

Graystone Co
Form 10-Q
November 19, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 2013

or

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

For the transition period from

to

Commission File Number: 000-54254

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

DELAWARE
(State of Incorporation)

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

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

89128
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

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or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer

Non-accelerated filer
Smaller reporting company

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

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

| Title of Each Class | Outstanding as of November 19, 2013, |
|--|--------------------------------------|
| Class A Common stock, par value \$0.0001 per share | 242,444,307 |
| Class B Common stock, par value \$0.001 per share | 5,000,000 |

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THE GRAYSTONE COMPANY, INC.

FORM 10-Q
September 30, 2013

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PART I -- FINANCIAL INFORMATION

ITEM 1 –FINANCIAL STATEMENTS

THE GRAYSTONE COMPANY, INC.
BALANCE SHEET
(Unaudited)

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,630 | \$ 14,922 |
| Prepaid expense | - | 50,000 |
| Loan to joint venture | 145,624 | - |
| Total current assets | 149,254 | 64,922 |
| Plant, property & equipment (net of depreciation) | 53,238 | 70,841 |
| | \$ 202,492 | \$ 135,763 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 14,732 | \$ 10,487 |
| Accrued expenses | 10,147 | 8,604 |
| Accrued expenses - related party | 119,649 | 78,399 |
| Convertible notes payable | 135,500 | 136,373 |
| Notes payable | 262,500 | 244,950 |
| Notes payable (related party) | 198,914 | 82,908 |
| Derivative liability | 91,580 | 19,807 |
| Total liabilities | 833,022 | 581,528 |
| Stockholders' Deficit | | |
| Class A Common stock, \$.0001 par value; 500,000,000 shares authorized, 35,979,264 and 69,155 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively. | 3,598 | 7 |
| Class B Common stock, \$.001 par value; 5,000,000 shares authorized, 5,000,000 shares issued and outstanding as of September 30, 2013 and December 31, 2012 | 5,000 | 5,000 |
| Additional paid-in capital | 24,057,402 | 5,506,241 |
| Accumulated deficit | (24,696,530) | (5,957,013) |
| Total stockholders' deficit | (630,530) | (445,765) |
| Total liabilities and stockholders' (deficit) equity | \$ 202,492 | \$ 135,763 |

See accompanying notes to unaudited condensed financial statements

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THE GRAYSTONE COMPANY, INC.
STATEMENT OF OPERATIONS
(Unaudited)

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|------------------------------------|---------------|-------------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Sales, net | \$73,610 | 88,478 | 33,290 | 46,008 |
| Cost of goods sold | 302,804 | \$55,278 | \$105,893 | \$40,999 |
| Gross profit | \$(229,194) | \$33,200 | \$(72,603) | \$5,009 |
| Operating Expenses | | | | |
| General and administrative | 11,809,418 | 911,643 | 11,262,648 | 609,209 |
| Legal and professional | 290,179 | 737,803 | 61,561 | 182,611 |
| Depreciation and amortization | 17,603 | - | 1,979 | - |
| Loss on settlement of accounts payable | 210,000 | - | 100,400 | - |
| Research and development | - | 90,805 | - | 45,770 |
| Total operating expenses | 12,327,200 | 1,740,251 | 11,426,588 | 837,590 |
| Loss from operations | (12,556,394) | (1,707,051) | (11,499,191) | (832,581) |
| Other income (expense) | | | | |
| Interest income | - | - | - | - |
| Interest expense | (24,256) | (115,791) | (4,500) | (31,308) |
| Loss on settlement of debt | (6,182,800) | - | (5,981,000) | - |
| Gain/loss on derivatives | 23,933 | - | - | - |
| Loss on sale of assets | - | (18,579) | - | (13,250) |
| Total other income (expense) | (6,183,123) | (134,370) | (5,985,500) | (44,558) |
| Loss before income taxes | (18,739,517) | (1,841,421) | (17,484,691) | (877,139) |
| Provision for income taxes | 0 | 0 | 0 | 0 |
| Net loss | \$(18,739,517) | \$(1,841,421) | \$(17,484,691) | \$(877,139) |
| Net loss per share of common stock: | | | | |
| Basic | \$(18.40) | \$(79.96) | \$(6.22) | \$(20.77) |
| Weighted average number of shares outstanding | 1,018,629 | 23,028 | 2,813,300 | 42,229 |

See accompanying notes to unaudited condensed financial statements

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THE GRAYSTONE COMPANY, INC.
STATEMENT OF CASH FLOWS
(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------------|
| | 2013 | 2012 |
| Cash flows from operating activities | | |
| Net Income(loss) | \$ (18,739,517) | \$ (1,841,421) |
| Adjustments to reconcile net income (loss) to net cash used by operating activities: | | |
| Depreciation | 17,603 | 1,800 |
| Amortization on intangible assets | - | 750 |
| Loss on settlement of debt | 6,182,800 | - |
| Loss on settlement of AP – related party | 210,000 | - |
| Gain on derivative liability | (23,933) | 120,795 |
| Impairment of acquired intangible assets | - | 13,250 |
| Loss on sale of plant, property, & equipment | - | 18,579 |
| Issuance of common stock for services | 11,395,625 | 937,783 |
| Issuance of notes for services | - | 31,250 |
| Amortization of debt discount | 177,113 | 109,501 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | 17,120 |
| Prepaid expenses | 50,000 | - |
| Accounts payable | 45,343 | 2,943 |
| Accrued expenses- related party | 265,876 | - |
| Accrued expenses | 8,542 | 5,153 |
| Net cash used by operating activities | (410,548) | (582,497) |
| Cash flows from investing activities | | |
| Sale of plant, property & equipment | - | 14,942 |
| Purchase of plant, property & equipment | - | (268,521) |
| Loan to joint venture | (145,624) | - |
| Net cash provided (used) by investing activities | (145,624) | (253,579) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of issuance costs | - | 430,350 |
| Proceeds from notes payable | 468,500 | 535,436 |
| Repayment on notes payable | - | (67,450) |
| Repayment on notes payable- related party | (147,918) | - |
| Proceeds from notes payable - related party | 224,298 | - |
| Net cash provided by financing activities | 544,880 | 898,336 |
| Net change in cash and cash equivalent | (11,292) | 62,260 |
| Cash and cash equivalent at the beginning of period | 14,922 | 793 |
| Cash and cash equivalent at the end of period | \$ 3,630 | \$ 63,053 |

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| | | |
|--|--------------|------------|
| Noncash financing and investing activities: | | |
| Stock issued for conversion of debt and accrued interest | \$ 162,000 | 124,948 |
| Stock issued for settlement of debt | \$ 303,800 | - |
| Stock issued to settled accrued liabilities- related party | \$ 185,000 | - |
| Debt discount | \$ 130,000 | 109,501 |
| Reclass of derivatives | \$ 115,527 | |
| Cancellation of common stock | \$ (19,625) | (218,200) |
| Subscription receivable | \$ - | 131,800 |

See accompanying notes to unaudited condensed financial statements

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THE GRAYSTONE COMPANY, INC.

CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited financial statements of The Graystone Company, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s registration statement filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2012 as reported in Form 10-K, have been omitted.

Note 2 – Going Concern

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

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

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

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

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

Note 3 – Related Party Transaction

On March 8, 2013, the Company issued 6,300 of our Class A Common Stock to Renard Properties for services rendered. The price per share was \$15 for \$94,500 in bonus payment for achieving pre-determined mining goals. Our CEO is the managing member of Renard Properties.

On March 8, 2013, the Company issued 6,300 of our Class A Common Stock to our CFO for services rendered. The price per share was \$15 for \$94,500 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 1,000 of our Class A Common Stock to our CFO for services rendered. The price per share was \$14 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 1,000 of our Class A Common Stock to our CEO for services rendered. The price per share was \$14 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On June 19, 2013, the Company issued 37,500 of our Class A Common Stock to our CEO for \$45,000 in debt. The price per share was \$4. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

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On June 19, 2013, the Company issued 37,500 of our Class A Common Stock to our CFO for \$45,000 in debt. The price per share was \$4. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

On August 7, 2013, the Company issued 30,000 of our Class A Common Stock to JW Group, Inc. for \$30,000 in debt. The price per share was \$1. The shares are restricted for 24 months from the issuance.

On August 7, 2013, the Company issued 30,000 of our Class A Common Stock to our CEO for \$30,000 in debt. The price per share was \$1. The shares are restricted for 24 months from the issuance.

On August 27, 2013, the Company issued 35,000 of our Class A Common Stock to our CFO for \$17,500 in debt. The price per share was \$.50. The shares are restricted for 24 months from the issuance.

On August 27, 2013, the Company issued 35,000 of our Class A Common Stock to our CEO for \$17,500 in debt. The price per share was \$.50. The shares are restricted for 24 months from the issuance.

During the three months ended September 30, 2013, the Company issued 196,250,000 shares to related parties. On November 13, 2013, the Company decided to cancel the shares; as such, the shares were not accounted for as issued and outstanding as of September 30, 2013. The shares were reissued on November 13, 2013.

The Company entered into an agreement with Renard Properties, LLC whereby Renard agreed to loan to the Company funds necessary to continue the company's operations in Suriname. The Company agreed to repay the loan on December 31, 2018. The Company may prepay the loan prior to December 31, 2018 by paying a prepayment penalty equal to 100%. As part of the loan, Renard is entitled to any profits that are generated from the Suriname operations until the loan reaches maturity or is prepaid by the Company. The Company has borrowed 41,200 as of September 30, 2013 under this agreement.

During the nine months ended September 30, 2013, \$125,000 was recorded to related party payables from amounts paid on behalf of the Company by Renard Properties, for accrued salaries and consulting fees. \$127,500 was repaid against these payables. As of September 30, 2013, \$79,003 was due.

During the nine months ended September 30, 2013, \$140,625 was recorded to related party payables from amounts paid on behalf of the Company to our CFO, for accrued salaries and consulting fees. \$112,500 was repaid against these payables. As of September 30, 2013 \$40,646 was due.

During the nine months ended September 30, 2013, the Company borrowed \$165,780 in cash from Renard Properties and repaid \$46,979 in cash leaving a balance of \$134,671 owed to Renard Properties. Our CEO is the managing member of Renard Properties. These loans bear no interest and are due in December 2013.

During the nine months ended September 30, 2013, the Company borrowed \$58,519 in cash from JW Group and repaid \$61,313 in cash. As of September 30, 2013, \$3,439 was owed to JW Group. Our CFO is the President of JW Group. These loans bear no interest and are due in December 2013.

Note 4 – Common Stock and Preferred Stock

During nine months Ending September, 2013, the Company issued the following Class A shares:

-

13,738,608 shares for conversion of notes payable and accrued interest of \$458,800. A loss of \$6,182,800 was recorded on the conversion.

- 21,996,500 shares for services with a fair value of \$11,395,625
- 205,000 shares for settlement of related party payables of \$185,000. A loss of \$210,000 was recorded on the settlement.

Note 5 – Notes Payable and Derivative Liabilities

Convertible Notes

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

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

During the nine months ended September 30, 2013, the Company issued 54,108 Class A Common Shares to Asher in satisfaction of \$155,500 loaned to the Company. As a result of the conversion of the related notes, the Company re-valued its derivative liabilities on the settlement dates and reclassified these amounts to additional paid-in capital. As of September 30, 2013, the Company owes Asher a remaining total of \$135,500.

Notes Payable

On June 28, 2013, the Company entered into a line of credit agreement for \$500,000 with a maturity date of December 31, 2015 and an effective interest rate of 9%. All previous amounts due to SC Capital were transferred to this line of credit. All accrued interest on the previous notes is waived and all interest under the line of credit was waived through September 30, 2013.

During the nine months ended September 30, 2013, the Company borrowed \$143,500 under the line of credit above:

| | |
|---|-----------|
| Ending balance as of December 31, 2012 | \$244,950 |
| Additions due to new debt issued | 325,000 |
| Amount of debt converted into shares | (307,450) |
| Ending balance as of September 30, 2013 | \$262,500 |

NOTE 6 – FAIR VALUE MEASUREMENTS AND DERIVATIVE LIABILITY

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Under ASC-815 the conversion options embedded in the notes payable described in Note 6 require liability classification because they do not contain an explicit limit to the number of shares that could be issued upon settlement.

During 2013, certain notes payable were converted resulting in settlement of the related derivative liabilities. The Company re-measured the embedded conversion options at fair value on the date of settlement and recorded these amounts to additional paid-in capital.

During 2013, the Company issued additional convertible notes. The conversion options and warrants were classified as derivative liabilities at their fair value on the date of issuance.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

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The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as September 30, 2013.

| Recurring Fair Value Measures | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|----------|----------|
| LIABILITIES: | | | | |
| Derivative liabilities, September 30, 2013 | \$- | \$- | \$91,580 | \$91,580 |

The following table summarizes the changes in the derivative liabilities during the nine months ended September 30, 2013:

| | |
|---|-----------|
| Ending balance as of December 31, 2012 | \$19,807 |
| Reclassification of derivative liabilities to additional paid-in capital due to conversion of related notes payable | (115,527) |
| Additions due to new convertible debt and warrants issued | 130,000 |
| Change in fair value | 57,300 |
| Ending balance as of September 30, 2013 | \$91,580 |

Note 7 – Loan to Joint Venture

In December 2012, the Company entered into a joint venture regarding a mining project in Suriname. The Company agreed to invest \$75,000 into the joint venture and any additional investments made above this initial \$75,000 would be considered a loan to the joint venture by the Company. As of September 30, 2013, the Company lent an additional \$145,624. This amount shall be repaid to the Company prior to any disbursements made to the partners in the joint venture. The terms of the joint venture provide that the Company has a 40% undivided interest in the profits of the joint venture, Aurora Mining owns 50% and Renard Properties owns the remaining 10%.

Note 8 – Subsequent Events

On November 12, 2013, the Board of Directors and Shareholders approved to amend the Articles of Incorporation to increase the authorized share count from 300,000,000 to 500,000,000 shares of Class A Common Stock.

On November 13, 2013, the Company cancelled 196,250,000 common shares issued to related parties. The shares were reissued on November 13, 2013.

In October and November 2013, the company received proceeds of \$65,591 from a related party for the project in Suriname.

On October 9, 2013, the Company issued 1,086,956 shares of its Class A Common stock at an applicable conversion price of \$0.0138. Asher Enterprises converted \$15,000 of its note convertible dated February 11, 2013. The agreement with Asher allows them to convert their debt after six (6) months at a conversion price equal to 55% of the average of the three (3) lowest closing bid prices ten (10) trading days prior to the conversion date. This draw is against the note dated February 11, 2013 in the amount of \$78,500. There is \$55,500 remaining on the note.

On October 17, 2013, the Company issued 2,380,952 shares of its Class A Common stock at an applicable conversion price of \$0.0063. Asher Enterprises converted \$15,000 of its note convertible dated February 11, 2013. The agreement with Asher allows them to convert their debt after six (6) months at a conversion price equal to 55% of the average of the three (3) lowest closing bid prices ten (10) trading days prior to the conversion date. This draw is against the note dated February 11, 2013 in the amount of \$78,500. There is \$40,500 remaining on the note.

On October 22, 2013, the Company issued 6,750,000 shares of its Class A Common stock at an applicable conversion price of \$0.0034. SC Capital converted \$23,000 of its note convertible dated March 4, 2013. There is \$0 remaining on the note.

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

Going Concern

Our financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company’s interests in the underlying properties, and the attainment of profitable operations. The Company has had

very little operating history to date. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Overview

During the Three Months Ending September 30, 2013, we generated sales of \$33,290 and incurred a net loss of \$17,484,691. We have received no substantial revenue (\$73,610 from the production of gold or other metals), and historically relied on equity and debt financings to finance our ongoing operations. Our operations generated a net loss of \$24,696,530 from inception (March 27, 2010) through September 30, 2013. In order to fund operations, we relied on proceeds received under the private placement sale in secured convertible debentures from Asher Enterprises, loans payable from SC Capital and proceeds received from notes payable from our shareholders.

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Results of Operations

For the nine months and three months ending September 30, 2013 and 2012 respectively, the Company generated the following revenue:

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--------------------|------------------------------------|--------|-------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Sales, net | \$73,610 | 88,478 | 33,290 | 46,008 |
| Cost of goods sold | 302,804 | 55,278 | 105,893 | \$40,999 |
| Gross profit | \$(229,194) | 33,200 | (72,603) | \$5,009 |

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

For the nine months and three months ending September 30, 2013 and 2012 respectively, the Company generated the following expenses:

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|------------------------------------|-----------|-------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating Expenses | | | | |
| General and administrative | 11,809,418 | 911,643 | 11,262,648 | 609,209 |
| Legal and professional | 290,179 | 737,803 | 61,561 | 182,611 |
| Depreciation and amortization | 17,603 | - | 1,979 | - |
| Loss on settlement of accounts payable- related party | 210,000 | - | 100,400 | - |
| Research and development | - | 90,805 | - | 45,770 |
| Total operating expenses | 12,327,200 | 1,740,251 | 11,426,588 | 837,590 |

The Company's research and development expenses are related to the Company's mining activities in Peru and include exploration on the Company's mining properties but do not include the actual mining expenses. The Company's research and development expense decreased as the Company's focused more assets to mining production and less on general exploration and development of its mining claims. The major increase in general and administrative expenses is related to the fair value of shares issued for services. During the nine months ended September 30, 2013, the Company issued 21,996,500 common shares valued at \$11,395,625.

Liquidity and Capital Resources

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

| | September 30, 2013 | December 31, 2012 |
|---------------------------|--------------------------|-------------------------|
| Current assets | | |
| Cash and cash equivalents | 3,630 | 14,922 |
| Prepaid expense | - | 50,000 |

| | | |
|-----------------------|---------|--------|
| Loan to joint venture | 145,624 | - |
| Total current assets | 149,254 | 64,922 |

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

Loans

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

Asher:

The Company borrowed \$143,500 during the nine months ending September 30, 2013 from Asher. The amount owed at September 30, 2013 was \$135,500 as Asher converted \$147,500 in exchange for shares of our Class A Common Stock.

| Date of Note | Funding Date | Amount of Loan | Funding Date | Remaining Balance |
|--------------|--------------|----------------|--------------|-------------------|
| 1/10/2012 | 1/18/2012 | \$ 32,500 | 7/16/2012 | \$ 0 |
| 2/28/2012 | 3/7/2012 | \$ 32,500 | 9/3/2012 | \$ 0 |
| 4/26/2012 | 5/2/2012 | \$ 47,500 | 10/29/2012 | \$ 0 |
| 6/21/2012 | 6/27/2012 | \$ 32,500 | 12/24/2012 | \$ 0 |
| 8/7/2012 | 8/27/2012 | \$ 32,500 | 2/23/2013 | \$ 0 |
| 8/27/2012 | 9/14/2012 | \$ 32,500 | 3/13/2013 | \$ 0 |
| 10/5/2012 | 10/23/2012 | \$ 32,500 | 4/21/2013 | \$ 0 |
| 12/4/2012 | 12/13/2012 | \$ 32,500 | 6/11/2013 | \$ 0 |
| 2/11/2013 | 2/20/2013 | \$ 78,500 | 8/19/2013 | \$ 70,500 |
| 4/5/2013 | 4/19/2013 | \$ 32,500 | 10/20/2013 | \$ 32,500 |
| 5/13/2013 | 5/17/2013 | \$ 32,500 | 11/17/2013 | \$ 32,500 |

SC Capital Group:

The Company borrowed \$565,450 during the nine months ending September 30, 2013 from SC Capital as part of the Investment Agreement executed with SC Capital. The amount owed at September 30, 2013 was \$262,500.

| Date of Note | Funding Date | Amount of Loan | Remaining Balance |
|--------------|--------------|----------------|-------------------|
| 10/10/2012 | 10/10/2012 | \$ 21,000 | \$ 0 |
| 10/22/2012 | 10/22/2012 | \$ 64,500 | \$ 0 |
| 10/26/2012 | 10/26/2012 | \$ 26,000 | \$ 0 |
| 11/1/2012 | 11/1/2012 | \$ 18,000 | \$ 0 |
| 11/7/2012 | 11/7/2012 | \$ 25,000 | \$ 0 |
| 11/20/2012 | 11/20/2012 | \$ 50,800 | \$ 0 |

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| | | | | | |
|------------|------------|----|--------|----|--------|
| 12/5/2012 | 12/5/2012 | \$ | 3,650 | \$ | 0 |
| 12/27/2012 | 12/27/2012 | \$ | 36,000 | \$ | 0 |
| 1/11/2013 | 1/11/2013 | \$ | 20,500 | \$ | 0 |
| 1/25/2013 | 1/25/2013 | \$ | 20,000 | \$ | 0 |
| 2/1/2013 | 2/1/2013 | \$ | 17,500 | \$ | 0 |
| 2/12/2013 | 2/12/2013 | \$ | 18,500 | \$ | 18,500 |
| 2/19/2013 | 2/19/2013 | \$ | 8,000 | \$ | 8,000 |
| 3/4/2013 | 3/4/2013 | \$ | 23,000 | \$ | 0 |
| 3/7/2013 | 3/7/2013 | \$ | 15,000 | \$ | 15,000 |
| 3/13/2013 | 3/13/2013 | \$ | 9,500 | \$ | 9,500 |
| 4/8/2013 | 4/8/2013 | \$ | 19,000 | \$ | 19,000 |

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| | | | |
|------------|------------|----------|----------|
| 5/3/2013 | 5/3/2013 | \$7,500 | \$7,500 |
| 5/16/2013 | 5/16/2013 | \$15,000 | \$15,000 |
| 5/29/2013 | 5/29/2013 | \$15,000 | \$15,000 |
| 6/5/2013 | 6/5/2013 | \$13,000 | \$13,000 |
| 6/11/2013 | 6/11/2013 | \$21,500 | \$21,500 |
| 6/19/2013 | 6/19/2013 | \$10,000 | \$10,000 |
| 6/26/2013 | 6/26/2013 | \$14,000 | \$14,000 |
| 7/12/2013 | 7/12/2013 | \$7,500 | \$7,500 |
| 7/16/2013 | 7/16/2013 | \$6,000 | \$6,000 |
| 7/25/2013 | 7/25/2013 | \$9,000 | \$9,000 |
| 7/31/2013 | 7/31/2013 | \$12,000 | \$12,000 |
| 8/9/2013 | 8/9/2013 | \$9,000 | \$9,000 |
| 8/16/2013 | 8/16/2013 | \$15,000 | \$15,000 |
| 8/29/2013 | 8/29/2013 | \$15,000 | \$15,000 |
| 10/9/2013 | 10/9/2013 | \$7,500 | \$7,500 |
| 10/11/2013 | 10/11/2013 | \$4,250 | \$4,250 |

Going Concern

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

Accounting and Audit Plan

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

Mining Operations

Peru

The Company currently owns 1,600 hectares and is in the process of completing the transfer of these properties into the Company's wholly owned subsidiary in Peru. The properties include the following projects:

| Name | Area (hectares) | Dept | Province | District |
|--------------|-----------------|--------|-------------------|------------|
| Gorilla | 400 | Loreto | Datem del Maranon | Manseriche |
| Graystone II | 800 | Loreto | Datem del Maranon | Manseriche |
| Graystone IV | 400 | Loreto | Datem del Maranon | Manseriche |

The Company's operations in Peru have focused on its property referred to as Gorilla. In June 2011, the Company acquired the Gorilla Project. The purchase price for the property was \$44,000 USD. The project consists of 400 hectares (one hectares equals 2.47 acres) located in Loreto, Peru (Northern Peru). The Gorilla Project operation involves alluvial mining of gold from the deposits of sand and gravel usually left from modern or ancient stream beds.

In November 2012, the Company has begun initial mining production in Peru for Gorilla. The company was limited in the amount of gold that could be extracted. In January 2013, the Company received a 2-year permit from the Peruvian Ministry of Energy and Mines to conduct full mining operations on its mining properties Gorilla and

Graystone II. The permit required the Company to file the Corrective Environmental Management Instrument by February 5, 2013 and the final Corrective Environmental Management Instrument by the expiration of the 2-year permit. The Company filed the Corrective Environmental Management Instrument on February 5, 2013. The Company expects to submit and file the final Corrective Environmental Management Instrument in approximately 7 months.

Exploration and Bulk Sampling Activities

The Company has completed 2 separate bulk sampling projects on the Gorilla Project. The first was lasted for 23 days and the second lasted 2 days. The bulk sampling was conducted to provide internal numbers to management to determine the feasibility of continuing with the project. In addition to the bulk sampling activities we carried out the following activities:

- Implemented a community relations program to inform local communities of the project and what potential opportunities that may exist for community involvement in the implementation phases of the development program;

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- Acquired equipment for further evaluation and development of resources;
- Set-up an operational base in the project area to continuously review the exploration program and prior experiences gained operating in this difficult terrain;
- Began bulk sampling of the site to assist in mapping the property
- Commissioned a preliminary master plan which indicated the size and scope of our projected operations and areas where more information is required.

The bulk sampling resulted in following data(1):

| | |
|--------------------|--------------------------|
| Gravel Mined: | 135 m3 (apprx. 165 tons) |
| Raw Gold Produced: | 122 grams |
| Raw Gold Grade: | .90g/ m3 |

The Company's mining operations in Peru have generated approximately 240-260 grams per month for the months of June, July, and August. The Company has generated approximately 160 grams through the first 20 days of mining in September. The Company has doubled its production since April 2013 when it produced approximately 130 grams. The Company's operating expenses in Peru exceed the gold produced by approximately \$7,500 - \$15,000 per month. The Company was losing between \$7,500 - \$15,000 in Peru. The company needs to acquire an excavator and additional heavy machinery to remove the layers of clay located on its mining properties before the Company expects to see any significant increase in its mining production in Peru. The Company's operations have completed its current operations and will begin general mining operations once it has secured an excavator for Gorilla. The Company cannot provide a timetable for when that it will be able to acquire the excavator as the Company currently does not have the cash resources to acquire one and will need to raise approximately \$200,000 to acquire the excavator.

Suriname

The Company's Suriname operations are conducted as a joint venture whereby Graystone owns 40% of the joint venture with Arara mining owning 50% and Renard Properties, LLC owning 10%. The Company has entered into 2 new prospecting contracts in Suriname. One is for 200 hectares and the second one if for 2,400 hectares. The joint venture is currently prospecting on the two properties and will enter into long term leases with the property owners if the results of the prospecting are favorable. The terms of these leases typically range from 10%-15% of the gold produced. Each property is owned by a separate company but are adjacent to each other. Pursuant to the prospecting contracts, the joint venture has 6 months of exploration rights with the ability to extend those rights by an additional 6 months.

The Company's joint venture operations in Suriname are currently ahead of schedule. The Company expected the joint venture to continue its general exploration for the next 12 months. However, the Company expects within the next 30 days the joint venture will begin its bulk prospecting phase. The bulk prospecting phase is focusing on an area that can be mined with the current equipment on site. The Company does not have a timetable on how long the bulk prospecting phase is expected to continue.

The Company received the initial lab results from Suriname. The initial tests indicate approximately 4 grams of gold per ton. However, the Company expects recovery rates to be approximately 50% of the lab results.

The Company is currently financing the operations in Suriname through debt financing being provided by Renard Properties, LLC. More information on this is provided under Note 3.

Although the mining operations in Suriname look promising there are a number of risks that the joint venture is facing. These include, but not limited, to: inability to locate a rich gold vein on the properties, insufficient water during the dry season, inability to identify a water source that conforms to environmental plans for the area, cost of trucking pay dirt to a water source for processing, the possibility of not coming to terms with the claim owners, inability to properly fund the project during prospect phase and/or during production, risk of the mining camp could be robbed and risk that the material/gold could be robbed during transport. Additionally, the Company's current cash position is insufficient to cover the expected expenses related to get Suriname's operations into the next phase. If the Company cannot borrow or raise the necessary capital required then the Company may have to sell a piece of its ownership in the joint venture or shut the operations down in Suriname.

Off-balance sheet arrangements

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

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Critical Accounting Policies

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

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

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

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

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

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

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

Management’s Report on Internal Control Over Financial Reporting

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

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

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

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

Identified Material Weakness

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

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

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

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

Management's Remediation Initiatives

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

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

(b) Changes In Internal Control Over Financial Reporting

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

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PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

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

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

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

Non-Related Party

On January 7, 2013, the Company issued 2,089 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$9.00.

On February 28, 2013, the Company issued 1,429 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$10.50.

On March 11, 2013, the Company issued 2,089 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$9.50.

On March 20, 2013, the Company issued 1,875 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$7.50.

On March 27, 2013, the Company issued 2,507 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$7.00.

On April 11, 2013, the Company issued 3,000 shares to SC Capital in exchange for \$22,500 in debt at a price per shares of \$7.50.

On April 24, 2013, the Company issued 2,308 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$6.50.

On April 29, 2013, the Company issued 3,133 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$6.00.

On May 1, 2013, the Company issued 3,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$5.00.

On May 16, 2013, the Company issued 3,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$5.00.

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On May 23, 2013, the Company issued 3,000 shares to SC Capital in exchange for \$15,000 in debt at a price per shares of \$5.00.

On May 31, 2013, the Company issued 5,000 shares to SC Capital in exchange for \$22,500 in debt at a price per shares of \$4.50.

On June 7, 2013, the Company issued 3,000 shares to SC Capital in exchange for \$11,250 in debt at a price per shares of \$3.75.

On June 14, 2013, the Company issued 4,918 shares to Asher Enterprises in exchange for \$15,000 in debt at a price per shares of \$3.05.

On June 17, 2013, the Company issued 5,900 shares to SC Capital in exchange for \$14,750 in debt at a price per shares of \$2.50.

On June 19, 2013, the Company issued 7,094 shares to Asher Enterprises in exchange for \$17,500 in debt at a price per shares of \$2.65.

On July 11, 2013, the Company issued 10,000 shares of its Class A Common stock. SC Capital converted \$12,500 of its note convertible in the amount of \$25,000 from its note dated November 7, 2012. There was \$12,500 remaining on the note. A loss of \$17,500 was recorded.

On July 19, 2013, the Company issued 12,000 shares of its Class A Common stock. SC Capital converted \$12,500 of its note convertible in the amount of \$25,000 from its note dated November 7, 2012. There was \$0 remaining on the note. A loss of \$17,500 was recorded.

On July 30, 2013, the Company issued 12,600 shares of its Class A Common stock. SC Capital converted \$10,000 of its note convertible in the amount of \$50,800 from its note dated November 20, 2012. There was \$40,800 remaining on the note. A loss of \$15,200 was recorded.

On August 8, 2013, the Company issued 34,000 shares of its Class A Common stock. SC Capital converted \$17,000 of its note convertible in the amount of \$23,800 from its note dated November 20, 2012. There was \$23,800 remaining on the note. A loss of \$34,000 was recorded.

On August 30, 2013, the Company issued 40,000 shares of its Class A Common stock. SC Capital converted \$15,000 of its note convertible from its note dated November 20, 2012. There was \$8,800 remaining on the note. A loss of \$5,000 was recorded.

On August 21, 2013, the Company issued 26,667 shares to Asher Enterprises in exchange for \$8,000 in debt at a price per shares of \$3.00.

On August 30, 2013, the Company issued 40,000 shares of its Class A Common stock. SC Capital converted \$8,800 of its note convertible from its note dated November 20, 2012. There was \$0 remaining on the note. A loss of \$11,200 was recorded.

On September 24, 2013, the Company issued 13,500,000 shares of its Class A Common stock. SC Capital converted \$94,000 of its note convertible from its note dated December 27, 2012, January 11, 2013, January 25, 2013 and February 1, 2013. There was \$0 remaining on these 4 notes. A loss of \$5,981,000 was recorded.

Related Party

On March 8, 2013, the Company issued 6,300 of our Class A Common Stock to Renard Properties for services rendered. The price per share was \$15 for \$94,500 in bonus payment for achieving pre-determined mining goals. Our CEO is the managing member of Renard Properties.

On March 8, 2013, the Company issued 6,300 of our Class A Common Stock to our CFO for services rendered. The price per share was \$15 for \$94,500 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 1,000 of our Class A Common Stock to our CFO for services rendered. The price per share was \$14 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 1,000 of our Class A Common Stock to our CEO for services rendered. The price per share was \$14 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On June 19, 2013, the Company issued 37,500 of our Class A Common Stock to our CEO for \$45,000 in debt. The price per share was \$4. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

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On June 19, 2013, the Company issued 37,500 of our Class A Common Stock to our CFO for \$45,000 in debt. The price per share was \$4. The shares are restricted for 24 months from the issuance. A loss of \$105,000 was recorded on the issuance.

On August 7, 2013, the Company issued 30,000 of our Class A Common Stock to JW Group, Inc. for \$30,000 in debt. The price per share was \$1. The shares are restricted for 24 months from the issuance.

On August 7, 2013, the Company issued 30,000 of our Class A Common Stock to our CEO for \$30,000 in debt. The price per share was \$1. The shares are restricted for 24 months from the issuance.

On August 27, 2013, the Company issued 35,000 of our Class A Common Stock to our CFO for \$17,500 in debt. The price per share was \$.50. The shares are restricted for 24 months from the issuance.

On August 27, 2013, the Company issued 35,000 of our Class A Common Stock to our CEO for \$17,500 in debt. The price per share was \$.50. The shares are restricted for 24 months from the issuance.

During the three months ended September 30, 2013, the Company issued 196,250,000 shares to related parties. On November 13, 2013, the Company decided to cancel the shares; as such, the shares were not accounted for as issued and outstanding as of September 30, 2013. The shares were reissued on November 13, 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

The Company has not received any disclosures or other communications regarding any of its mining properties.

ITEM 5. OTHER INFORMATION

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

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ITEM 6. EXHIBITS

| | |
|---------|--|
| 31.1 | Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002 |
| 31.2 | Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002 |
| 32.1 | Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002 |
| 32.2 | Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

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SIGNATURES

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

THE GRAYSTONE COMPANY,
INC.

Date: November 19, 2013

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

Date: November 19, 2013

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