

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

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 **March 31, 2012**

or

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

For the transition period from _____ to _____

Commission file number: **000-28837**

NEW JERSEY MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho

(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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

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

Yes No

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

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

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

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

ASSETS

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

LIABILITIES AND STOCKHOLDERS EQUITY

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

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

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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 Loss (Unaudited)
For the Three Month Periods Ended March 31, 2012 and 2011,
And from Inception (July 18, 1996) through March 31, 2012

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

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Other comprehensive (income) loss:

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

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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 Three Month Periods Ended March 31, 2012 and 2011,
And from Inception (July 18, 1996) through September 30, 2012

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

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

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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 month period ended March 31, 2012, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

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

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

Principles of Consolidation

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

2. Related Party Transactions

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

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

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

3 Earnings per Share

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

Common Stock Issued for Cash

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

4. Fair Value Measurement

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

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

5. Joint Venture partnerships

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

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

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

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

New Jersey Mill Joint Venture Agreement

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

Golden Chest LLC Joint Venture

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

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

6. Property, Plant, and Equipment

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

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

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 is conducting gold exploration in the Gold Belt of the Coeur d'Alene Mining District of northern Idaho and it operates a mineral processing plant near Kellogg, Idaho. The 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 primary 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 Coleman, and the Giant Ledge.

Exploration activities at the Golden Chest during the first quarter of 2012 continued. The Golden Chest project is a 50:50 joint venture agreement with Marathon Gold USA (MUSA), and the Company is the Operator. During the first quarter of 2012, 3,495 meters of drilling was completed. The Company conducted core drilling operations at the Golden Chest for the venture under a service agreement. In the first quarter of 2012, a 43-101 resource estimate was completed by an independent engineering firm.

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.

At the Coleman underground mine future plans are to conduct further drilling to locate higher grade reserves.

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. (now United Silver Corp.) was signed in September 2010 and a definitive venture agreement was reached in January 2011. The plant is being expanded from a processing rate of 4 tonnes/hr to 15 tonnes/hr. USC is paying the expansion cost estimated to be \$2.9 million. After completion of the expansion, the Company will own 2/3 of the venture and USC will own 1/3. The Company is the operator of the venture. USC 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 construction is nearly complete and commissioning will start in May 2012.

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 first quarter of 2012 was \$167,443. The cash balance decreased during the quarter, from \$612,989 at year end to \$167,443, primarily because the Golden Chest project became joint funding.

Results of Operations

Income Earned during the Development Stage (Revenue) for the first quarter of 2012 was \$476,186 as compared to \$230,571 for the first quarter of 2011. Revenue was higher in 2012 due to increased contracting services. The net loss for the first quarter of 2012 was \$322,513 compared to a loss of \$12,292 for the first quarter of 2011. The net loss for the first quarter of 2012 was greater than the corresponding quarter of 2011 because of joint funding at the Golden Chest.

There are no plans for gold production in 2012 because only exploration activities are planned for the Golden Chest mine.

Plans at the Golden Chest mine include only exploration in 2012 in order to increase resources and reserves before making a production decision.

The New Jersey mineral processing plant will be commissioned in 2012. Development ore from the Crescent mine, owned by United Silver Corp., will be processed during the year.

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. Also, Desert Copper may conduct a drilling program under its option agreement at the Niagara and Copper Camp projects.

The Company provides surface drilling services at the Golden Chest and receives payment from Golden Chest LLC. Currently, Golden Chest LLC is funded 50% by Marathon Gold and 50% by the Company. 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. After completion of the mill expansion the Company will receive a management fee for processing ore for United Silver Corp. Additional financing activities may be necessary in 2012 if Marathon Gold does not exercise its option to increase its ownership of Golden Chest LLC to 60% by paying \$3.5 million.

Changes in Joint Venture Receivables

Joint Venture receivables increased as of March 31, 2012, compared to December 31, 2011, as a result of increased activity with the Company's joint ventures.

Changes in Other Current Assets

Other current assets decreased as of March 31, 2012, compared to December 31, 2011, because of a decrease in prepaid claim fees and other miscellaneous accounts receivable.

Changes in Deposits

Deposits decreased as of March 31, 2012, compared to December 31, 2011, because the deposit was returned and is no longer held.

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

Property, Plant and Equipment increased as of March 31, 2012, compared to December 31, 2011, because of increased investment in the New Jersey Mill Joint Venture by our joint venture partner.

Accounts Payable , Joint Venture and related party

Accounts Payable, joint venture and related party increased as of March 31, 2012, compared to December 31, 2011, because of activity related to the New Jersey Mill Joint Venture expansion.

Drilling and Exploration Income

Drilling and Exploration income increased for the three month period ended March 31, 2012, compared to last year because of drilling activity that was conducted at the Golden Chest under the Joint Venture agreement.

Drilling and Exploration Contract Expense

Drilling and Exploration contract expense has increased for the three month period ended March 31, 2012, compared to the comparable period last year because of increased drilling activity at the Golden Chest.

Changes in Equity in Loss and Contributions to Golden Chest LLC

Equity in loss represents NJMC's share of losses in the Golden Chest LLC. As of January 1, 2012, the Company changed its method of accounting for the LLC from the cost method to the equity method. During the first 3 months of 2012 the Company contributed \$450,000 to its investment in the Golden Chest LLC.

(Gain) Loss on Sale of Equipment

Gain on Sale of Equipment decreased in 2012 compared to 2011 because no sales have occurred in 2012.

Depreciation

Depreciation increased in the three month period ending March 31, 2012, compared to the comparable period last year, most notably because of the new core drill which was placed in service in June 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 March 31, 2012.

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. The Company is currently waiting for the judge's decision regarding the Partial Summary Judgment.

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.

No shares of the Company's stock were issued in the first quarter of 2012.

Item 3. DEFAULTS UPON SENIOR SECURITIES

The Company has no outstanding senior securities.

Item 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities.

During the quarter ended March 31, 2012, the Company received three citations for violations of mandatory health or safety standards that could significantly and substantially (S&S citations) contribute to the cause and effect a mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977. All three were issued at the New Jersey Mill where two were issued to the Company and the third was issued to an electrical contractor. Each citation was assessed a penalty of \$100 and all three citations were cured through corrective action. 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 5. OTHER INFORMATION

None

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> |

* as filed herewith

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 May 11, 2012

By: /s/ Grant A. Brackebusch

Grant A. Brackebusch, its
Vice President & Director
Date: May 11, 2012