

Section 1: 10-Q (FORM 10-Q)

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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: 001-37481

Pershing Gold Corporation

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

26-0657736
(I.R.S. Employer Identification No.)

1658 Cole Boulevard
Building 6, Suite 210
Lakewood CO
(Address of principal executive offices)

80401
(Zip Code)

Registrant's telephone number, including area code (720) 974-7248

(Former name, former address and former fiscal year, if changed since last report.)

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, if any, every Interactive Data File required to be submitted 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 such files). Yes No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act :

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 1, 2018 there were 33,676,921 shares of common stock, par value \$0.0001, outstanding.

PERSHING GOLD CORPORATION

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PART I — FINANCIAL INFORMATION

ITEM 1 Financial Statements

PERSHING GOLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in United States dollars)

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,986,201	\$ 12,858,873
Prepaid expenses and other current assets	607,978	1,006,779
Deposits	41,372	27,884
Total Current Assets	2,635,551	13,893,536
NON - CURRENT ASSETS:		
Property and equipment, net	2,604,371	3,303,366
Mineral rights	23,973,912	22,803,912
Restricted cash	3,690,000	3,690,000
Reclamation bond deposit	50,000	50,000
Other non-current assets	31,209	9,689
Total Non - Current Assets	30,349,492	29,856,967
Total Assets	\$ 32,985,043	\$ 43,750,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,589,513	\$ 1,651,461
Deferred rent	2,422	4,513
Deposit	-	1,750
Total Current Liabilities	1,591,935	1,657,724
LONG-TERM LIABILITIES:		
Deferred rent - long term portion	5,204	-
Asset retirement obligation	989,744	963,303
Total Liabilities	2,586,883	2,621,027
Commitments and Contingencies		
STOCKHOLDERS' EQUITY :		
Preferred stock, \$0.0001 par value; 50,000,000 authorized		
Convertible Series A Preferred stock (\$0.0001 Par Value; 2,250,000 Shares Authorized; none issued and outstanding as of September 30, 2018 and December 31, 2017)	-	-
Convertible Series B Preferred stock (\$0.0001 Par Value; 8,000,000 Shares Authorized; none issued and outstanding as of September 30, 2018 and December 31, 2017)	-	-
Convertible Series C Preferred stock (\$0.0001 Par Value; 3,284,396 Shares Authorized; none issued and outstanding as of September 30, 2018 and December 31, 2017)	-	-
Convertible Series D Preferred stock (\$0.0001 Par Value; 7,500,000 Shares Authorized; none issued and outstanding as of September 30, 2018 and December 31, 2017)	-	-
Convertible Series E Preferred stock (\$0.0001 Par Value; 15,151 Shares Authorized; 8,946 shares issued and outstanding; liquidation preference of \$9,742,194 as of September 30, 2018 and December 31, 2017)	1	1
Common stock (\$0.0001 Par Value; 200,000,000 Shares Authorized; 33,676,921 and 33,544,125 shares issued and outstanding as of September 30, 2018 and December 31, 2017)	3,368	3,354
Additional paid-in capital	212,557,882	211,817,072
Accumulated deficit	(182,163,091)	(170,690,951)
Total Stockholders' Equity	30,398,160	41,129,476
Total Liabilities and Stockholders' Equity	\$ 32,985,043	\$ 43,750,503

PERSHING GOLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in United States dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
Compensation and related taxes	742,606	826,674	2,390,297	3,139,184
Exploration cost	183,710	189,295	3,046,633	1,017,425
Consulting fees	558,579	501,202	2,236,865	1,723,607
General and administrative expenses	1,727,487	1,008,016	3,808,484	3,250,493
Total operating expenses	3,212,382	2,525,187	11,482,279	9,130,709
Loss from operations	(3,212,382)	(2,525,187)	(11,482,279)	(9,130,709)
Other income (expenses):				
Other income	-	-	-	9,673
Foreign currency gain (loss)	(498)	674	(2,029)	(9,981)
Interest expense and other finance costs	(1,477)	(1,181)	(7,637)	(6,159)
Interest income	7,165	3,138	19,805	7,247
Total other income (expenses) - net	5,190	2,631	10,139	780
Loss before provision for income taxes	(3,207,192)	(2,522,556)	(11,472,140)	(9,129,929)
Provision for income taxes	-	-	-	-
Net loss	\$ (3,207,192)	\$ (2,522,556)	\$ (11,472,140)	\$ (9,129,929)
Net loss per common share, basic and diluted	\$ (0.10)	\$ (0.09)	\$ (0.34)	\$ (0.32)
Weighted average common shares outstanding - basic and diluted	33,645,838	28,402,389	33,618,007	28,396,928

See accompanying notes to unaudited consolidated financial statements.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in United States dollars)

	For the Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (11,472,140)	\$ (9,129,929)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	737,327	825,136
Accretion	26,441	28,896
Non-cash consulting	75,000	-
Stock-based compensation	442,305	1,044,888
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	398,801	184,887
Accounts payable and accrued expenses	236,571	(1,191,706)
Deposits	(19,122)	-
Other non-current assets	(17,636)	-
Deferred rent	3,113	(4,803)
NET CASH USED IN OPERATING ACTIVITIES	(9,589,340)	(8,242,631)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in reclamation bond deposits	-	(25,000)
Purchase of mineral rights	(1,170,000)	(17,000)
Purchase of property and equipment	(113,332)	(34,639)
NET CASH USED IN INVESTING ACTIVITIES	(1,283,332)	(76,639)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(10,872,672)	(8,319,270)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of period	16,548,873	13,972,102
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of period	\$ 5,676,201	\$ 5,652,832
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$ 7,637	\$ 6,159
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Reduction of accrued bonuses in connection with vested restricted common stock unit grants	\$ 73,035	\$ 469,423
Reduction of accrued bonuses in connection with vested stock options	\$ 180,122	\$ -
Reduction of accrued bonuses in connection with expired stock options	\$ 22,681	\$ -
Net book value of equipment in exchange for consulting fees	\$ 75,000	\$ -
Reduction of accounts payable in connection with issuance of common stock	\$ -	\$ 8,250
Reduction of accounts payable in connection with issuance of restricted stock unit grants	\$ -	\$ 65,000

See accompanying notes to unaudited consolidated financial statements.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS

Pershing Gold Corporation (the “Company”), formerly named Sagebrush Gold Ltd., was incorporated under the laws of the State of Nevada on August 2, 2007. The Company is a gold and precious metals exploration company pursuing exploration, development, and mining opportunities primarily in Nevada. The Company is currently focused on exploration of its Relief Canyon properties in Pershing County in northwestern Nevada. None of the Company’s properties contain proven and probable reserves, and the Company’s activities on all of its properties are exploratory in nature.

On August 30, 2011, the Company, through its wholly-owned subsidiary, Gold Acquisition Corp. (“Gold Acquisition”), acquired the Relief Canyon Mine property (“Relief Canyon”) located in Pershing County, near Lovelock, Nevada.

A wholly-owned subsidiary, Pershing Royalty Company, a Delaware corporation, was formed on May 17, 2012 to hold royalty interests in two gold exploration properties. On July 5, 2016, a wholly-owned subsidiary, Blackjack Gold Corporation, a Nevada corporation, was formed for potential purchases of exploration targets.

Agreement and Plan of Merger

On September 28, 2018, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Americas Silver Corporation (“Americas Silver”) and R Merger Sub, Inc., a wholly-owned subsidiary of Americas Silver (“Merger Sub”). Under the terms of the Merger Agreement, the Company will merge with and into Merger Sub, with the Company being the surviving corporation and becoming a wholly-owned subsidiary of Americas Silver (the “Merger”).

In connection with the Merger, common stockholders of the Company will be issued 0.715 Americas Silver common shares for each share of Company common stock (the “Exchange Ratio”). Holders of the Company’s Series E Convertible Preferred Stock (“Series E Preferred Stock”) will be given the option to (a) convert their shares of Series E Preferred Stock into Company common shares immediately before the closing and exchange those common shares for Americas Silver common shares at the Exchange Ratio, or (b) exchange their Series E Preferred Stock for non-voting preferred stock of Americas Silver (“Purchaser Preferred Stock”).

The Merger Agreement provides that, upon consummation of the Merger, Americas Silver will cause one nominee of the Company to be appointed to the board of directors of Americas Silver. The Merger must be approved by (i) preferred shareholders holding 75% of the Company’s preferred shares, voting as a separate class, and (ii) a majority of the voting shares held by the common shareholders and preferred shareholders, voting together as a single class on an as-converted basis. The issuance of the Americas Silver shares in connection with the Merger must also be approved by a majority of the Americas Silver shares voted at the meeting called for that purpose.

The Company is required to call a meeting and solicit the approval of its stockholders (the “Special Meeting”), subject to the board of directors’ ability to accept a Superior Proposal (as defined in the Merger Agreement) in accordance with the Merger Agreement. If the Merger Agreement is terminated because the Company accepts a Superior Proposal, or the board of directors of the Company changes its recommendation to its stockholders regarding the approval of the Merger, the Company will be obligated to pay a termination fee to Americas Silver in the amount of \$4,000,000 (the “Termination Fee”).

Convertible Secured Debenture

Concurrent with the execution of the Merger Agreement, the Company and Americas Silver entered into a Convertible Secured Debenture (“Debenture”), effective October 1, 2018, that will entitle the Company to borrow up to \$4,000,000 from Americas Silver.

The interest rate is 16% per year on the amount drawn, accrued and compounded monthly. The loan will mature on June 1, 2019, or September 1, 2019 if the Company has exercised an option to extend maturity. As of October 29, 2018 the Company has drawn \$1,000,000 against the Debenture. The Company’s ability to draw the remainder of the principal amount is subject to the parties agreeing on terms and filing a deed of trust in the state of Nevada, among other customary conditions.

If the Merger Agreement is terminated, in most circumstances, the outstanding principal amount, plus any accrued and unpaid interest, will be due and payable in cash within 90 days following the date of termination (or 10 days if the Merger Agreement is terminated by the Company in order to accept a Superior Proposal or following a change of the board of directors’ recommendation to stockholders). However, if the Merger Agreement is terminated because (i) Americas Silver fails to obtain the approval of its shareholders, (ii) a law or government order prevents consummation of the Merger, or (iii) Americas Silver breaches the Merger Agreement, the Company will have the option to repay the borrowed amount in cash or in shares of Company common stock.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

If repayment will be accomplished by conversion into Company common stock, the number of shares issuable will be determined by dividing the amount outstanding under the Debenture by a conversion price equal to the volume-weighted average price of the Company's common stock for the five trading days immediately preceding the date of the election, but never less than \$1.18. The issuance of common shares in exchange for amounts outstanding under the Debenture is subject to receipt of prior approval by The NASDAQ Stock Market and the Toronto Stock Exchange.

The Debenture will be secured by a lien on substantially all of the Company's assets.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The unaudited consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and present the consolidated financial statements of the Company and its wholly-owned subsidiaries as of September 30, 2018. All intercompany transactions and balances have been eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of September 30, 2018, and the results of operations and cash flows for the nine months ended September 30, 2018 have been included. The results of operations for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year. The accounting policies and procedures employed in the preparation of these consolidated financial statements have been derived from the audited financial statements of the Company for the fiscal year ended December 31, 2017, which are contained in the Company's Form 10-K as filed with the Securities and Exchange Commission ("SEC") on March 28, 2018. The consolidated balance sheet as of December 31, 2017, contained herein, was derived from those financial statements.

Use of estimates

In preparing the unaudited consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet, and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the useful life of property and equipment, the valuation of deferred tax assets and liabilities, including valuation allowance, amounts and timing of closure obligations, the assumptions used to calculate fair value of restricted stock units, options and warrants granted, stock-based compensation, beneficial conversion on preferred stock, capitalized mineral rights, asset valuations, timing of the performance criteria of restricted stock units and the fair value of common stock issued.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents. The Company places its cash with high credit quality financial institutions. The Company's accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At September 30, 2018, the Company had bank balances exceeding the FDIC insurance limit on interest bearing accounts. To reduce its risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institutions in which it holds deposits.

Going concern

These unaudited consolidated financial statements of the Company have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period of time. The Company has incurred a net loss of approximately \$11.5 million for the nine months ended September 30, 2018, has used approximately \$9.6 million of net cash in operations for the nine months ended September 30, 2018, has incurred a total cumulative deficit of approximately \$182.2 million since its inception and requires capital for its contemplated business and exploration activities to take place.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As discussed more fully in Note 1, the Company has entered into a Merger Agreement with Americas Silver. The Merger Agreement provides for, and the Company subsequently entered into, a Debenture whereby Americas Silver will fund the Company up to \$4 million to cover its working capital requirements until the Merger is closed, subject to customary contingencies. If the Merger does not close the principal and interest outstanding under the Debenture would either be reimbursed with cash or the issuance of the Company's common stock. In addition to the Debenture, obtaining additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to profitable operations are necessary for the Company to continue business. The ability to successfully resolve these factors raises substantial doubt about the Company's ability to continue as a going concern as determined by management. The unaudited consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these uncertainties.

Restricted cash – non current

Restricted cash consists of cash which is held as collateral under surface management surety bonds issued on the Company's behalf. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

	September 30, 2018	December 31, 2017
	(Unaudited)	
Cash and cash equivalents	\$ 1,986,201	\$ 12,858,873
Restricted cash – non current	3,690,000	3,690,000
Total cash, cash equivalents and restricted cash	\$ 5,676,201	\$ 16,548,873

Fair value of financial instruments

The Company adopted Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that requires the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company analyzes all financial instruments with features of both liabilities and equity under the Financial Accounting Standard Board's ("FASB") accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their estimated fair market values based on the short-term maturity of these instruments.

Prepaid expenses and other current assets

Prepaid expenses and other current assets of \$607,978 and \$1,006,779 at September 30, 2018 and December 31, 2017, respectively, consist primarily of costs paid for future services which will occur within a year. Prepaid expenses principally include prepayments for consulting, public relations, and business advisory services, insurance premiums, drilling services, mining claim fees and mineral lease fees which are being amortized over the terms of their respective agreements.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property acquisition and exploration costs

Costs of leasing, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company expenses all mineral exploration costs as incurred as it is still in the exploration stage. Given the completion on May 24, 2018 of a final feasibility study indicating a mine is economically viable, upon a final decision to commence operating mine development activities to bring a mine into production, the property would enter into the development stage and the Company would capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs are amortized using the units-of-production method over the estimated life of the proven and probable reserves. If in the future the Company has capitalized mineral properties, these properties will be periodically assessed for impairment. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all exploration costs are being expensed.

ASC 930-805, "Extractive Activities-Mining: Business Combinations" ("ASC 930-805"), states that mineral rights consist of the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits. Mining assets include mineral rights. Acquired mineral rights are considered tangible assets under ASC 930-805. ASC 930-805 requires that mineral rights be recognized at fair value as of the acquisition date. As a result, the direct costs to acquire mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with acquiring patented and unpatented mining claims.

ASC 930-805-30-1 and 30-2 provide that, in fair valuing mineral assets, an acquirer should take into account both:

- The value beyond proven and probable reserves ("VBPP") to the extent that a market participant would include VBPP in determining the fair value of the assets.
- The effects of anticipated fluctuations in the future market price of minerals in a manner that is consistent with the expectations of market participants.

Property and equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, generally one to twenty-five years.

Impairment of long-lived assets

The Company accounts for the impairment or disposal of long-lived assets according to ASC 360, "Property, Plant and Equipment". The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets, including mineral rights, may not be recoverable. Long-lived assets in the exploration stage are monitored for impairment based on factors such as the Company's continued right to explore the area, exploration reports, assays, technical reports, drill results and the Company's continued plans to fund exploration programs on the property, and whether sufficient work has been performed to indicate that the carrying amount of the mineral property cost carried forward as an asset will not be fully recovered. The tests for long-lived assets in the exploration stage are monitored for impairment based on factors such as current market value of the long-lived assets and results of exploration, future asset utilization, business climate, mineral prices and future undiscounted cash flows expected to result from the use of the related assets.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The Company did not record any impairment of its long-lived assets at September 30, 2018 and December 31, 2017, respectively.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

Asset retirement obligations (“ARO”), consisting primarily of estimated mine reclamation and closure costs at the Company’s Relief Canyon property, are recognized in the period incurred and when a reasonable estimate can be made, and recorded as liabilities at fair value. Such obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to accretion expense. Corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset’s remaining useful life. Asset retirement obligations are periodically adjusted to reflect changes in the estimated present value resulting from revisions to the estimated timing or amount of reclamation and closure costs. The Company reviews and evaluates its asset retirement obligations annually or more frequently at interim periods if deemed necessary.

Income taxes

The Company accounts for income taxes pursuant to the provision of ASC 740-10, “Accounting for Income Taxes” (“ASC 740-10”), which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company has adopted ASC 740-10-25, “Definition of Settlement”, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Stock-based compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718, “Compensation — Stock Compensation” (“ASC 718”), which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). ASC 718 also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

The Company adopted ASU 2016-09, “Compensation - Stock Compensation (Topic 718)” (“ASU 2016-09”), which makes several modifications to Topic 718. Upon adoption of ASU 2016-09, the Company recognizes the effect of forfeitures in compensation cost as they occur, rather than estimating forfeitures as of the award date. Any previously recognized compensation cost will be reversed in the period of forfeiture.

Pursuant to ASC Topic 505-50, “Equity Based Payments to Non-employees”, for share-based payments to consultants and other third-parties, compensation expense is determined at the measurement date. The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions.

Foreign currency transactions

The Company accounts for foreign currency transactions in accordance with ASC 830, "Foreign Currency Matters" ("ASC 830"), specifically the guidance in subsection ASC 830-20, "Foreign Currency Transactions". The U.S. dollar is the functional and reporting currency for the Company and its subsidiaries. Pursuant to ASC 830, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting gains or losses upon settlement reported in foreign exchange gain (loss) in the computation of net income (loss).

Recent accounting pronouncements

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," or ASU 2016-18. ASU 2016-18 is intended to clarify how entities present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. When cash and cash equivalents and restricted cash are presented in more than one line-item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively. Early adoption was permitted, including adoption in an interim period. The Company early adopted ASU 2016-18 for the three-month period ended December 31, 2017 and its adoption did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which eliminates Step 2 from the goodwill impairment test. When an indication of impairment was identified after performing the first step of the goodwill impairment test, Step 2 required that an entity determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) using the same procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under the amendments in ASU No. 2017-04, an entity would perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying value. An entity would recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value. In addition, an entity must consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. A public business entity that is a SEC filer should adopt the amendments in ASU No. 2017-04 for its annual, or any interim, good will impairment tests in fiscal years beginning after December 15, 2019. The Company does not believe the guidance will have a material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation". The update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC Topic 718. An entity shall account for the effects of a modification described in ASC paragraphs 718-20-35-3 through 35-9, unless all the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The provisions of this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company's adoption of this guidance on January 1, 2018 did not have a material impact on the Company's consolidated results of operations, financial position and related disclosures.

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In July 2017, the FASB issued ASU 2017-11 “Earnings Per Share (Topic 260)”. The amendments in the update change the classification of certain equity-linked financial instruments (or embedded features) with down round features. The amendments also clarify existing disclosure requirements for equity-classified instruments. For freestanding equity-classified financial instruments, the amendments require entities that present earnings per share (“EPS”) in accordance with Topic 260, Earnings Per Share, to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features would be subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company does not believe the guidance will have a material impact on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities”. ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for the Company beginning after December 15, 2018, although early adoption is permitted. The Company does not believe the guidance will have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07 “Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” These amendments expand the scope of Topic 718, Compensation - Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The ASU supersedes Subtopic 505-50, Equity - Equity-Based Payments to Non-Employees. The guidance is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, but no earlier than a company’s adoption date of Topic 606, Revenue from Contracts with Customers. The Company is assessing ASU 2018-07 and does not expect it to have a material impact on its accounting and disclosures.

In August 2018, the FASB issued ASU 2018-13, “Changes to Disclosure Requirements for Fair Value Measurements”, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company will be evaluating the impact this standard will have on the Company’s consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 3 — MINERAL PROPERTIES

The Company’s Relief Canyon property rights currently total approximately 29,000 acres and are comprised of approximately 1,137 owned unpatented mining claims, 120 owned millsite claims, 62 leased unpatented mining claims, and 6,586 acres of leased private lands, 960 acres of subleased private lands, and 320 acres of owned private minerals. Most of the property on which the Relief Canyon deposit is located is subject to a 2% net smelter return production royalty, with a portion of that property subject to net smelter return production royalties totaling 4.5%. The rest of the property is subject, under varying circumstances, to net smelter return production royalties ranging from 2% to 5%.

Pershing Pass Property

The Pershing Pass property consists of 765 unpatented mining claims (746 owned and 19 leased) covering approximately 12,900 acres, a mining lease of private lands covering approximately 635 acres, and a mining sublease of private lands covering approximately 960 acres. Out of the total unpatented mining claims, 238 unpatented mining claims are subject to a 2% net smelter return royalty and 19 unpatented mining claims are leased with a purchase option.

The primary term of the mining lease of private lands is ten years ending in December 2022, which may be extended as long as mineral exploration, development or mining continue on the property. Production from the private lands covered by the lease is subject to a 2% net smelter return royalty on all metals produced other than gold, and to a royalty on gold indexed to the gold price, ranging from 2% at gold prices of less than \$500 per ounce to 3.5% at gold prices over \$1,500 per ounce. Prior to one year after commercial production begins, the Company can repurchase up to 3% of the royalty on gold production at the rate of \$600,000 for each 1%.

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NOTE 3 — MINERAL PROPERTIES (continued)

In September 2013, the Company entered into a lease agreement and purchase option for 19 unpatented mining claims (approximately 400 acres) in the Pershing Pass Property. Production from the lease is subject to a 1% net smelter return royalty on precious metals and a 0.5% net smelter royalty on all other metals produced from the leased property. Prior to production, and starting in September 2016, the Company is required to pay a \$10,000 annual advance minimum royalty payment until September 2023. The annual advance minimum royalty payment increases to \$12,500 in September 2023, to \$15,000 in September 2028 and to \$20,000 in September 2033. The Company has the right to buy the leased claims at any time for \$250,000.

In March 2017, the Company entered into a Mining Sublease with Newmont granting the Company the exclusive right to prospect, explore for, develop, and mine minerals on certain lands within the Pershing Pass area south of the Relief Canyon Mine. The subleased lands are subject to an underlying 2 % NSR royalty payable to the Owners and a 2% NSR royalty payable to Newmont under the Sublease. The Mining Sublease has an initial term of ten years and may be extended by the Company until December 3, 2034 and so long thereafter as any mining, development, or processing operations are being conducted continuously. The Mining Sublease calls for the Company to make minimum work expenditures for the first four years of the Mining Sublease, followed by annual advanced minimum royalty payments to Newmont to maintain the Mining Sublease in good standing. The Sublease may be terminated any time after providing 90-days written notice of termination. The \$500,000 expenditure required to be made by the second anniversary (3/29/2019) is a firm commitment and must be satisfied irrespective of termination. If a required minimum work commitment, including the \$500,000 firm commitment, is not timely satisfied as scheduled, the Company must pay Newmont the difference between the scheduled amount of required minimum work commitment and costs already incurred by the Company towards the required minimum work commitment. As of June 30, 2018, the most recent cost reporting date under the Mining Sublease, the Company can credit approximately \$270,000 in exploration expenditures already incurred against the \$1.5 million work commitment.

Coal Canyon Property

In December 2017, the Company entered into two mining leases at Coal Canyon, which is west of the Relief Canyon Mine. One such mining lease with Good Springs Exploration, LLC and Clancy Wendt (collectively “Lessor”) covers 43 unpatented mining claims adding 800 acres to the Company’s property holdings. The lease contains customary terms and conditions, with a primary term of ten years, which may be extended, annual advance royalty payments to Lessor starting at \$20,000 per year, capping at \$50,000, which payments are recoupable against a 3% net smelter return production royalty, which royalty can be bought down by one percent point of net smelter return for a payment of \$1,000,000, and also includes a conditional purchase option for \$350,000.

A second mining lease with New Nevada Resources, LLC and New Nevada Lands, LLC (collectively “New Nevada”) covers 1,899 acres of fee land. The lease contains customary terms and conditions, with a primary term of twenty years, which may be extended, with annual advance royalty payments to New Nevada starting at \$10 per acre capping at \$25 per acre, which payments are recoupable against a 3% net smelter return production royalty. This royalty can be reduced by one percent of net smelter return in exchange for a payment of \$1 million, and also includes a conditional purchase option at a price of \$500 per acre.

Newmont Properties

On April 5, 2012, the Company purchased from Victoria Gold Corp. and Victoria Resources (US) Inc. (collectively, “Victoria”) their interest in approximately 13,300 acres of mining claims and private lands adjacent to the Company’s original landholdings at the Relief Canyon Mine in Pershing County, Nevada.

Approximately 8,900 acres of the lands that the Company acquired from Victoria were a leasehold interest comprised of unpatented mining claims and private lands subject to a 2006 Mineral Lease and Sublease with Newmont USA Ltd. (“Newmont”), which the Company refers to as the Newmont Leased property. At that time, the Newmont Leased property consisted of 155 unpatented lode mining claims owned by Newmont comprising approximately 2,800 acres, approximately 4,900 acres of privately-owned fee minerals leased by Newmont from the owners, and 62 unpatented mining claims that were owned by Victoria within the Newmont Leased property and area of interest.

On January 14, 2015, the Company entered into an Asset Purchase Agreement with Newmont (the “Asset Purchase Agreement”) pursuant to which the Company acquired for \$6.0 million, 74 unpatented mining claims totaling approximately 1,300 acres that the Company had previously leased from Newmont, and entered into a new mining lease directly with New Nevada Resources, LLC and New Nevada Lands, LLC for approximately 1,600 acres of fee, or private, land that the Company had previously subleased from Newmont.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
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NOTE 3 — MINERAL PROPERTIES (continued)

As part of the January 2015 transactions completed pursuant to the Asset Purchase Agreement, a subsidiary of the Company entered into a Mining Lease (the “2015 Mining Lease”) with New Nevada Resources, LLC and New Nevada Lands, LLC (the “Owners”), covering certain fee lands (the “Leased Properties”) included in the Company’s Relief Canyon properties. The 2015 Mining Lease has a term of twenty years and for as long thereafter as any mining, development or processing operations are being conducted on a continuous basis. The 2015 Mining Lease contains customary terms and conditions, including an advance royalty and a 2.5% net smelter returns production royalty on the Leased Properties payable to the Owners.

Newmont Leased Property

As part of the Asset Purchase Agreement transactions, Newmont and the Company entered into an amendment of the 2006 Minerals Lease and Sublease (the “Third Amendment”), pursuant to which the Company agreed to a \$2.6 million work commitment on the properties remaining subject to the 2006 Minerals Lease and Sublease to be expended by the seventh anniversary of the effective date of the Third Amendment. Upon the eighth anniversary of the effective date of the Third Amendment, the Company shall pay an annual rental payment of \$10.00 per acre if the Company does not incur \$500,000 in qualified expenditures during the preceding year. Expenditures incurred in excess of the annual work commitment or rental payment obligation may be carried forward as credits against future annual work commitment obligations or rental payment obligations. As of December 15, 2017, the most recent cost reporting date under the Third Amendment, the Company can credit approximately \$2.9 million in exploration expenditures already incurred against the remaining \$2.3 million work commitment and future rental payment obligations.

Also as part of the transactions completed pursuant to the Asset Purchase Agreement, Newmont and the Owners entered into a new Mining Lease (the “2015 Newmont Lease”) covering about 2,770 acres of private lands included in the Company’s Relief Canyon properties (the “Subleased Properties”) and subleased by the Company from Newmont pursuant to the 2006 Minerals Lease and Sublease. The 2015 Newmont Lease has a term of twenty years and for as long thereafter as any mining, development or processing operations are being conducted on a continuous basis. The 2015 Newmont Lease contains customary terms and conditions, including an advance royalty and a 2.5% net smelter returns production royalty on the Subleased Properties payable to the Owners. The Company continues to hold rights to the Subleased Properties pursuant to its 2006 Minerals Lease and Sublease with Newmont.

As discussed above, on March 29, 2017, the Company entered into a Mining Sublease with Newmont granting the Company the exclusive right to prospect, explore for, develop, and mine minerals on certain lands within the Pershing Pass area south of the Relief Canyon Mine. The Mining Sublease has an initial term of ten years and may be extended by the Company until December 3, 2034 and so long thereafter as any mining, development, or processing operations are being conducted continuously. The Mining Sublease calls for the Company to make minimum work expenditures for the first four years of the Mining Sublease, followed by annual advanced minimum royalty payments to Newmont to maintain the Mining Sublease in good standing. The Sublease may be terminated any time after providing 90-days written notice of termination. If the required minimum work commitment of \$500,000 has not been satisfied prior to termination the Company must pay Newmont the difference between the \$500,000 required minimum work commitment and costs already incurred by the Company towards the required minimum work commitment. As of September 30, 2018, the most recent cost reporting date under the Mining Sublease, the Company can credit approximately \$270,000 in exploration expenditures already incurred against the \$1.5 million work commitment.

On August 27, 2018, the Company exercised its right to purchase certain royalty interests owned by Newmont for \$1,100,000. By exercise of its right of first offer the Company acquired all of the assets then held under the Third Amendment terminating the lease in its entirety, without further force or effect. By termination of the 2006 Lease Agreement, the agreement Area of Interest also terminated. Assets acquired under the right of first offer include (i) 81 unpatented lode claims, (ii) 320 acres of private minerals (subject to an underlying 2.125% NSR royalty payable to New Nevada Resources, LLC); (iii) assignment of a Mining Lease dated, effective December 31, 2014, between New Nevada Resources, LLC and New Nevada Lands, LLC (collectively “Owner”), covering approximately 2,458.88 acres of private lands subject to a 2.5% NSR royalty payable to Owner, and other customary terms and conditions under the Mineral Lease agreement; and (iv) termination of the 2006 Minerals Lease and Sublease in its entirety, without any further force or effect.

General

In February 2018, the Company increased its statewide surface management surety bonds by \$200,000 with the United States Department of the Interior Bureau of Land Management (“BLM”) as required by the State of Nevada. No additional collateral was required. As of September 30, 2018, the Company had posted statewide surface management surety bonds in the total amount of approximately \$12.5 million, which was approximately \$80,000 in excess of the coverage requirement as of September 30, 2018, to reclaim land disturbed in its exploration and mining operations. The surface management surety bonds are provided through third-party insurance underwriters. The Company was required to deposit a total of \$3,690,000, or approximately 30% of the total surety bonds, in collateral accounts. The funds deposited in the collateral accounts are classified as restricted cash – noncurrent on the Company’s balance sheet.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
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NOTE 3 — MINERAL PROPERTIES (continued)

As of September 30, 2018, based on management's review of the carrying value of mineral rights, management determined that there is no evidence that the cost of these acquired mineral rights will not be fully recovered and accordingly, the Company determined that no adjustment to the carrying value of mineral rights was required. As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and has incurred only acquisition and exploration costs.

Mineral properties consisted of the following:

	September 30, 2018	December 31, 2017
	<u>(Unaudited)</u>	
Relief Canyon Mine — Gold Acquisition	\$ 8,571,071	\$ 8,501,071
Relief Canyon Mine — Newmont Properties	14,809,441	13,709,441
Pershing Pass Property	<u>593,400</u>	<u>593,400</u>
	<u>\$ 23,973,912</u>	<u>\$ 22,803,912</u>

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Estimated Life	September 30, 2018	December 31, 2017
		<u>(Unaudited)</u>	
Furniture and fixtures	5 years	\$ 56,995	\$ 56,995
Office and computer equipment	1 - 5 years	447,470	434,563
Land	—	358,886	358,886
Building and improvements	5 - 25 years	823,131	823,131
Site costs	10 years	1,518,129	1,417,704
Crushing system	20 years	2,390,995	2,514,021
Process plant and equipment	10 years	3,530,460	3,530,460
Vehicles and mining equipment	5 - 10 years	<u>605,824</u>	<u>605,824</u>
		9,731,890	9,741,584
Less: accumulated depreciation		<u>(7,127,519)</u>	<u>(6,438,218)</u>
		<u>\$ 2,604,371</u>	<u>\$ 3,303,366</u>

For the nine months ended September 30, 2018 and 2017, depreciation expense amounted to \$737,327 and \$825,136, respectively. During May 2018, the Company exchanged a reclaim tunnel and other equipment with a net book value of \$75,000 (cost of \$123,026 and associated accumulated depreciation of \$48,026) for engineering design services also valued at \$75,000. As a result, the assets and related accumulated depreciation were written-off as of September 30, 2018. No gain or loss was recognized on the exchange.

NOTE 5 — ASSET RETIREMENT OBLIGATIONS

In conjunction with the permit approval permitting the Company to resume mining in the existing open pits at the Relief Canyon Mine during the third quarter of 2014, the Company has recorded an asset retirement obligation based upon the reclamation plan submitted in connection with the permit.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
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NOTE 5 — ASSET RETIREMENT OBLIGATIONS (continued)

The following table summarizes activity in the Company's ARO:

	September 30, 2018	June 30, 2017
	(Unaudited)	(Unaudited)
Balance, beginning of period	\$ 963,303	\$ 895,085
Accretion expense	26,441	9,632
Reclamation obligations settled	-	-
Additions and changes in estimates	-	-
Balance, end of period	\$ 989,744	\$ 904,717

NOTE 6 — STOCKHOLDERS' EQUITY

On June 17, 2015, the Board of Directors of the Company approved a reverse stock split of the Company's Common Stock at a ratio of 1-for-18 (the "Reverse Stock Split") which became effective on June 18, 2015. In connection with the Reverse Stock Split, the Company filed a Certificate of Amendment to its Amended and Restated Articles of Incorporation, as amended, with the Nevada Secretary of State to reduce the number of shares of Common Stock the Company is authorized to issue from 800,000,000 to 200,000,000. All share and per share values of the Company's Common Stock for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the Reverse Stock Split in accordance with SAB Topic 4C.

Preferred Stock

The Company is authorized within the limitations and restrictions stated in the Amended and Restated Articles of Incorporation to provide by resolution or resolutions for the issuance of 50,000,000 shares of Preferred Stock, par value \$0.0001 per share in such series and with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions as the Company's Board of Directors establishes.

Series A Convertible Preferred Stock

As of September 30, 2018, 2,250,000 shares of Series A Preferred Stock, \$0.0001 par value were authorized with none outstanding.

Series B Convertible Preferred Stock

As of September 30, 2018, 8,000,000 shares of Series B Preferred Stock, \$0.0001 par value were authorized with none outstanding.

Series C Convertible Preferred Stock

As of September 30, 2018, 3,284,396 shares of Series C Preferred Stock, \$0.0001 par value, were authorized with none outstanding.

9% Series D Cumulative Preferred Stock

As of September 30, 2018, 7,500,000 shares of Series D Preferred Stock, \$0.0001 par value, were authorized with none outstanding.

Series E Convertible Preferred Stock

As of September 30, 2018, 15,151 shares of Series E Preferred Stock, \$0.0001 par value, were authorized with 8,946 Series E Preferred shares outstanding.

On September 28, 2018, the Company amended the Certificate of Designation for its Series E Preferred Stock (the "Amended Series E Certificate of Designation"), effective immediately. The amendments (a) exempt the Merger from automatic conversion and cash payment provisions that would otherwise be applicable upon the consummation of the Merger, and (b) exempt the execution of the Debenture (but not any subsequent conversion of the Debenture into shares of the Company's common stock) from provisions that would otherwise trigger an adjustment in the conversion price of the Series E Preferred Stock.

PERSHING GOLD CORPORATION AND SUBSIDIARIES
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NOTE 6 — STOCKHOLDERS' EQUITY (continued)

Common Stock

Restricted Stock Units

In January 2018, the Company granted 25,000 restricted stock units to the directors of the Company in connection with bonus compensation for fiscal year 2017. The fair market value on the date of grant was approximately \$59,000. The restricted stock units granted to the directors of the Company vested upon grant. For each vested restricted stock unit, the holder will be entitled to receive one restricted share of the Company's Common Stock upon the holder's termination of service on the Company's Board of Directors or upon a change in control.

In February 2018, the Company accelerated the vesting of 18,518 restricted stock units granted to one of its board members who resigned effective February 23, 2018. After the acceleration, the Company converted 85,135 vested restricted stock units into 85,135 shares of the Company's Common Stock due to the resignation of one of the members of the board of directors.

In April 2018, the Company granted 12,377 restricted stock units to a director of the Company for initial board retainer fees. The fair market value on the date of grant was approximately \$25,000. The restricted stock units granted to the director vest one-third on April 29, 2019, 2020 and 2021. For each vested restricted stock unit, the holder will be entitled to receive one restricted share of the Company's Common Stock upon the holder's separation of employment under certain circumstances or upon a change in control.

Between April 2018 and June 2018, the Company granted a total of 17,497 restricted stock units to two members of the Company's Board of Directors as payment in lieu of cash for retainer and meeting fees earned totaling \$34,000 for the nine months ended September 30, 2018. All of these restricted stock units vested on the date of grant. For each vested restricted stock unit, the holder will be entitled to receive one restricted share of the Company's Common Stock upon such director's termination of service on the Board of Directors, in connection with a change in control, or under certain other circumstances.

In August 2018, the Company converted 47,661 vested restricted stock units granted to one of its board members who resigned effective August 29, 2018 into 47,661 shares of the Company's Common Stock due to such board member's resignation.

As of December 31, 2017 and 2016, the Company recognized a liability for employee and director bonus compensation related to restricted stock unit grants with a fair value of approximately \$59,000 and \$530,000, respectively, which was included in accounts payable and accrued expenses. Consequently, the Company recognized stock based compensation of approximately \$59,000 and \$530,000 during the year ended December 31, 2017 and 2016, respectively, in connection with these transactions. As of September 30, 2018, the Company recorded approximately \$73,035 in additional paid-in capital and a contemporaneous reduction of accounts payable and accrued expenses in connection with the issuance of vested restricted stock units related to fiscal year 2016 and 2017 bonus compensations. As of September 30, 2018, there is no remaining unvested restricted stock units related to fiscal year 2016 and 2017 bonus compensation.

During the nine months ended September 30, 2018 and 2017, the Company recorded total stock-based compensation expense in connection with restricted stock and restricted stock unit awards of \$430,986 and \$908,323, respectively. At September 30, 2018, there was a total of \$1,455,538 unrecognized compensation expense in connection with restricted stock and restricted stock unit awards.

A summary of the status of the restricted stock units as of September 30, 2018, and of changes in restricted stock units outstanding during the nine months ended September 30, 2018, is as follows:

	<u>Nine months ended September 30, 2018</u>	
	(Unaudited)	
	<u>Restricted Stock Unit</u>	<u>Weighted Average Grant-Date Fair Value Per Share</u>
Outstanding at December 31, 2017	1,061,471	\$ 5.68
Granted	54,874	2.16
Vested and converted	(132,796)	2.23
Forfeited	-	-
Outstanding at September 30, 2018	<u>983,549</u>	<u>\$ 5.39</u>

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NOTE 6 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options

In January 2018, the Company issued 436,000 stock options in bonus compensation for certain employees. The options are exercisable at a price of \$2.80 for 10 years.

A summary of the Company's outstanding stock options as of September 30, 2018 (unaudited) and changes during the nine months ended are presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at December 31, 2017	1,794,453	\$ 7.21	4.20
Granted	436,000	2.80	10.00
Exercised	—	—	—
Forfeited/Expired	(102,336)	5.53	—
Cancelled	—	—	—
Balance at September 30, 2018	<u>2,128,117</u>	\$ 6.36	4.81
Options exercisable at end of period	1,711,117	\$ 7.23	
Options expected to vest	417,000	\$ 2.80	
Weighted average fair value of options granted during the period		\$ 1.19	

As of December 31, 2017, the Company recognized a liability for employee bonus compensation related to stock options granted in January 2018 with a grant-date fair value of approximately \$520,000, which was included in accounts payable and accrued expenses. The stock options granted to employees vest one-third on January 29, 2018, 2019 and 2020. The 436,000 options were valued on the grant date at approximately \$1.19 per option or a total of approximately \$520,000 using a Black-Scholes option pricing model with the following assumptions: stock price of \$2.36 per share (based on the sale of its common stock in a private placement at \$2.80), volatility of 41%, expected term of 10 years, and a risk free interest rate of 2.70%. Consequently, the Company recognized stock based compensation of approximately \$520,000 during the year ended December 31, 2017, in connection with these transactions. As of September 30, 2018, the Company recorded approximately \$180,122 in additional paid in capital and a contemporaneous reduction of accounts payable and accrued expenses in connection with the issuance of vested restricted stock units related to fiscal year 2017 bonus compensations. Additionally, the Company reduced stock based compensation of \$22,681 in connection with the expiration of stock options due to an employee termination and a contemporaneous reduction of accounts payable and accrued expenses. As of September 30, 2018, the remaining balance of unvested stock options related to fiscal year 2017 bonus compensations amounted to approximately \$295,000.

Common Stock Warrants

A summary of the Company's outstanding stock warrants as of September 30, 2018 (unaudited) and changes during the nine months ended are presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at December 31, 2017	4,434,267	\$ 4.12	1.29
Granted	—	—	—
Cancelled	—	—	—
Forfeited	(2,247,019)	4.77	—
Exercised	—	—	—
Balance at September 30, 2018	<u>2,187,248</u>	\$ 3.46	1.20
Warrants exercisable at September 30, 2018	2,187,248	\$ 3.46	1.20
Weighted average fair value of warrants granted during the period		\$ —	

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 7 — NET LOSS PER COMMON SHARE

Net loss per common share is calculated in accordance with ASC Topic 260, “Earnings Per Share”. Basic loss per share is computed by dividing net loss available to common stockholder, adjusted for preferred dividends, by the weighted average number of shares of Common Stock outstanding during the period. The computation of diluted net loss per share does not include anti-dilutive Common Stock equivalents in the weighted average shares outstanding. The following table sets forth the computation of basic and diluted loss per share:

	For the Nine Months ended September 30, 2018	For the Nine Months ended September 30, 2017
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Numerator:		
Net loss available to common stockholders	\$ (11,472,140)	\$ (9,129,929)
Denominator:		
Denominator for basic and diluted loss per share (weighted-average shares)	<u>33,618,007</u>	<u>28,396,928</u>
Net loss per common share, basic and diluted	<u>\$ (0.34)</u>	<u>\$ (0.32)</u>

The following were excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact on the Company’s net loss. In periods where the Company has a net loss, all dilutive securities are excluded.

	September 30, 2018	September 30, 2017
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Common stock equivalents:		
Stock options	2,128,117	1,794,453
Stock warrants	2,187,248	2,497,763
Restricted stock units	983,549	1,047,224
Convertible preferred stock	<u>3,163,051</u>	<u>2,725,092</u>
Total	<u>8,461,965</u>	<u>8,064,532</u>

As more fully discussed in Note 1 the Company entered into a Debenture with Americas Silver to provide a loan of up to \$4 million to fund the Company’s working capital needs up to the closing of the Merger, subject to certain customary conditions. In certain circumstances the repayment of the Debenture will be made via the issuance of shares of Company common stock. If shares are issued to Americas Silver to pay-off the Debenture additional shares would be issued which could potentially impact net loss per common share.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its corporate facility and certain office equipment under operating leases with expiration dates through 2021. In April 2015, the Company executed a new operating lease agreement for its corporate facility in Lakewood, Colorado. The lease is for a period of 39 months commencing in May 2015 and expiring in July 2018. During the second quarter of 2018, the Company executed an amendment to the office lease agreement extending the lease period an additional 39 months through October 2021. The Company recognized total deferred rent of \$7,626 in connection with this lease agreement as of September 30, 2018. Rent expense was \$35,265 and \$38,557 for the nine months ended September 30, 2018 and 2017, respectively.

Future minimum rental payments required under operating leases are as follows:

2018	\$ 9,893
2019	56,099
2020	57,194
2021	42,888
	<u>\$ 166,074</u>

PERSHING GOLD CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(in United States Dollars)

NOTE 8 — COMMITMENTS AND CONTINGENCIES (continued)

Mining Leases

The Company leases certain mineral properties and water rights included in its Relief Canyon Properties. The future minimum lease payments under these mining leases are as follows:

2018	\$	68,994
2019		98,491
2020		137,485
2021		137,485
2022		142,485
Thereafter		937,290
	<u>\$</u>	<u>1,522,230</u>

Should the Merger close as contemplated, certain key employees of the Company will receive aggregate payments totaling approximately \$2.8 million, through employment or severance compensation agreements. Mr. Alfes, Chief Executive Officer, will receive \$1.7 million and Mr. Alexander, Vice President Finance and Controller, will receive approximately \$450,000. Non-executive key employees will receive the remaining portion of the aggregate \$2.8 million. Additionally, should the Merger close as contemplated, Canaccord, the Company's financial advisor, will receive a minimum success fee of \$750,000.

NOTE 9 — SUBSEQUENT EVENTS

Convertible Secured Debenture

Concurrent with the execution of the Merger Agreement, the Company and Americas Silver entered into a Convertible Secured Debenture ("Debenture"), effective October 1, 2018, that will entitle the Company to borrow up to \$4,000,000 from Americas Silver, subject to certain customary conditions.

The interest rate is 16% per year on the amount drawn, accrued and compounded monthly. The loan will mature on June 1, 2019, or September 1, 2019 if the Company has exercised an option to extend maturity.

If the Merger Agreement is terminated, in most circumstances, the outstanding principal amount, plus any accrued and unpaid interest, will be due and payable in cash within 90 days following the date of termination (or 10 days if the Merger Agreement is terminated by the Company in order to accept a Superior Proposal or following a change of the board of directors' recommendation to stockholders). However, if the Merger Agreement is terminated because (i) Americas Silver fails to obtain the approval of its shareholders, (ii) a law or government order prevents consummation of the Merger, or (iii) Americas Silver breaches the Merger Agreement, the Company will have the option to repay the borrowed amount in cash or in shares of Company common stock.

If repayment will be accomplished by conversion into Company common stock, the number of shares issuable will be determined by dividing the amount outstanding under the Debenture by a conversion price equal to the volume-weighted average price of the Company's common stock for the five trading days immediately preceding the date of the election, but never less than \$1.18. The issuance of common shares in exchange for amounts outstanding under the Debenture is subject to receipt of prior approval by The NASDAQ Stock Market and the Toronto Stock Exchange.

The Debenture will be secured by a lien on substantially all of the Company's assets.

As of October 29, 2018 the Company has drawn \$1,000,000 against the Debenture. The Company intends to use the proceeds from the Debenture to fund its near-term working capital requirements, including permit advancements, ongoing property maintenance and corporate requirements. The Company's ability to draw the remainder of the principal amount is subject to the parties agreeing on terms and filing a deed of trust in the state of Nevada, among other customary conditions.

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Pershing Gold Corporation and its subsidiaries ("Pershing Gold", the "Company" or "we") is a gold and precious metals exploration company pursuing exploration and development opportunities primarily in Nevada. We are currently focused on exploration at our Relief Canyon properties in Pershing County in northwestern Nevada. We completed a feasibility study of the Relief Canyon Mine in May 2018 and continue to advance the permitting process for the Relief Canyon Mine project.

This discussion should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Forward-Looking Statements

This Report on Form 10-Q and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words of similar meaning. Forward-looking statements include, without limitation, statements relating to the consummation and timing of the Merger, our obligations and rights under our loan agreement with Americas Silver, our planned expenditures and cash position, business goals, planned exploration and metallurgical work, business strategy, planned permitting and bonding activities, metallurgical and geographic surveys and the conclusions of the feasibility study, plans with respect to an environmental studies to expand the Relief Canyon open-pit mines, preliminary construction activities at the Relief Canyon Mine, our liquidity and capital resources outlook and future financing requirements, and estimates and assumptions required under our financial statements. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Our actual results may differ materially from those contemplated by the forward-looking statements, which are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Important factors that could cause actual results to differ materially from those anticipated in forward-looking statements include, without limitation, conditions relating to the closing of the Merger Agreement and our rights and obligations under our loan agreement (including regulatory and shareholder approvals), results of future exploration and engineering studies on our Relief Canyon properties; increases in estimates or costs of exploration and other activities; our ability to raise necessary capital to conduct our exploration and other activities and do so on acceptable terms or at all; results from exploration and changes in interpretations of geological, metallurgical or other technical information; problems or delays in permitting or other government approvals; and the matters described in the risk factors set forth in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2017.

Overview

During the nine months ended September 30, 2018, we focused primarily on continuing permitting and bonding; engineering and other work related to the potential commencement of mining at the Relief Canyon Mine; completion of our feasibility study; an expansion drilling program at the Relief Canyon Mine; financing efforts; and entering into the Merger Agreement with Americas Silver. An overview of certain significant events follows:

- On September 28, 2018 we announced that we entered into a Merger Agreement with Americas Silver whereby holders of our common stock will receive 0.715 common shares of Americas Silver for each Pershing share by way of a share exchange (the Exchange Ratio) and holders of our preferred shares may elect to exchange those shares for new non-voting preferred shares of American Silver or common shares of Americas Silver based on the Exchange Ratio.
- On August 28, 2018 we completed the exercise of a right of first offer to acquire all of the Newmont USA Limited royalty and other rights on specific lands around our Relief Canyon project.
- During the nine months ended September 30, 2018 we completed a final positive feasibility study for the Relief Canyon Mine.
- During the nine months ended September 30, 2018 we drilled 39 holes, totaling approximately 33,000 feet, at the Relief Canyon Mine. The objective of this drilling program is to expand the mineralized material at the Relief Canyon Mine.
- During June 2018, we submitted the 2018 Plan of Operations Modification for the Phase II expansion of the mining and heap leach facilities to the Bureau of Land Management and the Nevada Department of Environmental Protection.
- During the first quarter, we commenced preliminary construction activities at the Relief Canyon Mine by hiring a contractor to perform initial ground clearing in preparation for potential construction.
- On April 23, 2018, we appointed Jeffrey G. Clevenger to our Board of Directors. Mr. Clevenger has over 40 years of experience in the mining industry.

Agreement and Plan of Merger

On September 28, 2018, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Americas Silver Corporation (“Americas Silver”) and R Merger Sub, Inc., a wholly-owned subsidiary of Americas Silver (“Merger Sub”). Under the terms of the Merger Agreement, we will merge with and into Merger Sub, with Pershing being the surviving corporation and becoming a wholly-owned subsidiary of Americas Silver (the “Merger”).

In connection with the Merger, our common stockholders will be issued 0.715 Americas Silver common shares for each share of our common stock (the “Exchange Ratio”). Holders of our Series E Convertible Preferred Stock (“Series E Preferred Stock”) will be given the option to (a) convert their shares of Series E Preferred Stock into our common shares immediately before the closing and exchange those common shares for Americas Silver common shares at the Exchange Ratio, or (b) exchange their Series E Preferred Stock for non-voting preferred stock of Americas Silver (“Purchaser Preferred Stock”).

The Merger Agreement provides that, upon consummation of the Merger, Americas Silver will cause one nominee of Pershing to be appointed to the board of directors of Americas Silver. The Merger must be approved by (i) preferred shareholders holding 75% of our preferred shares, voting as a separate class, and (ii) a majority of the voting shares held by the common shareholders and preferred shareholders, voting together as a single class on an as-converted basis. The issuance of the Americas Silver shares in connection with the Merger must also be approved by a majority of the Americas Silver shares voted at the meeting called for that purpose.

We are required to call a Special Meeting and solicit the approval of our stockholders, subject to the board of directors’ ability to accept a Superior Proposal (as defined in the Merger Agreement) in accordance with the Merger Agreement. If the Merger Agreement is terminated because we accept a Superior Proposal, or our board of directors changes its recommendation to our stockholders regarding the approval of the Merger, we will be obligated to pay a termination fee to Americas Silver in the amount of \$4,000,000 (the “Termination Fee”).

Convertible Secured Debenture

Concurrent with the execution of the Merger Agreement, we and Americas Silver entered into a Convertible Secured Debenture (“Debenture”), effective October 1, 2018, that will entitle us to borrow up to \$4,000,000 from Americas Silver, subject to certain conditions.

The interest rate is 16% per year on the amount drawn, accrued and compounded monthly. The loan will mature on June 1, 2019, or September 1, 2019 if we have exercised an option to extend maturity. As of October 29, 2018 we have drawn \$1,000,000 against the Debenture. Our ability to draw the remainder of the principal amount is subject to the parties agreeing on terms and filing a deed of trust in the state of Nevada, among other customary conditions.

If the Merger Agreement is terminated, in most circumstances, the outstanding principal amount, plus any accrued and unpaid interest, will be due and payable in cash within 90 days following the date of termination (or 10 days if the Merger Agreement is terminated by us in order to accept a Superior Proposal or following a change of the board of directors’ recommendation to stockholders). However, if the Merger Agreement is terminated because (i) Americas Silver fails to obtain the approval of its shareholders, (ii) a law or government order prevents consummation of the Merger, or (iii) Americas Silver breaches the Merger Agreement, we will have the option to repay the borrowed amount in cash or in shares of our common stock.

If repayment will be accomplished by conversion into our common stock, the number of shares issuable will be determined by dividing the amount outstanding under the Debenture by a conversion price equal to the volume-weighted average price of our common stock for the five trading days immediately preceding the date of the election, but never less than \$1.18. The issuance of common shares in exchange for amounts outstanding under the Debenture is subject to receipt of prior approval by The NASDAQ Stock Market and the Toronto Stock Exchange.

The Debenture will be secured by a lien on substantially all of our assets.

Results of Operations

Three and Nine months ended September 30, 2018 and 2017

Net Revenues

We are an exploration stage company with no operations, and we generated no revenues for the three and nine months ended September 30, 2018 and 2017.

Operating Expenses

Total operating expenses for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 were approximately \$3.2 million and \$2.5 million, respectively. The \$0.7 million increase in operating expenses for the three months ended September 30, 2018 is comprised of (i) an increase in consulting fees of approximately \$0.1 million to approximately \$0.6 million from \$0.5 million in the prior period related to increased consulting costs related to progress of our feasibility study, (ii) an increase of approximately \$0.7 million in general and administrative expenses to approximately \$1.7 million from \$1.0 million in the prior period related to increased legal fees and public company related expenses offset by (iii) a decrease of approximately \$0.1 million in compensation to approximately \$0.7 million from \$0.8 million in the prior period as a result of decreased stock-based compensation in connection with restricted stock grants to employees.

Total operating expenses for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 were approximately \$11.5 million and \$9.1 million, respectively. The \$2.4 million increase in operating expenses for the nine months ended September 30, 2018 is comprised of (i) a \$2.0 million increase in exploration expenses on our Relief Canyon properties to approximately \$3.0 million from \$1.0 million in the prior period due to increased direct drilling activities during the current period, (ii) an increase in consulting fees of approximately \$0.5 million to approximately \$2.2 million from \$1.7 million in the prior period related to increased consulting costs related to progress of our feasibility study, (iii) an increase of approximately \$0.5 million in general and administrative expenses to approximately \$3.8 million from \$3.3 million in the prior period related to increased legal fees and public company related expenses offset by (iv) a decrease of approximately \$0.7 million in compensation to approximately \$2.4 million from \$3.1 million in the prior period as a result of decreased stock-based compensation in connection with restricted stock grants to employees.

Loss from Operations

We reported a loss from operations of \$3.2 million and \$2.5 million for the three months ended September 30, 2018 and 2017, respectively. We reported a loss from operations of \$11.5 million and \$9.1 million for the nine months ended September 30, 2018 and 2017, respectively. The increase in operating loss was due primarily to the increase in operating expenses described above.

Other Income (Expenses)

Total other income (expense) was approximately \$5,200 and \$2,600 for the three months ended September 30, 2018 and 2017, respectively. Total other income (expense) was approximately \$10,100 and \$800 for the nine months ended September 30, 2018 and 2017, respectively. The change in other income (expense) is primarily attributable to a decrease in foreign currency loss offset by an increase in interest income.

Net Loss

As a result of the operating expense and other income (expense) discussed above, we reported a net loss of approximately (\$3.2) million for the three months ended September 30, 2018 as compared to a net loss of (\$2.5) million for the three months ended September 30, 2017. As a result of the operating expense and other income (expense) discussed above, we reported a net loss of approximately (\$11.5) million for the nine months ended September 30, 2018 as compared to a net loss of (\$9.1) million for the nine months ended September 30, 2017.

Liquidity and Capital Resources

We reported a net loss of approximately \$(11.5) million for the nine months ended September 30, 2018. We expect to incur significant losses into the foreseeable future and our monthly "burn rate" for the remainder of fiscal 2018 is expected to be approximately \$1.4 million (including approximately \$0.6 million for general and administrative costs, approximately \$0.3 million for exploration, permitting and additional work at the Relief Canyon Mine and approximately \$0.5 million for costs related to the Merger) and approximately \$0.8 million per month for the first quarter of 2019. These estimates of our liquidity are based on the assumption that the Merger will be consummated before the end of the first quarter of 2019, and we can provide no assurances that the Merger will be consummated on that timeframe or at all. The approximate \$2.8M in aggregate costs for employee severance and compensation agreements and \$750,000 minimum success fee to Canaccord, our financial advisor, as discussed in Note 8 of the financial statements are not included in the expenditures outlined here through March 31, 2019.

We have primarily relied on public and private offerings of our equity securities for our liquidity. If the Merger is not consummated, we would need to repay the principal and interest outstanding under the Debenture in the form of cash or, under certain circumstances, conversion of the debt into our common stock, and would require additional external financing to fund exploration, operations and the advancement of the Relief Canyon Mine into production. We can provide no assurances that we will be able to raise external funding. If the Merger is not consummated, and we are unable to raise external funding to cover the near-term capital needs outlined above, our business will most likely fail. In addition, if the Merger is not consummated and we are unable to raise external funding sufficient to cover our longer-term capital needs in order to further advance the Relief Canyon project, and eventually generate significant revenues from our claims and properties, we will not be able to earn profits or continue operations. We have no production history upon which to base any assumption as to the likelihood that we will prove successful, and it is uncertain that we will generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

As part of the Merger, Americas Silver agreed to provide us with a loan of up to \$4 million to fund our working capital needs until the close of the Merger. Our ability to draw the remainder of the principal amount is subject to the parties agreeing on terms and filing a deed of trust in the state of Nevada, among other customary conditions.

The interest rate is 16% per year on the amount drawn, accrued and compounded monthly. The loan will mature on June 1, 2019, or September 1, 2019 if we have exercised an option to extend maturity. As of October 29, 2018 we have drawn \$1,000,000 under the Debenture.

If the Merger Agreement is terminated, in most circumstances, the outstanding principal amount, plus any accrued and unpaid interest, will be due and payable in cash within 90 days following the date of termination (or 10 days if the Merger Agreement is terminated by us in order to accept a Superior Proposal or following a change of the board of directors' recommendation to stockholders). However, if the Merger Agreement is terminated because (i) Americas Silver fails to obtain the approval of its shareholders, (ii) a law or government order prevents consummation of the Merger, or (iii) Americas Silver breaches the Merger Agreement, we will have the option to repay the borrowed amount in cash or in shares of our common stock.

If repayment will be accomplished by conversion into our common stock, the number of shares issuable will be determined by dividing the amount outstanding under the Debenture by a conversion price equal to the volume-weighted average price of our common stock for the five trading days immediately preceding the date of the election, but never less than \$1.18. The issuance of common shares in exchange for amounts outstanding under the Debenture is subject to receipt of prior approval by The NASDAQ Stock Market and the Toronto Stock Exchange.

The Debenture will be secured by a lien on substantially all of our assets.

At September 30, 2018, our cash, cash equivalents and restricted cash totaled approximately \$5.7 million. Our cash, cash equivalents and restricted cash decreased during the nine months ended September 30, 2018 by approximately \$10.9 million from our cash, cash equivalents and restricted cash balance at December 31, 2017 of approximately \$16.5 million. The decrease in cash, cash equivalents and restricted cash was primarily the result of cash used in operations of approximately \$9.6 million that was comprised of costs for our feasibility study, continued permitting and additional work on the Relief Canyon Project, exploration expenditures on our Relief Canyon properties, and general and administrative expenses, including consultant fees, compensation costs, legal fees and public company expenses and cash used in investing activities of approximately \$1.3 million that was comprised from the exercise of our right to purchase certain royalty interests owned by Newmont for \$1.1 million and the purchase of property plant and equipment for approximately \$0.2 million.

At September 30, 2018, we had approximately \$2.0 million in cash and cash equivalents and approximately \$3.7 million in restricted cash – noncurrent. The amount held as restricted cash – noncurrent consists of collateral under surface management bonds issued on our behalf and is therefore not available for general corporate purposes. Even if we draw down the full amount available under the Debenture of \$4 million, we expect to require additional financing to fund our current operations if the Merger is not completed prior to the end of the first fiscal quarter of 2019. There is no assurance that we will be able to obtain additional financing on acceptable terms or at all.

We plan the following expenditures for the remainder of fiscal year 2018:

- \$3.3 million on general and administrative expenses (including costs related to the Merger, employee salaries, public company expenses, consultants, land holding costs and annual insurance premium renewals);
- \$0.6 million on additional work at the Relief Canyon properties including further metallurgy tests, geographic surveys and continued planning, engineering and design work to advance the Relief Canyon mine into production; and
- \$0.2 million for the continuation of studies for expansion below the water table and the amended plan of operations modification.

The actual amount we spend for our year ending 2018 may vary significantly from the amounts specified above if we decide to advance the Relief Canyon Mine toward production in 2018. Based on the estimates contained in the feasibility study, we currently expect to incur capital expenditures and working capital expenses of approximately \$38 million. We are evaluating various sources of additional financing. No development decision with respect to the Relief Canyon Mine is expected to be made unless and until we are able to solidify our financing plans. Moreover, if the Merger is consummated, the timeline for any development decision with respect to the Relief Canyon Mine will be made by Americas Silver.

Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. The additional funds necessary to fund the development of the Relief Canyon Mine may not be available to us on acceptable terms or at all.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” or “ASU 2016-18”. ASU 2016-18 is intended to clarify how entities present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. When cash and cash equivalents and restricted cash are presented in more than one line-item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively. Early adoption is permitted, including adoption in an interim period. We early adopted ASU 2016-18 for the three-months period ended December 31, 2017 and our adoption did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”, which eliminates Step 2 from the goodwill impairment test. When an indication of impairment was identified after performing the first step of the goodwill impairment test, Step 2 required that an entity determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) using the same procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under the amendments in ASU No. 2017-04, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value. An entity would recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit’s fair value. In addition, an entity must consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. A public business entity that is a SEC filer should adopt the amendments in ASU No. 2017-04 for its annual, or any interim, good will impairment tests in fiscal years beginning after December 15, 2019. We do not believe the guidance will have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation”. The update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC Topic 718. An entity shall account for the effects of a modification described in ASC paragraphs 718-20-35-3 through 35-9, unless all the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The provisions of this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. Our adoption of this guidance on January 1, 2018 did not have a material impact on our consolidated results of operations, financial position and related disclosures.

In July 2017, the FASB issued ASU 2017-11 “Earnings Per Share (Topic 260)”. The amendments in the update change the classification of certain equity-linked financial instruments (or embedded features) with down round features. The amendments also clarify existing disclosure requirements for equity-classified instruments. For freestanding equity-classified financial instruments, the amendments require entities that present earnings per share (“EPS”) in accordance with Topic 260, Earnings Per Share, to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features would be subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We do not believe the guidance will have a material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities”. ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for us beginning after December 15, 2018, although early adoption is permitted. We do not believe the guidance will have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07 “Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” These amendments expand the scope of Topic 718, Compensation - Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The ASU supersedes Subtopic 505-50, Equity - Equity-Based Payments to Non-Employees. The guidance is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, but no earlier than a company’s adoption date of Topic 606, Revenue from Contracts with Customers. We do not believe the guidance will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Changes to Disclosure Requirements for Fair Value Measurements”, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company will be evaluating the impact this standard will have on the Company’s consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. We do not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to our financial condition, results of operations, cash flows or disclosures.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and present the financial statements of the Company and our wholly-owned subsidiaries. In the preparation of our consolidated financial statements, intercompany transactions and balances are eliminated.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet, and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the useful life of property and equipment, amounts and timing of closure obligations, the assumptions used to calculate fair value of restricted stock units, options and warrants granted, stock-based compensation, beneficial conversion on preferred stock, capitalized mineral rights, asset valuations, timing of the performance criteria of restricted stock units and the fair value of common stock issued.

Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). ASC 718 also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award. Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain.

We adopted ASU 2016-09, “Compensation - Stock Compensation (Topic 718)” (“ASU 2016-09”), which makes several modifications to Topic 718. Upon adoption of ASU 2016-09, we recognize the effect of forfeitures in compensation cost as they occur, rather than estimating forfeitures as of the award date. Any previously recognized compensation cost will be reversed in the period of forfeiture.

Property and Equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. We examine the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, generally from one to twenty-five years.

Mineral Property Acquisition and Exploration Costs

Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. We have chosen to expense all mineral exploration costs as incurred given that we are still in the exploration stage. Once we have identified proven and probable reserves in our investigation of our properties and upon development of a plan for operating a mine, we would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized, using the units-of-production method over proven and probable reserves. When we have capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, we have not established the commercial feasibility of any exploration prospects; therefore, all costs are being expensed.

ASC 930-805 states that mineral rights consist of the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits. Mining assets include mineral rights. Acquired mineral rights are considered tangible assets under ASC 805. ASC 805 requires that mineral rights be recognized at fair value as of the acquisition date. As a result, our direct costs to acquire mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with acquiring patented and unpatented mining claims and mill sites. If proven and probable reserves are established for the property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over proven and probable reserves. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Long-Lived Assets

We review for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets". An impairment is considered to exist when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its carrying amount.

Asset Retirement Obligations

Asset retirement obligations, consisting primarily of estimated mine reclamation and closure costs at our Relief Canyon property, are recognized in the period incurred and when a reasonable estimate can be made, and recorded as liabilities at fair value. Such obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to accretion expense. Corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life. Asset retirement obligations are periodically adjusted to reflect changes in the estimated present value resulting from revisions to the estimated timing or amount of reclamation and closure costs. We review and evaluate the asset retirement obligations annually or more frequently at interim periods if deemed necessary.

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

Contractual Obligations

Not applicable.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company" as defined by the rules and regulations of the SEC, the Company is not required to provide this information.

ITEM 4 Controls and Procedures

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Vice President Finance, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarterly period ended September 30, 2018, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, the Company's management has concluded that disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Controls

There have been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 Legal Proceedings

We are not currently a party to any material pending legal proceedings, although may from time to time be subject to ordinary routine litigation.

ITEM 1A Risk Factors

The pending merger with Americas Silver is not guaranteed to occur. If the Merger does not occur, it could have a material and adverse effect on our business, growth, revenue, liquidity and results of operations and our share price could be negatively impacted.

Completion of the Merger is conditioned upon the satisfaction of certain closing conditions, including the approval of the Merger by our stockholders, as set forth in the Merger Agreement. The required conditions to closing may not be satisfied in a timely manner, if at all, or, if permissible, waived. If the Merger is not consummated for these or any other reasons, our business may be adversely affected and will be subject to a number of risks and consequences, including the following:

- we may be required, under certain circumstances, to pay Americas Silver a termination fee of \$4.0 million;
- we must pay the substantial fees and expenses that we incurred related to the Merger, such as legal and accounting fees and expenses, even if the Merger is not completed and we may not be able to recover such fees and expenses from Americas Silver;
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Merger, which restrictions could adversely affect our ability to realize certain of our business strategies, including our ability to enter into additional acquisitions or other strategic transactions;
- matters relating to the Merger may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the Merger will be completed; and
- we may experience negative reactions to the termination of the Merger from current or potential business partners, analysts, lenders and employees.

In addition, any delay in the consummation of the Merger, or any uncertainty about the consummation of the Merger, may adversely affect our ability to obtain other sources of financing and our future business, growth, revenue, liquidity and ability to execute our business strategy.

If the Merger Agreement is terminated, we will be required to repay the Debenture.

If the Merger Agreement is terminated for any reason, we will be required to repay amounts outstanding under the Debenture to Americas Silver promptly following termination. Although we may elect to convert the principal and interest amounts of the Debenture into shares of our common stock under certain circumstances permitted in the Debenture, in many circumstances we will be required to repay outstanding amounts in cash. There can be no certainty that we will have the financial capacity to repay the Debenture when due, or at all. If we convert the outstanding amounts under the Debenture into shares of our common stock our current stockholders will be diluted. In addition, such conversion may trigger certain anti-dilution protections in the terms of the Series E Preferred Stock, further diluting holders of our common stock.

Compliance with the terms of the Merger Agreement in the interim could adversely affect our business.

As a result of the pending Merger: (a) the attention of management and employees has been and will continue to be diverted from day-to-day operations as they focus on matters relating to the Merger and preparation for integrating our operations with those of Americas Silver; (b) the restrictions and limitations on the conduct of our business pending the Merger have and will continue to disrupt or otherwise adversely affect our business, and may not be in the best interests of us if we were to have to act as an independent entity following a termination of the Merger Agreement; and (c) our ability to retain existing employees may be adversely affected due to the uncertainties created by the Merger. Any delay in consummating the Merger may exacerbate these issues.

The Merger Agreement contains provisions that could discourage a potential competing acquirer of us.

The Merger Agreement contains provisions that, subject to limited exceptions, restrict our ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire shares or assets of us. In addition, our directors, officers and certain shareholders holding an aggregate of approximately 34% of the issued and outstanding shares of our common stock and approximately 88% of the issued and outstanding shares of Series E Preferred Stock have entered into support agreements with Americas Silver pursuant to which they have agreed to vote in favor of the Merger. These provisions and the support agreements could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Pershing Gold from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share, cash or market value than the Merger consideration proposed to be received or realized in the Merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the \$4.0 million termination fee that may become payable in certain circumstances.

If the Merger Agreement is terminated by us, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

The consummation of the merger between us and Americas Silver could affect the value of your investment in us.

Pursuant to the Merger Agreement, at the closing of the Merger our stockholders will exchange their shares of our common stock and Series E Convertible Preferred Stock for shares of Americas Silver common stock or preferred shares, as applicable. There are a number of additional risks related to the Merger (including any failure to complete the Merger), the potential combined company following the Merger and the business of Americas Silver that may affect your investment in us or the potential combined company.

These risks include, without limitation, the following:

- the exchange ratio will not be adjusted in the event of any change in either our stock price or Americas Silver's stock price;
- because the Merger will be completed after the date of the Special Meeting, at the time of our Special Meeting, the exact market value of the Americas Silver common shares that our stockholders will receive, or be eligible to receive, upon completion of the Merger could be higher or lower than the market value at the time of the Special Meeting;
- the Merger is subject to a number of conditions, including the receipt of consents and clearances from regulatory authorities that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us or Americas Silver;
- if the Merger does not qualify as a reorganization under Section 368(a) of the Code or is otherwise taxable to holders of our common stock, stockholders may be required to pay substantial U.S. federal income taxes as a result of completion of the Merger;
- the rights of our shareholders who become Americas Silver shareholders in the Merger will be governed by the *Canada Business Corporations Act* ("CBCA") and subject to Americas Silver's articles of incorporation and Americas Silver's bylaws;
- the market price of Americas Silver's common shares has been, and may continue to be, volatile;
- our current stockholders will have reduced ownership and voting interests after the Merger;
- any delay in completing the Merger may reduce or eliminate the benefits expected to be achieved thereunder;
- uncertainties associated with the Merger may cause a loss of management personnel and other key employees which could adversely affect the future business and operations following the Merger;
- the expected benefits of the Merger may not be realized;
- the obligations and liabilities of Americas Silver, some of which may be unanticipated or unknown, may be greater than anticipated, which may diminish the value of Americas Silver's common shares;
- Pershing and Americas Silver expect to incur substantial expenses related to the Merger and the integration of the two companies;
- Pershing and Americas Silver may be unable to integrate their respective businesses successfully;
- Americas Silver's future results will suffer if it does not effectively manage its expanded operations following the Merger;
- the market price of Americas Silver's common shares after the consummation of the Merger may be affected by factors different from those affecting Americas Silver's common shares or our common stock prior to consummation of the Merger; and
- third parties may terminate or alter existing contracts with us and Americas Silver.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3 Defaults Upon Senior Securities

There have been no events that are required to be reported under this Item.

ITEM 4 Mine Safety Disclosures

None.

ITEM 5 Other Information

None.

ITEM 6 Exhibits

- [2.1](#) [Agreement and Plan of Merger dated September 28, 2018\(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 4, 2018\)](#)
- [3.1](#) [Certificate of Designation for Series E Convertible Preferred Stock, as amended on September 28, 2018.](#)
- [4.1](#) [Convertible Secured Debenture dated October 1, 2018 \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 4, 2018\)](#)
- [10.1](#) [Form of Director and Officer Support Agreement dated September 28, 2018 \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 4, 2018\)](#)
- [10.2](#) [Amendment to Fourth Amended Compensation Agreement, dated September 28, 2018, between Pershing Gold Corporation and Eric Alexander \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 4, 2018\) +](#)
- [10.3](#) [Amendment to Offer Letter, dated September 28, 2018, between Pershing Gold Corporation and Tim Janke \(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 4, 2018\) +](#)
- [31.1](#) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer](#)
- [31.2](#) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer](#)
- [32.1](#) [Chief Executive Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- [32.2](#) [Chief Financial Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- 101.ins XBRL Instance Document
- 101.sch XBRL Taxonomy Schema Document
- 101.cal XBRL Taxonomy Calculation Document
- 101.def XBRL Taxonomy Linkbase Document
- 101.lab XBRL Taxonomy Label Linkbase Document
- 101.pre XBRL Taxonomy Presentation Linkbase Document

* Furnished herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 2, 2018

Pershing Gold Corporation

By: /s/ Stephen Alfers
Stephen Alfers
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2018

By: /s/ Eric Alexander
Eric Alexander
Vice President Finance and Controller
(Principal Financial Officer)

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Section 2: EX-3.1 (EXHIBIT 3.1)

Exhibit 3.1

CERTIFICATE OF DESIGNATION OF SERIES E CONVERTIBLE PREFERRED STOCK OF PERSHING GOLD CORPORATION

PERSHING GOLD CORPORATION, a Nevada corporation, certifies that pursuant to the authority contained in Section 3.03 of its Amended and Restated Articles of Incorporation, as amended from time to time prior to the date hereof, and in accordance with the provisions of Section 78.195 of the Private Corporations chapter of the Nevada Revised Statutes, its Board of Directors duly approved and adopted on August 5, 2013 the following resolution, which resolution remains in full force and effect on the date hereof:

WHEREAS, the Amended and Restated Articles of Incorporation of the Corporation authorizes the issuance of up to fifty million (50,000,000) shares of preferred stock, par value \$0.0001 per share, of the Corporation (“**Preferred Stock**”) in one or more series, and expressly authorizes the Board of Directors, subject to limitations prescribed by law, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock, and, with respect to each such series, to establish and fix the number of shares to be included in such series of Preferred Stock and the designation, rights, preferences, powers, restrictions and limitations of the shares of such series; and

WHEREAS, the Board desires to establish and fix the number of shares to be included in a new series of Preferred Stock and the designation, rights, preferences and limitations of such new series.

RESOLVED, that a series of Preferred Stock be, and hereby is, created, and that the number of shares thereof, the voting powers thereof and the designations, preferences and relative, participating, optional and other special rights thereof and the qualifications, limitations and restrictions thereof be, and hereby are, as follows:

SECTION 1. *Designation and Amount.* There shall be created a series of Preferred Stock designated as “Series E Convertible Preferred Stock” (the “**Series E Preferred Stock**”). The authorized number of shares of Series E Preferred Stock shall be 15,151. Shares of Series E Preferred Stock that are converted into shares of Common Stock or other consideration or otherwise acquired by the Corporation shall be retired and cancelled.

SECTION 2. *Definitions.*

As used herein, the following terms shall have the following meanings:

“**Affiliate**” shall have the meaning ascribed to it, on the date hereof, in Rule 405 under the Securities Act.

“**Alternate Consideration**” shall have the meaning set forth in [Section 7.1\(e\)](#).

“**Antitrust Holders**” shall have the meaning set forth in [Section 7.1\(i\)](#).

“**Antitrust Laws**” shall have the meaning set forth in [Section 7.1\(i\)](#).

“**Articles of Incorporation**” shall mean the Amended and Restated Articles of Incorporation of the Corporation, as amended from time to time prior to the date hereof, as modified by this Certificate of Designation and as further amended or restated from time to time in accordance with applicable law and this Certificate of Designation.

“**Base Conversion Price**” shall have the meaning set forth in Section 7.1(b).

“**Beneficial Owner**” shall have the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms “**Beneficially Owns**” and “**Beneficially Owned**” shall have corresponding meanings.

“**Beneficial Ownership Limitation**” shall have the meaning set forth in Section 7(d).

“**Board of Directors**” shall mean the Board of Directors of the Corporation or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

“**Business Day**” shall mean any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law or executive order to close.

“**Buy-In**” shall have the meaning set forth in Section 7(c)(iv).

“**Change in Control**” shall mean the occurrence of any of the following events:

(a) the sale, lease or transfer, in one transaction or a series of related transactions, of all or substantially all of the Corporation’s assets (determined on a consolidated basis) to any person or group (as such terms are defined in Sections 13d and 14d of the Exchange Act) other than a controlled Affiliate; *provided* that for the avoidance of doubt, the sale, lease or transfer, in one transaction or a series of related transactions, of all or substantially all of the Corporation’s assets located in the United States shall constitute a Change in Control;

(b) the consolidation or merger of the Corporation with or into any other Person or the merger of another Person with or into the Corporation, pursuant to which the holders of 100% of the total voting power of the total outstanding capital stock of the Corporation immediately prior to the consummation of such consolidation or merger do not Beneficially Own in the aggregate more than fifty percent (50%) of the total voting power of the total outstanding capital stock of the continuing or surviving Person immediately after such transaction;

(c) the acquisition, directly or indirectly, by any person or group (as such terms are used in Section 13d-3 and 14d of the Exchange Act) of Beneficial Ownership of more than fifty percent (50%) of the total voting power of the total outstanding capital stock of the Corporation; or

(d) any matter that is both a Change in Control and Fundamental Transaction shall be deemed for all purposes to continue to be a Change of Control.

“**Common Stock**” shall mean the common stock, par value \$0.0001 per share, of the Corporation or any other capital stock of the Corporation into which such common stock shall be reclassified or changed.

“**Common Stock Equivalents**” means any securities of the Corporation (other than the Series E Preferred Stock) or any Subsidiary which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“**Conversion Date**” shall have the meaning set forth in Section 7(a).

“**Conversion Price**” shall have the meaning set forth in Section 7(b).

“**Conversion Shares**” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series E Preferred Stock in accordance with the terms hereof.

“**Corporation**” shall mean Pershing Gold Corporation, a Nevada corporation.

“**Dilutive Issuance**” shall have the meaning set forth in Section 7.1(b).

“**Equity Conditions**” means, during the period in question, (a) the Corporation shall have duly honored all conversions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the applicable Holder on or prior to the dates so requested or required, if any, (b) the Corporation shall have paid all liquidated damages and other amounts owing to the applicable Holder in respect of the Series E Preferred Stock, (c)(i) there is an effective Registration Statement under the Securities Act pursuant to which the Holders are permitted to utilize the prospectus thereunder to resell all of the Registrable Securities as such term is defined in the Registration Rights Agreement (and the Corporation believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future), or (ii) all of the Conversion Shares issuable pursuant to the Transaction Documents (and shares issuable in lieu of cash payments of dividends) may be resold pursuant to Rule 144 and, except for a Holder who is subject to the following restriction prior to the Issue Date, without volume or manner-of-sale restrictions or current public information requirements as determined by the counsel to the Corporation as set forth in a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the affected Holders, (d) the Common Stock is listed or quoted on a Trading Market and all of the Conversion Shares and shares issuable upon exercise of the Warrants will be listed or quoted for trading on such Trading Market (and the Corporation believes, in good faith, that such listing or quotation of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (e) there is a sufficient number of authorized, but unissued and otherwise unreserved, shares of Common Stock for the issuance of all of the Conversion Shares and shares issuable upon exercise of the Warrants, (f) the issuance of the shares in question to the applicable Holder would not exceed the Beneficial Ownership Limitation (except for any Holder that beneficially owns, as of the Issue Date, in excess of 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series E Preferred Stock held by the applicable Holder), (g) there has been no public announcement of a pending or proposed Change in Control that has not been consummated, and (h) the applicable Holder is not in possession of any information provided by the Corporation that constitutes, or may constitute, material non-public information (except for any Holder that is a director or officer of the Corporation).

“Equity Line of Credit” shall include any transaction involving a written agreement between the Corporation and an investor or underwriter whereby the Corporation has the right to “put” its securities to the investor or underwriter over an agreed period of time and at an agreed price or price formula.

“Equity Securities” shall mean any capital stock of the Corporation (including the Common Stock and the Series E Preferred Stock) or any Common Stock Equivalents, options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, any capital stock of the Corporation (including the Common Stock and the Series E Preferred Stock).

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exempt Issuance” shall mean any Equity Securities issued in connection with or pursuant to (a) any split, subdivision, combination, dividend or recapitalization of the Common Stock (b) any employee equity incentive compensation plan or other arrangement that has been duly approved by the Board of Directors, (c) any issuance of Equity Securities approved by the Holders pursuant to Section 4(b)(i), (d) any conversion, exercise or exchange of any Equity Securities that are convertible into, or exercisable or exchangeable for, Common Stock (including, without limitation, the Series E Preferred Stock) on the unamended terms in effect on the Issue Date, or (e) any issuance of Equity Securities in connection with any bona fide, arm’s length acquisition of assets or securities of a Person that has been approved by the Board of Directors and not entered into primarily for financing purposes.

“Face Amount” shall mean, with respect to each share of Series E Preferred Stock, as of any date of determination, the Series E Original Issue Price.

“Fully Diluted Ownership Percentage” shall mean, with respect to any Holder, as of any date of determination, an amount, expressed as a percentage, equal to (a) the sum of (i) the number of shares of Common Stock such Holder would be entitled to receive if all of such Holder’s shares of Series E Preferred Stock were converted into shares of Common Stock on such date and (ii) the number of shares of Common Stock received in connection with conversions of Series E Preferred Stock, if any, held by such Holder on such date *divided by* (b) the sum of (i) the aggregate number of shares of Common Stock issuable upon conversion of all shares of Series E Preferred Stock outstanding on such date and (ii) the aggregate number of shares of Common Stock outstanding on such date.

“Fundamental Transaction” shall have the meaning set forth in Section 7.1(e).

“Holder” and, unless the context requires otherwise, **“holder”** shall each mean a holder of record of a share of Series E Preferred Stock as reflected on the share register maintained by the Corporation or its Transfer Agent, if any.

“**HSR Act**” shall have the meaning set forth in Section 7.1(i).

“**HSR Filing**” shall have the meaning set forth in Section 7.1(i).

“**Indebtedness**” means an obligation for borrowed money.

“**Issue Date**” shall mean the original date of issuance of the Series E Preferred Stock, which shall be the date that this Certificate of Designation is filed with the Secretary of State of the State of Nevada.

“**Junior Stock**” shall mean the Common Stock and all other Common Stock Equivalents, which do not rank senior to or on a parity with the Series E Preferred Stock as to distributions, redemption, dividend rights or rights upon the liquidation, winding up or dissolution of the Corporation.

“**Lead Investor**” shall mean Barry Honig, in his individual capacity, and shall not include any Person or Affiliate that may acquire Securities from Barry Honig, whether by purchase, gift, inheritance or any other type of transfer or assignment.

“**Liquidation**” shall have the meaning set forth in Section 5(a).

“**Liquidation Preference**” shall mean, with respect to each share of Series E Preferred Stock, as of any date of determination, one hundred ten percent (110%) of the Series E Original Issue Price.

“**Notice of Conversion**” shall mean the form attached hereto as Annex A.

“**Optional Redemption**” shall have the meaning set forth in Section 9.

“**Optional Redemption Amount**” shall have the meaning set forth in Section 9.

“**Optional Redemption Date**” shall have the meaning set forth in Section 9.

“**Optional Redemption Notice**” shall have the meaning set forth in Section 9.

“**Optional Redemption Notice Date**” shall have the meaning set forth in Section 9.

“**Parity Stock**” shall mean any class of capital stock (other than Common Stock) or series of preferred stock established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on a parity with the Series E Preferred Stock as to dividend rights or rights upon the liquidation, winding up or dissolution of the Corporation, none of which is outstanding or authorized on the Issue Date.

“Permitted Indebtedness” means (i) trade accounts payable, equipment and insurance premium financing, (ii) letters of credit, surety, performance bonds or similar obligations, including such as are required to satisfy environmental or other regulatory requirements; (iii) Indebtedness outstanding as of the Issue Date, (iv) royalty financing in connection with the Corporation’s Relief Canyon Properties, (v) project financing or other debt financing incurred for the purpose of bringing all or part of the Corporation’s Relief Canyon mine project or other subsequent projects into production, including exploration, development, permitting, landholding, facilities recommissioning, mine construction, operations, reclamation and general and administrative expenses reasonably necessary to advance the Corporation’s projects and that, so long as (x) the Lead Investor and his Affiliates own either at least 25 % of the outstanding Series E Preferred Stock or at least 5% of the Company’s Common Stock on a fully diluted basis and (y) the Lead Investor is alive and has capacity, is approved by the Lead Investor, and (v) indebtedness incurred in connection with the acquisition of assets or properties of any other Person not exceeding the fair market value of such assets or properties.

“Person” shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” shall have the meaning set forth in the Recitals.

“Purchase Rights” shall have the meaning set forth in Section 7.1(c).

“Registration Rights Agreement” means the Registration Rights Agreement between the Corporation and the Holders delivered pursuant to the Subscription Agreements.

“Relief Canyon Properties” means the owned, leased or subleased properties, unpatented mining claims, and millsite claims owned or acquired by the Corporation in Pershing County, Nevada.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities” shall mean the Series E Preferred Stock, the Warrants, the Conversion Shares or the shares of Common Stock issuable upon exercise of the Warrants.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Senior Stock” shall mean each class of capital stock or series of preferred stock established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Series E Preferred Stock as to dividend rights, redemption or rights upon the liquidation, winding up or dissolution of the Corporation.

“Series E Original Issue Price” shall mean an amount equal to \$990.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series E Preferred Stock.

“Series E Preferred Stock” shall have the meaning set forth in Section 1.

“Share Delivery Date” shall have the meaning set forth in Section 7(c).

“Shareholder Rights Plan” means a rights plan pursuant to which all holders of the Corporation’s Common Stock receive rights to acquire Common Stock at a discount to market value, *provided* that such rights (A) are exercisable solely in the event any Person (an **“Acquiring Person”**) becomes the Beneficial Owner of more than a specified percentage of the Corporation’s Common Stock (such event, a **“Trigger Event”**), (B) are not exercisable until a Trigger Event has occurred; (C) are not exercisable by any Person that becomes an Acquiring Person; and (D) are also issued in respect of future issuances of Common Stock.

“Subscription Agreement” means the Subscription Agreements dated at or about the Issue Date pursuant to which the Series E Preferred Stock is issued.

“Subsidiary” means, with respect to the Corporation, any entity at any date, any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity (A) of which at least 50% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (B) that is under the actual control of the Corporation.

“Successor Entity” shall have the meaning set forth in Section 7.1(e).

“Trading Day” shall mean a day during which trading in securities generally occurs on the principal United States national or regional securities exchange, quotation system or over-the-counter market on which the Common Stock is then listed or quoted or, if the Common Stock is not then listed or quoted on a United States national or regional securities exchange, quotation system or over-the-counter market, then on the principal other exchange, quotation system or over-the-counter market on which the Common Stock is then listed or quoted. If the Common Stock is not so listed or quoted, **“Trading Day”** shall mean a Business Day.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQX or OTCQB maintained by the OTC Markets Group, Inc. (or any successors to any of the foregoing).

“Transaction Documents” means the Subscription Agreements, the Warrants, this Certificate of Designation, the Registration Rights Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated thereunder.

“Transfer Agent” shall mean Action Stock Transfer, acting as the Corporation’s duly appointed transfer agent, registrar, conversion agent and dividend disbursing agent for the Series E Preferred Stock. The Corporation may, in its sole discretion, remove the Transfer Agent with prior notice to the Transfer Agent; *provided* that the Corporation shall appoint as its successor a Transfer Agent who shall accept such appointment prior to the effectiveness of such removal.

“**Transfer Tax**” shall mean any stock, stamp, document, filing, recording, registration, authorization and similar taxes, fees and charges. For the avoidance of doubt, “**Transfer Tax**” shall not mean (a) any taxes based upon, measured by, or calculated with respect to gross or net income, gross or net receipts, or profits (including, but not limited to, income, franchise, capital gains, alternative minimum, net worth or similar taxes) or (b) sales, use, goods and services, real or personal property, real property transfer, real property stamp, real property gains or other similar taxes.

“**Variable Priced Equity Linked Instruments**” means (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional shares of Common Stock, either (1) at any conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for Common Stock at any time after the initial issuance of such debt or equity security, or (2) with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security due to a change in the market price of the Corporation’s Common Stock since date of initial issuance, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Corporation is required or has the option to (or any investor in such transaction has the option to require the Corporation to) make such amortization payments in shares of Common Stock which are valued at a price that is based upon and/or varies with the trading prices of or quotations for Common Stock at any time after the initial issuance of such debt or equity security (whether or not such payments in stock are subject to certain equity conditions).

“**Variable Rate Transaction**” means any Equity Line of Credit or Variable-Priced Equity Linked Instrument.

“**VWAP**” means, for any date: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), or (b) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of not less than a majority of the Series E Preferred Stock then outstanding and reasonably acceptable to the Corporation, the fees and expenses of which shall be paid by the Corporation.

“**Warrant**” means collectively, the Common Stock purchase warrants delivered pursuant to the Subscription Agreements.

SECTION 3. *Dividends.* The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless the Holders of the Series E Preferred Stock then outstanding shall simultaneously receive, a dividend on each outstanding share of Series E Preferred Stock in an amount equal to (i) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series E Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Series E Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series E Preferred Stock determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Series E Original Issue Price, *provided that*, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series E Preferred Stock pursuant to this Section 3 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series E Preferred Stock dividend.

SECTION 4. *Voting; Approval Rights; Business Opportunities.*

(a) In addition to any other voting rights provided by law or the Articles of Incorporation, each Holder shall be entitled to one vote for each share of Common Stock such Holder would be entitled to receive if all of such Holder's shares of Series E Preferred Stock were converted into shares of Common Stock (at the Conversion Price then in effect) on the record date set by the Board of Directors for such vote on all matters submitted to the holders of Common Stock for approval but may not vote such shares which would exceed the Beneficial Ownership Limitation. Except as otherwise provided by Nevada law and in addition to any other voting rights provided by law or the Articles of Incorporation, the shares of Series E Preferred Stock and the shares of Common Stock will vote together as a single class with respect to those matters as to which the shares of Series E Preferred Stock are entitled to vote pursuant to this Section 4(a). The Holders shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation and the Articles of Incorporation as if they were holders of Common Stock.

(b) In addition to the voting rights provided in Section 4(a), Section 4(c) and Section 4(d), for so long as either (1) not less than 20% of the shares of Series E Preferred Stock remain outstanding, or (2) the aggregate Fully Diluted Ownership Percentage of the Holders equals or exceeds five percent (5%), the Corporation shall not take (or, to the extent applicable, permit any of the Corporation's Affiliates to take) any of the following actions, or enter into any arrangement or contract to do any of the following actions, without the affirmative vote or consent of the Holders of not less than 75%, or with respect to (ii) below, a majority, of the then outstanding shares of Series E Preferred Stock, voting or consenting, as the case may be, separately as a single class to the exclusion of the holders of Common Stock in regard to the Corporation or any Subsidiary:

(i) create, authorize (by way of reclassification, merger, consolidation, subdivision of shares of Equity Securities or other similar reorganization) or issue any Senior Stock or Parity Stock;

(ii) incur any indebtedness other than Permitted Indebtedness;

(iii) enter into any Variable Rate Transaction; or

(iv) redeem, purchase or otherwise acquire directly or indirectly any Junior Stock or pay or declare any dividend or make any distribution upon any Junior Stock, or set aside any amount for the purchase or redemption (through a sinking fund or otherwise) of any Junior Stock, *provided however*, that no vote or consent shall be required in connection with the repurchase by the Corporation of warrants outstanding on the Issue Date in an aggregate amount not exceeding \$250,000.

(c) In addition to the voting rights provided in Section 4(a), Section 4(b) and Section 4(d), for so long as any shares of Series E Preferred Stock remain outstanding, unless a greater percentage shall then be required by law, the Corporation shall not (or, to the extent applicable, permit any of the Corporation's Affiliates to), without the affirmative vote or consent of the Holders of 75% of the then outstanding shares of Series E Preferred Stock, voting or consenting, as the case may be, separately as a single class to the exclusion of the holders of Common Stock, amend, repeal, modify or alter the articles or certificate of incorporation (including any provision of this Certificate of Designation) or bylaws or other organizational documents of the Corporation or any of its controlled Affiliates (including the Articles of Incorporation and the bylaws of the Corporation), whether by or in connection with a merger or consolidation or otherwise, so as to adversely affect the specified rights, preferences, privileges or voting rights with respect to the Series E Preferred Stock; *provided however*, that this Section 4(c) shall not prohibit the issuance of any Junior Securities (or the adoption of a Certificate of Designation related thereto) or any transaction that constitutes a Change in Control.

(d) This Certificate of Designation may only be amended, modified or altered with the affirmative vote or consent of the Holders of not less than 75% of the then outstanding shares of Series E Preferred Stock, voting or consenting, as the case may be, separately as a single class to the exclusion of the holders of Common Stock.

SECTION 5. *Liquidation.*

(a) In the event of any liquidation, winding up or dissolution of the Corporation, whether voluntary or involuntary (a "**Liquidation**") each Holder shall be entitled to receive, in respect of each share of Series E Preferred Stock held by such Holder, to be paid out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to the stockholders of the Corporation and after satisfaction of all liabilities and obligations to creditors of the Corporation, but before any payment or distribution is made to or set aside for the holders of Junior Stock, payment in full of an amount equal to the greater of (i) the Liquidation Preference of such share as of the date of such Liquidation and (ii) the amount that such Holder otherwise would be entitled to receive if all of such Holder's shares of Series E Preferred Stock were converted into shares of Common Stock (at the Conversion Price then in effect) immediately prior to such Liquidation.

(b) Neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the assets or business of the Corporation (other than in connection with the liquidation, winding up or dissolution of the Corporation) nor the merger or consolidation of the Corporation into or with any other Person, nor any other Change in Control or Fundamental Transaction, shall be deemed to be a Liquidation for purposes of this Section 5.

(c) After the payment in full to the Holders of all amounts to which such Holders are entitled pursuant to Section 5(a), the Holders as such shall have no right or claim to the remaining assets of the Corporation or proceeds thereof and shall not participate in any payment to holders of Common Stock or other holders of Equity Securities.

(d) In the event the assets of the Corporation or proceeds thereof available for distribution to the Holders upon any Liquidation of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such Holders are entitled pursuant to Section 5(a), no such distribution shall be made on account of any shares of Parity Stock upon such Liquidation unless proportionate distributable amounts shall be paid on account of the shares of Series E Preferred Stock, equally and ratably, in proportion to the full distributable amounts to which the Holders and the holders of any Parity Stock are entitled upon such liquidation, winding up or dissolution.

SECTION 6. *Change in Control*. Upon the consummation of a Change in Control, (i) all then outstanding shares of Series E Preferred Stock shall be automatically converted immediately prior to the effective time of such Change in Control into such number of shares of Common Stock, subject to Section 7 and Section 10(b), equal to (x) the Face Amount of such share as of the date of the Change in Control, divided by (y) the Conversion Price in effect as of the date of the Change in Control, and holders of such shares of Common Stock shall be entitled to receive the consideration payable to holders of Common Stock in connection with such Change in Control; and (ii) each Holder shall be entitled to receive, in respect of each share of Series E Preferred Stock held by such Holder (prior to the conversion contemplated in clause (i)), to be paid out of the assets of the Corporation or the proceeds received in such Change in Control, a cash payment in an amount equal to 10% of the Series E Original Issue Price.

SECTION 7. *Conversion.*

(a) Conversions at Option of Holder. Each share of Series E Preferred Stock shall be convertible, at any time and from time to time from and after the Issue Date at the option of the Holder thereof, into that number of shares of Common Stock (subject to the limitations set forth in Section 7(d) and Section 10) determined by dividing the Series E Original Issue Price of such share of Series E Preferred Stock by the Conversion Price. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as **Annex A** (a “**Notice of Conversion**”). Each Notice of Conversion shall specify the number of shares of Series E Preferred Stock to be converted, the number of shares of Series E Preferred Stock owned prior to the conversion at issue, the number of shares of Series E Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile such Notice of Conversion to the Corporation (such date, the “**Conversion Date**”). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Corporation is deemed delivered hereunder. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. To effect conversions of shares of Series E Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Series E Preferred Stock to the Corporation, (although the Holder may surrender the Series E Preferred Stock certificate to, and receive a replacement certificate from the Corporation, at Holder’s election) unless all of the shares of Series E Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Series E Preferred Stock promptly following the Conversion Date at issue. Shares of Series E Preferred Stock converted into Common Stock or redeemed in accordance with the terms hereof shall be canceled and shall not be reissued.

(b) Conversion Price. The conversion price for the Series E Preferred Stock shall equal **\$0.33**, subject to adjustment as provided herein (the “**Conversion Price**”).

(c) Mechanics of Conversion.

i. Delivery of Certificate Upon Conversion. Not later than five (5) Trading Days after each Conversion Date (the “**Share Delivery Date**”), the Corporation shall deliver, or cause to be delivered, to the converting Holder a certificate or certificates (bearing the restrictive legends set forth in the Subscription Agreement) representing the number of Conversion Shares being acquired upon the conversion of the Series E Preferred Stock. The Corporation shall use commercially reasonable efforts to deliver such shares as promptly as practicable but in any event prior to the Share Delivery Date.

ii. Failure to Deliver Certificates. If, in the case of any Notice of Conversion, such certificate or certificates are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Corporation at any time on or before its receipt of such certificate or certificates, to rescind such conversion, in which event the Corporation shall promptly return to the Holder any original Series E Preferred Stock certificate delivered to the Corporation and the Holder shall promptly return to the Corporation the Common Stock certificates issued to such Holder pursuant to the rescinded Conversion Notice.

iii. Obligation Absolute; Partial Liquidated Damages. The Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series E Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Corporation of any such action that the Corporation may have against such Holder. In the event a Holder shall elect to convert any or all of its Series E Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or anyone associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Series E Preferred Stock of such Holder shall have been sought and obtained, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 125% of the Face Amount of Series E Preferred Stock which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall issue Conversion Shares upon a properly noticed conversion. If the Corporation fails to deliver to a Holder such certificate or certificates pursuant to Section 7(c)(i) on the second Trading Day after the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each \$5,000 of Face Amount of Series E Preferred Stock being converted, \$50 per Trading Day (increasing to \$100 per Trading Day on the third Trading Day after such damages begin to accrue) for each Trading Day after such second Trading Day after the Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Corporation fails for any reason to deliver to a Holder the applicable certificate or certificates by the Share Delivery Date pursuant to Section 7(c)(i) (other than in the event of an injunction pursuant to Section 7(c)(iii)), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "**Buy-In**"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount, if any, by which (x) such Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series E Preferred Stock equal to the number of shares of Series E Preferred Stock submitted for conversion (in which case, such conversion shall be deemed rescinded) or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 7(c)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series E Preferred Stock with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder \$1,000. The Holder shall provide the Corporation written notice indicating the amounts payable to such Holder in respect of the Buy-In and, upon request of the Corporation, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series E Preferred Stock as required pursuant to the terms hereof, *provided however* that the Holder shall not be entitled to recover more than once for the same damages and that the Corporation shall not be liable for any consequential, or punitive damages.

v. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series E Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Series E Preferred Stock), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 7) upon the conversion of the then outstanding shares of Series E Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

vi. Transfer Taxes and Expenses. The issuance of certificates for shares of the Common Stock on conversion of this Series E Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, *provided* that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holders of such shares of Series E Preferred Stock and the Corporation shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. The Corporation shall pay all Transfer Agent fees, if any, required for same day processing of any Notice of Conversion, if necessary to satisfy its obligations under Section 7(c)(i).

(d) **Beneficial Ownership Limitation.** The Corporation shall not effect any conversion of the Series E Preferred Stock, and a Holder shall not have the right to convert any portion of the Series E Preferred Stock, to the extent that, after giving effect to the conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any Persons acting as a group together with such Holder or any of such Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series E Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted Face Amount of Series E Preferred Stock beneficially owned by such Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, the Series E Preferred Stock or the Warrants) beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 7(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 7(d) applies, the determination of whether the Preferred Stock is convertible (in relation to other securities owned by such Holder together with any Affiliates) and of how many shares of Series E Preferred Stock are convertible shall be in the sole discretion of such Holder, and the submission of a Notice of Conversion shall be deemed to be such Holder's determination of whether the shares of Series E Preferred Stock may be converted (in relation to other securities owned by such Holder together with any Affiliates) and how many shares of the Series E Preferred Stock are convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, each Holder will be deemed to represent to the Corporation each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Corporation shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 7(d), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Corporation's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Corporation or (iii) a more recent written notice by the Corporation or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Corporation shall within two Trading Days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Corporation, including the Series E Preferred Stock, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "**Beneficial Ownership Limitation**" shall be 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series E Preferred Stock held by the applicable Holder. A Holder, upon not less than 61 days' prior notice to the Corporation, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 7(d) applicable to its Series E Preferred Stock *provided* that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Preferred Stock held by the Holder and the provisions of this Section 7(d) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Corporation and shall only apply to such Holder and no other Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 7(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of Series E Preferred Stock. Notwithstanding the foregoing, the Beneficial Ownership Limitation shall not apply if the Holder beneficially owns, as of the Issue Date, in excess of 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series E Preferred Stock held by the applicable Holder.

SECTION 7.1 *Certain Adjustments.*

(a) Stock Dividends and Stock Splits. If the Corporation, at any time while Series E Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include Securities issued upon the exercise or exchange of or conversion of any Securities issued or issuable pursuant to the Transaction Documents), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in connection with of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7.1(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(b) **Subsequent Equity Sales.** If, at any time while Series E Preferred Stock is outstanding, the Corporation or any Subsidiary, as applicable, issues, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of (or announces any issuance, sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the “**Base Conversion Price**” and such issuances, collectively, a “**Dilutive Issuance**”), other than any Exempt Issuance, then the Conversion Price shall be reduced to equal the Base Conversion Price. If the holder of Common Stock or Common Stock Equivalents shall at any time thereafter, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price, then such lower price shall be deemed to be the Base Conversion Price at such time and the Conversion Price shall be reduced to equal such lower Base Conversion Price. If the Corporation enters into a Variable Rate Transaction, the Corporation shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Corporation shall notify the Holders in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 7.1(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “**Dilutive Issuance Notice**”). For purposes of clarification, whether or not the Corporation provides a Dilutive Issuance Notice pursuant to this Section 7.1(b), upon the occurrence of any Dilutive Issuance, the Holders are entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether a Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

(c) **Subsequent Rights Offerings.** In addition to any adjustments pursuant to Section 7.1(a) above, if at any time the Corporation grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “**Purchase Rights**”), then the Holder of will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of such Holder’s Series E Preferred Stock (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(d) **Shareholder Rights Plan.** Notwithstanding anything to the contrary in this Section 7.1, rights distributed by the Corporation to all holders of Common Stock in connection with the adoption of a Shareholder Rights Plan shall be deemed not to have been distributed for purposes of this Section 7.1 (and no adjustment to any such Conversion Price under this Section 7.1 will be required) until the occurrence of a Trigger Event, whereupon such rights shall be deemed to have been distributed and an appropriate adjustment (if any is required) to such Conversion Price shall be made under Section 7.1. To the extent the Corporation has Shareholder Rights Plan in effect upon conversion of the Series E Preferred Stock, then upon conversion of the Series E Preferred Stock, the Holders will receive, in addition to the Common Stock to which they are entitled, a corresponding number of rights in accordance with the Shareholder Rights Plan, unless a Trigger Event has occurred and the adjustments to the Conversion Price, if any, with respect thereto have been made in accordance with the foregoing. In lieu of any such adjustment, the Corporation may amend such applicable Shareholder Rights Plan to provide that upon conversion of the Series E Preferred Stock the Holders will receive, in addition to the Common Stock issuable upon such conversion, the rights that would have attached to such Common Stock if the Trigger Event had not occurred under such applicable stockholder rights plan or agreement.

(e) **Fundamental Transaction.** **This Section 7.1(e) shall not apply in connection with any transaction that constitutes a Change in Control.** If, at any time while Series E Preferred Stock is outstanding, (i) the Corporation, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Corporation with or into another Person, (ii) the Corporation, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Corporation, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Corporation, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), and in each case, such transaction does not constitute a Change in Control, (each a “**Fundamental Transaction**”), then, upon any subsequent conversion of Series E Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 7(d) on the conversion of this Preferred Stock), the number of shares of Common Stock of the successor or acquiring corporation or of the Corporation, if it is the surviving corporation, and any additional consideration (the “**Alternate Consideration**”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which Series E Preferred Stock is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 7(d) on the conversion of Series E Preferred Stock). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of Series E Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders’ right to convert such preferred stock into Alternate Consideration. The Corporation shall cause any successor entity in a Fundamental Transaction in which the Corporation is not the survivor (the “**Successor Entity**”) to assume in writing all of the obligations of the Corporation under this Certificate of Designation and the other Transaction Documents in accordance with the provisions of this Section 7.1(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of Series E Preferred Stock, deliver to the Holder in exchange for Series E Preferred Stock a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to Series E Preferred Stock which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Preferred Stock (without regard to any limitations on the conversion of Series E Preferred Stock) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of Series E Preferred Stock immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designation and the other Transaction Documents referring to the “Corporation” shall refer instead to the Successor Entity), and may exercise every right and power of the Corporation and shall assume all of the obligations of the Corporation under this Certificate of Designation and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Corporation herein.

(f) Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7.1, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed with its Transfer Agent and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation or Transfer Agent, if any, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Corporation or any of the Subsidiaries, the Corporation shall simultaneously file such notice with the Commission pursuant to a current report on Form 8-K. The Holder shall remain entitled to convert the Conversion Amount of Series E Preferred Stock (or any part hereof) during the 10-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(g) The Corporation reserves the right to make such reductions in the Conversion Price in addition to those required in the foregoing provisions as it considers advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights will not be taxable to the recipients. In the event the Corporation elects to make such a reduction, the Corporation shall comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder if and to the extent such laws and regulations are applicable in connection with the reduction of the Conversion Price.

(h) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter (and before the dividend or distribution has been paid or delivered to stockholders) legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect with respect to any then outstanding share of Series E Preferred Stock shall be required by reason of the taking of such record.

(i) If any Holder or Holders (collectively, the “**Antitrust Holders**”) reasonably believe that issuance or delivery of any shares of Common Stock upon any conversion of shares of Series E Preferred Stock hereunder held by such Antitrust Holders would require filings with or the approval of any governmental authority under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), or any other U.S. federal or state antitrust laws or requirements (collectively, “**Antitrust Laws**”), the Antitrust Holders may notify the Corporation of such requirement, and shall state in such notice whether such Antitrust Holders intend to make a filing under the HSR Act. Within fifteen (15) Business Days following receipt of any such notification from such Antitrust Holders that informs the Corporation that such Antitrust Holders intend to make a filing under the HSR Act (the “**HSR Filing**”), the Corporation and the Antitrust Holders shall each prepare and file with the Department of Justice and the Federal Trade Commission the notification and report form required with respect to such conversion by the HSR Act, and request early termination of the waiting period thereunder. In connection with the HSR Filing, the Antitrust Holders and the Corporation shall respond promptly to any inquiries from the Department of Justice or the Federal Trade Commission concerning such filings and shall comply in all material respects with the filing requirements of the HSR Act. The Antitrust Holders and the Corporation shall cooperate with each other and, subject to entry into applicable confidentiality agreements, shall promptly furnish all information to the other party that is necessary in connection with such parties’ compliance with the HSR Act in connection with the HSR Filing; *provided, however*, that to the extent the provision of such information requires the participation or cooperation of a Person not under the control of the Antitrust Holder or the Corporation, as applicable, the Antitrust Holders and the Corporation shall only be required to use commercially reasonable efforts to obtain such information. The Antitrust Holders and the Corporation shall keep each other fully advised with respect to any requests from or communications with the Department of Justice or the Federal Trade Commission concerning the HSR Filing and shall consult with each other with respect to all responses thereto. The Antitrust Holders and the Corporation shall use all commercially reasonable efforts to take all actions reasonably necessary in connection with the HSR Act or any other applicable Antitrust Law in order to cause any applicable waiting period to expire and any other required related governmental approval to be obtained in connection with the conversion of shares of Series E Preferred Stock hereunder, *provided* that notwithstanding the foregoing, nothing contained in this Certificate of Designation shall require or obligate the Corporation to (i) commence any litigation against any governmental authority or (ii) agree or consent to any divestitures, licenses, hold separate arrangements or similar matters, including covenants affecting business or operating practices of or with respect to the assets, operations or businesses of the Corporation. The Antitrust Holders shall be responsible for paying the fees due in connection with any HSR Filing and shall reimburse the Corporation and its Affiliates for all out of pocket costs and expenses incurred in making any such filing and for otherwise performing its obligations under this Section 7.1(i). The Corporation shall not be obligated to issue or deliver shares of Common Stock to any Antitrust Holder, and no such Holder shall be obligated to accept the delivery of shares of Common Stock, to the extent such issuance or delivery to such Holder would constitute a violation of applicable Antitrust Laws. The issuance and delivery of any shares of Common Stock described in the immediately preceding sentence shall be delayed until such time as such issuance and delivery complies with applicable Antitrust Laws and, notwithstanding anything to the contrary herein, the shares of Series E Preferred Stock which would otherwise convert into such shares shall remain outstanding until such time as such shares may be converted into shares of Common Stock in compliance with applicable Antitrust Laws or are redeemed or otherwise cancelled pursuant to the terms hereof.

SECTION 8. *Reserved.*

SECTION 9. *Optional Redemption at Election of Corporation.* Subject to the provisions of this Section 9, at any time commencing six months after the Issue Date, the Corporation may deliver a notice to all of the Holders of Series E Preferred Stock (an "**Optional Redemption Notice**" and the date such notice is deemed delivered hereunder, the "**Optional Redemption Notice Date**") of its irrevocable election to redeem all of the then outstanding Series E Preferred Stock, for cash in an amount equal to 110% of the Face Amount of the outstanding Series E Preferred Stock together with all other amounts due to the Holder pursuant to the Transaction Documents ("**Optional Redemption Amount**") on the 10th Trading Day following the Optional Redemption Notice Date (such date, the "**Optional Redemption Date**" and such redemption, the "**Optional Redemption**"). The Optional Redemption Amount is payable in full on the Optional Redemption Date. The Corporation may only effect an Optional Redemption if each of the Equity Conditions shall have been met on each Trading Day occurring during the period commencing on the Optional Redemption Notice Date through the Optional Redemption Date and through and including the date payment of the Optional Redemption Amount is actually made. If the Corporation does not timely pay the Optional Redemption Payment or if any of the Equity Conditions shall cease to be satisfied at any time during the ten Trading Day period, then a Holder may elect to nullify the Optional Redemption Notice as to such Holder by notice to the Corporation within three Trading Days after the first day on which any such Equity Condition has not been met in which case the Optional Redemption Notice shall be null and void, *ab initio*, at such Holder's election. The Corporation shall honor any Notices of Conversion tendered from the time of delivery of the Optional Redemption Notice through the date the Optional Redemption Amount is paid in full. Notwithstanding the foregoing, an Optional Redemption Notice may be delivered only within two Trading Days after the VWAP of the Common Stock on the principal Trading Market equals or exceeds \$0.45 (subject to equitable adjustment in the event of any subdivision, combination, stock split or similar event affecting the capital stock of the Corporation) for 15 out of any 20 consecutive Trading Days. The procedure and conditions relating to a conversion will apply to an Optional Redemption except that the certificate representing the redeemed Series E Preferred Stock need not be returned to the Corporation until five Trading Days after the Holder has received the Optional Redemption Amount.

SECTION 10. *No Fractional Shares.* Notwithstanding anything to the contrary in Section 7 and Section 7.1, with respect to each share of Series E Preferred Stock held by any Holder, the number of shares of Common Stock issuable to such Holder upon conversion thereof pursuant to Section 7 and Section 7.1 shall be aggregated with the number of shares of Common Stock issuable to such Holder upon conversion of all other shares of Series E Preferred Stock held by such Holder that are to be converted pursuant to Section 7 and Section 7.1 as of the same date to determine the greatest whole number of such shares of Common Stock that otherwise would be issuable to such Holder if such number of shares of Common Stock were determined on an aggregate, rather than an individual, basis. Such aggregate number of whole shares of Common Stock shall be used for purposes of determining the number of shares to be issued by the Corporation to such Holder pursuant to Section 7 and Section 7.1. No fractional shares of Common Stock or securities representing fractional shares of Common Stock shall be issued pursuant to Section 7 and Section 7.1. Instead, the number of shares of Common Stock to be issued to such Holder pursuant to Section 7 and Section 7.1 in the aggregate (and not on a share by share basis), shall be rounded up to the next nearest whole share.

SECTION 11. *Other Provisions.*

(a) Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages, accrued dividends and accrued interest, as applicable, on the shares of Series E Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

(b) Shares of Series E Preferred Stock that have been issued and reacquired in any manner, including shares of Series E Preferred Stock purchased or redeemed or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of Nevada) upon such reacquisition be automatically cancelled by the Corporation and shall not be reissued.

(c) Shares of Series E Preferred Stock shall be issuable only in whole shares.

(d) Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the principal address of the Corporation, at: 1658 Cole Boulevard, Building 6, Suite 210, Lakewood, CO 80401 Attn: Chief Executive Officer, facsimile: (720) 974-7249, or such other facsimile number or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 11(d). Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder, as set forth in the Subscription Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

(e) Any payments required to be made hereunder on any day that is not a Business Day shall be made on the next succeeding Business Day without interest or additional payment for such delay. All payments required hereunder shall be made by wire transfer of immediately available funds in United States Dollars to the Holders in accordance with the payment instructions as such Holders may deliver by written notice to the Corporation from time to time, or, if wire transfer instructions have not been provided, by check to the mailing address set forth in the Corporation's records.

(f) Notwithstanding any provision in the Articles of Incorporation or bylaws of the Corporation to the contrary, any action required or permitted to be taken by the Holders may be effected at a duly called special meeting of such Holders or without a meeting, without prior notice, and without a vote, if the requisite Holders entitled to vote and sufficient for the approval of such action execute a consent in writing, setting forth the action so taken. Any such duly and validly approved action, whether effected at such a meeting or by such a written consent, shall be binding upon all such Holders notwithstanding that any of them, individually or collectively, may have voted against, not voted or abstained from voting upon or failed to execute a written consent with respect to such action.

(g) If a Holder's Series E Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series E Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation.

(h) All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "**New York Courts**"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Certificate of Designation and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Certificate of Designation or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Certificate of Designation, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

(i) Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Corporation or a Holder must be in writing.

(j) If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

(k) Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

[Signature page follows.]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed and attested this 7th day of August, 2013.

PERSHING GOLD CORPORATION

By: _____

Name: Stephen Alfors

Title: President and Chief Executive Officer

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT
SHARES OF SERIES E PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series E Convertible Preferred Stock indicated below into shares of common stock, par value \$0.0001 per share (the “**Common Stock**”), of Pershing Gold Corporation, a Nevada corporation (the “**Corporation**”), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Corporation in accordance with the Subscription Agreement. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: _____

Number of shares of Series E Preferred Stock owned prior to Conversion: _____

Number of shares of Series E Preferred Stock to be Converted: _____

Stated Value of shares of Series E Preferred Stock to be Converted: _____

Number of shares of Common Stock to be Issued: _____

Applicable Conversion Price: _____

Number of shares of Series E Preferred Stock subsequent to Conversion: _____

Address for Delivery: _____

or

DWAC Instructions:

Broker no: _____

Account no: _____

[HOLDER]

By: _____

Name:

Title:



BARBARA K. CEGAVSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov



150303

**Amendment to
 Certificate of Designation
 After Issuance of Class or Series**
 (PURSUANT TO NRS 78.1955)

Filed in the office of <i>Barbara K. Cegavske</i> Barbara K. Cegavske Secretary of State State of Nevada	Document Number 20180426354-85
	Filing Date and Time 09/28/2018 1:30 PM
	Entity Number E0545322007-7

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Amendment to Certificate of Designation
For Nevada Profit Corporations
 (Pursuant to NRS 78.1955 - After Issuance of Class or Series)**

1. Name of corporation:

Pershing Gold Corporation

2. Stockholder approval pursuant to statute has been obtained.

3. The class or series of stock being amended:

Series E Convertible Preferred Stock, par value \$0.0001 per share

4. By a resolution adopted by the board of directors, the certificate of designation is being amended as follows or the new class or series is:

The Certificate of Designation establishing the Series E Convertible Preferred Stock filed with the Secretary of State of Nevada on August 8, 2013 is hereby amended as set forth in Attachment 1 annexed hereto.

5. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

6. Signature: (required)

X

Signature of Officer

Filing Fee: \$175.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State NRS Amend Designation - After
 Revised: 1-5-15

ATTACHMENT 1

TO CERTIFICATE OF AMENDMENT
TO CERTIFICATE OF DESIGNATION OF SERIES E CONVERTIBLE PREFERRED STOCK OF
PERSHING GOLD CORPORATION

SECTION 6: *Change in Control*. The following sentence is hereby added at the end of Section 6:

Notwithstanding anything to the contrary herein, in connection with the consummation of the Change in Control contemplated by that certain Agreement and Plan of Merger by and among the Corporation, Americas Silver Corporation and R Merger Sub, Inc. dated on or about September 28, 2018 (the "Merger Agreement"), the preceding sentence shall not apply and the outstanding shares of Series E Preferred Stock shall be converted in the manner set forth in the Merger Agreement.

SECTION 7.1(b): *Subsequent Equity Sales*. The following sentence is hereby added at the end of Section 7.1(b):

Notwithstanding anything to the contrary herein, the execution by the Corporation of the Convertible Secured Debenture dated on or about September 28, 2018 by and between the Company and Americas Silver Corporation (the "ASC Debenture") shall not result in any adjustment to the Conversion Price; *provided* that in the event any amounts borrowed under the ASC Debenture are converted into shares of Common Stock or Common Stock Equivalents at a Conversion Price (as defined in the ASC Debenture) that is lower than the then Conversion Price, this Section 7.1(b) shall apply.

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Stephen Alferts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pershing Gold Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 2, 2018

By: /s/ Stephen Alferts

Stephen Alferts
President and Chief Executive Officer
(Principal Executive Officer)

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Eric Alexander, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pershing Gold Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 2, 2018

By: /s/ Eric Alexander
Eric Alexander
Vice President Finance and Controller
(Principal Financial Officer)

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pershing Gold Corporation (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen Alferts, President and Chief Executive Officer (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2018

By: /s/ Stephen Alferts
Stephen Alferts
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pershing Gold Corporation (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Eric Alexander, Vice President Finance and Controller of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2018

By: /s/ Eric Alexander

Eric Alexander
Vice President Finance and Controller
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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