generated funds such as shareholder loans and advances to finance its operations and growth. Management may raise additional capital by retaining net earnings or through future public or private offerings of the Company’s stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company’s failure to do so could have a material and adverse affect upon it and its shareholders.

Note 3 – Related Party Transaction

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Renard Properties for services rendered. The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals. Paul Howarth, our CEO, is the managing member of Renard Properties.

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Joseph Wade for services rendered. The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Joseph Wade for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Paul Howarth for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On June 19, 2013, the Company issued 187,500,000 of our Class A Common Stock to Paul Howarth for \$45,000 in debt. The price per share was \$.0008. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

On June 19, 2013, the Company issued 187,500,000 of our Class A Common Stock to Joseph Wade for \$45,000 in debt. The price per share was \$.0008. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

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During the Six Months ended June 30, 2013, \$93,750 was recorded to related party payables from amounts paid on behalf of the Company by Renard Properties, for accrued salaries and consulting fees. \$79,568 was repaid against these payables resulting in an ending balance of \$79,628. Paul Howarth, our CEO, is the managing member of Renard Properties.

During the Six Months ended June 30, 2013, \$93,750 was recorded to related party payables from amounts paid on behalf of the Company by JW Group, for accrued salaries and consulting fees. \$55,000 was repaid against these payables resulting in an ending balance of \$41,271. Joseph Wade, our CFO, is the President of JW Group

During the Six Months ended June 30, 2013, the Company borrowed \$67,880 in cash from Renard Properties and repaid \$31,606 in cash leaving a balance of \$112,950 owed to Renard Properties. Paul Howarth, our CEO, is the managing member of Renard Properties. These loans bear no interest and are due in December 2013.

During the Six Months ended June 30, 2013, the Company borrowed \$45,319 in cash from JW Group and repaid \$47,963 in cash leaving a balance of \$3,589 owed to JW Group. Joseph Wade, our CFO, is the President of JW Group. These loans bear no interest and are due in December 2013.

Note 4 – Common Stock and Preferred Stock

During Six Months Ending June 30, 2013, the Company issued the following Class A shares:

- 316,707,073 shares for conversion of notes payable and accrued interest of \$288,000
- 127,000,000 shares for services with a fair value of \$402,950
- 375,000,000 shares for settlement of related party payables of \$90,000

Note 5 – Notes Payable and Derivative Liabilities

Convertible Notes

Fiscal 2012 Asher Convertible Note. Throughout fiscal 2012, the Company borrowed \$275,000 from Asher Enterprises, Inc. in eight notes. The notes bear simple interest of 8% per annum from the issuance date. The notes become convertible into Class A common stock at 57% of market price 180 days after issuance and mature 270 days after issuance. On the date the notes become convertible, the embedded conversion options are classified as liabilities under ASC 815 at their fair value. During 2013, \$130,000 of these notes became convertible. The fair value of the conversion options exceeded the principal balance resulting in a full discount to the notes payable of \$130,000. The entire amount was amortized the interest expense during the six months ended June 30, 2013.

Fiscal 2013 Asher Convertible Note. In the Six Months ended June 30, 2013, the Company borrowed \$143,500 from Asher Enterprises, Inc. in three notes. The notes bear simple interest of 8% per annum from the issuance date. The notes become convertible into Class A common stock at 57% of market price 180 days after issuance and mature 270 days after issuance. On the date the notes become convertible, the embedded conversion options will be classified as liabilities under ASC 815.

During the Six Months ended June 30, 2013, the Company issued 137,207,073 Class A Common Shares to Asher in satisfaction of \$147,500 loaned to the Company and \$6,499 of accrued interest. As a result of the conversion of the related notes, the Company re-valued its derivative liabilities on the settlement dates and reclassified these amounts to additional paid-in capital. As of June 30, 2013, the Company owes Asher a remaining total of \$143,500

The following table summarizes the changes in the derivative liabilities during the year ended December 31, 2012:

| | |
|--|-----------|
| Ending balance as of December 31, 2012 | \$ 19,807 |
| Additions due to new convertible debt issued | 183,181 |
| Reclassification of derivative liabilities to additional paid-in capital due to conversion of debt | (96,860) |
| Change in fair value | (86,321) |
| Ending balance as of June 30, 2013 | \$ - |

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During the period ended June 30, 2013, the gain on derivatives of \$23,933 in the statement of operations consisted of a gain on the change in fair value of \$86,321 noted above and a loss of \$62,388, which was the amount by which the derivative liabilities exceeded the principal of the related notes payable on the date the notes were issued.

Notes Payable

During the Six Months ended June 30, 2013, the Company borrowed \$247,000 from a third party in sixteen notes. The notes are all due December 31, 2013, bear interest at 0%, and are unsecured.

| | |
|--|------------|
| Ending balance as of December 31, 2012 | \$244,950 |
| Additions due to new debt issued | 247,000 |
| Amount of debt converted into shares | (134,000) |
| Ending balance as of June 30, 2013 | \$357,950 |

During the six months ended June 30, 2013, the Company converted \$134,000 in promissory notes into 179,500,000 common shares. The Company recorded a loss of \$101,400 on the conversion.

On June 28, 2013, the Company entered into a line of credit agreement for \$500,000 with a maturity date of December 31, 2015 and an effective interest rate of 9%. All previous amounts due to SC Capital of \$362,450 are transferred to this line of credit. All accrued interest on the previous notes is waived through June 3, 2013.

Note 6 – Loan to Joint Venture

In December 2012, the Company entered into a joint venture regarding a mining project in Suriname. The Company agreed to invest \$75,000 into the joint venture and any additional investments made above this initial \$75,000 would be considered a loan to the joint venture by the Company. As of June 30, 2013, the Company lent an additional \$89,624. This amount shall be repaid to the Company prior to any disbursements made to the partners in the joint venture. The terms of the joint venture provide that the Company has a 50% undivided interest in the profits of the joint venture and Aurora Mining owns the other 50%.

Note 7 – Subsequent Events

On July 11, 2013, the Company issued 50,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.00025. SC Capital converted \$12,500 of its note convertible in the amount of \$25,000 from its note dated November 7, 2012. There is \$12,500 remaining on the note.

On July 22, 2013, the Company issued 60,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.00021. SC Capital converted \$12,500 of its note convertible in the amount of \$25,000 from its note dated November 7, 2012. There is \$0 remaining on the note.

On August 2, 2013, the Company issued 63,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.00016. SC Capital converted \$10,000 of its note convertible in the amount of \$50,800 from its note dated November 20, 2012. There is \$40,800 remaining on the note.

On August 7, 2013, the Company issued 150,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.0001 to Renard Properties, LLC in exchange for the extinguishment of \$15,000 in debt owed.

On August 7, 2013, the Company issued 150,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.0001 to JW Group, Inc. in exchange for the extinguishment of \$15,000 in debt owed.

On August 9, 2013, the Company issued 170,000,000 shares of its Class A Common stock at an applicable conversion price of \$0.0001. SC Capital converted \$17,000 of its note convertible in the amount of \$50,800 from its note dated November 20, 2012. There is \$23,800 remaining on the note.

On August 9, 2013, the Company's board of directors and a majority of its shareholders approved a 1000-1 reverse split. The record date shall be set by the Board of Directors but shall not be later than January 31, 2014.

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ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained herein involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy;
- our possible financings; and
- the adequacy of our cash resources and working capital.

These forward-looking statements can generally be identified as such because the context of the statement will include words such as we “believe,” “anticipate,” “expect,” “estimate” or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this report, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto, included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this report, particularly in the “Risk Factors” section.

Going Concern

Our financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company’s interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These financial statements do not include any adjustments to the recoverability

and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Overview

During the Three Months Ending June 30, 2013, we generated sales of \$40,320 and incurred a net loss of \$1,355,226. We have received no substantial revenue (\$26,649 from the production of gold or other metals, and historically relied on our other divisions and equity and debt financings to finance our ongoing operations. Our operations generated a net loss of \$7,312,239 from inception (March 27, 2010) through the Six Months Ending June 30, 2013. In order to fund operations, we relied on proceeds received under the private placement sale in secured convertible debentures from Asher Enterprises, loans payable from SC Capital and proceeds received from notes payable from our shareholders.

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Results of Operations

For the six month and three months ending June 31, 2013 and 2012 respectively, the Company generated the following revenue:

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|--------------------|---------------------------|------------|-----------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Sales, net | \$40,320 | 42,470 | 13,672 | 27,369 |
| Cost of goods sold | 196,911 | \$14,279 | \$67,449 | \$8,938 |
| Gross profit | \$(156,591) |) \$28,191 | \$(53,777) |) \$18,431 |

The increase in the Company's Cost of Goods sold includes an increase in mining expenses that the Company incurred since the fiscal year ended December 31, 2012. The Company previously classified these expenses as general expenses.

For the six month and three months ending June 31, 2013 and 2012 respectively, the Company generated the following expenses:

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|-------------------------------|---------------------------|---------|-----------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating Expenses | | | | |
| General and administrative | 569,052 | 302,434 | 160,545 | 270,487 |
| Legal and professional | 206,336 | 555,192 | 6,624 | 230,018 |
| Depreciation and amortization | 15,624 | - | 4,956 | - |
| Research and development | - | 45,035 | - | 10,996 |
| Total operating expenses | 791,012 | 902,661 | 172,125 | 511,501 |

The Company's research and development expenses are related to the Company's mining activities in Peru and include exploration on the Company's mining properties but do not include the actual mining expenses. The Company's Research and Development expense decreased as the Company's focused more assets to mining production and less on general exploration and development of its mining claims.

Liquidity and Capital Resources

The following is a summary of our balance sheet as of June 30, 2013 and December 31, 2012 respectively:

| | June 30, | December 31, |
|---------------------------|----------|--------------|
| | 2013 | 2012 |
| Current assets | | |
| Cash and cash equivalents | 2,891 | 14,922 |
| Prepaid expense | - | 50,000 |
| Loan to joint venture | 89,624 | - |
| Total current assets | 92,515 | 64,922 |

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In the opinion of management, available funds will not satisfy our growth requirements for the next twelve months. The Company expects that its current revenue will allow us to satisfy our current operations and our reporting requirement for the next twelve months. However, if our revenue decreases we may not be able to support our current operations and reporting obligations without obtaining additional funds. We believe our currently available capital resources will allow us to begin operations within our natural resource division and maintain its operation over the course of the next 12 months; however, our other expansion plans would be put on hold until we could raise sufficient capital. The Company expects that it needs to raise an additional \$500,000 to expand its mining operations in Peru whereby the operations in Peru will be operating at a breakeven point or a profit. Currently, the Company loses approximately \$5,000 - \$10,000 per month related to its mining operations in Peru. We cannot guarantee that we will be able to raise additional funds. Moreover, in the event that we can raise additional funds, we cannot guarantee that additional funding will be available on favorable terms. The Company's Board of Directors is currently discussing the possibility of offering \$2,000,000 in a new Preferred Stock series at an interest rate of 7.5%.

Loans

The Company has received the following loans from 3rd parties:

Asher:

The Company borrowed \$143,500 during the six months ending June 30, 2013 from Asher. The amount owed at June 30, 2013 was \$143,500 as Asher converted \$147,500 in exchange for approximately 137,207,073 shares of our Class A Common Stock.

| Date of Note | Funding Date | Amount of Loan | Funding Date | Remaining Balance |
|--------------|--------------|----------------|--------------|-------------------|
| 1/10/2012 | 1/18/2012 | \$ 32,500 | 7/16/2012 | \$ 0 |
| 2/28/2012 | 3/7/2012 | \$ 32,500 | 9/3/2012 | \$ 0 |
| 4/26/2012 | 5/2/2012 | \$ 47,500 | 10/29/2012 | \$ 0 |
| 6/21/2012 | 6/27/2012 | \$ 32,500 | 12/24/2012 | \$ 0 |
| 8/7/2012 | 8/27/2012 | \$ 32,500 | 2/23/2013 | \$ 0 |
| 8/27/2012 | 9/14/2012 | \$ 32,500 | 3/13/2013 | \$ 0 |
| 10/5/2012 | 10/23/2012 | \$ 32,500 | 4/21/2013 | \$ 0 |
| 12/4/2012 | 12/13/2012 | \$ 32,500 | 6/11/2013 | \$ 0 |
| 2/11/2013 | 2/20/2013 | \$ 78,500 | 8/19/2013 | \$ 78,500 |
| 4/5/2013 | 4/19/2013 | \$ 32,500 | 10/20/2013 | \$ 32,500 |
| 5/13/2013 | 5/17/2013 | \$ 32,500 | 11/17/2013 | \$ 32,500 |

SC Capital Group:

The Company borrowed \$247,000 during the three months ending June 30, 2013 from SC Capital as part of the Investment Agreement executed with SC Capital. The amount owed at June 30, 2013 was \$362,450.

| Date of Note | Funding Date | Amount of Loan | Remaining Balance |
|--------------|--------------|----------------|-------------------|
| 10/10/2012 | 10/10/2012 | \$ 21,000 | \$ 21,000 |
| 10/22/2012 | 10/22/2012 | \$ 64,500 | \$ 64,500 |
| 10/26/2012 | 10/26/2012 | \$ 26,000 | \$ 26,000 |
| 11/1/2012 | 11/1/2012 | \$ 18,000 | \$ 18,000 |
| 11/7/2012 | 11/7/2012 | \$ 25,000 | \$ 25,000 |

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| | | | | | |
|------------|------------|----|--------|----|--------|
| 11/20/2012 | 11/20/2012 | \$ | 50,800 | \$ | 50,800 |
| 12/5/2012 | 12/5/2012 | \$ | 3,650 | \$ | 3,650 |
| 12/27/2012 | 12/27/2012 | \$ | 36,000 | \$ | 36,000 |
| 1/11/2013 | 1/11/2013 | \$ | 20,500 | \$ | 20,500 |
| 1/25/2013 | 1/25/2013 | \$ | 20,000 | \$ | 20,000 |
| 2/1/2013 | 2/1/2013 | \$ | 17,500 | \$ | 17,500 |
| 2/12/2013 | 2/12/2013 | \$ | 18,500 | \$ | 18,500 |
| 2/19/2013 | 2/19/2013 | \$ | 8,000 | \$ | 8,000 |
| 3/4/2013 | 3/4/2013 | \$ | 23,000 | \$ | 23,000 |
| 3/7/2013 | 3/7/2013 | \$ | 15,000 | \$ | 15,000 |
| 3/13/2013 | 3/13/2013 | \$ | 9,500 | \$ | 9,500 |

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The Company converted \$129,500 in principal plus \$4,500 in costs associated with the conversion in exchange for approximately 179,500,000 shares of our Class A Common Stock.

| Date of Conversion | Shares Issued | Price per Share | Converted Amount |
|--------------------|---------------|-----------------|------------------|
| 4/11/2013 | 15,000,000 | \$ 0.0015 | \$ 21,500 |
| 5/1/2013 | 15,000,000 | \$ 0.0010 | \$ 15,000 |
| 5/16/2013 | 15,000,000 | \$ 0.0010 | \$ 15,000 |
| 5/23/2013 | 15,000,000 | \$ 0.0010 | \$ 15,000 |
| 5/31/2013 | 25,000,000 | \$ 0.0009 | \$ 19,500 |
| 6/7/2013 | 15,000,000 | \$ 0.0008 | \$ 11,250 |
| 6/17/2013 | 29,500,000 | \$ 0.0005 | \$ 14,750 |
| 6/25/2013 | 50,000,000 | \$ 0.0004 | \$ 18,000 |

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive exploration activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

Accounting and Audit Plan

In the next twelve months, we anticipate spending approximately \$20,000 - \$30,000 to pay for our accounting and audit requirements.

Off-balance sheet arrangements

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

Critical Accounting Policies

Our financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of these policies is included in Note 2 of the notes to our historical financial statements. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the market risks discussed in Item 7A of The Graystone Company's Form 10-K for the fiscal year ended December 31, 2011.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our principal executive and principal financial officers have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

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The reason we believe our disclosure controls and procedures are not effective is because:

1. No independent directors;
2. No segregation of duties;
3. No audit committee; and
4. Ineffective controls over financial reporting.

As of June 30, 2013, the Company has not taken any remediation actions to address these weaknesses in our controls even though they were identified in 2011. The Company's management expects, once it is in the financial position to do so, to hire additional staff in its accounting department to be able to segregate the duties. The Company expects that the expense will be approximately \$60,000 per year which would allow the Company to hire 2 new staff members.

This 10-Q does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to Rule 308(b) of Regulation S-K.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. Based on this assessment, management concluded that the Company did not maintain effective internal controls over financial reporting as a result of the identified material weakness in our internal control over financial reporting described below. In making this assessment, management used the framework set forth in the report entitled Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v)

monitoring.

Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weakness during its assessment of internal controls over financial reporting as of March 31, 2012:

Resources: As of June 30, 2013, we have no full-time employees with the requisite expertise in the key functional areas of finance and accounting. As a result, there is a lack of proper segregation of duties necessary to insure that all transactions are accounted for accurately and in a timely manner.

Written Policies & Procedures: We need to prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions, and prepare, review and submit SEC filings in a timely manner.

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Management's Remediation Initiatives

As our resources allow, we will add financial personnel to our management team. We plan to prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions. We will also create an audit committee made up of our independent directors.

As of June 30, 2013, the Company has not taken any remediation actions to address these weaknesses in our controls even though they were identified in 2011. The Company's management expects, once it is in the financial position to do so, to hire additional staff in its accounting department to be able to segregate the duties. The Company expects that the expense will be approximately \$60,000 per year which would allow the Company to hire 2 new staff members.

(b) Changes In Internal Control Over Financial Reporting

We need to prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions, and prepare, review and submit SEC filings in a timely manner

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PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

The above statement notwithstanding, shareholders and prospective investors should be aware that certain risks exist with respect to the Company and its business, including those risk factors contained in our most recent Registration Statements on Form S-1 and Form 10, as amended. These risks include, among others: limited assets, lack of significant revenues and only losses since inception, industry risks, dependence on third party manufacturers/suppliers and the need for additional capital. The Company's management is aware of these risks and has established the minimum controls and procedures to insure adequate risk assessment and execution to reduce loss exposure.

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

On January 7, 2013, the Company issued 10,444,444 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$.0018.

On February 28, 2013, the Company issued 7,142,857 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$.0021.

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Renard Properties for services rendered. . The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals. Paul Howarth, our CEO, is the managing member of Renard Properties.

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Joseph Wade for services rendered. The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals.

On March 11, 2013, the Company issued 10,444,414 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$.0019.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Joseph Wade for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Paul Howarth for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 20, 2013, the Company issued 9,375,000 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$.0015.

On March 27, 2013, the Company issued 12,533,333 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$.0016.

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On April 11, 2013, the Company issued 15,000,000 shares to SC Capital in exchange for \$22,500 in debt at a price per shares of \$.0015.

On April 24, 2013, the Company issued 11,538,462 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$.0013.

On April 29, 2013, the Company issued 15,666,667 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$.0012.

On May 1, 2013, the Company issued 15,000,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$.001.

On May 16, 2013, the Company issued 15,000,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$.001.

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On May 23, 2013, the Company issued 15,000,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$.001.

On May 31, 2013, the Company issued 25,000,000 shares to SC Capital in exchange for \$22,500 in debt at a price per shares of \$.0009.

On June 7, 2013, the Company issued 15,000,000 shares to SC Capital in exchange for \$11,250 in debt at a price per shares of \$.0008.

On June 14, 2013, the Company issued 24,590,164 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$.0013.

On June 17, 2013, the Company issued 29,500,000 shares to SC Capital in exchange for \$14,750 in debt at a price per shares of \$.0005.

On June 19, 2013, the Company issued 35,471,698 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$.0012.

On June 19, 2013, the Company issued 187,500,000,000 of our Class A Common Stock to Paul Howarth for \$45,000 in debt. The price per share was \$.00024. The shares are restricted for 24 months from the issuance.

On June 19, 2013, the Company issued 187,500,000,000 of our Class A Common Stock to Joseph Wade for \$45,000 in debt. The price per share was \$.00024. The shares are restricted for 24 months from the issuance.

On June 25, 2013, the Company issued 50,000,000 shares to SC Capital in exchange for \$18,000 in debt at a price per shares of \$.0004.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

The shareholder voted on March 27, 2012 to approve a reverse split of 400:1 for all shares outstanding and issued as of March 27, 2012. The Company's Board of Directors has been currently discussing the possibility of the Company performing another reverse but has not made a decision as of June 30, 2013.

ITEM 5. OTHER INFORMATION

There was no other information during the quarter ended June 30, 2013 that was not previously disclosed in our filings during that period.

ITEM 6. EXHIBITS

| | |
|---------|---|
| 31.1 | <u>Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002</u> |
| 31.2 | <u>Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002</u> |
| 32.1 | <u>Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002</u> |
| 32.2 | <u>Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002</u> |
| 101.INS | XBRL Instance Document |

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| | |
|---------|---|
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

THE GRAYSTONE COMPANY,
INC.

Date: August 14, 2013

By: /s/ Paul Howarth
Paul Howarth
Chief Executive Officer

Date: August 14, 2013

By: /s/ Joseph Wade
Joseph Wade
Chief Financial and Accounting
Officer

