

NEW JERSEY MINING CO  
Form 10-Q  
November 10, 2011

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**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 September 30, 2011 or

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

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

Commission file number: 000-28837

**NEW JERSEY MINING COMPANY**

(Exact name of registrant as specified in its charter)

**Idaho**

(State or other jurisdiction  
of incorporation or organization)

**82-0490295**

(I.R.S. employer identification No.)

**89 Appleberg Road, Kellogg, Idaho 83837**

(Address of principal executive offices) (zip code)

**(208) 783-3331**

Registrant's telephone number, including area code

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

Yes  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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and small reporting

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company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer \_\_\_\_.

Accelerated Filer \_\_\_\_.

Non-Accelerated Filer \_\_\_\_.

Smaller reporting company X.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes [ ] No [X]

On November 1, 2011, 45,045,662 shares of the registrant's common stock were outstanding.

**NEW JERSEY MINING COMPANY  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD  
ENDED SEPTEMBER 30, 2011**

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**PART I-FINANCIAL INFORMATION****Item 1: CONSOLIDATED FINANCIAL STATEMENTS**

**New Jersey Mining Company**  
*(A Development Stage Company)*  
**Consolidated Balance Sheets**  
**September 30, 2011 and December 31, 2010**

**ASSETS**

|   | <u>September 30, 2011</u> | <u>December 31, 2010</u> |
|---|---------------------------|--------------------------|
|   | (Unaudited)               |                          |
| Current assets:   |                           |                          |
| Cash and cash equivalents   | \$ 437,564                | \$ 357,317               |
| Investment in marketable equity security at market (cost-\$3,868) | 13,200                    | 19,344                   |
| Joint venture receivables   | 191,240                   | 11,913                   |
| Other current assets  | 61,489                    | 15,392                   |
| Inventory   | 19,082                    | 16,381                   |
| Total current assets  | 722,575                   | 420,347                  |
| Property, plant, and equipment, net of accumulated depreciation   | 3,123,185                 | 1,323,330                |
| Deposit on equipment  | 422,995                   |                          |
| Mineral properties, net of accumulated amortization               | 871,374                   | 871,374                  |
| Investment in Golden Chest LLC                                    | 553,205                   | 553,205                  |
| Reclamation bonds   | 121,243                   | 121,133                  |
| Total assets  | \$ 5,814,577              | \$ 3,289,389             |

**LIABILITIES AND STOCKHOLDERS EQUITY**

|  |           |           |
|--|-----------|-----------|
| Current liabilities:                             |           |           |
| Accounts payable                                 | \$ 80,036 | \$ 42,958 |
| Accrued payroll and related payroll expenses     | 55,006    | 15,986    |
| Account payable related party                    | 1,500     |           |
| Accounts payable joint venture and related party | 75,312    |           |
| Obligations under capital lease, current         | 4,335     | 13,246    |
| Notes payable, current                           | 100,626   | 54,661    |
| Total current liabilities                        | 316,815   | 126,851   |
| Asset retirement obligation                      | 31,989    | 29,385    |
| Obligations under capital lease, non-current     |           | 1,403     |
| Notes payable, non-current                       | 335,672   | 64,720    |
| Total non-current liabilities                    | 367,661   | 95,508    |
| Total liabilities                                | 684,476   | 222,359   |

## Stockholders equity:

Preferred stock, no par value, 1,000,000 shares  
authorized; no shares issued and outstanding  
Common stock, no par value, 50,000,000 shares authorized;

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|  |              |              |
|--|--------------|--------------|
| September 30, 2011-45,040,662 and<br>December 31, 2010-45,017,862<br>shares issued and outstanding | 10,370,429   | 10,365,429   |
| Deficit accumulated during the development stage   | (7,200,022)  | (7,313,874)  |
| Accumulated other comprehensive income   |              |              |
| Unrealized gain in marketable equity security  | 9,332        | 15,475       |
| Total New Jersey Mining Company stockholders'<br>equity  | 3,179,739    | 3,067,030    |
| Noncontrolling interest in New Jersey Mill Joint Venture   | 1,950,362    |              |
| Total stockholders equity  | 5,130,101    | 3,067,030    |
| Total liabilities and stockholders equity  | \$ 5,814,577 | \$ 3,289,389 |

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

**New Jersey Mining Company**  
*(A Development Stage Company)*  
**Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)**  
**For the Three and Nine Month Periods Ended September 30, 2011 and 2010,**  
**And from Inception (July 18, 1996) through September 30, 2011**

|   | <u>September 30, 2011</u> |                    | <u>September 30, 2010</u> |                    | <u>From Inception</u><br><u>(July 18, 1996)</u><br><u>Through</u><br><u>September 30, 2011</u> |
|---|---------------------------|--------------------|---------------------------|--------------------|--|
|   | <u>Three Months</u>       | <u>Nine Months</u> | <u>Three Months</u>       | <u>Nine Months</u> |  |
| Income earned during the development stage: |                           |                    |                           |                    |  |
| Sales of gold                               | \$                        | \$                 | \$ 5,343                  | \$ 11,410          | \$ 437,122   |
| Sales of concentrate                        |                           |                    |                           |                    | 601,168  |
| Drilling and exploration contract income    | 456,409                   | 863,745            | 120,255                   | 132,340            | 1,223,660  |
| Joint venture management fee income         | 24,583                    | 56,320             |                           |                    | 56,320   |
| Engineering services income                 | 21,150                    | 90,700             | 10,415                    | 10,415             | 122,722  |
|   | 502,142                   | 1,010,765          | 136,013                   | 154,165            | 2,440,992  |
| Costs and expenses:                         |                           |                    |                           |                    |  |
| Direct production costs                     | 4,591                     | 8,398              | 8,571                     | 49,491             | 1,327,369  |
| Drilling and exploration contract expense   | 226,987                   | 474,673            | 56,287                    | 76,896             | 681,739  |
| Engineering servicing expense               |                           |                    | 375                       | 375                | 13,090   |
|   | 24,121                    | 73,004             | 59,205                    | 186,231            | 1,902,631  |
| Management Exploration                      | 2,446                     | 9,745              | 37,575                    | 151,203            | 2,417,976  |
| Gain on sale of mineral property            |                           |                    |                           |                    | (90,000)   |
| Gain on default of mineral                  |                           |                    |                           | (50,000)           | (320,000)  |

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|   |         |          |          |           |             |
|---|---------|----------|----------|-----------|-------------|
| property sale                                     |         |          |          |           |             |
| Net gain on sale of equipment                     |         | (12,895) | (30,500) | (30,098)  | (47,993)    |
|   | 30,527  | 64,360   | 13,050   | 46,493    | 794,140     |
| Depreciation and amortization                     |         |          |          |           |             |
| General and administrative expenses               | 92,692  | 280,830  | 65,687   | 240,297   | 2,974,554   |
| Total   | 381,364 | 898,115  | 210,250  | 670,888   | 9,653,506   |
| operating expenses                                |         |          |          |           |             |
| Other (income) expense:                           |         |          |          |           |             |
| Timber sales                                      |         |          |          |           | (54,699)    |
| Timber expense                                    |         |          |          |           | 14,554      |
| Royalties and other income                        | (3,000) | (14,624) | (1,284)  | (3,095)   | (102,445)   |
| Royalties expense                                 |         |          |          |           | 44,089      |
| Gain on sale of marketable equity security        |         |          |          |           | (92,269)    |
| Interest income                                   | (137)   | (697)    | (112)    | (723)     | (48,678)    |
| Interest expense                                  | 7,943   | 14,119   | 3,366    | 7,593     | 106,006     |
| Write-off of goodwill and investment              |         |          |          |           | 120,950     |
| Total   | 4,806   | (1,202)  | 1,970    | 3,775     | (12,492)    |
| other (income) expense                            |         |          |          |           |             |
| <b>Net income (loss)</b>                          | 115,972 | 113,852  | (76,207) | (520,498) | (7,200,022) |
| Net loss attributable to non controlling interest | 703     | 2,108    |          |           | 2,108       |
| Net income (loss)                                 | 116,675 | 115,960  | (76,207) | (520,498) | (7,197,914) |

|   |            |            |             |              |                |  |
|---|------------|------------|-------------|--------------|----------------|--|
| attributable to<br>The Company  |            |            |             |              |                |  |
| Other<br>comprehensive<br>income (loss):                                    | 627        | (6,143)    |             | (11,993)     | 9,332          |  |
| Unrealized gain<br>(loss) on<br>marketable<br>equity security               |            |            |             |              |                |  |
| <b>Comprehensive<br/>income (loss)</b>                                      | \$ 117,302 | \$ 109,817 | \$ (76,207) | \$ (532,491) | \$ (7,188,582) |  |
| Net income<br>(loss) per<br>common share<br>basic and<br>diluted            | \$ Nil     | \$ Nil     | \$ Nil      | \$ (0.01)    | \$ (0.31)      |  |
| Weighted<br>average<br>common shares<br>outstanding<br>basic and<br>diluted | 45,040,662 | 45,033,174 | 42,703,101  | 42,020,248   | 22,946,664     |  |

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



**New Jersey Mining Company**  
*(A Development Stage Company)*  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the Nine Month Periods Ended September 30, 2011 and 2010,**  
**And from Inception (July 18, 1996) through September 30, 2011**

|  | September 30, |              | From Inception<br>(July 18, 1996)<br>through<br>September 30, 2011<br>(Unaudited) |
|--|---------------|--------------|---|
|  | <u>2011</u>   | <u>2010</u>  |   |
| <b>Cash flows from operating activities:</b>   |               |              |   |
| Net income (loss)  | \$ 113,852    | \$ (520,498) | \$ (7,200,022)  |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: |               |              |   |
| Depreciation and amortization  | 64,360        | 46,493       | 794,140   |
| (Gain) loss on sale of equipment   | (12,895)      | (30,098)     | (36,721)  |
| Write-off of goodwill and investment   |               |              | 120,950   |
| Gain on sale of mineral property   |               | (50,000)     | (410,000)   |
| Gain on sale of marketable equity security   |               |              | (92,269)  |
| Accretion of asset retirement obligation   | 2,604         | 2,604        | 7,519   |
| Common stock issued for:   |               |              |   |
| Management and directors fees  |               | 31,240       | 1,139,335   |
| Services and other   |               | 17,113       | 239,834   |
| Exploration  |               |              | 95,521  |
| Mineral property agreement   |               |              | 15,000  |
| Change in:   |               |              |   |
| Inventory  | (2,700)       | (12,618)     | (19,082)  |
| Joint venture receivables  | (179,327)     | (1,665)      | (191,240)   |
| Contract drilling receivable   |               | (71,795)     |   |
| Other current assets   | (46,097)      | 1,137        | (61,488)  |
| Other assets   |               |              | (778)   |
| Accounts payable   | 37,060        | (12,446)     | 89,780  |
| Accrued payroll and related payroll expense  | 39,019        | 14,501       | 55,005  |
| Accounts payable joint venture and related party                                       | 75,312        |              | 75,312  |
| Accrued reclamation costs  |               |              | (1,443)   |
| Net cash provided (used) by operating activities                                       | 91,188        | (586,032)    | (5,380,647)   |
| <b>Cash flows from investing activities:</b>   |               |              |   |
| Purchases of property, plant and equipment   | (1,465,021)   | (21,043)     | (2,570,312)   |
| Deposit on equipment purchase  | (422,995)     |              | (422,995)   |
| Purchase of mineral property   |               |              | (23,904)  |
| Proceeds from sale of mineral property   |               |              | 120,000   |
| Deposit received on sale of mineral property   |               |              | 320,000   |
| Proceeds from sale of equipment  | 12,676        | 31,498       | 49,174  |
| Redemption (purchase) of reclamation bonds   | (110)         | (45)         | (121,243)   |
| Purchase of marketable equity security   |               |              | (7,500)   |
|  |               |              | 95,901  |

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|  |             |           |             |
|--|-------------|-----------|-------------|
| Proceeds from sales of marketable equity securities          |             |           |             |
| Cash of acquired companies                                   |             |           | 38,269      |
| Deferral of development costs                                |             |           | (759,209)   |
| Net cash provided (used) by investing activities             | (1,875,450) | 10,410    | (3,281,819) |
| Cash flows from financing activities:                        |             |           |             |
| Exercise of stock purchase warrants                          |             | 33,936    | 2,571,536   |
| Sales of common stock, net of issuance costs                 | 5,000       | 580,170   | 5,246,236   |
| Principal payments on capital lease                          | (10,314)    | (8,069)   | (205,079)   |
| Principal payments on notes payable                          | (82,040)    | (53,273)  | (464,526)   |
| Note and interest payable, related party, net                | 1,500       | 10,610    | 1,500       |
| Contributions from noncontrolling equity interest in Mill JV | 1,950,363   |           | 1,950,363   |
| Net cash provided by financing activities                    | 1,864,509   | 563,374   | 9,100,030   |
| Net change in cash and cash equivalents                      | 80,247      | (12,248)  | 437,564     |
| Cash and cash equivalents, beginning of period               | 357,317     | 34,087    | 0           |
| Cash and cash equivalents, end of period                     | \$ 437,564  | \$ 21,839 | \$ 437,564  |
| Supplemental disclosure of cash flow information             |             |           |             |
| Interest paid in cash, net of amount capitalized             | \$ 14,119   | \$ 7,593  | \$ 93,986   |
| Non-cash investing and financing activities:                 |             |           |             |
| Common stock issued for:                                     |             |           |             |
| Property, plant and equipment                                |             | \$        | 50,365      |
| Mineral properties agreement                                 |             | \$        | 351,600     |
| Payment of accounts payable                                  |             | \$ 525    | \$ 12,730   |
| Acquisitions of companies, excluding cash                    |             | \$        | 743,653     |
| Capital lease obligation incurred for equipment acquired     |             | \$ 5,625  | \$ 184,213  |
| Notes payable for property and equipment acquired            | \$ 401,763  |           | \$ 884,397  |
| Mineral property transferred to Golden Chest LLC             |             |           | \$ 553,205  |
| Debt relieved from sale of truck                             | \$ 2,785    |           | \$ 2,785    |

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

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

**1. The Company and Significant Accounting Policies**

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

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's financial position and results of operations. Operating results for the three and nine month periods ended September 30, 2011, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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

*Principles of Consolidation*

At September 30, 2011, the consolidated financial statements include the accounts of the Company and the accounts of our majority owned New Jersey Mill Joint Venture. Intercompany items and transactions between companies included in the consolidation are eliminated.

**2. Related Party Transactions**

The Company jointly owns with Marathon Gold USA (MUSA) and acts as the operator of the Golden Chest LLC (GC LLC). Accounts receivable are a part of normal operations which include operating costs, payroll, drilling costs, and drilling income. As of September 30, 2011, a related party account receivable existed with MUSA and GC LLC for \$172,268. In addition, income and expense items for the three and nine month periods ending September 30, 2011 related to MUSA and GC LLC were as follows:

|   | Three Months | Nine Months |
|---|--------------|-------------|
| Drilling and exploration contract income  | 456,409      | 863,745     |
| Joint Venture Management fees income      | 24,583       | 56,320      |
| Drilling and exploration contract expense | 226,987      | 474,673     |

Engineering services income includes engineering services provided to United Mine Services (UMS). UMS holds the noncontrolling interest in the Company's New Jersey Mill Joint Venture. Engineering services to UMS in the three

and nine month periods ending September 30, 2011 were \$21,150 and \$90,700 respectively. As of September 30, 2011, a related party account receivable existed with the Mill Joint Venture and UMS for \$18,972. As of September 30, 2011, \$75,312 was recorded as an account payable to Mine Fabrication and Machine, a wholly owned subsidiary of UMS, a related party. \$1,500 is payable quarterly by the Company to Mine Systems Design, a related party, for office rent. The third quarter's office rent to Mine System Design was recorded as a related party account payable on September 30, 2011

### **3 Equity**

#### **Common Stock Issued for Cash**

The Company issued 22,800 shares of common stock for cash at a fair value price of approximately \$0.22 per share totaling \$5,000 in the second quarter of 2011. No stock was issued in the first or third quarter of 2011

### **4. Fair Value Measurement**

The table below sets forth our financial assets that were accounted for at fair value on at September 30, 2011 and December 31, 2010, and their respective hierarchy level. We had no other financial assets or liabilities accounted for at fair value on a recurring basis at September 30, 2011 and December 31, 2010.

|   | Balance at<br>September 30,<br>2011 | Balance at<br>December 31,<br>2010 | Hierarchy<br>Level |
|---|-------------------------------------|------------------------------------|--------------------|
| Investments in marketable equity securities | \$ 13,200                           | \$19,344                           | Level 1            |

### 5. Joint Venture partnerships

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

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

At September 30, 2011 and December 31, 2010, the Company's percentage ownership and method of accounting for each joint venture is as follows:

| Joint Venture                 | September 30, 2011 |                        |                   | December 31, 2010 |                        |                   |
|-------------------------------|--------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
|                               | % Ownership        | Significant Influence? | Accounting Method | % Ownership       | Significant Influence? | Accounting Method |
| New Jersey Mill Joint Venture | 74%                | Yes                    | Consolidated      | --                | --                     | --                |
| Golden Chest LLC              | 63%                | No                     | Cost              | 88%               | No                     | Cost              |

### 6. New Jersey Mill Joint Venture Agreement

In January 2011, the New Jersey Mill Joint Venture agreement was signed by the Company and United Mine Services, Inc. (UMS) relating to the New Jersey mineral processing plant. To earn a one third interest in the venture, UMS will provide funding to expand the processing plant to 15 tonnes/hr, which is estimated to cost \$2.5 million. The proposed expansion budget included purchasing land held by the Company, known as the Zanetti Mining Lease, which was cancelled by the purchase of the land. The Company is the operator of the venture and will charge operating costs to UMS for milling its ore up to 7,000 tonnes/month, retain a milling capacity of 3,000 tonnes/month, and as the operator of the venture receive a fee of \$2.50/tonne milled. UMS has contributed \$1,950,363 for a vested, noncontrolling interest of 26% as of September 30, 2011. The Company holds the remaining interest. Losses attributed to the Mill JV are the result of equipment depreciation expenses charged to the Joint Venture. For the three and nine month periods ending September 30, 2011 they are \$2,129 and \$6,386, respectively.

### 7. Golden Chest LLC Joint Venture

The Company has a joint venture with Marathon Gold USA (MUSA). Upon MUSA's completion of their initial contribution the company and MUSA each will have 50% ownership and an equal amount of control over the joint venture. As of September 30, 2011 MUSA has contributed \$3,000,000 of their initial contribution for an effective ownership percentage of 37% however they are represented in the controlling body by 50% membership unless they

default on their contribution schedule. Full contribution of their initial contribution is expected by November 30, 2011.

### 8. Property, Plant, and Equipment

Property, plant and equipment at September 30, 2011 and December 31, 2010, consisted of the following:

|                                | <u>September 30, 2011</u> | <u>December 31, 2010</u> |
|--------------------------------|---------------------------|--------------------------|
| Mill land at cost              | \$ 225,289                |                          |
| Mill building at cost          | 375,420                   | \$ 128,566               |
| Milling equipment at cost      | 1,999,862                 | 1,095,330                |
| Less accumulated depreciation  |                           | (80,385)                 |
| Total mill                     | 2,600,571                 | 1,143,511                |
| Building and equipment at cost | 651,734                   | 479,720                  |
| Less accumulated depreciation  | (388,529)                 | (379,038)                |
| Total building and equipment   | 263,205                   | 100,682                  |
| Land                           | 259,409                   | 79,137                   |
| Total                          | \$ 3,123,185              | \$ 1,323,330             |

### **9. New Accounting Pronouncements**

On June 16, 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income* ( ASU 2011-05 ). This standard will require entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The option to present items of other comprehensive income in the statement of changes in equity is eliminated. As a result, the presentation of other comprehensive income will be broadly aligned with IFRS. The new requirements are generally effective for public entities in fiscal years (including interim periods) beginning after December 15, 2011. Management does not believe ASU 2011-05 will have a material effect on the Company's consolidated financial statements.

### **10. Subsequent Events**

The Company held an annual meeting on October 28, 2011. At that meeting an amendment to the articles of incorporation of the Company was approved by the shareholders which increased the authorized shares of no par value common stock of the Company from 50 million shares to 200 million shares.

Early in the fourth quarter of 2011, an option agreement was signed with Desert Copper USA Corp. relating to the Niagara and Copper Camp properties. The terms of the agreement with Desert Copper include an option to purchase the properties for \$250,000 and 3.5 million shares of Desert Copper Corporation (the parent of Desert Copper USA Corp.). The option period is five years and Desert Copper is required to make annual payments of \$20,000 to the Company as well as pay all costs associated with the properties. As a result of the option agreement with Desert Copper, the Company exercised its option with Revett Metals Associates to enter a mining agreement for the Niagara property.

## **Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

When we use the terms "New Jersey Mining Company," the "Company," "we," "us," or "our," we are referring to New Jersey Mining Company (the Company) and its subsidiaries, unless the context otherwise requires.

### **Cautionary Statement about Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be "forward-looking statements." All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that our management expects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements include discussion of such matters as:

- The amount and nature of future capital, development and exploration expenditures;
- The timing of exploration activities; and
- Business strategies and development of our business plan.

Forward-looking statements also typically include words such as "anticipate," "estimate," "expect," "potential," "could" or similar words suggesting future outcomes. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including such factors as the volatility and level of metal prices, currency exchange rate fluctuations, uncertainties in cash flow, expected acquisition benefits, exploration mining and operating risks, competition, litigation, environmental matters, the potential impact of government regulations, and other matters related to the mining industry, many of which are beyond our control. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those expressed or implied in the forward-looking statements.

The Company is under no duty to update any of these forward-looking statements after the date of this report. You should not place undue reliance on these forward-looking statements.

**Plan of Operation**

The Company modified its strategy in 2010 and is continuing that modified strategy in 2011. The former strategy was to conduct exploration for gold, silver and base metal deposits in the greater Coeur d'Alene Mining District of northern Idaho while concurrently conducting mining and mineral processing operations on ore reserves it has located on its exploration properties. The new strategy now deemphasizes the generation of cash by mining and milling and emphasizes the exploration of its properties in order to increase the amount of reserves before making a production decision. The new financial strategy involves forming joint ventures with partners who contribute cash to earn their interest. The strategy includes finding and developing ore reserves of significant quality and quantity to justify investment in mining and mineral processing facilities. The Company's primarily focus is on gold with silver and base metals of secondary emphasis. The Company receives revenue for providing core drilling and engineering services from its joint venture partners, as well as management fees.

All exploration is now being done at the Golden Chest mine. Other exploration properties include the Toboggan, Niagara/Copper Camp, the Silver Strand, the Coleman, and the Giant Ledge.



Exploration activities at the Golden Chest during the third quarter of 2011 increased substantially compared to prior periods. Exploration activity increased because of the venture agreement with Marathon Gold USA (MUSA) that was signed in December 2011. MUSA contributed \$1,000,000 cash at the December closing, \$500,000 on March 31, 2011, \$500,000 on June 30, 2011 and \$1,000,000 by September 30, 2011 as required by the venture terms. MUSA is scheduled to contribute US\$1,000,000 by November 30, 2011, bringing the total cash contribution by MUSA to \$4 million for a 50% ownership of the venture. MUSA has the right to contribute an additional \$3.5 million by November 30, 2012 to take its ownership interest to 60% of the venture. MUSA also has the option to accelerate any of these contributions. During the third quarter of 2011, 4,240 meters of drilling was completed which is 42% of the planned drilling for 2011. Additional drilling equipment was used to increase the rate of drilling on the project. The Company conducted core drilling operations at the Golden Chest for the venture under a service agreement.

The Toboggan Project is a group of prospects in the Murray, Idaho District that contain gold and silver telluride minerals. The Toboggan Project was being explored by Newmont North America Exploration Limited under a joint venture agreement. Newmont did not complete their earn-in by March 20, 2011 and the joint venture agreement was terminated. Newmont returned all the unpatented claims held by the venture to the Company. The Company is now actively searching for a new joint venture partner to continue exploration of the favorable gold prospects examined by Newmont.

The Niagara copper-silver deposit, also located in the Murray, Idaho area, in the Revett formation was drilled in the 1970 s, and the Company drilled five holes since which expanded the resource. Results of the recent drilling also indicate that gold would be a significant byproduct. Preliminary open pit mining studies have been completed. Early in the fourth quarter of 2011, an option agreement was signed with Desert Copper USA Corp. relating to the Niagara and Copper Camp properties. The terms of the agreement with Desert Copper include an option to purchase the properties for \$250,000 and 3.5 million shares of Desert Copper Corporation (the parent of Desert Copper USA Corp.). The option period is five years and Desert Copper is required to make annual payments of \$20,000 to the Company as well as pay all costs associated with the properties. As a result of the option agreement with Desert Copper, the Company exercised its option with Revett Metals Associates to enter a mining agreement for the Niagara property.

The Silver Strand mine is ready for small scale production of about 5,000 tonnes per year. However the New Jersey mineral processing plant is in a construction phase to expand capacity and won't be re-commissioned until late 2011. Consequently, the Company is seeking a buyer for the mine.

At the Coleman underground mine future plans are to conduct further drilling to locate higher grade reserves. No work is planned in 2011.

The New Jersey mineral processing plant is being expanded in order to process ore from the nearby Crescent silver mine. A letter of intent to form a joint venture with United Mine Services, Inc. was signed in September 2010 and a definitive venture agreement was reached in January 2011. The plant will be expanded from a processing rate of 4 tonnes/hr to 15 tonnes/hr during 2011. UMS will pay the expansion cost estimated to be \$2.5 million. After completion of the expansion, the Company will own 2/3 of the venture and UMS will own 1/3. The Company is the operator of the venture. UMS will have a minimum quota of ore of 7,000 tonnes per month and the Company will have 3,000 tonnes per month. Each party will pay its processing costs and the Company will charge a management fee of \$2.50/tonne. Currently, the plant is under construction and most equipment is on order or already received. Completion of the expansion project is expected around year end 2011. About 90% of the funds for expansion have been received from United Mine Services.

### **Changes in Financial Condition**

The Company maintains an adequate cash balance by increasing or decreasing its exploration expenditures as limited by availability of cash from operations or from financing activities. The cash balance at the end of the third quarter was \$437,564, and Figure 1 shows the corresponding balances for previous accounting periods.



The cash balance decreased during the quarter, starting from \$552,434, primarily due to changes in cash in the joint venture accounts.

**Results of Operations**

Income Earned during the Development Stage (Revenue) for the third quarter of 2011 was \$502,142 as compared to \$136,013 for the third quarter of 2010. Revenue was higher in 2011 due to contracting services. Figure 2 shows net income for the third quarter of 2011 of \$115,972 compared to a loss of \$76,207 for the comparable period of 2010. The net income for 2011 was higher than 2010 because of higher revenue.

There was no gold production in the third quarter of 2011 nor in the third quarter of 2010. No gold production is expected for 2011 because the mill is shut down due to construction and only exploration activities are planned for the Golden Chest mine.

Preliminary plans at the Golden Chest mine include only exploration in 2011 but in 2012, ramp access may be extended to the Idaho vein reserves. When the Idaho vein ramp development is completed there will be more than 200,000 tonnes available for production from currently-existing reserves.

No production is planned at the Silver Strand mine in 2011 because plans are to sell the mine or engage a joint venture partner. The mine is ready for production on a seasonal basis.

About \$2.5 million in capital expenditures are planned at the New Jersey mineral processing plant to increase the processing rate to 15 tonnes per hour. Expansion costs are paid by our partner, United Mine Services.

The amount of money to be spent on exploration at the Company's mines and prospects depends primarily on contributions of our joint venture partners, particularly at the Golden Chest. If new joint venture partners are engaged at the Toboggan Project, exploration activities would increase.

The Company provides surface drilling services at the Golden Chest and receives payment from Golden Chest LLC from funds provided by Marathon Gold. The Company also receives a management fee as Manager of the venture. The Company receives payment for engineering services from United Mine Services for the mill expansion project. No additional financing activities are necessary in 2011 unless exploration plans are expanded.

***Changes in Joint Venture Receivables***

Joint Venture receivables increased as of September 30, 2011 compared to December 31, 2010 as a result of increased activity with the Company's joint ventures.

***Changes in Other Current Assets***

Other current assets increased as of September 30, 2011 compared to December 31, 2010 because of an increase in prepaid claim fees related to the Niagara property, previously claim fees were paid by Newmont Exploration as part of an exploration agreement that is now expired.

***Changes in Property, Plant, and Equipment, net of accumulated depreciation***

Property, Plant and Equipment increased as of September 30, 2011 compared to December 31, 2010 because of increased investment in the New Jersey Mill Joint Venture by our joint venture partner.

***Deposit on Equipment***

Deposit on Equipment increased as of September 30, 2011 compared to December 31, 2010 because of equipment deposits related to the New Jersey Mill Joint Venture expansion.

***Accounts Payable and Accounts Payable United Mine Services***

Accounts Payable and Accounts Payable United Mine Services increased as of September 30, 2011 compared to December 31, 2010 because of activity related to the New Jersey Mill Joint Venture expansion.

***Accrued Payroll and related Payroll Expenses***

Accrued Payroll and related Payroll Expenses increased as of September 30, 2011 compared to December 31, 2010 because of increased activity related to the GC LLC and the Golden Chest Mine.

***Notes Payable***

Notes Payable increased as of September 30, 2011 compared to December 31, 2010 because so new notes that were acquired by the company in 2010, most notably was a note for \$204,000 for a new core drilling machine that is being utilized on a contract basis by the Company at the Golden Chest Mine to the GC LLC.

***Noncontrolling interest in New Jersey Mill Joint Venture***

Non controlling interest in New Jersey Mill Joint Venture increased as of September 30, 2011 compared to December 31, 2010 because of investment in the New Jersey Mill Joint Venture by the Company's joint venture partner United Mine Services.

***Drilling and Exploration Income***

Drilling and Exploration income increased for the three and nine month periods ending September 30, 2011 compared to last year because of drilling activity that was conducted at the Golden Chest under the recently formed Joint Venture agreement.

***Joint Venture Management Fees***

Joint venture management fees are an income item related to the operation of the recently formed Golden Chest joint

venture.

***Engineering Services Income***

Engineering services income is received from UMS for engineering services provided to them for the expansion of the mill.

***Changes in Direct Production Costs***

Direct production costs decreased for the three and nine month periods ending September 30, 2011 compared to the comparable periods last year because efforts have been redirected towards exploration.

***Drilling and Exploration Contract Expense***

Drilling and Exploration contract expense has increased for the three and nine month periods ending September 30, 2011 compared to the comparable periods last year because of increased drilling activity at the Golden Chest.

***Changes in Management Costs***

Management expenses decreased for the three and nine month periods ending September 30, 2011 compared to the comparable period last year because some of the costs have been absorbed by the joint ventures.

***Changes in Exploration Costs***

Exploration expenses decreased for the three and nine month periods ending September 30, 2011 compared to the comparable period last year because most employees have been redirected to the Golden Chest or drilling activities.

***(Gain) Loss on Sale of Equipment***

Gain on Sale of Equipment decreased in 2011 compared to 2010 because of the sale of several pieces of equipment in the third quarter of 2010.

***Gain on Sale of Mineral Property***

Gain on Sale of Mineral Property decreased in 2011 compared to 2010 because in 2010 the default on a sale of property by a proposed joint venture partner was recorded as a gain.

***Depreciation***

Depreciation increased in the three and nine month periods ending September 30, 2011 compared to the comparable periods last year, most notably because of the new core drill which was placed in service in June 2011.

***General and Administrative***

General and administrative expenses have increased in the three and nine month periods ending September 30, 2011 compared to the comparable periods last year because of increased activities involving to two new joint ventures.

***Interest***

Interest expense has increased for the three and nine month periods ending September 30, 2011 compared to 2010 because of increased note payable balances related to equipment and land acquired.

***Sales of Common Stock and Exercise of Stock Purchase Warrants***

Sales of Common Stock and exercise of Stock Purchase Warrants have decreased in 2011 compared to 2010 because funding for operations and exploration has been received from drilling and joint venture sources in 2011.

**Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for small reporting companies.

**Item 4: CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

The Company's President and Chief Executive Officer who also serves as the Company's principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, the Company's President, Chief Executive Officer, and principal financial officer has concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files under the Exchange Act.

**Changes in internal control over financial reporting.**

The President, Chief Executive Officer, and principal financial officer conducted evaluations of the Company's internal controls over financial reporting to determine whether any changes occurred during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in internal control over financial reporting occurred in the quarter ended September 30, 2011.

**PART II - OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

The Company is currently a plaintiff along with Shoshone County, Idaho, and George E. Stephenson in a complaint against the USA, Secretary of the Department of Agriculture, Chief of the Forest Service, etc., for Declaratory Judgment and Quiet Title regarding a public right-of-way for the East Fork of Eagle Creek Road near Murray, Idaho. The complaint was filed on October 5, 2009 in the United States District Court, District of Idaho. The plaintiffs are bringing the action to adjudicate/declare under the Quiet Title Act, and under the Declaratory Judgment Act that the East Fork Eagle Creek Road is a public road as it crosses the lands owned by the USA in accordance with R.S. 2477.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Neither the constituent instruments defining the rights of the Company's securities filers nor the rights evidenced by the Company's outstanding common stock have been modified, limited or qualified.

During the second quarter of 2011 the Company issued 22,800 shares of unregistered common stock at \$0.22 for net proceeds of \$5,000 to certain accredited and sophisticated individuals in exchange for cash. In management's opinion, the sale of the restricted shares, as defined under Rule 144, was made in reliance on exemptions from registration provided by Section 4(2) and Rule 506 of Regulation D of the Securities Act of 1933, as amended and other applicable Federal and state securities laws. No shares of stock were issued by the Company in the first or third quarter of 2011.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

The Company has no outstanding senior securities.

**Item 4. REMOVED AND RESERVED**

**Item 5. OTHER INFORMATION**

**Dodd-Frank Disclosure**

During the quarter ended September 30, 2011, the Company had one significant and substantial citation from the Mine Safety and Health Administration for a safety infraction at the Golden Chest property. The citation cited the lack of berms on the mine access road which was corrected shortly after the citation was issued. The amount of this fine was \$946. There were no legal actions, mining-related fatalities, or similar events in relation to the Company's United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

**Item 6. EXHIBITS**

| <u>Number</u> | <u>Description</u>  |
|---------------|---|
| 3.1           | Articles of Incorporation. Filed as an exhibit to the registrant's registration statement on Form 10-SB (Commission File No. 000-28837) and incorporated by reference herein. |
| 3.2           | Bylaws. Filed as an exhibit to the registrant's registration statement on Form 10-SB (Commission File No. 000-28837) and incorporated by reference herein.                    |
| <u>31.1</u>   | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.</u>   |
| <u>31.2</u>   | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.</u>   |
| <u>32.1</u>   | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| <u>32.2</u>   | <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |



**SIGNATURES**

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

**NEW JERSEY MINING COMPANY**

By: /s/ Fred W. Brackebusch

Fred W. Brackebusch, its  
President, Treasurer & Director  
Date November 9, 2011

By: /s/ Grant A. Brackebusch

Grant A. Brackebusch, its  
Vice President & Director  
Date: November 9, 2011