LUXOTTICA GROUP SPA
Form 6-K
October 30, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

October 30, 2013

COMMISSION FILE NO. 1 - 10421

LUXOTTICA GROUP S.p.A.

VIA C. CANTÙ 2, MILAN, 20123 ITALY
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes o No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Set forth below is the text of a press release issued on October 29, 2013

Press Release

Luxottica s third quarter results confirm solid growth

Net sales of Euro 1.8 billion (+7.4% at constant exchange rates2)

Record free cash flow3 of Euro 295 million

Milan (Italy), October 29, 2013 The Board of Directors of Luxottica Group S.p.A. (MTA: LUX; NYSE: LUX), a leader in the design, manufacture, distribution and sale of fashion, luxury and sports eyewear, met today and approved the consolidated results for the third quarter and the nine months ended September 30, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS).

Third quarter of 20131 (in millions of Euro)	**3Q 2013 at current exchange rates**	**3Q 2012 at current exchange rates**	**Change at constant exchange rates2**	**Change at current exchange rates**
Net sales	**1,785**	**1,783**	**7.4%**	**0.1%**
Wholesale Division	686	647	**13.1%**	6.1%
Retail Division	1,099	1,137	**4.2%**	-3.3%
Operating income	**255**	**246**		**3.8%**
Net income attributable to Luxottica Group stockholders	**148**	**137**		**7.9%**
Earnings per share	**0.31**	**0.29**		**6.2%**
Earnings per share in U.S.$	**0.41**	**0.37**		**12.5%**

First nine months of 20131 (in millions of Euro)	**9M 2013 at current exchange**	**9M 2012 at current exchange**	**Change at constant exchange**	**Change at current exchange**

	rates	rates	rates2	rates
Net sales	**5,667**	**5,454**	**7.5%**	**3.9%**
Wholesale Division	2,347	2,162	**12.1%**	8.6%
Retail Division	3,320	3,292	**4.5%**	0.8%
Operating income	**892**	**809**		**10.2%**
Adjusted3,5	901	831		8.4%
Net income attributable to Luxottica Group stockholders	**519**	**459**		**12.9%**
Adjusted3,5	525	475		10.5%
Earnings per share	**1.10**	**0.99**		**11.1%**
Adjusted 3,5	1.11	1.02		8.8%
Earnings per share in U.S.$	**1.45**	**1.27**		**14.2%**
Adjusted 3,5	1.46	1.31		11.8%

Operating performance for the third quarter of 2013

During the third quarter of 2013, Luxottica continued the solid growth recorded in the first six months of the year, both in terms of sales and profitability measured at constant exchange rates. Both the Wholesale and Retail Divisions contributed to this growth in all the geographic regions in which the Group operates and also thanks to an excellent Summer season in Europe. Group s performance measured at current exchange rates was affected by the further weakening of several currencies against the Euro.

We are very satisfied with the third quarter s performance and the systematic growth we have been pursuing with determination since the beginning of the year, recording a +7.4% increase in sales at constant exchange rates[2] *and increased profitability supported by constant efficiency gains.* Commented Andrea Guerra, Chief Executive Officer of Luxottica. *We have further reduced our net debt due to excellent free cash flow*[3] *of Euro 295 million generated in the quarter.*

The Wholesale Division grew +13.1% at constant exchange rates[2]*,* Andrea Guerra remarked. *Europe is in excellent shape with results exceeding expectations (+15.1%*[2,6]*) and with outstanding performances in Germany, France and the Nordics. Italy continued its positive growth trend (+7.4%) and Spain is back to growth, recording an increase of +11.3%. Emerging market countries continue to be a source of enormous satisfaction, recording sales increases of +19.6%*[6] *at constant exchange rates*[2]*. North America is also a structurally growing market as a result of an excellent brand portfolio and our efficient organization.*

The Retail Division s sales performance is in line with that recorded in the first half of 2013. Sunglass Hut achieved an outstanding performance at the end of an excellent Summer season in which total sales increased by +11.1% globally at constant exchange rates[2]*. This success was achieved by strengthening its leadership position in the fashion sun segment and through new sales initiatives such as the opening of the flagship store in New York City s Times Square.*

We are satisfied with our results and are determined to continue along our path of solid growth. We approach the end of 2013 with faith and optimism, steady consumer demand in the key markets and supported by the excellent performance of our brands. Luxottica has solid foundations in its vertically integrated and geographically diversified business model, and looking forward we will continue to invest in expanding our distribution network and new sales channels, in ongoing technological innovation, in our brand portfolio and in the emerging markets.

The Group

The Group s net sales for the third quarter of 2013 reached Euro 1,785 million, in line with the Euro 1,783 million recorded in the third quarter of 2012 (+7.4% at constant exchange rates[2], +0.1% at current exchange rates). In the first nine months of 2013, net sales reached Euro 5,667 million, up +3.9% compared to the Euro 5,454 million of the corresponding period in 2012 (+7.5% at constant exchange rates[2]).

EBITDA[3] for the third quarter of 2013 rose by +2.3% from Euro 339 million in the third quarter of 2012 to Euro 347 million in the same period of 2013. In the first nine months of 2013, adjusted EBITDA[3,5] reached Euro 1,175 million, increasing +7.3% as compared to Euro 1,095 million in the same period of 2012.

Operating income for the third quarter of 2013 was Euro 255 million, up 3.8% compared to the Euro 246 million in the third quarter of 2012. The operating margin for the third quarter increased to 14.3% compared to 13.8% in the third quarter 2012.

In the first nine months of the year adjusted operating income[3,5] reached Euro 901 million, up 8.4% compared to Euro 831 million in the same period of 2012, with an adjusted operating margin[3,5] up from 15.2% in the first nine months of 2012 to 15.9% in the same period of 2013.

Net income for the third quarter of 2013 increased by 7.9% to Euro 148 million, compared to Euro 137 million in the third quarter of 2012 resulting in EPS (earnings per share) of Euro 0.31. EPS in U.S. dollars was USD 0.41, up 12.5% (at an average EUR/USD exchange rate of 1.3242). In the first nine months of 2013, adjusted net income[3,5] reached Euro 525 million, growing 10.5% compared to Euro 475 million in the same period of 2012.

In the third quarter of 2013, the Group achieved a new record in terms of free cash flow[3] which reached Euro 295 million. As a result net debt was further reduced to Euro 1,572 million at September 30, 2013 (Euro 1,662 million at December 31, 2012) with a ratio of net debt to LTM adjusted EBITDA[3,5] of 1.1x.

Wholesale Division

Sales performance for the Wholesale Division included double digit sales growth at constant exchange rates. Europe enjoyed a particularly favorable Summer season (+15.1%[6] at constant exchange rates[2]) and emerging markets continued to record excellent results (+19.6%[6] at constant exchange rates[2]). Sales in North America rose by +8.8%[2,6] in USD, excluding a drop in Oakley sales in its military business to the U.S. Army.

In the third quarter of 2013, the Wholesale Division s net sales were Euro 686 million, up 6.1% compared to Euro 647 million in the third quarter of 2012 (+13.1% at constant exchange rates[2]). In the first nine months of 2013, net sales were Euro 2,347 million compared to Euro 2,162 million in the corresponding period of 2012, up 8.6% (+12.1% at constant exchange rates[2]).

Operating income for the third quarter of 2013 was Euro 134 million, up 7.1% compared to the Euro 125 million recorded in the third quarter of 2012, with an operating margin of 19.5% (19.3% in the same period of the previous year). On a nine-month basis, adjusted operating income[3] rose to Euro 564[5] million an 11.6%[5] increase over the Euro 505 million in the corresponding period of 2012. The adjusted operating margin[3] increased to 24.0%[5] from 23.4% in the same nine-month period of 2012.

Retail Division

During the third quarter of 2013, the Retail Division s comparable store sales[4] grew 2.5% compared to the same period of 2012. LensCrafters, the largest specialty retailer in the optical segment, recorded improved profitability despite flat comparable store sales[4] on a year-over-year basis.

Sunglass Hut continued its excellent growth trend, supported by a stronger penetration of the premium and luxury sun segment, by the development of new sales channels such as e-commerce and department store sales, and by its growing presence in the so-called gateways and megacities. Comparable store sales[4] on a global basis increased by +7.5%, with breakthrough performances in the United Kingdom, emerging market countries, and North America which recorded an increase of +6.3%.

In the third quarter of 2013, the Retail Division s net sales were Euro 1,099 million compared to Euro 1,137 million in the same period of 2012 (+4.2% at constant exchange rates2, -3.3% at current exchange rates). In the nine-month period, net sales increased to Euro 3,320 million compared to Euro 3,292 million in the corresponding period of 2012 (+4.5% at constant exchange rates2, +0.8% at current exchange rates).

The Retail Division s operating income in the third quarter 2013 was Euro 165 million compared to Euro 166 million in the third quarter of 2012 (-0.7% at current exchange rates). In the third quarter of 2013, the operating margin increased to 15.0% from 14.6% in the third quarter of 2012. In the first nine months of 2013, the Retail Division s adjusted operating income3 rose to Euro 477 million from Euro 4615 million in the corresponding period of 2012 (+3.5%5 at current exchange rates). The adjusted operating margin3 in the first nine months of 2013 was 14.4% (14.0%5 in the same period of 2012).

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Results for the third quarter and first nine months of 2013 will be discussed today in a conference call with the financial community starting at 6:30 PM CET. The audio portion and related presentation will be available via live webcast at www.luxottica.com.

Information from the event will also be available on the official Twitter page for Luxottica (@Luxottica).

The officer responsible for preparing the Company s financial reports, Enrico Cavatorta, declares, pursuant to Article 154-bis, Section 2, of the Consolidated Law on Finance, that the accounting information contained in this press release is consistent with the data in the supporting documents, books of accounts and other accounting records.

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Notes on the press release

(1) All comparisons, including percentage changes, are between the three-month and the nine-month periods ended September 30, 2013 and September 30, 2012. As of January 1, 2013, the Group adopted revised IAS 19 - Employee Benefits. Group information for prior periods has been restated in compliance with the requirements of the revised standards. As a result, the Group s third quarter 2012 operating income and net income decreased by Euro 3.1 million and Euro 1.9 million, respectively. In the first nine months of 2012 the Group s operating income and net income decreased by Euro 9.0 million and Euro 5.5 million, respectively.

(2) Figures given at constant exchange rates have been calculated using the average exchange rates in effect for the respective comparative period in the previous year. For further information, please see the attached tables.

(3) EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating margin, free cash flow, net debt, ratio of net debt to adjusted EBITDA, adjusted net income and adjusted EPS are not measures in accordance with IAS/IFRS. For additional information on non-IAS/IFRS measures, please see the attached tables.

(4) Comparable store sales reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period, and applies to both periods the average exchange rate for the prior period and the same geographic area.

(5) The adjusted data for the first nine months of 2013 does not include non-recurring costs relating to the reorganization of Alain Mikli International amounting to an approximately Euro 9 million adjustment to operating income (approximately Euro 6 million on an after-tax basis).

The adjusted data for the first nine months and full year 2012 does not include non-recurring costs relating to the reorganization of the Australian retail business amounting to an approximately Euro 22 million adjustment to operating income and an approximately Euro 15 million adjustment to net income.

(6) Sales performance of the Wholesale Division of Luxottica Group in the third quarter of 2013 at current exchange rates was approximately +13.0% in Europe compared to the same period of 2012. Sales performance of emerging markets at current exchange rates recorded an increase of 7.0%. North America s sales performance at current exchange rates was +8.0% in USD excluding Oakley s drop in military sales to the U.S. Army.

Luxottica Group S.p.A.

Luxottica Group is a leader in premium, luxury and sports eyewear with approximately 7,000 optical and sun retail stores in North America, Asia-Pacific, China, South Africa, Latin America and Europe, and a strong, well-balanced brand portfolio. Proprietary brands include Ray-Ban, the world s most famous sun eyewear brand, Oakley, Vogue-Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette, while licensed brands include Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce & Gabbana, Donna Karan, Polo Ralph Lauren, Prada, Starck Eyes, Tiffany and Versace. In addition to a global wholesale network involving 130 different countries, the Group manages leading retail chains in major markets, including LensCrafters, Pearle Vision and ILORI in North America, OPSM and Laubman & Pank in Asia-Pacific, LensCrafters in China, GMO in Latin America and Sunglass Hut worldwide. The Group s products are designed and manufactured at its six manufacturing plants in Italy, two wholly owned plants in the People s Republic of China, one plant in Brazil and one plant in the United States devoted to the production nbsp; STOCKHOLDERS' DEFICIT Common stock; $0.001 par value; 100,000,000 shares authorized; 28,791,726 shares issued and outstanding 28,792 Additional paid in capital 1,693,305 Accumulated deficit (704,993) Deficit accumulated during the exploratory stage (878,591) Subscription receivable (418)TOTAL STOCKHOLDERS' DEFICIT 138,095 TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT$ 595,061

The accompanying notes are an integral part of these financial statements

F-2

Tornado Gold International Corp.
Statements of Operations

Tornado Gold International Corp.
(formerly Nucotec, Inc.)
(An Exploratory Stage Company)
Statements of Operations

	Years Ended December 31, 2004	December 31, 2005	From March 19. 2004 through December 31, 2005
NET REVENUE	$ -	$ -	$ -
OPERATING EXPENSES			
Compensation expense on option grant	4,540	17,869	22,409
Mining exploration expenses	51,388	404,543	455,931
General and administrative expenses	147,931	158,522	306,453
	203,859	580,934	784,793
LOSS FROM OPERATIONS	(203,859)	(580,934)	(784,793)
OTHER INCOME (EXPENSE)			
Interest expense	(57,873)	(35,925)	(93,798)
TOTAL OTHER INCOME (EXPENSE)	(57,873)	(35,925)	(93,798)
LOSS BEFORE PROVISION FOR INCOME TAXES AND DISCONTINUED OPERATIONS	(261,732)	(616,859)	(878,591)
PROVISION FOR INCOME TAXES	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(261,732)	(616,859)	$ (878,591)
DISCONTINUED OPERATONS:			
Loss from operations of discontinued operations	871	-	
	871	-	
NET LOSS	$ (260,861)	$ (616,859)	
NET LOSS PER SHARE - BASIC AND DILUTED			
Continuing operations	$ (0.00)	$ (0.02)	
Discontinued operations	(0.00)	(0.02)	
	$ (0.00)	$ (0.02)	
WEIGHTED AVERAGE COMMON EQUIVALENT SHARES OUTSTANDING - BASIC AND DILUTED	573,790,330	35,582,682	

The accompanying notes are an integral part of these financial statements

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Tornado Gold International Corp.
Statement of Stockholders' Equity (Deficit)

Tornado Gold International Corp.
(formerly Nucotec, Inc.)
(An Exploratory Stage Company)
Consolidated Statement of Stockholders' Deficit

For the Years Ended December 31, 2005 and 2004

	Date	Common Stock Shares Pre-split	Post-Split	Amount	Additional Paid-in Capital	Accumulated Deficit	Deficit Accumulated During the Exploratory Stage	Recei
Balance, December 31, 2003		**6,076,000**	**2,486,299,200**	**$ 2,486,299**	**$ -**	**$ (2,574,457)**	**$ -**	**$**
Redemption of shares for								
Saltys	3/19/04	(5,110,200)	(2,091,093,840)	(2,091,094)	-	2,087,402	-	
Redemption of shares for cash	3/19/04	(917,800)	(375,563,760)	(375,564)	-	(194,436)	-	
Issuance of shares for cash	3/19/04	84,000	34,372,800	34,373	-	(24,373)		
Fair value of options granted								
to consultants	3/19/04	-	-	-	4,540	-	-	
Gain on settlement of notes	4/15/04	-	-	-	49,309	-	-	
Net income (loss)		-	-	-	-	871	(261,732)	
Balance, December 31, 2004		**132,000**	**54,014,400**	**54,014**	**53,849**	**(704,993)**	**(261,732)**	
Coversion of notes payabe								
and accrued interest								

into shares of common stock	4/15/05	1,104,271	1,325,126	1,325	1,102,946	-	-
Redemption of shares for cash	4/15/05	(79,685)	(27,172,800)	(27,172)	19,266	-	-
Issuance of shares for cash	12/13/05	625,000	625,000	625	499,375	-	-
Fair value of options granted to consultants	Various	-	-	-	17,869	-	-
Net loss		-	-	-	-	-	(616,859)
Balance, December 31, 2005		**1,781,586**	**28,791,726**	**$ 28,792**	**$ 1,693,305**	**$ (704,993)**	**$ (878,591) $**

The accompanying notes are an integral part of these financial statements

Tornado Gold International Corp.
Statements of Cash Flows

Tornado Gold International Corp.
(formerly Nucotec, Inc.)
(An Exploratory Stage Company)
Statements of Cash Flows

	Years Ended December 31, 2004	Years Ended December 31, 2005	From March 19. 2004 through December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (260,861)	$ (616,859)	$ (878,591)
Adjustment to reconcile net loss to net cash used in operating activities:			
Value of options/warrants granted for services	4,540	17,869	22,409
Changes in:			
Accounts receivable	52	-	-
Inventory	680	-	-
Prepaid expenses and other current assets	(1,395)	(5,000)	(1,395)
Accounts payable and accrued expenses	58,420	44,710	101,089
Net cash used in operating activities	(198,564)	(559,280)	(756,488)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of mining claims	(122,151)	(402,182)	(524,333)
Net cash used in investing activities	(122,151)	(402,182)	(524,333)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	975,000	480,978	1,455,978
Payment on note payable, related party	(42,500)	-	(42,500)
Repurchase of shares of common stock	(570,000)	(7,906)	(577,906)
Proceeds from issuance of common stock	10,000	499,582	509,582
Transfer of Salty's Warehouse, Inc's cash balance at date of disposition	(6,068)	-	-
Net cash provided by financing activities	366,432	972,654	1,345,154
Net change in cash and cash equivalents	45,717	11,192	$ 64,333
CASH AND CASH EQUIVALENTS, Beginning of year	7,424	53,141	
CASH AND CASH EQUIVALENTS, End of year	$ 53,141	$ 64,333	

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Interest paid	$	-	$	-	-
Income taxes paid	$	-	$	-	-

The accompanying notes are an integral part of these financial statements

TORNADO GOLD INTERNATIONAL CORP.
(An Exploratory Stage Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 1 - Organization

Organization

Tornado Gold International Corp. (formerly Nucotec, Inc.) was incorporated in the state of Nevada on October 8, 2001. On July 7, 2004, the name of the company was officially changed to Tornado Gold International Corp. (the Company). Prior to the plan of reorganization (see Note 2 below) which occurred on March 19, 2004, the Company through its subsidiary, Salty's Warehouse, Inc. sold various home and automobile electronic equipment, computer accessories and supplies. The Company is currently in the exploratory stage with its principal activity being the exploration of mining properties for future commercial development and production (See Note 3).

Restated Financial Statements

The accompanying financial statements have been restated based upon Management's further review of its status as an exploratory stage company.

Note 2 - Summary of Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has no established source of material revenue, has incurred a net loss for the year ended December 31, 2005 of $616,859, and at December 31, 2005 had a negative working capital of $386,238 and had an accumulated deficit of $1,539,618. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence:

The Company plans to raise additional operating funds through equity or debt financing. There is no assurance that the Company will be able to arrange for financing and has not, to date, had any substantive discussions with any third parties regarding such financing.

The holders of the Company's notes payable recent converted all principal and accrued interest into shares of the Company's common stock.

Stock Split

On April 19, 2004, the Company authorized a 50 for 1 stock split. On August 18, 2004, the Company authorized a 6.82 for 1 stock split. On May 16, 2005, the Company authorized a 1.20 for 1 stock split. The accompanying financial statements have been retroactively restated to present the effect of these three stock splits.

Plan of Reorganization

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed to redeem 2,091,093,840 (5,110,200 pre-split) of their shares of the Company's common stock in exchange for all of the Company's shares of Salty's Warehouse, Inc. and to redeem 375,563,760 (917,800 pre-split) of their shares of the Company's common stock in exchange for $570,000. As a condition to these transactions, Messrs. Shannon, Hudson, and Bodenweber resigned as officers of the Company. Earl W. Abbott was appointed President, Chief Financial Officer and Secretary of the Company. In addition, Mr. Abbott, Carl A. Pescio and Stanley B. Keith have collectively purchased 34,372,800 (84,000 pre-split) shares of common stock from the Company for $10,000. Mr. Abbott, Mr. Pescio and Mr. Keith replaced Messrs. Shannon, Hudson and Bodenweber on the Board of Directors of the Company.

Stock Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board ("APB") Opinion No. 25,"Accounting for Stock Issued to Employees," to account for stock-based compensation. The Company has elected to use the intrinsic value based method and has disclosed the pro forma effect of using the fair value based method to account for its stock-based compensation. The Company uses the fair value method for options granted to non-employees. There were no options issued to employees during the year ended December 31, 2005 and 2004; therefore the pro forma disclosure is not presented.

TORNADO GOLD INTERNATIONAL CORP.
(An Exploratory Stage Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

We had agreed to grant, but ultimately did not grant, options to Dr. Abbott and Messrs. Pescio and Keith, which, if consummated, would have had the following attributes:

Earl W. Abbott: up to 500,000 options, of which 250,000 would vest on December 15, 2005 at an exercise price of $1.00 per share and another 250,000 which would vest when the Company acquires a mining project with a drill-indicated resource (1) of at least 1.5 million ounces of gold or gold-equivalent (2) and if financing can be arranged; the exercise price of these options will be $1.00 per share.

Stanley B. Keith and Carl A. Pescio would each to receive the following: up to 250,000 options, of which 125,000 would vest on December 15, 2005 at an exercise price of $1.00 per share and 125,000 which would vest according to the same mining project schedule as above.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash, deposits, accounts payable and accrued interest, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less, plus all certificates of deposit.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and accounts receivables. The Company places its cash with high quality financial institutions and at times may exceed the FDIC $100,000 insurance limit. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Revenue Recognition

The Company accounted for revenues from its Salty's Warehouse, Inc. subsidiary pursuant to SAB 101 - Revenue Recognition and EITF 99-19 - Reporting Revenue Gross as a Principal versus Net as an Agent. Net revenue as an agent, from the sale of products (consisting primarily of automobile electronic equipment, home electronics, computer accessories and supplies) are recognized when title to the products are transferred to the customer (product shipment) and only when no further contingencies or material performance obligations are warranted and, thereby, have earned the right to receive and retain reasonably assured payments.

The Company has not generated any revenue from it mining operations.

TORNADO GOLD INTERNATIONAL CORP.
(An Exploratory Stage Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Mining Costs

Costs incurred to purchase, lease or otherwise acquire property are capitalized when incurred. General exploration costs and costs to maintain rights and leases are expensed as incurred. Management periodically reviews the recoverability of the capitalized mineral properties and mining equipment. Management takes into consideration various information including, but not limited to, historical production records taken from previous mine operations, results of exploration activities conducted to date, estimated future prices and reports and opinions of outside consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Loss Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of options to purchase common shares would have an anti-dilutive effect. The only potential common shares as of December 31, 2005 were 210,000 options and 650,000 warrants that have been excluded from the computation of diluted net loss per share because the effect would have been anti-dilutive. If such shares were included in diluted EPS, they would have resulted in weighted-average common shares of 35,692,201 and 573,837,508 for the year ended December 31, 2005 and 2004, respectively.

Reclassification

Certain reclassifications have been made to the 2004 balances to conform to the 2005 presentation.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." This statement applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless this would be impracticable. This statement also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes the adoption of this standard will have no material impact on its financial statements.

In February 2006, FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments . SFAS No. 155 amends SFAS No 133, Accounting for Derivative Instruments and Hedging Activities , and SFAF No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities . SFAS No. 155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interest in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on the qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of the Company s first fiscal year that begins after September 15, 2006. The Company believes the adoption of this standard will have no material impact on its financial statements.

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In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant- date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's first quarter of fiscal 2006. The Company believes the adoption of this standard may have a significant impact on its financial statements.

In June 2005, the EITF reached consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements ("EITF 05-6.") EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. The guidance in EITF 05-6 will be applied prospectively and is effective for periods beginning after June 29, 2005. EITF 05-6 is not expected to have a material effect on its financial position or results of operations.

Note 3 - Mining Claims

On May 31, 2004, the Company entered into four agreements with a company wholly owned by Mr. Carl Pescio ("Pescio"), a Director of the Company, to lease four mining properties. Terms of each of the four leases are as follows:

A schedule of the advanced lease payments for each of the four properties is as follows:

Due Date	Amount
June 5, 2004	$ 15,000
May 15, 2005	$ 22,500
February 5, 2006	$ 30,000
February 5, 2007	$ 37,500
February 5, 2008	$ 50,000
February 5, 2009	$ 62,500
February 5, 2010	$ 75,000
February 5, 2011 and each year thereafter until production commences	$ 100,000

Upon completion of a bankable feasibility study and payments totaling $105,000, the Company will own 100% of the property subject to a continuing production royalty of 4%. Once the $105,000 is paid, all subsequent payments will convert into advance minimum royalty payments that are credited against the 4% production royalty due. A 1% royalty is also due Pescio on production on property consisting of a 2 mile circumference surrounding the leased property.

The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property in each year commencing on or before September 1, 2006 and continuing until the completion of the feasibility study. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio $10 per foot committed to and not drilled.

Prior to the completion of the feasibility study, the Company has the right to purchase 2% of the 4% production royalty for $1,500,000 for each percentage point. The Company also has the option to purchase 50% of the 1% royalty for $500,000.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

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On October 3, 2005, the Company paid the Bureau of Land Management $30,875 as consideration on the Exploration License and Option to Lease Agreement entered into between the Company and Mr. Earl Abbott, and Stanley Keith (the owners), to explore 247 claims (nearly 5,000 acres) known as the Jack Creek Property. Mr. Abbott is the Company s President and Mr. Keith is a Company Director.

Under the preliminary terms of this agreement, the Company was granted a license to explore the property for a period of six-months to determine what claims, if any, it wishes to lease. While the term of the license is for six-months, the Company has the option to extend.

If the Company leases all of the 247 claims, it will be required to make the following advance lease payments:

Due Date	Amount
Upon signing	$ 22,500
1st anniversary	$ 30,000
2nd anniversary	$ 37,500
3rd anniversary	$ 50,000
4th anniversary	$ 62,500
5th anniversary and each anniversary thereafter	$ 100,000

If any payments due by the Company to the owners are not paid within 30 days of its due date, interest will begin to accrue on the late payment at a rate of 2% over the prime rate established by the Department of Business and Industry of the State of Nevada.

Upon completion of a bankable feasibility study and payments totaling $140,000, all subsequent payments will convert into advance minimum royalty payments that are credited against the 4% production royalty due. A 1% royalty is also due the owners on production on property consisting of a 2-mile circumference surrounding the leased property.

The Company shall have the option to purchase one-half (1/2) of the Royalty applicable to the Property representing two percent (2%) of the Net Smelter Returns. The Company shall have the right to elect to purchase such part of the Royalty in increments representing one percent (1%) of the Net Smelter Returns and the purchase price for each such increment shall be One Million Five Hundred Thousand Dollars ($1,500,000). The Company shall have the option to purchase one-half (1/2) of the Area of Interest Royalty applicable to mineral rights, mining claims and properties which Tornado acquires from third parties representing one-half percent (.5%) of the Net Smelter Returns. The purchase price for such part of the Area of Interest Royalty shall be Five Hundred Thousand Dollars ($500,000) for the one-half percent (.5%) of the Area of Interest Royalty applicable to mineral rights, mining claims and properties that Tornado acquires from any third party.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies the owners against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

The terms and obligations disclosed above are based upon preliminary agreements of the parties still under review and may be subject to change.

On October 6, 2005, the Company entered into a preliminary agreement with Mr. Carl Pescio, a Director of the Company, to lease 10 mineral properties (about 1,300 claims) in Nevada. Under the term of the preliminary agreement, the Company is to make advance lease payments to Mr. Pescio on each property based upon the following schedule:

Due Date	Amount
Upon signing	$ 35,000
1st anniversary	$ 55,000
2nd anniversary	$ 75,000
3rd anniversary	$ 100,000
4th anniversary	$ 125,000
5th anniversary	$ 150,000
6th anniversary and each anniversary thereafter	$ 200,000

The above $35,000 advance in 2005 was to be paid in installments of $5,000 upon signing. The remaining $30,000 was paid in 2006. The Company is currently in renegotiations with Mr. Pescio to finalize the actual terms of the 10 leases.

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Based upon the actual terms of the leases acquired in May 2004 and the preliminary terms of the leases acquired in October 2005, the Company s obligation for minimum lease payments on these 15 properties is as follows:

2006	$ 692,500*
2007	$ 930,000
2008	$ 1,237,500
2009	$ 1,550,000
2010	$ 1,862,500
Minimum lease payments in	
Subsequent years	$ 2,500,000

* (Excludes the $300,000 paid in 2006 on the above 10 mining properties)

A Description of the mining properties leased by the Company is as follows:

The NTGreen Property is located in central Lander County, Nevada about 40 miles southwest of the town of Battle Mountain. The property is within the Battle Mountain/Eureka (Cortez) Trend at the northern end of the Toiyabe Range.

The HMD Gold Property is located in Eureka County, Nevada along the west side of the Cortez Range, about 30 miles southwest of the town of Carlin, and about 10 miles north of the Buckhorn deposit. Access to the property is gained by driving 41 miles west of Elko on I-80, then 20 miles south on SH-306 to the town of Crescent Valley. A well-maintained gravel road leads east-southeast past the Hot Springs Point to the vicinity of the Dean Ranch. A two-track road leads to the southeast and the property position is reached in about one-half mile.

The Goodwin Hill Gold Property is located in east central Lander County, Nevada about 60 miles south of the town of Battle Mountain and about 25 miles northeast of the town of Austin. It is positioned in grass Valley between the Simpson Park Range to the east and the Toiyabe Range to the west.

The Wilson Peak Property is located in Elko County, Nevada about 70 miles north of the town of Elko and about 20 miles north of the town of Tuscarora. The property area is west of the Independence Gold Trend and is part of a north-south line of gold-silver occurrences in Tertiary volcanic rocks.

Jack Creek Property is located in the northern Independence Range about 50 miles north of Elko, Elko County, Nevada. It is comprised of 247 lode mining claims (nearly 5,000 acres) adjacent to Gateway Gold Corp. s (TSX Venture:GTQ) Big Springs and Dorsey Creek Properties. About 3 miles to the northeast.

Stargo Property is located in the Monitor Range about 45 miles southwest of the town of Eureka and about 20 miles west of the Northumberland Mine and comprises of a total of 257 lode claims (about 5,140 acres) in Nye County, Nevada.

West Whistler Property is located on the west flank of Whistler Mountain, about 10 miles northwest of the town of Eureka and comprises of a total of 103 lode claims (about 2,060 acres) in Eureka County, Nevada.

Brock Property is located in the Monitor Range about 36 miles southwest of the town of Eureka and about 24 miles northeast of the Northumberland Mine and comprises a total of 222 lode claims (about 4,440 acres) in Eureka County, Nevada.

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Horseshoe Basin Property is located in the Fish Creek Mountains about 30 miles south of the town of Battle Mountain and about 4 miles south of the McCoy and Cove deposits

South Lone Mountain Property is located on the west flank of the Mountain Boy Range in Antelope Valley about 15 miles southwest of the town of Eureka and consists of a total of 140 lode claims (about 2,800 acres) in Eureka County, Nevada

Golconda Property is located in Rock Creek Valley about 12 miles east of the town of Winnemucca and near the intersection of the Getchell Trend and the north end of the Battle Mountain-Eureka Trend and comprises of a total of 108 lode claims (about 2,160 acres) in Humboldt County, Nevada.

North Battle Mountain Property is located in the Sheep Creek Range about 4 miles northeast of the town of Battle Mountain near the northern extension of the Battle Mountain-Eureka (Cortez) Trend and comprises a total of 73 lode claims (about 1,460 acres) in Lander County, Nevada.

Dry Hills Property is located in the Dry Hills about 20 miles southwest of the town of Carlin and .comprises of a total of 96 lode claims (about 1,920 acres) in Eureka County, Nevada.

Walti Property is located in Grass Valley about 62 miles south of the town of Carlin and consists of a total of 402 lode claims (about 8,040 acres) in Eureka and Lander Counties, Nevada.

Marr Property is located between the Fish Creek Mountains and the Ravenswood Mountains about 50 miles southwest of the town of Battle Mountain. The property is along the Western Nevada Rift and consists of a total of 93 lode claims (about 1,840 acres) in Lander County, Nevada.

As of December 31, 2005, the Company incurred a total of $524,333 in acquisition costs. The Company has recently commenced its exploration of its properties and has yet to determine whether any of its properties are commercially feasible. In order for the Company to complete its analysis, additional funding is required.

Note 4 - Notes Payable

On April 15, 2005, the holders of the notes payable converted the principal amount of the notes totaling $1,025,000 and accrued interest of $79,271 into 1,325,126 shares of the Company's common stock.

On July 1, 2005, the Company borrowed $100,000 from Gatinara Holdings, Inc., an unrelated third party. The loan is evidenced by an unsecured promissory note. The note accrues interest at 8% per annum and matures on December 31, 2006. Accrued interest related to this note at December 31, 2005 amounted to $4,011.

From August 9, 2005 to October 5, 2005, the Company borrowed a total of $330,978 from Greenshoe Investment, Inc., an unrelated third party. The loans are evidenced by unsecured promissory notes. The notes accrue interest at 8% per annum and matures on December 31, 2006. Accrued interest related to these notes at December 31, 2005 amounted to $8,676.

Note 5 - Stockholders' Equity

Common stock

On April 19, 2004, the Company authorized a 50 for 1 stock split. On August 18, 2004, the Company authorized a 6.82 for 1 stock split. On May 16, 2005, the Company authorized a 1.20 for 1 stock split. In addition, the Company increased it authorized shares to 100,000,000. The accompanying financial statements have been retroactively restated to present the effect of these three stock splits.

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber redeemed 2,091,093,840 shares (post-split) of the Company s common stock in exchange for all of the Company's shares of Salty's Warehouse, Inc.

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In March 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber redeemed 375,563,760 (post-split) of their shares of the Company s common stock in exchange for $570,000.

In March 2004, Mr. Earl W. Abbott, Carl A. Pescio and Stanley B. Keith (the new management of the Company) collectively purchased 34,372,800 (post-split)/84,000 (pre-split) shares of common stock from the Company for $10,000. The payment for these shares was received in April 2004. At the time of the issuance of these shares to new management, none of our shares of common stock had been traded in the public markets. Since our perceived aggregate value was minimal, the new management decided to pay a nominal amount for the 84,000 (pre-split) shares of common stock.

On April 15, 2005, the Company's officers and directors agreed to redeem 27,172,800 of their shares for $7,906 or $.0002909 per share. The new management desired to decrease their percentage ownership interest of us, as well as the number of our outstanding shares of common stock, so they agreed to sell their shares of common stock back to us for the amount they initially paid for them. This includes 13,586,400 shares from Dr. Abbott, and 6,793,200 shares each from Messrs. Pescio and Keith. Dr. Abbott's shares were redeemed for $3,954, and Messrs. Pescio and Keith each received $1,976 for their shares. These amounts are the equivalent to the pre-split prices they paid for their shares when they joined the Company in March 2004. The $7,906 was paid during the three months ended September 30, 2005.

As discussed in Note 4, on April 15, 2005, the holders of the notes payable converted the principal amount of the notes totaling $1,025,000 and accrued interest of $79,271 into 1,325,126 shares of the Company's common stock.

In the 4th quarter of 2005, the Company sold 625,000 shares of common stock to an investor for total cash proceeds of $500,000. In connection with this transaction, the Company also issued to this investor a warrant to purchase 625,000 shares of common stock for $0.85 per shares. As of December 31, 2005, the Company received $499,582. The remaining $418 has been charged to equity and included in subscription receivable.

<u>Options and Warrants:</u>

In March 2004, the Company issued 60,000 options to former employees of the Company. The fair value for these options was estimated to be $4,540 and has been recorded as an expense in the accompanying statement of operations. The fair value was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 5.5%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 50%; and a weighted average expected life of the option of 10 years, respectively.

In accordance with a consulting agreement with Access Capital Management Corp., the Company issued Access Capital, 25,000 options in September 2005 to purchase shares of the Company s common stock for $0.75 per shares. These options were valued using the Black-Scholes option pricing model using the following assumptions: term of 1,853 days, a risk-free interest rate of 3.85%, a dividend yield of 0% and volatility of 63%. The value of these options of $12,075 was amortized over the three-month initial term of the agreement and was charged to operations in 2005.

In December 2005, the Company extended the term of the agreement and granted Access an additional 125,000 options to purchase shares of the Company s common stock at a price of $0.75 per shares. These options were valued using the Black-Scholes option pricing model using the following assumptions: term of 1,762 days, a risk-free interest rate of 4.45%, a dividend yield of 0% and volatility of 71%. These options were valued $52,150 and are being amortized over the nine month remaining term of the agreement. In 2005, $5,794 was charged to operations in 2005.

The 150,000 options granted in 2005 expire on September 28, 2010 unless Access Capital no longer provides services for the Company whereby the options expire one year from the date of termination.

As discussed above, in connection with the issuance of the 625,000 shares of the Company s common stock, the Company granted 625,000 warrants to purchase shares of the Company s common stock at $.85 per share.

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The following table summarizes the options and warrants outstanding:

	Option/Warrants		Weighted-Average Exercise Price
Balance, December 31, 2003	852,000,000	$	0.0000
Canceled	(852,000,000)	$	0.0000
Granted	60,000	$	.0.0000
Balance, December 31, 2004	60,000	$	0.1500
Granted	775,000	$	0.8306
Balance, December 31, 2005	835,000	$	0.7817

Note 6 - Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 2005 are as follows:

Deferred tax assets:		
Net operating loss	$	221,000
Less valuation allowance		(221,000)
	$	

At December 31, 2005, the Company had federal net operating loss ("NOL") carryforwards of approximately $650,000. Federal NOLs could, if unused, begin to expire in 2017.

The valuation allowance increased by approximately $96,000 and $86,000 during the year ended December 31, 2005 and 2004, respectively.

The reconciliation of the effective income tax rate to the federal statutory rate for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Federal income tax rate	(34.0%)	(34.0%)
State tax, net of federal benefit		
Loss for which no federal benefit was received	34.0%	34.0%
Effective income tax rate	0.0%	0.0%

Utilization of the net operating loss and tax credit carryforwards is subject to significant limitations imposed by the change in control under I.R.C. 382, limiting its annual utilization to the value of the Company at the date of change in control times the federal discount rate.

Note 7 - Discontinued Operation

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed that 2,091,093,840 (post-split) of their shares of the Company will be redeemed by the Company in exchange for all of the Company's shares of Salty's Warehouse, Inc. As a result of this transaction, the operations of Salty's has been shown as a discontinued operation in the accompanying financial statements.

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Salty's revenues were $1,415 for the period starting January 1, 2004 to March 19, 2004. The results of operations of Salty's have been reported separately as discontinued operations.

Actual net income (loss) of Salty's during the period from January 1, 2004 through March 19, 2004 was $871. The impact on the disposition of Salty's was $1,418, which has been recorded directly to stockholders' deficit since this was a transaction among related parties. The $1,418is the difference between the par value of the original 5,110,200 shares redeemed ($5,110) less the cost bases of the relinquished net assets of Salty’s which totals $3,692. The $1,418 was calculated under FASB 153 which states that nonmonetary exchanges are measured based upon the recorded amount of the nonmontary asset relinquished when the exchange lacks commercial substance.

The following is a summary of the net assets of Salty s at March 19, 2004:

		March 19, 2004
Assets:		
Cash	$	6,068
Total assets	$	6,068
Liabilities:		
Accounts payable	$	1,371
Accrued expenses		1,005
Total liabilities	$	2,376
Net assets of discontinued operations	$	3,692

The gain on the disposition of Salty's of $1,418 was calculated as the difference in the value of the stock returned of $5,110 and the net assets of Salty's of $3,692.

Note 8 - Related Party Transactions

During the years ended December 31, 2005 and 2004, the Company had the following transactions with related parties:

As discussed in Note 3, the Company entered into agreements with a company owned by Mr. Carl Pescio, a Director of the Company, to acquire mining claims. During the year ended December 31, 2005 and 2004, the Company paid Mr. Pescio $140,000 and $60,000, respectively, related to these agreements. In addition, during the years ended December 31, 2005 and 2004, the Company incurred $5,744 and $0, respectively to Mr. Pescio for consulting services related to mining exploration.

As further discussed in Note 3, the Company entered into an agreement with Mr. Earl Abbott and Mr. Stanley Keith to explore the feasibility and possible lease and acquisition of certain mining claims owned jointly by Mr. Abbott and Mr. Keith.

During the year ended December 31, 2005, the Company incurred consulting fees for services rendered by Mr. Earl Abbott, the Company's President totaling $89,950 of which $61,775 related to mining exploration and the remaining

$28,175 related to was charged to general administrative activities. The Company also during the year ended December 31, 2005, the Company reimbursed Mr. Abbott $25,609 for travel and other company related expenses.

During the year ended December 31, 2004, the Company incurred consulting fees for services rendered by Mr. Earl Abbott, the Company's President totaling $36,268 of which $17,482 related to mining exploration and the remaining $18,786 related to was charged to general administrative activities. The Company also during the year ended December 31, 2004, the Company reimbursed Mr. Abbott $9,470 for travel and other company related expenses.

During the year ended December 31, 2005, the Company incurred consulting fees for services rendered by Mr. Stanley Keith, a director of the Company totaling $3,349 of which $1,389 related to mining exploration and the remaining $1,960 related to was charged to general administrative activities. The Company also during the year ended December 31, 2005, the Company reimbursed Mr. Keith $579 for travel and other company related expenses.

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During the year ended December 31, 2004, the Company incurred consulting fees for services rendered by Mr. Stanley Keith, a director of the Company totaling $5,007 of which $3,361 related to mining exploration and the remaining $1,646 related to was charged to general administrative activities.

As of April 15, 2005, the Company adopted its 2005 stock option plan to compensate its directors as discussed in Note 2 above.

Note 9 - Subsequent Events

During the three months ended March 31, 2006, the Company received $649.838 through the issuance of 3 convertible debentures, each bear interest at an annual rate of 8% and mature on December 31, 2006, when the principal and accrued interest become fully due and payable. The Company has the sole right to convert the three notes in its common shares at a rate of $1.00 per share.

During the three months ended March 31, 2006, the Company made advance lease payments to Mr. Carl Pescio on its mining claims totaling $550,000.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

There have been no changes in or disagreements with our accountants since our formation required to be disclosed pursuant to Item 304 of Regulation S-B that have not been previously reported.

The reports of Jonathon P. Reuben for these fiscal years ending December 31, 2005 and December 31, 2004 did not contain an adverse opinion, or disclaimer of opinion and were not qualified or modified as to audit scope or accounting principles except as described herein. The report of Jonathon P. Reuben for these fiscal years was qualified with respect to uncertainty as to our ability to continue as a going concern.

ITEM 8A. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of December 31, 2005, the end of the period covered by this report, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were effective.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

ITEM 8B. OTHER INFORMATION.

In November 2005, we announced that we had secured a non-brokered private placement of $500,000 consisting of 625,000 units at a price of $0.80 per unit. Each unit consists of one common share and one full warrant. Each warrant allows the purchase of an additional common share of the company at a price of $0.85 cents per share for a two year period.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.

As of December 31, 2005, our directors and executive officers were as follows:

NAME	AGE	POSITION
Earl W. Abbott	64	President, Chief Executive Officer, Secretary, Director
George J. Drazenovic*	35	Chief Financial Officer
Carl A. Pescio	54	Director
Stanley B. Keith	57	Director

*Mr. Drazenovic was appointed as our Chief Financial Officer in March 2006.

EARL W. ABBOTT, PRESIDENT, CHIEF EXECUTIVE OFFICER, SECRETARY, AND A DIRECTOR. Dr. Abbot was appointed as our President, Chief Executive Officer, Chief Financial Officer, Secretary and a Director in March 2004. He resigned as our Chief Financial Officer in March 2006 when Mr. Drazenovic was appointed as Chief Financial Officer. Dr. Abbott is a senior geologist and Qualified Person with thirty-three years of experience in mineral exploration for large and small companies in the western United States, Alaska, Mexico, China, Africa, and Costa Rica. From 2003 to the present, Dr. Abbott has been the president of Big Bar Gold Corp., a company reporting on a Canadian exchange, and from 1999 to present, Dr. Abbot has served as the president of King Midas Resources Ltd., a private Canadian company he founded which has acquired U.S. and Mexican gold properties. From 1982 to the Present, Dr. Abbott has been self-employed as a geological consultant, in which he manages metallic and industrial mineral projects and exploration programs. From 1988 to 1997, Dr. Abbott was the Vice President and Director the Trio Gold Corp., where he managed gold exploration activities in the U.S., Ghana, and Costa Rica. From 1983 to 1984, he served as a regional geologist for U.S. Minerals Exploration Company, where he conducted a successful gold exploration program in Nevada & Utah. From 1978 to 1982 he was a district geologist for Energy Reserves Group, Inc. where he opened and managed the Reno District exploration office, and managed on more than twenty projects which included geologic mapping, geochemical surveys, and more than 70,000 feet of rotary drilling, along with conducting uranium exploration in Nevada, Wyoming, South Dakota, and Montana. From 1975 to 1985, Dr. Abbott was a senior geologist with Urangesellschaft USA, Inc., where he conceived, managed, and conducted uranium exploration programs in remote terrains in Alaska, and from 1971 to 1975, Dr. Abbot was a project geologist for Continental Oil Company where he supervised uranium exploration rotary drilling programs in Wyoming.

Dr. Abbott is a member of the American Institute of Professional Geologists and is a Certified Professional Geologist, and a past president of the Nevada Section. He is also a member of the Geological Society of Nevada and its past president. Dr. Abbott is also a member of the Society of Mining Engineers of American Institute of Mining, Metallurgical and Petroleum, the Denver Region Exploration Geologists Society and its past president, and a member of the Nevada Petroleum Society, and served as its past president as well. Dr. Abbott earned his Ph.D. in Geology in 1972 and his Master of Arts in Geology, 1971 from Rice University, Houston, Texas. Dr. Abbott earned his Bachelor of Arts degree in Geology in 1965 from San Jose State College, San Jose, California. Dr. Abbott is not an officer or director of any other reporting company.

GEORGE J. DRAZENOVIC, CHIEF FINANCIAL OFFICER. Mr. Drazenovic was appointed as our Chief Financial Officer on March 28, 2006. Prior to joining us, and from April 2005 until the present, Mr. Drazenovic was the Chief Financial Officer of EPOD International, Inc. a U.S. reporting company, and from 2001 to 2005, was a Corporate Finance Manager with BC Hydro. Mr. Drazenovic earned his Bachelor of Arts in Economics from the University of British Columbia in 1991, a Diploma in Financial Management from the British Columbia Institute of Technology in 1993, and a Masters of Business Administration in Finance from the University of Notre Dame in 2001. He also obtained licensing as a CGA (Certified General Accountant) in 1997 and is a CFA Charter holder (Chartered Financial

Analyst) since 2001. Mr. Drazenovic is a member of the Certified General Accountants of British Columbia, and the Vancouver Society of Financial Analysts. Mr. Drazenovic is a citizen of and resides in Canada. Mr. Drazenovic is not an officer or director of any other reporting company.

CARL A. PESCIO, DIRECTOR. Carl A. Pescio is a geologist offering more than 30 years of experience in the mining resource sector. In 1974, Mr. Pescio graduated from the University of Nevada with a Bachelor of Science in Geology. After graduating Mr. Pescio joined Kennecott Copper Corp. as a geologist. Since 1975, Mr. Pescio has worked for numerous other natural resource companies in various positions including; Geologist, Chief Geologist, Geological Engineer, Mine Manager, and Vice President of Exploration. Mr. Pescio's tenure with Alta Gold between 1987-1991 as Vice-President of Mining and Exploration, led to his interest and focus on exploration for precious metal deposits in the Nevada gold trends. Since 1991, he has focused his efforts in acquiring properties with potential for deposits large enough to interest the major mining companies in the area. Currently, Mr. Pescio is the President of Pescio Exploration which owns approximately 45 properties, covering more than 20,000 hectares in Nevada. More than half of Pescio Exploration's properties are under lease and being explored by others. Mr. Pescio is also Vice-President of Exploration and a Director for Mill City International Corp. Mr. Pescio is not an officer or director of any other reporting company.

STANLEY B. KEITH, DIRECTOR. Stanley B. Keith is a geologist and geochemist with 25 years experience in minerals exploration. After graduating from the University of Arizona with a Master's degree in Geology in 1978, he worked for major companies such as Exxon Minerals and was a geologist for the Arizona Geological Survey. In 1983 he co-founded and continues to be the President of MagmaChem, LLC, offering highly skilled services to the exploration and mining industry. He has consulted for major mining companies, including Newmont, Barrick, BHP, Phelps-Dodge, AngloGold, and many others. Since 1993, he has worked with Dr. Earl W. Abbott on numerous gold projects in Nevada, especially the Carlin Trend. Mr. Keith is not an officer or director of any other reporting company.

There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony, nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

Dr. Abbott and Messrs. Keith and Pescio, our directors, were all appointed on March 19, 2004. Directors serve until the next annual meeting or until their successors are qualified and elected. Officers serve at the discretion of the Board of Directors.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE. Section 16(a) of the Securities Act of 1934 requires our directors, executive officers, and any persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. SEC regulation requires executive officers, directors and greater than 10% stockholders to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during the fiscal year ended December 31, 2005 our executive officers, directors, and greater than 10% stockholders complied with all applicable filing requirements.

AUDIT COMMITTEE AND FINANCIAL EXPERT. Because we do not have the resources to expand our management at this time, we do not have an audit committee, nor do we have a financial expert on our Board of Directors as that term is defined by Item 401(e)2.

CODE OF ETHICS. We have not adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We are in the process of preparing and adopting a code of ethics.

CONFLICTS OF INTEREST. We believe that Messrs. Pescio and Keith will be subject to conflicts of interest. The conflicts of interest arise from their relationships in other mining companies, the property ownership interests of those other mining companies and the amount of time they may spend with the operations of those other entities.

We face strong competition from other mining companies, including those owned by two of our directors, for the acquisition of new properties. Mines have limited lives and as a result, we continually seek to find new properties. In addition, there is a limited supply of desirable mineral lands available in the United States where we would consider conducting exploration activities. Because we face strong competition for new properties from other mining companies, including those which are owned by Messrs. Pescio and Keith, two of our directors, and other competitors, some of whom have greater financial resources than we do, we may be unable to acquire attractive new mining properties on terms that we consider acceptable. Since these directors have conflicts of interests in that they manage other mining companies and have entered into agreements with them and their companies to acquire certain properties or properity rights, a conflict of interest exists. In addition, i the future, if we decide to acquire additional interests in such mining properties, which are also sought by one of the companies which Mr. Pescio or Mr. Keith manage or control, or owned by them or one of those companies, a direct conflict of interest could result. Our Articles of Incorporation provide that any conflict must be disclosed, but Mr. Pescio or Mr. Keith would be allowed to vote on any transaction in which they were interested.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions, including, disclosing such transactions and obtaining shareholder consent where required.

ITEM 10. EXECUTIVE COMPENSATION

Any compensation received by our officers, directors, and management personnel will be determined from time to time by our Board of Directors. Our officers, directors, and management personnel will be reimbursed for any out-of-pocket expenses incurred on our behalf.

SUMMARY COMPENSATION TABLE. The following table sets forth the total compensation earned by or paid to our Chief Executive Officer and our other most highly compensated executive officers for the fiscal years ended December 31, 2005 and December 31, 2004.

		ANNUAL COMPENSATION			LONG TERM COMPENSATION			
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	AWARDS RESTRICTED STOCK AWARDS ($)	SECURITIES UNDERLYING OPTIONS/SARS (#)	PAYOUTS LTIP PAYOUTS ($)	ALL OTH COMPENSA
Earl W. Abbott, CEO, president,	2005	None	None	None	None	None(1)	None	$ 89
secretary, treasurer	2004	None	None	None	None	None	None	$ 36
Earl T. Shannon, former president secretary	2004	None	None	None	None	None	None	
Steven W. Hudson, former secretary	2004	None	None	None	None	None	None	
Scott W. Bodenweber, former CFO	2004	None	None	None	None	None	None	

(1) We had agreed to grant, but ultimately did not grant, 250,000 options to Dr. Abbott, which would have vested in December 2005.

(2) Dr. Abbott received a total of $89,950 for consulting services during the year ended December 31, 2005, of which $61,775 relates to mining exploration and the remaining $21,875 related to general administrative services. In addition, during 2005, Dr. Abbott was reimbursed $25,609 for travel and other company-related expenses.

(3) Dr. Abbott received a total of $36,268 for consulting services during the year ended December 31, 2004, of which $17,482 relates to geological services and $18,786 relates to administrative services, In addition during 2004, Dr. Abbott was reimbursed $9,470 for travel and related expenses.

Mr. Drazenovic was appointed in March 2006, and will be paid a salary of $2,500 per month. The terms of his employment are still being finalized.

Mr. Pescio and Mr. Keith, two of our directors, are also compensated for their mining exploration services, administrative services and travel expenses, as those services are rendered. Those services are rendered to us on a contractor basis. Mr. Pescio and Mr. Keith are each due to receive 125,000 options to purchase shares of our common stock, which vested in December 2005, but have not yet been granted.

STOCK OPTIONS. Our Board of Directors adopted our 2003 Incentive and Nonstatutory Stock Option Plan (the "2003 Stock Option Plan") on May 1, 2003. Under the 2003 Stock Option Plan, 5,000,000 shares of common stock were authorized for issuance upon the exercise of Incentive Stock Options or Nonstatutory Stock Options. The 2003 Stock Option Plan anticipates qualifying under Section 423 of the Internal Revenue Code of 1986, as an "employee stock purchase plan." Under the 2003 Stock Option Plan, options may be granted to our key employees, officers, directors or consultants.

The purchase price of the common stock subject to each Incentive Stock Option shall not be less than the fair market value (as determined in the 2003 Stock Option Plan), or in the case of the grant of an Incentive Stock Option to a principal stockholder, not less that 110% of fair market value of such common stock at the time such option is granted. The purchase price of the common stock subject to each Nonstatutory Stock Option shall be determined at the time such option is granted, but in no case less than 100% of the fair market value of such shares of common stock at the time such option is granted.

The 2003 Stock Option Plan shall terminate 10 years from the earlier of the date of its adoption by the Board of Directors or the date on which the 2003 Stock Option Plan is approved by the affirmative vote of the holders of a majority of the outstanding shares of our capital stock entitled to vote thereon, and no option shall be granted after termination of the 2003 Stock Option Plan. Subject to certain restrictions, the 2003 Stock Option Plan may at any time be terminated and from time to time be modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of our capital stock present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Nevada.

The shares underlying the 2003 Stock Option plan were registered for sale under the Securities Act of 1933, as amended, on Form S-8. The consent of a majority of our voting shares was given for the approval of the 2003 Stock Option Plan by written consent on May 1, 2003.

There were 2,500,000 options originally issued under the 2003 Stock Option Plan. However, in connection with the Transfer and Sale to our new management as described herein, the 2003 Stock Option Plan will terminate and all options issued under the stock option plan shall be cancelled excepting 60,000 stock options shall remain outstanding on a pro rata basis among the holders as listed below pursuant to amended Stock Option Agreements.

OPTION GRANTS IN 2003--INDIVIDUAL GRANTS

NAME (1)	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE EXPIRATION PRICE ($/SH)	DATE
Earl T. Shannon, President	28,800	48%	$ 0.15/Sh	05/01/13
Steven W. Hudson, Secretary	24,000	40%	$ 0.15/Sh	05/01/13
Scott W. Bodenweber, CFO	7,200	12%	$ 0.15/Sh	05/01/13

(1) This table reflects ownership and positions held as of December 31, 2003.

We issued 60,000 options to former employees in March 2004, pursuant to agreements amending the terms of the option agreements from March 2003.

OPTION GRANTS IN 2004 - INDIVIDUAL GRANTS

No options were granted during 2004.

OPTIONS GRANTS IN 2005 - INDIVIDUAL GRANTS

We had agreed to grant, but ultimately did not grant, options to Dr. Abbott and Messrs. Pescio and Keith, which, if consummated, would have had the following attributes:

Earl W. Abbott: up to 500,000 options, of which 250,000 vest on December 15, 2005 at an exercise price of $1.00 per share and another 250,000 which shall vest when we acquire a mining project with a drill-indicated resource (1) of at least 1.5 million ounces of gold or gold-equivalent (2) and if financing can be arranged; the exercise price of these options will be $1.00 per share. Stanley B. Keith and Carl A. Pescio are to each to receive the following: up to 250,000 options, of which 125,000 vest on December 15, 2005 at an exercise price of $1.00 per share and 125,000 which shall according to the same mining project schedule as Dr. Abbott.

(1) Drill-indicated resource means a deposit that has been investigated and measured through industry-standard geologic and engineering methods, but that has not had a positive feasibility study performed.

(2) Gold equivalent means the value of gold and other metals expressed as gold ounces at the price of gold and the other metals at the time of acquisition.

In September 2005, we granted a total of 150,000 options to Access Capital for consulting services. These options have a strike price of $0.75 and expire September 28, 2010.

There were no other option grants during the year ended December 31, 2005.

COMPENSATION OF DIRECTORS. Our directors do not receive any cash compensation, but are entitled to reimbursement of their reasonable expenses incurred in attending directors' meetings. We anticipate entering into stock option agreements with our directors, Dr. Abbott and Messrs. Pescio and Keith.

We had agreed to grant, but ultimately did not grant, Mr. Abbott 250,000 options, which would have vested in December 2005. Mr. Pescio and Mr. Keith were each to receive 125,000 options to purchase shares of our common stock, which would have vested in December 2005, but will not be granted.

Dr. Abbott, our employee and one of our officers and directors, is compensated for the consulting services he provides as an independent contractor for mining exploration and general administrative services to us. In addition, he is also reimbursed for travel and other company-related expenses. Mr. Pescio and Mr. Keith, our other two directors, are also compensated for their mining exploration services, administrative services and travel expenses, as those services are rendered. Those services are rendered to us on a contractor basis.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information regarding the shares of our outstanding Common Stock beneficially owned as December 31, 2005 by (i) each of our directors and executive officers, (ii) all directors and executive officers as a group, and (iii) each other person who is known by us to own beneficially more than 5% of our Common Stock based upon 28,791,726 issued common shares.

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNER	PERCENT OF CLASS
Common Stock	Earl W. Abbott 8600 Technology Way, Suite 118, Reno NV 89521	3,600,000 shares(3) President, Secretary, Treasurer, Director	12.5%
Common Stock	George J. Drazenovic(2) 8600 Technology Way, Suite 118, Reno NV 89521	no shares Chief Financial Officer	0.0%
Common Stock	Stanley B. Keith 8600 Technology Way, Suite 118, Reno NV 89521	1,800,000 shares(3) Director	6.3%
Common Stock	Carl A. Pescio 8600 Technology Way, Suite 118, Reno NV 8952	1,800,000 shares(3) Director	6.3%
Common Stock	All directors and named executive officers as a group	7,200,000 shares	25.0%(1)

(1) Figures may vary due to rounding.

(2) Mr. Drazenovic was appointed in March 2006, and does not own any shares of our common stock or any other of our securities.

(3) We had agreed to grant, but ultimately did not grant, 250,000 options to Dr. Abbott which would have vested in December 2005. Mr. Pescio and Mr. Keith were to receive 125,000 options, but these were not granted.

CHANGES IN CONTROL. As of December 31, 2005, our management was not aware of any arrangements which may result in "changes in control" as that term is defined by the provisions of Item 403(c) of Regulation S-B, except for the following:

On April 15, 2005, our officers and directors agreed to redeem 27,172,800 of their shares for $7,906 or $.0002909 per share. The new management desired to decrease their percentage ownership interest of us, as well as the number of our outstanding shares of common stock, so they agreed to sell their shares of common stock back to us for the amount they initially paid for them. This includes 13,586,400 shares from Dr. Abbott, and 6,793,200 shares each from Messrs. Pescio and Keith. Dr. Abbott's shares were redeemed for $3,954, and Messrs. Pescio and Keith each received $1,976 for their shares. These amounts are the equivalent to the pre-split prices they paid for their shares when they joined us in March 2004. This transaction changes their ownership percentage from 63.7% to 26.8% . We also issued shares of our common stock to an unrelated third party who has loaned us an aggregate total of $1,025,000 since March 2004 to settle that debt. The number of shares issued was 1,104,271 or 4.7% of our current issued and outstanding common stock, which is represented by 1,025,000 shares for the principal owed and 79,271 for the interest that had accrued through April 15, 2005. This transaction changes our management's ownership percentage from 26.8% to 25.6% .

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber our former officers and directors at the time, agreed to have 2,091,093,840 (5,110,200 pre-split) of their shares redeemed by us in exchange for all of our shares of Salty's Warehouse, Inc. Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed that 375,563,760 (917,800 pre-split) of their shares in us would be redeemed by us in exchange for $570,000. As a condition to these transactions, Messrs. Shannon, Hudson, and Bodenweber resigned as our officers. Earl W. Abbott was appointed as our President, Chief Financial Officer and Secretary. In addition, Dr. Abbott, Carl A. Pescio and Stanley B. Keith have collectively purchased 84,000 shares of pre-split common stock from us. Dr. Abbott, Mr. Pescio and Mr. Keith replaced Messrs. Shannon, Hudson and Bodenweber on our Board of Directors ten days after a Schedule 14f-1 was delivered to our shareholders.

We had agreed to grant, but ultimately did not grant, options to Dr. Abbot and Messrs. Pescio and Keith, which, if consummated, would have had the following attributes:

Earl W. Abbott will be eligible to receive up to 500,000 options, of which 250,000 vest on December 15, 2005 at an exercise price of $1.00 per share and another 250,000 which shall vest when we acquire a mining project with a drill-indicated resource of at least 1.5 million ounces of gold or gold-equivalent and if financing can be arranged; the exercise price of these options will be $1.00 per share. None of these options have yet been granted.

Stanley B. Keith and Carl A. Pescio are to each to receive the following: up to 250,000 options, of which 125,000 vest on December 15, 2005 at an exercise price of $1.00 per share and 125,000 which shall according to the same mining project schedule as above. None of these options have yet been granted.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. In accordance with Securities and Exchange Commission rules, shares of our common stock which may be acquired upon exercise of stock options or warrants which are currently exercisable or which become exercisable within 60 days of the date of the table are deemed beneficially owned by the optionees. Subject to community property laws, where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of our common stock indicated as beneficially owned by them.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

RELATED PARTY TRANSACTIONS.

On May 1, 2002, Salty's Warehouse bought back 10 shares of Salty's Warehouse each from Mark Shannon and Ronald Shannon for $30 per share, counting $290 in paid-in capital by each of them. At the time of this transaction, these shares represented 20% of the outstanding shares of Salty's Warehouse. These shares were cancelled by Salty's Warehouse.

Earl T. Shannon, Steven W. Hudson, Mark R. Shannon, Ronald J. Shannon are promoters of Salty's Warehouse as defined by the Securities and Exchange Commission. The only items of value they received from Salty's Warehouse are the stock they were issued by Salty's and any consideration they have received from sales of this stock. On July 16, 1998, Earl T. Shannon, Mark R. Shannon and Ronald Shannon each received 33.333 shares, representing in the aggregate 100% of Salty's Warehouse at par value for services rendered. The determination of the value of their services was made by Earl T. Shannon, Mark R. Shannon and Ronald Shannon as the shareholders of Salty's Warehouse. On March 15, 1999, they redistributed this stock such that Earl T. Shannon and Steven W. Hudson each received 40 shares and Mark R. Shannon and Ronald J. Shannon each received 10 shares. Subsequently Mark R. Shannon and Ronald J. Shannon each sold all of their shares back to Salty's Warehouse for $30 per share and Earl T. Shannon and Steven W. Hudson sold 80% of their shares to Nucotec in return for 456,000 Nucotec shares, representing 15% of the outstanding shares of Nucotec on a fully diluted basis.

On May 10, 2002, we acquired an 80% interest in Salty's Warehouse from Earl T. Shannon and Steven W. Hudson. In return, Earl T. Shannon and Steven W. Hudson each received 456,000 shares our common stock, which in the aggregate was equal to 15% of our outstanding shares on a fully diluted basis. See a discussion of this transaction under "Business." As of December 31, 2003 Earl T. Shannon was our President and one of our directors and Steven W. Hudson was our Secretary and one of our directors.

Steven W. Hudson is a principal of Hudson Capital Group, which as of December 31, 2003 was furnishing us with office space and storage space on a rent-free basis.

On October 18, 2002, we borrowed $15,000 from Earl T. Shannon and Steven W. Hudson, pursuant to promissory notes requiring us to repay the principal and interest accrued at the rate of 10% on October 18, 2003.

On April 30, 2003, we borrowed a total of $25,000 from Earl T. Shannon and Steven W. Hudson ($12,500 from each), pursuant to promissory notes requiring us to repay the principal and interest accrued at the rate of 10% on April 30, 2004. On August 8, 2003, we borrowed a total of $30,000 from Earl T. Shannon and Steven W. Hudson ($15,000 from each), pursuant to promissory notes requiring us to repay the principal and interest accrued at the rate of 10% on August 8, 2004. On November 12, 2003, we borrowed $7,500 from Earl T. Shannon pursuant to a promissory note requiring us to repay the principal and interest accrued at the rate of 10% on November 12, 2004. On December 1, 2003, we borrowed $7,500 from Steven W. Hudson pursuant to a promissory note requiring us to repay the principal and interest accrued at the rate of 10% on December 1, 2004.

As of December 31, 2003 on its website, Salty's Warehouse was advertising for sale a $7,800,000 yacht. International Yacht Collection, a yacht brokerage company, is the listing broker of this yacht. If the yacht sells through Salty's Warehouse, Salty's Warehouse will receive 1.25% of the selling price and International Yacht Collection will receive between 1%-6% of the selling price, dependent upon whether the yacht is sold by an International Yacht Collection agent, in which case International Yacht Collection will receive 3%-6% or by another unaffiliated agent, in which case International Yacht Collection will receive 1%-3%. In the future, Salty's Warehouse may offer for sale other products of International Yacht Collection on a similar basis. International Yacht Collection is owned by Harris W. Hudson, who is one of our stockholders as well as the father of our Secretary and director, Steven W. Hudson. The yacht is owned by Steven W. Hudson's parents. Additionally, Steven W. Hudson is the President and CEO of International Yacht Collection. Steven W. Hudson has advised us that he will not be personally receiving any commission from the sale of the yacht.

On March 19, 2004, our officers and directors at the time, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed that 2,091,093,840 (5,110,200 pre-split) of their shares will be redeemed by us in exchange for all of our shares of Salty's Warehouse, Inc. Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber have agreed that 375,563,760 (917,800 pre-split) of their shares of our stock will be redeemed by us in exchange for $570,000. As of March 19, 2004, we no longer hold any ownership interest in Salty's Warehouse, Inc.

In addition, in March 2004, Earl W. Abbott, Carl A. Pescio and Stanley B. Keith collectively purchased 84,000 pre-split (34,372,800 post-split) shares of common stock from us for $10,000.

As discussed herein, we entered into agreements with a company owned by Mr. Carl A. Pescio, one of our directors, to acquire mining claims. Preliminary forms of these agreements were entered into on May 31, 2004 and were finalized on April 5, 2005.

During the year ended December 31, 2004, we incurred consulting fees for services rendered by Dr. Earl W. Abbott, our President, totaling $36,268 of which $17,482 related to mining exploration and the remaining $18,786 related to was charged to general administrative activities.

Also during the year ended December 31, 2004, we incurred consulting fees for services rendered by a company wholly owned by Mr. Stanley Keith, one of our directors, totaling $5,007 of which $3,361 related to mining exploration and the remaining $1,646 related to was charged to general administrative activities.

On April 15, 2005, our officers and directors agreed to redeem 27,172,800 of their shares for $7,906 or $.0002909 per share. The new management desired to decrease their percentage ownership interest of us, as well as the number of our outstanding shares of common stock, so they agreed to sell their shares of common stock back to us for the amount they initially paid for them. This includes 13,586,400 shares from Dr. Abbott, and 6,793,200 shares each from Messrs. Pescio and Keith. Dr. Abbott's shares were redeemed for $3,954, and Messrs. Pescio and Keith each received $1,976 for their shares. These amounts are the equivalent to the pre-split prices they paid for their shares when they joined us in March 2004.

We had agreed to grant, but ultimately did not grant, options to Dr. Abbot and Messrs. Pescio and Keith, which, if consummated, would have had the following attributes:

Earl W. Abbott: up to 500,000 options, of which 250,000 will vest on December 15, 2005 at an exercise price of $1.00 per share and another 250,000 which shall vest when we acquire a mining project with a drill-indicated resource (as defined above) of at least 1.5 million ounces of gold or gold-equivalent (as defined above) and if financing can be arranged; the exercise price of these options will be $1.00 per share.

Stanley B. Keith and Carl A. Pescio are to each to receive the following: up to 250,000 options, of which 125,000 will vest on December 15, 2005 at an exercise price of $1.00 per share and 125,000 which shall vest according to the same mining project schedule as above. None of these options have been granted. The 2005 Stock Option Plan has not yet been ratified by our shareholders.

During the year ended December 31, 2005 we had the following transactions with related parties:

• Pursuant to the 2004 agreements to acquire mining claims with a company owned by Mr. Carl Pescio, one of our directors, we paid Mr. Pescio $140,000 related to these agreements. In addition, during the year ended December 31, 2005 we incurred $5,744 to Mr. Pescio in consulting services related to mining exploration.

• We entered into an agreement with Dr. Earl Abbott, one of our officers and directors, and Mr. Stanley Keith, one of our directors, to explore the feasibility and possible lease and acquisition of certain mining claims owned jointly by Dr. Abbott and Mr. Keith.

• We incurred consulting fees for services rendered by Dr. Earl Abbott, our President, totaling $89,950 of which $61,775 related to mining exploration and the remaining $28,175 related to general administrative activities. Also during the year ended December 31, 2005, we reimbursed Dr. Abbott $25,609 for travel and other company related expenses.

• We incurred consulting fees for services rendered by Mr. Stanley Keith, one of our directors, totaling $3,349 of which $1,389 related to mining exploration and the remaining $1,960 related to was charged to general administrative activities. Also during the year ended December 31, 2005, we reimbursed Mr. Keith $579 for travel and other company related expenses.

During the three months ended March 31, 2006, we made advance lease payments of $550,000 to Mr. Pescio on our mining claims.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions, including, but not limited to, the following:

• disclose such transactions in prospectuses where required;

• disclose in any and all filings with the Securities and Exchange Commission, where required;

• obtain disinterested directors' consent; and

• obtain shareholder consent where required.

ITEM 13. EXHIBITS

(a) Exhibit No.

3.1	Articles of Incorporation*
3.1.1	Certificate of Amendment to Articles of Incorporation **
3.1.2	Certificate of Amendment to Articles of Incorporation ***
3.2	Bylaws*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of the Company
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of the Company
32.1	Section 906 Certification by Chief Executive Officer
32.2	Section 906 Certification by Chief Financial Officer

* Incorporated by reference from our Registration Statement on Form SB-2, filed on September 11, 2002, as amended (Registration No. 333-99443). ** Filed with our report on Form 8-K filed July 7, 2004 *** Filed with our report on Form 8-K filed on August 31, 2004

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

AUDIT FEES. The aggregate fees billed in each of the fiscal years ended December 31, 2005 and 2004 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-KSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were $12,400 and $16,500 respectively.

AUDIT-RELATED FEES. There were no fees billed for services reasonably related to the performance of the audit or review of the financial statements outside of those fees disclosed above under "Audit Fees" for fiscal years 2005 and 2004.

TAX FEES. For the fiscal years ended December 31, 2005 and December 31, 2004, our principal accountants did not render any services for tax compliance, tax advice, and tax planning work.

ALL OTHER FEES. None.

PRE-APPROVAL POLICIES AND PROCEDURES. Prior to engaging its accountants to perform a particular service, our board of directors obtains an estimate for the service to be performed. All of the services described above were approved by the board of directors in accordance with its procedures.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned in the City of Reno, Nevada, on March 23, 2007.

Tornado Gold International Corp.,
a Nevada corporation

/s/ Earl W. Abbott
Earl W. Abbott
principal executive officer
president, treasurer, secretary, director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:	/s/ Earl W. Abbott	March 23, 2007
	Earl W. Abbott	
Its:	principal executive officer	
	president, treasurer, secretary, director	
By:	/s/ George Drazenovic	March 23, 2007
	George Drazenovic	
Its:	chief financial officer	
By:	/s/ Carl A. Pescio	March 23, 2007
	Carl A. Pescio	
Its:	director	