

HUNT GLOBAL RESOURCES, INC.

Form 10-K

March 23, 2012

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2011

Commission File Number: 333-138184

HUNT GLOBAL RESOURCES, INC.  
(Exact name of registrant as specified in its charter)

Colorado	51-0431963
(State or other	(IRS Employer
jurisdiction of	Identification
incorporation)	Number)

24 Waterway, Suite 200, The Woodlands, TX 77380  
(Address of Principal Executive Offices) (Zip Code)

Phone: 281-825-5000 Fax: (281) 676-2067  
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:  
Title of each Class

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Common Stock, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 ☐

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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 (ss. 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One).

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 Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or average bid and asked price of such common equity, as of the last day of the second fiscal quarter was approximately \$58,495,670 as of June 30, 2011.

As of March 15, 2012, the registrant had 89,902,035 shares of Common Stock, no par value per share, outstanding.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
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## PART I

### FORWARD LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Form 10-K are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth, prospects, the market or markets or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- the level of activity in the natural gas and oil industries;
- the demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing;
- federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related regulatory action or litigation affecting our customers’ operations;
  - our rights and ability to mine our properties and our renewal or receipt of the required permits
    - obtaining approvals from governmental authorities and other third parties;
  - our ability to implement our capacity or capacity expansion plans within our current timetable and budget
- our ability to secure off take agreements for our increased production capacity, and the actual operating costs once we have completed the capacity expansion;
  - our ability to succeed in competitive markets;
- increasing costs or a lack of dependability or availability of transportation services or infrastructure;
- increases in the prices of, or interruptions in the supply of, natural gas and electricity, or any other energy sources;
  - our ability to successfully complete acquisitions;
  - our ability to make capital expenditures to maintain, develop and increase our asset base
  - our ability to obtain needed capital or financing on satisfactory terms; substantial indebtedness, and
    - our ability to conclude mining leases on our Minnesota properties
  - our ability to sell or otherwise dispose of our Carbon Green business and asset

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this Form 10-K with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

### ITEM 1. BUSINESS

When we refer to ourselves herein, we are referring to Hunt Global Resources Inc., a Colorado corporation (formerly, Tombstone Technologies, Inc., a Colorado corporation) and its wholly owned subsidiaries (the “Hunt” or the “Company”)

#### History

Tombstone/Hunt Combination - On April 29, 2005, Tombstone Cards, Inc. was incorporated in the State of Colorado. . On January 19, 2010, Tombstone and its wholly owned subsidiary Hunt Acquisition Corp (“Merger Sub”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Hunt Global Resources, Inc., a privately owned Texas corporation (“Hunt” or the “Company”). The Merger Agreement and the acquisition agreed to therein (the “Acquisition”) closed on October 29, 2010. At the closing, Hunt stockholders exchanged 91% of the outstanding shares of Hunt for Tombstone stock and Hunt was merged into Merger Sub, with Hunt as the surviving entity. No Hunt shareholder dissented, however, not all of the remaining 9% shareholders of Hunt tendered their Hunt shares for Tombstone shares. Since there were no Hunt dissenting shareholders, any Hunt shares not tendered lost their status as Hunt shares and became a right to receive Tombstone shares upon tender (whenever that might occur in the future).

The transaction was structured as a reverse merger whereby the shareholders of Hunt were issued Common and Preferred Stock that resulted in ownership of approximately 94.6% of the issued and outstanding stock of Tombstone on a fully diluted as-converted basis. As a result, Hunt stockholders held a controlling interest in the combined company. This transaction resulted in the issuance of Tombstone shares as follows:

- 29,000,000 shares of restricted Tombstone Common Stock to the holders of Hunt Common Stock and Hunt Preferred Stock;
- 123,463 shares of a new Class of Tombstone Class A Convertible Preferred Stock ("Class A Preferred Stock") to certain holders of Hunt Common Stock (having a conversion ratio of one share of Class A Preferred Stock to 208 shares of Common Stock of Hunt);
- 125,000 shares of a new Class of Tombstone Class B Convertible Preferred Stock ("Class B Preferred Stock") to the "Controlling Stockholders" of Hunt Common Stock (having a conversion ratio of one share of Class A Preferred Stock for 248 shares of Common Stock of Hunt); and
- A reserve for issuance of an additional 10,265,999 additional shares of Tombstone Common Stock for the exercise of stock options for 1,689,999 shares of Tombstone Common Stock that have been extended for two years and the exercise of Hunt warrants for 8,576,000 shares of Tombstone Common Stock.

The holders of 7,436,000 shares of Hunt Preferred Stock and warrants to purchase 8,576,000 shares of Hunt Common Stock that were held prior to the reverse merger, were converted into restricted Tombstone Common Stock and Warrants on a one for one basis. The Controlling Stockholders of Hunt (Jewel and Lisa Hunt and George Sharp), converted a substantial portion of their Hunt Common Stock into Tombstone Class B Preferred Stock and will be required to hold such shares for two years unless the Tombstone Common Stock achieves a \$7.00 trading price for 10 consecutive trading days. The remaining shares of outstanding Hunt Common Stock were converted into a combination of Tombstone Common Stock and Class A Preferred Stock on a pro rata basis. The holders of Tombstone Class A Preferred Stock were required to hold such shares for one year unless the Hunt Common Stock achieved a \$3.00 trading price for 10 consecutive trading days. No shares of Preferred Stock have been converted to date.

As a result of this transaction, Tombstone created two additional classes of securities, the Class A Preferred Stock and Class B Preferred Stock. The Class A Preferred Stock has a deemed purchase price of \$10.00 per share, shall rank senior to the Common Stock and all classes of Preferred Stock, bear no dividends, has voting rights of two hundred eight (208) votes for each share and has a liquidation preference of \$10,000 per share. The holders of Class A Preferred Stock will have the right to convert each share for 208 shares of Common Stock should the Common Stock trade at an average price of \$3.00 per share for 10 consecutive trading days or after a period of one year, whichever occurs first. Those conversion restrictions have lapsed. The Class B Preferred Stock has a deemed purchase price of \$10.00 per share, shall rank senior to the Common Stock and all classes of Preferred Stock except the Class A Preferred Stock, bear a dividend of \$0.56 per share on a quarterly basis commencing on January 1, 2011, has voting rights of two hundred forty eight (248) votes for each share and has a liquidation preference of \$10,000 per share. The holders of Class B Preferred Stock will have the right to convert each share for 248 shares of Common Stock should the Common Stock trade at an average price of \$7.00 per share for 10 consecutive trading days or after a period of two years, whichever occurs first.

The acquisition of Hunt under the Merger Agreement was intended to qualify as a tax-free reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended, and was accounted for as a purchase on an accounting basis. The summary of the Merger Agreement set forth above does not purport to be a complete statement of the terms of the Merger Agreement.

Post-Combination Meeting of Stockholders - On January 31, 2011, at the Annual Meeting of Shareholders, the shareholder's of Tombstone voted to approve the certain proposals as follows:

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- Elected three directors: Jewell S. Hunt, Lisa A. Hunt and George T. Sharp. The Board appointed Mr. Hunt as Chairman of the Board of Directors. The Board appointed Ms. Hunt as Executive Co-Chairwoman of the Board of Directors. The Board of Directors appointed Mr. Sharp as the Chief Executive Officer (CEO), Ms. Hunt as the President and Mr. Hunt as the Secretary of the Corporation.
- Amend the Articles of Incorporation of the Company to provide that whenever the vote of shareholders at a meeting thereof is required or permitted to be taken in connection with corporate action, the meeting and vote of shareholders may be dispensed with if shareholders holding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all of the shares entitled to vote thereon were present and voted, consent to such action in writing;
- Amend the Articles of Incorporation of the Company to change the name of the Company to HUNT GLOBAL RESOURCES, INC.;
- Amend the Articles of Incorporation of the Company to provide 500,000,000 authorized shares of our Common Stock;
- Ratify the appointment of Ham, Langston & Brezina LLP as the Company's independent auditor for the fiscal years ending December 31, 2010 and 2011;

Subsequent to the approval of the name change, we changed our OTC Bulletin Board ticker symbol from TMCI.OB to HGCO.OB.

Carbon Green N.A., Inc. (CGNA) Acquisition – On March 2, 2011, we entered into an acquisition agreement (the "Acquisition Agreement") to acquire substantially all of the equity of CGNA in exchange for the issuance of 30,249,256 shares of our Common Stock, 123,675 shares of our Class A Preferred Stock, 123,675 shares of our Class B Preferred Stock, 24,000 warrants to acquire shares of our Class A Preferred Stock at an exercise price of \$208 a share expiring on March 2, 2016, and 38,285 warrants to purchase shares of our Class B Preferred Stock at an exercise price of \$248 a share expiring on March 2, 2016.

On October 13, 2011, we acquired the remaining shares of CGNA common and preferred stock on the same basis as above. The Company acquired the remaining equity interests in CGNA, resulting in CGNA becoming the Company's wholly-owned subsidiary. We issued to certain new stockholders (stockholders in Carbon Green, Inc, the predecessor entity to CGNA) 8,085,443 shares of our Common Stock and warrants to purchase 8,152,900 shares of our Common Stock. In addition, CGNA's largest stockholder returned 24,440 shares of our Class A Preferred Stock and 26,440 shares of our Class B Preferred Stock.

We obtained a valuation of CGNA provided by a valuation expert. It was concluded that the intangible assets of CGNA had a value of \$139.1 million. The remainder of the purchase price was allocated to the other assets and liabilities based on book values which approximated fair values at March 2, 2011. Using the market price of Hunt Common Stock as of the March 2, 2011 acquisition date, the purchase price of the acquisition of Carbon Green would have been in excess of \$300,000,000. Hunt concluded that using the fair value of the assets and liabilities assumed was a more accurate calculation of the value of CGNA versus the market price of the Hunt Common Stock on the date of the acquisition.

We also agreed to issue stock options to persons (of which 15 persons or categories of persons were named in the agreement) who were directors, employees, advisers, vendors and consultants of CGNA to purchase an aggregate of 10,000,000 shares of our Common Stock (stock options to purchase 9,245,000 shares of our Common Stock were designated in the Acquisition Agreement). The options have an exercise price of \$1.00 per share and expire on March 2, 2014. These options commenced vesting on September 1, 2011 and then vest in equal portions over eight quarters. All of these security issuances were or will be unregistered security issuances.

Minnesota Frac-Sand Operation. On May 25, 2011, we entered into an Exclusive Option Agreement ("Minnesota Option") to obtain a 30 year lease or leases, of mining rights to approximately 950 acres of land containing an estimated 90 million tons of Northern White Jordan sand. We believe this type of sand is the highest quality sand that can be converted to "frac sand" and can be used in all types of fracturing of oil and gas deposits including those found in shale type formations. The estimated cost to exercise the Minnesota Option for each of what the Company intends to be three separate leases is \$25 million per lease. The current schedule is that the final mining leases should be executed in the summer of 2012, completion of all necessary mining and environmental permits in the fall of 2012 with construction of mining facilities as defined below to begin in the fall of 2012. Through December 31, 2011 the Company has spent approximately \$2.5 million to: a) advance environmental permits; b) develop the final mining and transportation plans; c) develop the design of frac sand mining and production operations with an aggregate capacity of 2.4 million tons per year; and d) developing the unique specifications for its final frac sand product offerings. We believe based on the extensive geological and product testing, that this is one of the largest finds in the United States and that the geologic mix of types of frac sand is one of the highest quality in the United States. The Company has had extensive testing performed on a numerous "core samples", which have been tested by industry third party testing laboratories and believes that the sand present in the deposit meets or exceeds industry API (American Petroleum Institute) standards.

In December 2011, we internally assessed our strategic direction and concluded we would focus our efforts on the frac sand business and exit the tire recycling and biofuels businesses. As a result, we are attempting to sell assets associated with these discontinued operations. The assets of the biofuels are not considered material. We plan to use any proceeds (along with additional capital we plan to raise) to exercise the Minnesota Option discussed above and to



commence construction of the related sand processing facilities.

#### Recent Events

Subsequent to December 31, 2011, the following significant events have occurred:

- On February 8, 2012, we made significant changes to our Board of Directors and management of the Company. The changes were the result of a Strategic Review of the Company in December 2011 and January 2012 and are part of a new plan to prepare for significant future growth that we believe may be possible beginning with the receipt of the necessary permits to mine for frac sand in Minnesota and refocusing the Company on the frac sand business. In order to maximize this potential, the Company is taking the necessary steps now to provide the level of corporate governance that is expected from a first tier public company. These steps include among other things: hiring managers that have a high level of expertise and experience in the oil field service business and board members that are independent and experienced in advising public companies. To initiate that plan: Joseph S. Compofelice was hired as President of the Company. He will be appointed to the Board of Directors prior to March 31, 2012. Manfred Sternberg was appointed to the Board Of Directors. Lisa A. Hunt, Jewel S. Hunt V and Michael P. Horne resigned from the Board of Directors. George T. Sharp was appointed the Chairman of the Board of Directors. Mr. Sharp continues as CEO and Mr. Horne as CFO of the Company. The Company will be announcing further additions to the executive team in the coming months.

- In February 2012, we completed a private placement of \$3.0 million of Secured Short Term Notes (“Secured Notes”) with a group of investors. The Secured Notes have a term of six months, bear interest at a rate of 10% per annum with a premium payment of between 5% of the face amount and 10% of the face amount if paid off early. Concurrent with the closing of the Secured Notes, Lisa and Jewel Hunt surrendered 3,000,000 shares of our Common Stock to the Company which upon receipt became treasury stock. At the same time, the Company issued to the Secured Note holders 3,000,000 shares of our Common Stock in the proportion of one (1) share of our Common Stock for each \$1 of the Secured Notes. The proceeds will fund working capital for 2012.
- As of January 31, 2012, the license agreement between Hunt and Carbon Green International (“CGI”) required a \$3.5 million license extension payment by CGI. CGI is owned by John Novak, a significant shareholder in the Company. On May 29, 2011, the Company issued to Thunderlight International LTD (“Thunderlight”), a 180 day promissory note for \$2,000,000, bearing interest at 10% per year, with principal and interest due at maturity. Thunderlight is owned by John Novak, a significant shareholder in the Company. The proceeds from the loan were used to fund the Company’s obligations associated with the Minnesota Option discussed above. During the year Thunderlight made additional advances to the Company totaling \$674,116, which were used for working capital and other corporate purposes. The Company is in the process of negotiating an arrangement with CGI and Thunderlight addressing the license extension payment and repayment of the note and advances.

#### Description of Business – Continuing Operations

Hunt (OTCBB:HGCO.OB) is a natural resource company focusing on the development and production of frac” sands, which is an essential component of the production of oil and gas, especially the production of oil and gas from unconventional” shales. The primary assets of the Company include (1) the Minnesota Option to acquire the mining rights to approximately 950 acres of land containing an estimated 90 million tons of Northern Jordan White sand reserves in Minnesota, which is considered the premier raw sand in the “frac sand” industry and (2) the mining rights to 350 acres in Conroe, Texas, containing frac sand deposits of approximately 21 million tons and an additional 20 million tons of sand for other industrial uses. The technical specification for Northern Jordan White sand contained in the Minnesota property are substantially higher than for the deposits on the Texas property and therefore are expected to have substantially more economic value.

**Minnesota Frac-Sand Operation.** We believe that the most valuable asset we have is the Minnesota Option which is an exclusive right to enter into a 30 year mineral lease or leases in Merriam Junction, Minnesota. We anticipate there will be three leases, each of which will require a \$25 million upfront payment upon execution of the lease agreement. We plan to execute these leases in 2012. The land associated with the mineral leases consists of 950 acres currently owned by three different owners. The owners have been in the limestone mining business for more than 70 years, mining limestone from the property which is predominately sold into the “aggregate” market for infrastructure and other construction applications. The mining rights to which the Company has the exclusive right to lease, is principally to mine Northern White Jordan frac sand, which is used in oil and gas production from unconventional shale reserves in the United States and Canada. Northern White Sand is principally found beneath limestone deposits. At the present time, approximately 60% of the limestone overburden (the limestone base over the sand deposit) has been removed, which significantly lowers the cost of mining frac sand. Also the frac sand deposits are at the level of or lower than the water table, which permits recovery of the sand by dredging, which is also lower cost than the alternative methods of mining. The Company intends to start frac sand mining at the first of the three lease properties, which has 100% of the overburden removed. The owners of the property will be entitled to a 12.5% royalty on all revenues generated from the sale of these sand reserves.

We believe the Minnesota deposit contains an estimated 90 million tons of reserves that can be processed to meet American Petroleum Institute (“API”) frac sand size specifications. We expect to be able, upon completion of two sand processing plants, to aggregate 2.4 million tons of production capacity in Minnesota, to produce a wide range of frac sand sizes. We believe that due to a combination of these favorable attributes and robust drilling activity in the oil and natural gas industry, we can become a preferred commercial silica supplier to customers in the oil and gas proppants

end market. Our Minnesota deposits are in close proximity (less than 500 miles) from one of the largest, higher pressure unconventional shale basins in the United State, commonly referred to as the “Bakken”. Higher pressure oil and gas wells are larger users of the Northern Jordan White sand than wells with lower pressures. The trends in the unconventional shale drilling business has been towards high pressure wells (that generally come from deeper drilling), more lateral sections per vertical well and an increase in the number of “frac” stages per well. Each of these trends is the result of substantial advances in drilling and hydraulic frac technology and each result in increase in the demand for frac sand, especially Northern Jordan White sand. Estimates of reserves are of recoverable stone, sand and gravel of suitable quality for economic extraction, are based on the following information we have accumulated regarding the mining sites:

- 2012 reserve report prepared by an independent frac sand engineering company that estimated frac sand reserves of 90 million tons.
- Extensive reserve coring has been completed and the deposit has been shown that all the deposit is Jordan white frac sand with the majority being coarse material with higher than normal crush properties. The Company believes that this concentration of what the industry considers coarse material will enable it to differentiate itself from its competition
- Since a portion of the 950 acre deposit site has been and will continue to be an active limestone mining site, the site has substantially all of the infrastructure, energy and rail transportation facility in place. The Company does however expect to spend a portion of the capital it intends to raise for further rail and handling facilities to match the production processes of the sand operations.

The Minnesota reserves have been quantified by computing dimensions revealed by drill data, together with other direct and measurable observations such as outcrops, trenches and quarry faces; the grade and/or quality are computed from the results of detailed sampling; and the sampling and measurement data are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

We believe that the Minnesota deposit has a broad and high-quality mineral reserve based (as described above) on the presence of "Jordan" type Northern White Frac Sand, the strategic location of the mine and expected processing facilities. "Reserves" are defined as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are divided between "proven (measured) reserves" and "probable (indicated) reserves" which are defined as follows:

- Proven (measured) reserves: Reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quantity are computed from the results of detailed samplings and (2) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- Probable (indicated) reserves: Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the site for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

We categorize our reserves as proven or probable in accordance with industry guide definitions. We estimate that we had a total of approximately 90 million tons of proven reserves of Jordan type Northern White frac sand and 21 million tons of probable reserves of other sands as of December 31, 2011. The quantity and nature of the mineral reserves at each of our two properties are estimated by third party geologists and mining engineering firms. In April 2012, we will review these estimates with an independent firm that specializes in estimating sand reserves and an additional independent third party.

Texas Sand Operations - Hunt has leased the mining rights to 350 acres of land northwest of Houston for a 20 year period. All of the sand and gravel is contained from the surface to a depth of fifty feet; the mining process is "surface mining" that uses a dredging technique, utilizing water and industrial vacuums to extract the material. Permits required in the state of Texas for this type of mining have been obtained. A 10% royalty based on the gross revenues derived from the aggregates extracted from the leased property is due upon commencement of production. The mineral lease does not provide for a minimum annual royalty.

Our current estimate of proven aggregates reserves is approximately 41 million tons for the Texas lease. It is estimated that 20 tons of the Texas lease is of frac sand quality. Estimates of reserves are of recoverable stone, sand and gravel of suitable quality for economic extraction, are based on the following information we have accumulated regarding the mining sites:

- A geotechnical review and analysis was performed in 2006 by an independent infrastructure firm to help determine the economic viability of mining sand and gravel reserves at our mining site. The review and analysis was updated in December 2010.
  - Testing and evaluation was performed in 2008 and 2009.
  - Further core sampling, testing and evaluation are being conducted in the summer of 2012.

Plant Design and Systems Competitive Advantage - Our plants have not been constructed as of the date of this report. The planned design of our plants provides benefits to our Company. The process uses a hydraulic classification that allows maximum yield to sellable product with minimal waste and allows for the processing of two or more sands at one time (versus older classifying tank technology that limits production to two products simultaneously). This newer type of technology operates with fewer moving parts and yielding lower maintenance

costs.

This proprietary software technology is designed to control the operations of the plant. The system allows for the control of the plant to produce custom blended orders based on customer requirements, and it allows for each type of product to be handled only once. The Company's market plan expects to take advantage of the ability to produce custom blended products from the Minnesota deposit that it intends to brand.

Fracturing Sand - Fracturing or "fracing" is a process where a solution--made up primarily of sand and water--is injected into a well to open and maintain fractures in the oil or natural gas bearing rock. These fractures allow for the increased flow of oil or gas out of the formation, thus maximizing production. Fracing has been used on roughly 90 percent of all wells in operation today; it accounts for 30% of domestic recoverable oil and natural gas. The raw sand used for fracing is mined and not manufactured, and the supply is limited in the United States. Additionally, when raw frac sand is resin coated, its value and demand significantly increase because the resin coating dramatically strengthens each grain, and this resistance to crushing prevents loss of permeability in fractures. Laboratory testing of Hunt's raw frac sand has shown the potential for coating our product with a high-strength resin. This added feature dramatically increases the frac sand product's market value and the Company intends to sell to resin coating companies.

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Market Assessment - We believe the trends are favorable for execution of our business plan for the following reasons, (1) the growth in the production of hydrocarbons from the vast unconventional shale reserves in the United States has the potential to material reduce the need for imported hydrocarbons; (2) the trend within the growing frac sand market toward, among other factors, is toward deep wells, higher pressures and more frac stages per well all contribute to higher frac sand demand; (3) the demand for frac sand at the large shale oil and gas extraction fields located in Texas, North and South Dakota, and Northeastern US and Canada makes the Companies prime deposits in Minnesota competitive from a total delivered value point of view, (4) and (4) supply for the high valued Northern Jordon White deposits are limited in quantity, have high cost barriers to entry and require significant time and effort to obtain the necessary mining and other environmental permits required. . We have therefore concluded there can be a significant growth opportunity for frac sand mining and production. ..

Early History of Hunt - The leased mining site property in Texas began business operations in 1860. In December 2008, the owners leased the surface mining rights to 350 acres of land to a newly formed company, Hunt Global Resources, Inc., a then new, privately owned Texas corporation. As part of ascertaining the "highest and best use" of the land, engineering and environmental reports were prepared. As a result of those efforts, it was determined that:

- The property can supply sand and concrete gravel for the highway and building industries and it can also supply frac sand for the oil and gas industry. The material is contained from the surface to a depth of fifty feet; the mining process is "surface mining" which uses a dredging technique, utilizing water and industrial vacuums to extract the material.
- The process is less expensive than other mining processes, and all the permits that are required in the state of Texas for this type of mining have been obtained

#### Applications for Sand Reserves

The primary use of the high quality sand reserves held by Hunt is in the oil and gas production business. Hunt has access to an estimated 111 million tons of sand reserves that can be used as proppant, or "frac sand"(from its Texas lease and Minnesota Option). This frac sand is pumped down holes in deep well applications to prop open rock fissures and increase the flow rate of natural gas or oil. In this specialized application round, whole grain deposits are used to maximize permeability and prevent formation cuttings from entering the well bore. Silica's hardness and its overall structural integrity combine to deliver the required crush resistance of the high pressures present in wells up to 10,000 feet deep. Silica's chemical purity is required to resist chemical attack in corrosive environments.

Frac sand is used in the oil and gas industry as a part of a fracturing process to improve production. It is pumped into the well during the fracturing operation, carried along with the fluid into the fracture, and will remain in the fracture when the pressure is removed, keeping the fracture propped open and allowing an effective means by which oil can flow. Tests concluded that our frac sand product falls into various quality ranges currently selling for \$40 - \$120 per ton. Since frac sand is mined and not manufactured, the supply is limited and demand is predicted to remain strong into the future.

Other uses of the remaining 20 million tons of Hunt sand reserves in Texas and a portion of the deposit in Minnesota can also be used in the following industries:

Glassmaking - Silica sand is the primary component of all types of standard and specialty glass.

Metal Casting - Industrial sand is an essential part of the ferrous and non-ferrous foundry industry.

Building Products - Industrial sand is the primary component in a variety of building and construction products.

Metallurgical - Industrial sand plays a critical role in the production of a variety of ferrous and non-ferrous metals.

Chemical Production - Silicon-based chemicals.

Paint and Coatings - Paint formulators select micron-sized sands to improve the appearance and durability

Ceramics and Refractories - Ground silica is an essential component of the glaze and body formulations.

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Filtration and Water Production - Industrial sand is used in the filtration of drinking water,

Recreational Sand – Various qualities of sand are used in sports and recreation.

#### Energy Industry Market for Hunt Frac Sand Products

The market for frac sand is estimated to expand by 75% over the next five years driven by the expansion in North American of drilling for oil and natural gas in unconventional shale formations. Major oil and natural gas shale formations have been discovered and are being developed in Texas (Eagle Ford, Barnett, Woodford), North Dakota (Bakken), Louisiana/Arkansas (Haynesville/Fayetteville), New York/Pennsylvania (Marcellus, Utica), Colorado/Wyoming (Baxter/Mancos) and Canada. Although natural gas prices are depressed, crude oil prices and prices for natural gas liquids are at a historically high average and are expected to maintain high levels for some time. We believe that demand for coarse frac sand material will exceed supply for the next several years.

#### Industry Environmental and other Governmental Regulation

Our operations are subject to federal, state and local laws and regulations relating to the environment and to health and safety, including noise, water discharge, air quality, dust control, zoning and permitting. We may be required by state and local regulations or contractual obligations to reclaim our former mining sites. These reclamation liabilities will be recorded in our financial statements as a liability at the time the obligation arises. The fair value of such obligations is capitalized and depreciated over the estimated useful life of the owned or leased site. The liability is accreted through charges to operating expenses. To determine the fair value, we will estimate the cost for a third party to perform the legally required reclamation, adjusted for inflation and risk and including a reasonable profit margin. All reclamation obligations will be reviewed at least annually. Reclaimed quarries often have potential for use in commercial or residential development or as reservoirs or landfills. However, no projected cash flows from these anticipated uses will be considered to offset or reduce the estimated reclamation liability.

#### Competition for Hunt Products

Prime competitors to Hunt in the frac sand business are:

- Unimin- Seven frac mines in Minnesota, Wisconsin, Missouri, Arkansas and Oklahoma with frac sand capacity of over 7 million tons per year
  - Badger – Frac mines in Wisconsin with frac sand capacity of over 4 million tons per year
  - Fairmount –Frac mines in Wisconsin with frac sand capacity of over 2 million tons per year.
- U.S Silica – Frac mines in Illinois, Oklahoma and Missouri with frac sand capacity of 1 million tons per year.
- Potentially a number of smaller less well capitalized new competitors for the type of frac sand at our Texas property

#### Funding of the Revised Hunt Business Plan

To date Hunt has been funded its operations via a combination of private debt and equity. Since early 2009, we have raised approximately \$15 million in equity transactions from the sale of Common Stock, Preferred Stock and Warrants and proceeds from various debt instruments. Hunt has also issued equity in exchange for services and forgiveness of debt and interest. Hunt management has successfully raised capital in the past and believes it will be able to continue to raise additional capital in the future based on the assets of Hunt. In order to augment our capital raising efforts and help with growth planning Hunt has contracted the services of a national investment banking firm. We believe the estimated 111 million tons of frac sand quality reserves as well as 20 million tons of industrial quality sand coupled with our focused business plan, will allow us to raise capital on more favorable terms in the future. All capital we raise in the future will be used for the acquisition, development and operation of facilities needed to mine the aggregate reserves from the Texas and Minnesota leases.



With the proposed sale of Carbon Green, we expect to use all of the cash proceeds from sale of Carbon Green to complement our fund raising efforts. We plan to use this cash along with additional capital we plan to raise to exercise the Minnesota leasing option, obtain all of the necessary environmental permits to 90 million tons of frac sand quality reserves and begin construction of the first mining operation with 2.4 million tons of capacity in Minnesota. Upon completion of these transactions, we will have under lease approximately 131 million tons of sand, 111 million tons of which we believe is frac sand quality. As a result, we believe that once we complete construction of mining and production facilities at our Texas and Minnesota leases, we will be positioned to become one of the largest providers of frac sand in the United States.

#### Description of Business – Discontinued Operations

Momentum Biofuels, Inc. - On August 21, 2009, Hunt acquired Momentum Biofuels, which included biofuel assets of \$1,010,000, \$965,000 in debt, approximately \$600,000 in future lease obligations, and \$45,000 accrued interest payable on certain debt in exchange for Momentum stock. The Company further agreed to assume other Momentum's obligations. Further, Hunt entered into a License Agreement with Momentum, which provided that in exchange for a grant of a license to use, improve, sublicense and commercialize the intellectual property described in the Agreement, in exchange for an agreement by Hunt to pay to Momentum, a royalty of 3% of the gross and collected revenue received by Hunt from the sale of bio-diesel and related products and from revenues received by Hunt from its proposed commercial sand business. Momentum assigned its rights to receive the royalty from Hunt as described in the License Agreement to its parent, (Momentum-Colorado) in exchange for common shares of Momentum-Colorado equal to 39% of the issued and outstanding stock at such date, or 40,000,000 shares, whichever sum is greater to be issued to Hunt. Such shares were to be issued by Momentum-Colorado as fully paid, non-assessable and subject to a non dilution agreement in favor of Hunt.

As a result of the Momentum transaction, Hunt created a subsidiary, Hunt BioSolutions, Inc. to hold and operate the bio-fuels business. Recently, we have decided to exit the biofuels business because of the high cost of feedstock and the U.S. government's decision to stop providing credit for the biofuels business. As a result, operations associated with Hunt BioSolutions, Inc. and related assets held by Hunt Global Resources, Inc. have been separately disclosed as discontinued operations. The sale of the asset is in final negotiations, management expects to sell the assets and technology associated with this business. We will use the proceeds associated with this sale to pay all remaining financial obligations associated with this business.

Carbon Green NA, Inc. – The principal CGNA asset we acquired was the tire recycling technology that included an operating tire recycling plant, license agreements and 4 patents in 48 countries at a pending status for a method of recycling 100% of scrap tires with a near zero carbon footprint (the “Carbon Green System”). The Carbon Green System was created during a five year span of time developing, testing, applications for patents, patenting, designing and building a fully operational system that breaks down, separates and recycles 100% of scrap tires into reusable materials. The operating plant is located in the nation of Cyprus and management believes is currently the world's largest commercially operating “pyrolysis” plant. Pyrolysis is defined as heating at a high temperature in the absence of oxygen.

During the course of 2011, we had anticipated we would receive up to \$60 million in royalty and licensing revenue associated with this technology. In late 2011 we had revised these revenues to be approximately \$20 million. To date, we have received no royalty and licensing revenue. Various factors caused licensees to defer or elect not to make these milestone payments, including the degrading economy in Europe and the overall slow economy worldwide. As a result of the lack of a royalty and licensing revenue stream along with the substantial capital we believe is necessary to develop the business model we have elected to exit this business. These developments have caused us to make a detailed analysis of the current fair value of the CGNA assets and technology. As a result, we recorded a \$101.6 million writedown of the CGNA assets at December 31, 2011.

## ITEM 1A. RISK FACTORS

An investment in our Common Stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our Common Stock could decline, and you may lose all or part of your investment. You should read the section entitled “Special Note Regarding Forward-Looking Statements” above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

### RISKS RELATED TO OUR FINANCIAL CONDITION

We have limited cash resources, an accumulated deficit, are not currently profitable and expect to incur significant expenses in the near future.

As of December 31, 2011, we had a working capital deficit of \$12.3 million. We have incurred a substantial net loss for the period from our inception in December 1, 2008 to December 31, 2011, and are currently experiencing negative cash flow. We expect to continue to experience negative cash flow and operating losses through end of 2013 and possibly thereafter. As a result, we will need to raise significant amounts of capital in order to: a) fund the minimum payments due upon the signing of the Minnesota leases and issuance of the final environmental permits required; b) construction of the sand processing facilities in Minnesota; c) working capital to arrange for logistics, distribution and marketing plans. There can be no assurance that the Company will be able to raise such funds, raise such funds at a favorable cost of capital or raise such funds in sufficient time.

There is substantial doubt about our ability to continue as a going concern.

To date, we have not yet achieved profitable operations and expect to incur losses in the development of our business. Accordingly, our independent registered public accounting firm has indicated in its report on our consolidated financial statements, as of December 31, 2011, that there exists substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management's plan to address our ability to continue as a going concern includes obtaining debt or equity funding from private placement or institutional sources or obtaining loans from financial institutions, where possible. Although management believes that it will be able to obtain the necessary funding to allow us to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

We may fail to become and remain profitable or we may be unable to fund our continuing losses, in which case our business may fail.

We are focused on the development of our intangible leasehold asset and have not generated any revenue to date. We do not believe we will begin earning revenues from operations until late 2012 at the earliest as we transition from a development stage company. We have incurred operating losses since our inception. Based on income statement included herein, our net loss from continuing operations for the year ended December 31, 2010 was \$5.3 million and our net loss from continuing operations for the year ended December 31, 2011 was \$18.5 million.

We will be required to raise additional capital to fund our operations. If we cannot raise needed additional capital in the future, we will be required to cease operations.

Based on our current plans, we will need additional financial resources to meet our operating expenses and capital requirements. We plan to seek additional funding through third party debt financing and private placement offerings of our public securities. You should be aware that in the future: