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WCM CAPITAL INC  
Form 10QSB/A  
January 14, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSBA

Quarterly Report Under Section 13 or 15 (d) of  
the Securities Exchange Act of 1934

For the Quarter Ended March 31, 2001

Commission File No. 0-9416

WCM CAPITAL, INC.  
(FORMERLY FRANKLIN CONSOLIDATED MINING CO., INC.)  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
incorporation or organization)

#13-2879202  
(I.R.S. Employer  
Identification No.)

P.O. Box 344, Millburn, New Jersey  
(Address of Principal Executive Offices)

07041  
(Zip Code)

Registrant's Telephone Number, Including Area code

(212) 344-2828

The Number of Shares Outstanding of Common Stock  
\$.01 Par Value, at March 31, 2001

1,318,767(1)

(1) Includes 169,750 shares and 153,690 shares issued to Richard Brannon and Joseph Laura in May, 2000 and thereafter rescinded in December, 2000.

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

WCM CAPITAL INC.

FINANCIAL STATEMENTS

THREE MONTH PERIOD MARCH 31, 2001 AND 2000

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### ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
WCM CAPITAL, INC.  
Millburn, New Jersey

We have reviewed the accompanying Balance Sheet of WCM Capital, Inc. as of March 31, 2001 and the related Statement of Operations and Cash Flows for the three months then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of WCM Capital Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review we are not aware of any material modifications that should be made to the March 31, 2001 financial statements in order for them to be in conformity with generally accepted accounting principles with the following exceptions.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company is an exploration stage enterprise whose operations have generated recurring losses and cash flow deficiencies from inception, and as of March 31, 2001, has a substantial working capital deficiency. As a result, it was in default with respect to payments on several notes and convertible debentures and is wholly dependent on outside funding to finance current operations. Such matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The financial statements for WCM Capital, Inc. for the period ended MARCH 31, 2000 were reviewed by other accountants. Therefore, we do not make any representation or assurance about them.

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IWA FINANCIAL CONSULTING LLC

December 11, 2001

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WCM CAPITAL INC.  
(An Exploration Stage Company)

BALANCE SHEETS

ASSETS

	March 31,	
	2001	2000
	-----	-----
Property and equipment - at cost	\$ --	525,000
Less: Accumulated depreciation and amortization	--	--
	-----	-----
Net property and equipment	--	525,000
	-----	-----
Other assets -		
Mining reclamation bonds	140,455	137,701
	-----	-----
Total	\$140,455	662,701
	=====	=====

See auditors' report and notes to financial statements

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WCM CAPITAL INC.  
(An Exploration Stage Company)

BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31,	
	2001	2000
	-----	-----
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,848,573	699,289
Payroll and other taxes	29,960	

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Convertible debentures	145,000	145,000
Notes payable:		
Related companies and others	297,029	218,965
U.S. Mining Inc. - related company	31,901	1,627,438
	-----	-----
Total current liabilities	2,322,503	2,720,652
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01 per share; 40,000,000 shares authorized; 1,318,767 shares issued and outstanding	13,188	13,188
Additional paid-in capital	18,390,360	18,390,360
Deficit accumulated during the exploration stage	(20,585,596)	(20,461,499)
	-----	-----
Total stockholders' equity	(2,182,048)	(2,057,951)
	-----	-----
Total	\$ 140,455	662,701
	=====	=====

See auditors' report and notes to financial statements.

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WCM CAPITAL INC.  
(An Exploration Stage Company)

STATEMENT OF OPERATIONS

	Three Months Ended		Cumul
	March 31,		Decem
	2001	2000	19
	-----	-----	(Ince
			thr
			Marc
			20
	-----	-----	-----
Revenues:			
Sales	\$ --	--	87
Interest income	700	685	55
Forgiveness of debt	--	--	1,76
Other income	--	--	7
	-----	-----	-----
Total	700	685	3,27
	-----	-----	-----
Expenses:			
Mine expenses and environmental remediation costs	--	480	3,66
Write down of inventories	--	--	22
Loss on sale/write down of mining, milling and			

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other property and equipment	--	6,638,901	
Depreciation and depletion	--	--	1,91
General and administrative	40,911	126,768	7,71
Interest	15,280	40,137	1,54
Amortization of debt issuance	--	683,047	
Loss on settlement of litigation	--	--	10
Loss on sale of property	--	--	22
Equity in net loss and settlement of claims of Joint Venture	--	1,059,971	
Other	--	--	9
	-----	-----	-----
Total	56,191	167,385	23,86
	-----	-----	-----
Net loss	\$ (55,491)	(166,700)	(20,58)
	=====	=====	=====
Loss per common share	\$ (0.04)	(0.13)	
	=====	=====	
Weighted average shares outstanding	1,318,767	1,318,767	
	=====	=====	

See auditors' report and notes to financial statements.

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WCM CAPITAL INC.  
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (55,491)	(166,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and depletion	--	--
Forgiveness of debt	--	--
Provision for uncollectible account	--	--
Write down of mining, milling and the other property and equipment	--	--
Amortization of debt issuance expense	--	--
Loss on sale of equipment	--	--
Value of common stock issued for:		
Services and interest	--	--
Settlement of:		
Litigation	--	--

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Claims by joint venture partner	--	--
Compensation resulting from stock options granted	--	--
Value of stock options granted for services	--	--
Equity in net loss of joint venture	--	--
Other	--	--
Changes in operating assets and liabilities:		
Interest accrued on mining reclamation bonds	(699)	(685)
Accounts payable and accrued expenses	24,289	10,240
Payroll and other taxes	--	--
	-----	-----
Net cash used in operating activities	(31,901)	(157,145)
	-----	-----
Cash flows from investing activities:		
Purchases and additions to mining, milling and other property and equipment	--	--
Purchases of mining reclamation bonds, net	--	--
Deferred mine development costs and other expenses	--	--
	-----	-----
Net cash used in investing activities	--	--
	-----	-----

See auditors' report and notes to financial statements.

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WCM CAPITAL INC.  
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Three Months Ended		Cumulat
	March 31,		December
	2001	2000	1977
			(incepti
			through
			March 3
			2001
	-----	-----	-----
Cash flows from financing activities:			
Issuance of:			
Common stock	\$ --	--	8,758,
Underwriter's stock warrants	--	--	
Commissions on sales of common stock	--	--	(381,
Purchases of treasury stock	--	--	(12,
Payments:			
Deferred underwriting costs	--	--	(63,
Debt issuance expenses	--	--	(164,
Repayments:			
Other notes and loan payables	--	--	(120,
Loans from affiliate	--	--	(48,
Proceeds:			
Exercise of stock options	--	--	306,
Advances from joint venture partner	--	--	526,
Other notes and loans payable	31,901	157,145	2,290,
Loans from affiliate	--	--	55,

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Issuance of convertible debentures and notes	--	--	1,505,
Advances to joint venture partner	--	--	(181,
	-----	-----	-----
Net cash provided by financing activities	31,901	157,145	12,470,
	-----	-----	-----
Increase (decrease) in cash	--	--	
Cash Beginning	--	--	
	-----	-----	-----
Cash Ending	\$ --	--	
	=====	=====	=====
Supplemental disclosure of cash flow data -			
Interest paid	\$ --	--	299,
	=====	=====	=====

See auditors' report and notes to financial statements.

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WCM CAPITAL INC.  
(An EXPLORATION STAGE ENTERPRISE)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

NOTE A - BASIS OF PRESENTATION/GOING CONCERN UNCERTAINTY:

The accompanying financial statements have been prepared assuming WCM Capital Inc. (The "Company") will continue as a going concern. However, the Company has had recurring losses and cash flow deficiencies since inception. As of March 31, 2001 and 2000, the Company did not have any cash balances, an accumulated deficit of \$20,585,596 and \$20,461,499, respectively, and current liabilities of \$2,322,503 and \$2,720,652, respectively, and a working capital deficiency of \$2,322,503 and \$2,720,652, respectively. The Company was in default on the payment of the principal balances and accrued interest on certain notes and debentures (Notes D, E and F). In addition to the payable of its current liabilities, management estimates that the Company will incur general, administrative, and other costs and expenditures, exclusive of any costs and expenditures related to any mining and milling operations or environmental matters (Note Gb), at a rate of approximately \$25,000 per quarter during the year 2001 as based upon the year 2000 actual costs. Actual relative expenses thereto have been \$4,000 a quarter. Such matters raise substantial doubt as to the Company's ability to continue as a going concern.

U.S. Mining Co. (USM) has verbally pledged to provide financing to the Company on an as needed basis through March 31, 2001. The funds covered general, administrative and other costs. Additional funds would be needed to support the extraction and milling processes if they commenced, and to upgrade the processing facilities to allow for a possible increase in ore processing capacity.

There is no assurance that the Company will have adequate funds available to repay the funds advanced by USM. In the event the Company defaults on these obligations, USM could file suit for recovery of advances. Such

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actions would have a materially adverse effect on the possible future operations of the Company.

Substantially all of the plant and equipment is related to exploration properties. The ultimate realization of the Company's investment in such properties and equipment is dependent upon the success of future property sales, the existence of economically recoverable reserves, the ability of the Company to obtain financing or make other arrangements for development and future profitable production. Accordingly, it has been determined that these assets will not realize any future profitable production, therefore, with the exception of the Gold Hill Mill, as noted in Note B and C, substantially all other assets have been written off as impaired.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

The Company (formerly Franklin Consolidated Mining Co., Inc.), incorporated on December 1, 1976 under the laws of the State of Delaware, was formed to engage in the exploration, development and mining of precious and non-ferrous metals, including gold, silver, lead, copper and zinc. The Company owns or has an interest in a number of precious and non-ferrous metal properties. The Company's principal mining properties are (i) the Franklin Mines, located near Idaho Springs in Clear Creek County, Colorado, for which the Company acquired the exclusive right to explore, develop, mine, and extract all minerals located in approximately 51 mining claims of which 28 are patented (Franklin Mines) and (ii) the Franklin Mill, a crushing and flotation mill which is located on the site of the Franklin Mines (Franklin Mill). The Company is an exploration stage enterprise, as it did not generate any significant revenues through March 31, 2001.

Accounting Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

Mining, Milling and Other Property and Equipment:

Recorded at costs incurred to acquire, improve and develop mining and milling properties capitalized and amortized in relation to the production of estimated reserves. Exploration costs and costs to maintain the mineral rights and leases are expensed as incurred. Management periodically reviews the recoverability of the capitalized mineral properties and mining equipment and takes into consideration various information including, but not limited to, historical production records taken from previous mine operations, results of exploration activities conducted to date, estimated future prices and reports and opinions of outside geologists, mine



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engineers, and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Post-closure reclamation and site restoration costs are estimated based upon environmental and regulatory requirements and are amortized over the life of the mine using the units-of-production method. Current expenditures relating to ongoing environmental and reclamation programs are expenses as incurred.

Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets:

The company has adopted the provisions of FASB Statement of Financial Accounting Standards No. 121, "Accounting of the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121). Under SFAS 121, impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. The Company, due to certain restrictions associated with milling operations, sold the Gold Hill Mill Properties on June 5, 1998 in exchange for property and equipment with a market value of \$725,000 and a 14% note receivable of \$350,000. As of December 31, 1998, this note was voided and a \$200,000 impairment loss was taken against the \$725,000 of equipment acquired. As of December 31, 2000, the Company determined that the recoverability of the carrying amount of the equipment was uncertain; therefore, the remaining cost of the equipment was impaired in the amount of \$525,000. All other property and equipment were considered impaired as of December 31, 1997, for a total impairment loss of \$5,913,901.

Revenue Recognition:

Revenues, if any, from the possible sales of mineral concentrates will be recognized by the Company only upon receipt of final settlement funds from the smelter.

Environmental Remediation Costs:

Accrued based on estimates of known environmental remediation exposures. Ongoing environmental compliance costs, including maintenance and monitoring costs are expensed as incurred.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### Income Taxes:

Deferred income taxes are to be provided on transactions, which are reported in the financial statements in different periods than for income tax purposes. The Company utilized Financial Accounting Board Statement No. 109, "Accounting for Income Taxes," ("SFAS 109"). SFAS 109 requires recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized (Note H).

#### Loss Per Common Share:

The Company has adopted SFAS 128 "Earnings Per Share" ("SFAS 128"), which requires the presentation of "basic" and "diluted" earnings per share on the face of the income statement. Loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during each period. Common stock equivalents have been excluded from the computations since the results would be anti-dilutive. Losses per share have been restated for prior periods to give effect to the reverse stock splits during 1999 (Note I).

#### Fair Value of Financial Investments:

The carrying amount of the Company's borrowings approximate fair value.

#### Statement of Comprehensive Income:

SFAS 130 "Reporting Comprehensive Income" prescribes standards for reporting comprehensive income and its components. Since the Company currently does not have any items of comprehensive income, a statement is not required.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE C - ACQUISITIONS OF MINING AND MILLING PROPERTIES:

On December 26, 1976, the Company acquired Gold Developers and Producers Incorporated, a Colorado corporation which, prior to the acquisition, leased 28 patented mining claims from Audrey and David Hayden and Dorothy Kennec pursuant to a mining lease and option to purchase, dated November

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12, 1976 (hereinafter referred to as "Hayden" and "Kennec"). In 1981, the Company commenced a rehabilitation program to extend and rehabilitate the shafts and tunnels in place at the Franklin Mines, install the Franklin Mill, and search for and delineate a commercial ore body. In 1983, the Company completed the Franklin Mill.

### Gold Hill Mill:

On July 3, 1996, the Company acquired the Gold Hill Mill from a wholly subsidiary of Gems, in exchange for an 8% mortgage note with an initial principal balance of \$2,500,000. The Gold Hill Mill is a fully permitted milling facility located in Boulder, Colorado.

At December 31, 1997, the Company reduced by \$1,200,000 the carrying value of certain of the Gold Hill Mill assets to \$1,300,000, which approximates management's estimate of fair value. All the Gold Hill Mill assets were sold during 1998 (see Note B).

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE D - NOTES PAYABLE - RELATED PARTY AND OTHERS:

Due to related party and others consisting of the following at March 31:

	2001	2000
	-----	-----
12% unsecured demand notes due to the Company's former President and his affiliated entity	\$142,719	71,965
Secured promissory note (a)	60,000	60,000
Unsecured promissory notes (b)	94,310	87,000
	-----	-----
	\$297,029	218,965
	=====	=====

(a) The outstanding principal balance payable on July 18, 1996 was defaulted. Collateralized by a subordinated security interest in the Company's mining reclamation bonds. Interest is payable based on the rate of interest applicable to the mining reclamation bond (8% at March 31, 2001).

(b) This principal amount represents four unsecured promissory notes. The Company assumed these obligations on November 25, 1997, as part of the acquisition from USM. These notes were in default at this time and remained in default as of March 31, 2001; interest accrued at 17%.

Accrued interest on the above notes at March 31, 2001 and 2000 aggregated approximately \$91,000 and \$71,000, respectively.

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WCM CAPITAL, INC.

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(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE E - CONVERTIBLE DEBENTURES AND OTHER CONVERTIBLE DEBT:

At March 31, 2001 and 2000 consisted of a \$145,000 12.25% convertible debenture, which matured December 31, 1994.

As of March 31, 2001 and 2000, the Company was in default with respect to the principal balance of the debenture and accrued interest of approximately \$107,000 and \$88,000, respectively. As a result, the Company may be subject to legal proceedings by the Transfer Agent/Trustee under the Indenture Agreement or by debenture holders seeking repayment of principal plus interest and other costs. Management cannot assure that funds will be available for the required payments or the effect of any actions brought by or on behalf of the debenture holders (Note Gc).

In September 1996, the Company acquired a 20% interest in Newmineco by issuing a 9.5% note payable of \$600,000 to Gems, convertible to common stock at the Company's option on or after January 1, 1997. On February 10, 1997, the Company notified the assignees that it elected to convert the principal balance into 102,564 shares of common stock, as adjusted, based on the conversation rate of \$5.85 per share. As a result of problems concerning obtaining permits and various other issues related to Mogul Mines, the purchase price was reduced to \$150,000 on December 31, 1996 and to zero on December 31, 1997 (Note B). The \$450,000 and \$150,000 reductions in the purchase price in 1996 and 1997 respectively were effectuated through an equivalent reduction in the principal balance of an 8% mortgage note payable to an affiliate of Gems.

### NOTE F - NOTE PAYABLE - RELATED PARTY:

The Company issued an 8% promissory note for the outstanding balance of \$955,756, at December 31, 1997, representing advances to the Company by an affiliated entity, POS Financial, Inc. (POS), a New Jersey corporation and obligations assumed in connection with the contributions of Joint Venture interest (Note B). The note was payable on May 4, 1998, and is secured by all the Company's mining claims and mining properties; subject to successive 30-day extensions throughout 1998 and 1999 subject to the mutual agreement of the maker and lender for no additional consideration. On March 5, 1998, POS assigned this note to USM. Both POS and USM are considered related parties as they are owned by a director of WCM and can exert significant influence over the Company. Additional amounts were loaned to the Company by USM during 1999 and 2000. The principal balance due of \$1,768,829 was forgiven by USM at December 31, 2000. Accrued interest of \$328,040 remains a liability of the Company. The balance due on the note at March 31, 2000 aggregated \$1,470,295 plus accrued interest of \$198,745.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE F - NOTE PAYABLE - RELATED PARTY (continued):

Additional amounts were loaned to the Company through March 31, 2001 and remain unpaid as of that date.

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### NOTE G - COMMITMENTS AND CONTINGENCIES:

#### (a) Lease Agreement:

On November 13, 1997, Hayden entered into an agreement to sell the Hayden interests to USM for a purchase price of \$75,000 (the "Hayden-USM Purchase Agreement"). The purchase price was evidenced by a promissory note, due February 2, 1998. Payment on the note has been waived until USM receives a report of clear title.

Upon the execution of the Hayden-USM Purchase Agreement, USM agreed to give Hayden mineral rights to some land parcels and will receive royalties that will be expenses as incurred. As of March 31, 2001, USM had not received clear title but continued to make Purchase Agreement extension payments.

Kennec receives a 50% share on land and mineral rights on certain parcels of acreage.

All royalty payments made under the Hayden and Kennec agreements were expensed as incurred as mine expenses and environmental remediation costs in the accompanying Statement of Operations.

The Company pays a monthly rental of \$3,500 (on a month to month basis) for the office space, secretarial and other services provided to the Company pursuant to an oral agreement with a non-affiliate. As of February 28, 2001, the Company ceased its tenancy.

#### (b) Environmental Matters:

During 1999, inspections of the Franklin Mining properties revealed that certain drainage problems and substandard linings at the tailings disposal areas created potential hazards and that protection measures are required.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE G - COMMITMENTS AND CONTINGENCIES (continued):

The Company received a letter dated March 9, 2000 from the Colorado Division of Minerals and Geology (the "DMG"), which set forth measures that must be taken to bring the site into compliance with groundwater regulations and to stabilize the tailings pond and site. In the event the Company completed all of the required actions by July 31, 2001, a Temporary Cessation order would have been granted by DMG. As of the date of this report, a Temporary Cessation order has not been granted and management remains in the process of attempting to have this order granted.

#### (c) Litigation:

(i) The Company and others were defendants in an action related to a dispute over fees for engineering consulting services. The parties settled this matter in September 1999 and litigation was discontinued.

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- (ii) In September 1997, certain of the Company's 12.25% Convertible Debenture holders (see Note B) instituted an action against the Company for payment of approximately \$42,500 principal amount of its 12.25% Convertible Debentures plus accrued and unpaid interest totaling approximately \$13,000 and other costs and expenses related thereto. A default judgment was entered against the Company in the amount of \$42,500 plus interest, costs and disbursements. The Company and USM have been negotiating with the debenture holders without a settlement. The continuing default could result in the Company being subject to additional legal proceedings and there is no assurance that funds will be available to cure the default or reach a settlement.
- (iii) On or about May 14, 1998, Redstone Securities Inc. ("Redstone") commenced an action against the Company in connection with an Investment Banking Agreement dated August 28, 1996, between Redstone and the Company. On or about July 31, 1998, the Company answered the complaint and filed a cross complaint against Redstone. In September 1999, the matter was settled whereby the Company agreed to lift the stop transfer order on the shares held by Redstone allowing them the ability to sell those shares to an unqualified third party.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

NOTE G - COMMITMENTS AND CONTINGENCIES (continued):

(d) NASDAQ Notification:

During 1998 and 1999, the Company received notification letters from NASDAQ informing them that the Company's common stock was not in compliance with the NASDAQ small-cap market price requirement of \$1.00, which became effective on February 23, 1998.

In order to mitigate the minimum bid price requirement, the Company effectuated reverse stock splits during 1998 and 1999 (Note 10). After each reverse split the Company's stock price remained above the \$1.00 minimum bid price requirement for the necessary ten-day period.

The Company is currently not in compliance with the minimum bid price requirement, and there can be no assurance that the company's common stock will, in the future be able to meet such compliance.

NOTE H - INCOME TAXES:

As of March 31, 2001, the Company had federal net operating loss carryforwards of approximately \$11,876,000 available to reduce future federal taxable income, which, if not used, will expire at various dates through December 31, 2020. Changes in the ownership of the Company may subject these loss carryforwards to substantial limitations.

The deferred tax attributable to the potential benefits from such net operating loss carryforwards has been offset by a reduction in carrying value by an equivalent valuation allowance due to the uncertainties related

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to the extent and timing of its future taxable income. There are no other material temporary differences.

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WCM CAPITAL, INC.  
(An Exploration Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2001 AND 2000

NOTE H - INCOME TAXES (continued):

	Deferred Tax Asset	Valuation Allowance
	-----	-----
Balance at December 31, 1998	\$4,509,000	4,509,000
Increase in Federal deferred tax asset, year ended December 31, 1999	105,000	105,000
	-----	-----
Balance at December 31, 1999	4,614,000	4,614,000
Increase in Federal deferred tax asset, year ended December 31, 2000	80,000	80,000
	-----	-----
Balance at December 31, 2000	4,684,000	4,684,000
Increase in Federal deferred tax asset, Three Months ended March 31, 2001	19,000	19,000
	-----	-----
Balance at March 31, 2001	\$4,703,000	4,703,000
	=====	=====

NOTE I - STOCKHOLDERS' EQUITY:

(a) Reverse Stock Splits:

On May 26, 1998 and December 20, 1999 reverse stock splits of 25 to 1 and 3 to 1 respectively were effected.

(b) Common Stock Reserved for Issuance:

At March 31, 2001 and 2000, there were 3,867 shares of common stock reserved for issuance upon the exercise of the 12.25% \$145,000 convertible debentures (see Note E).

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WCM CAPITAL, INC.  
(An Exploration Stage Company)

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## NOTES TO FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2001 AND 2000

### NOTE I - STOCKHOLDERS' EQUITY (continued):

#### (c) Issuance of Common Stock

From December 1, 1977 (inception) through March 31, 2001, the Company issued common stock for:

	Shares	Amount
Cash, including net proceeds of \$283,995 from Public offering	355,648	\$ 8,758,256
Exercise of stock options	46,298	792,250
Commissions on sales of common stock	--	(451,483)
Purchase and retirement of 666 shares - treasury stock	(666)	(12,500)
Non-cash, other than related parties:		
Services and property	165,582	1,673,394
Conversion of debentures and notes payable	246,107	2,648,820
Stock options and stock warrants granted	--	39,100
Settlement of litigation and other	13,710	100,000
Non-cash, related parties:		
Services and property	97,919	918,030
Settlement of claims by related parties	80,000	936,000
Repayment of related party loans	314,169	3,001,681
	1,318,767	\$18,403,548
	1,318,767	\$18,403,548

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, Management believes that certain of the matters discussed in this Quarterly Report for the period ended March 31, 2001 are "forward looking risks and uncertainties which cause actual results to differ materially from those discussed herein including, but not limited, risks relating to changing economic conditions, change in price as disclosed in this Quarterly Report. The Company cautions readers that any such



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forward-looking statements are based upon management's current expectations and beliefs but are not guaranties of future performance. Actual results could differ materially from those expressed or implied in forward-looking statements.

### Liquidity and Capital Resources

The Company had no active mining or milling operations during the first quarter ended March 31, 2001; however, the Company continued its efforts to bring the site into compliance with groundwater regulations and to stabilize the tailings ponds and site generally in anticipation of obtaining a grant of Temporary Cessation from the Division of Minerals and Geology of the State of Colorado ("DMG").

During the first quarter of 2000, we filed a notice with the DMG requesting that our permit be placed into Temporary Cessation. A Temporary Cessation is a limited period of non-production, which results when an operator plans to temporarily cease production for at least 180 days upon filing of a notice of such intent with the DMG. As a condition to granting the request, the Company must address certain issues with respect to groundwater and tailings disposal ponds. Thus, the Company's efforts have been focused on addressing these issues. We believe that we have adequately addressed the concerns of the DMG and expect that it will grant our application for Temporary Cessation in the second or third quarter of this year.

While we have actively sought to place our permit into Temporary Cessation, we remain hopeful that economically viable commercial mining operations at the Idaho Springs mining facilities can be conducted in the future. Given the current economic climate and our efforts concerning the Temporary Cessation order, it is highly unlikely that we the Company will begin operating in fiscal year 2001.

Management estimates that we will incur general, administrative and other costs and expenditures, exclusive of any costs and expenditures related to any mining and milling operations and interest, at the rate of approximately \$25,000 per month for the remainder of 2001.

U.S. Mining Co. and its sole shareholder, William C. Martucci, has verbally pledged to provide financing to the Company on an as needed basis for purposes of meeting our general administrative and other costs until on or about December 31, 2001. The Company cannot assure, however, that USM will fulfill its commitment to fund the Company's operations through year-end 2001. The funds received from USM will cover the general, administrative and other costs approximated at \$25,000 per month. Additional monies will be needed to ready the Franklin Mine and Milling properties for the commencement of extraction and milling and to support the extraction and milling processes once underway as well as to upgrade the processing facilities to allow for an increase in ore processing capacity should we decide to reactivate our permit.

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There can be no assurance that the Company will have adequate funds available to repay the funds advanced by USM or that USM will fulfill its obligations to fund the Company through December 31, 2001. In the event that the Company defaults on its obligations, USM may foreclose on its security interest in the Company's assets. Such foreclosure actions by USM would have a material adverse effect on the future operations of the Company and the Company's ability to explore the Franklin Mines.

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### Results of Operations:

Three months ended March 31, 2001 Compared to Three Months Ended March 31, 2000

The Company had a net loss of \$55,491 for the three months ended March 31, 2001 as compared to a net loss of \$166,700 during the same period in 2000.

Environmental remediation costs and mine expenses were \$Zero for the three months ended March 31, 2001 compared to \$480 during the same period in 2000. This decrease was due to inactivity.

General and administrative expenses were \$40,911 for the three months ended March 31, 2001 compared with \$126,768 during the same period in 2000. This decrease resulted principally from decrease in legal and professional fees.

Interest expense was \$15,280 during the three months ended March 31, 2001 as compared to \$40,137 during the same period in 2000. This decrease was due to an over apparent accrual for 2000.

## PART II

### Item 1. Legal Proceedings

#### Convertible Debentures

On June 1, 1994, the Company advised the Transfer Agent/Trustee that the Company was not in compliance with certain of the terms of the indenture (the "Indenture") relating to the Company's 12 1/4% Convertible Debentures (the "Debentures") in that it had not maintained current filings with the Securities and Exchange Commission (the "Commission") as required. Accordingly, the Transfer Agent/Trustee was instructed not to convert any of the Debentures into Common Stock of the Company until such time as the Company notified the Transfer Agent. The Company failed to make required sinking fund payments in 1994 and was unable to pay the principal balance of the Debentures due on December 31, 1994 resulting in default under the terms of the Indenture.

In September, 1997, certain of the Company's 12 1/4% Convertible Debenture holders, including the Hopis Trust (the "Plaintiff Debentureholders") instituted an action in the Supreme Court of the State of New York against the Company for payment on approximately \$42,500 principal amount of Debentures plus accrued and unpaid interest totaling approximately \$13,000 and other costs and expenses related thereto.

Thereafter, the Plaintiff Debenture holders moved for summary judgment against the Company. The Company did not to oppose the motion and default was entered against the Company in the amount of \$42,500 plus interest, costs and disbursements (the "Default"). Moreover, the issue of attorney's fees was severed from the case and all to be set down for an inquest.

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In February 1998, USM entered into an Agreement with the Plaintiff Debenture holders agreeing to pay the Judgment plus certain additional costs in the event that the Company fails to pay the Judgment and USM consummates the Transaction

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with the Company. In the event that USM did not consummate the Transaction by July 12, 1998, USM agreed to pay the Plaintiff Debenture holders \$5,100 for their Agreement not to enter the Judgment against the Company or pursue the inquest. Plaintiff Debenture holders agreed not to enter the Judgment against the Company until July 12, 1998 or until USM notifies them that it will not pursue the Transaction.

On or about April 6, 1998, Martucci terminated his letter of intent to consummate the Transaction with the Company. Despite such termination, Plaintiff Debenture holders agreed to extend the terms of their Agreement with USM through December 1998. As of date hereof, the Company is not aware of any further extension nor, to its knowledge has the Judgment been entered. If the proposed settlement is not consummated, there can be no assurance that the Judgment will not be entered and the Company will be required to pay the amount of the Judgment, including any costs, interest and penalties related thereto.

The continued default in the Debentures by the Company may result in Company being subject to additional legal proceedings by the Transfer Agent/Trustee under the Indenture or from other holders seeking immediate payment of the \$102,500 plus related interest and penalties. While the Company hopes to cure the default or, in the alternative, reach an acceptable settlement arrangement with the holders, there can be no assurance that the funds will be available in the future to meet all of the Company's obligations.

On November 2, 2000 American Stock Transfer and Trust Company served the Company with a summons, as Trustee under the Indenture dated January 2, 1990 to receive damages on behalf of the holders of the Company's 12-1/4% Convertible Debenture Holders in the amount of \$142,000.00 plus interest and other fees. This action is as a result of the default on the Debentures described above and are separate and apart from the September 1997 action, which involves specific debenture holders. As of the date of this report, there have been no further developments with either proceeding.

### Environmental Matters:

As of the date hereof, the Company has no violations against it with respect to the Franklin Mines and Franklin Mill. While there are no outstanding violations against the Company at this time, there can be no assurance that the Company will be able to adequately comply with any future conditions set forth by the DMG regarding its permit or that violations will not arise in the future.

There can be no assurance, however, that the Company will adequately address the groundwater and tailings issues relating to its notification to place its permit into Temporary Cessation, which may result in violations cited by the DMG.

### NASDAQ Listing

On or about March 30, 2001, the Staff of the NASDAQ stock market notified the Company that our common stock failed to maintain a minimum bid price of \$1.00 over the prior 30 trading days as required by Rule 4310(C)(4) of the NASDAQ SmallCap Marketplace Rules. On May 4, 2001, the Staff notified the Company of its determination that the our common stock had maintained a minimum bid price of \$1.00 for at least 10 consecutive trading days and is now in compliance with the Marketplace Rules. Accordingly, the Staff has closed the matter.

Although the Company is currently in compliance with the requirements for continued listing on the NASDAQ Small Cap Market, there can be no assurance that in the future the Company will maintain such compliance. Should this occur, our stock might be subject to delisting from the NASDAQ Small Cap Market. In such event, Management is hopeful that the Company's Common Stock will qualify for trading on the Over-The-Counter/Bulletin Board ("OTC") market and the Company will make every effort to include its Common Stock on the OTC in the event of a

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delisting by NASDAQ.

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In the event that the Company's Common Stock is traded on the OTC, it may become subject to the "penny stock" trading rules. The penny stock trading rules impose additional duties and a responsibility upon broker-dealers recommends the purchase of a penny stock (by a purchaser that is not an accredited investor as defined by Rule 501(a) promulgated by the Commission under the Securities Act) or the sale of a penny stock. Among such duties and responsibilities, with respect to a purchaser who has not previously had an established account with the broker-dealer, the broker-dealer is required to (i) obtain information concerning the purchaser's financial situation, investment experience, and investment objectives, (ii) make a reasonable determination that transactions in the penny stock are suitable for the purchaser and the purchaser (or his independent adviser in such transactions) has sufficient knowledge and experience in financial matters and may be reasonably capable of evaluating the risks of such transactions, followed by receipt of a manually signed written statement which sets forth the basis for such determination and which informs the purchaser that it's unlawful to effectuate a transaction in the penny stock without first obtaining a written agreement to the transaction. Furthermore, until the purchaser becomes an established customer (i.e., having had an account with the dealer for at least one year or, the dealer had effected three sales or more of penny stocks on three or more different days involving three or more different issuers), the broker-dealer must obtain from the purchaser a written agreement to purchase the penny stock which sets forth the identity and number of shares of units of the security to be purchased prior to confirmation of the purchase. A dealer is obligated to provide certain information disclosures to the purchaser of penny stock, including (i) a generic risk disclosure document which is required to be delivered to the purchaser before the initial transaction in a penny stock, (ii) a transaction-related disclosure prior to effecting a transaction in the penny stock (i.e., confirmation of the transaction) containing bid and asked information related to the penny stock and the dealer's and salesperson's compensation (i.e., commissions, commission equivalents, markups and markdowns) connection with the transaction, and (iii) the purchaser-customer must be furnished account statements, generally on a monthly basis, which include prescribed information relating to market and price information concerning the penny stocks held in the customer's account. The penny stock trading rules do not apply to those transactions in which the broker-dealer or salesperson does not make any purchase or sale recommendation to the purchaser or seller of the penny stock.

Required compliance with the penny stock trading rules affect or will affect the ability to resell the Common Stock by a holder principally because of the additional duties and responsibilities imposed upon the broker-dealers and salespersons recommending and effecting sale and purchase transactions in such securities. In addition, many broker-dealers will not effect transactions in penny stocks, except on an unsolicited basis, in order to avoid compliance with the penny stock trading rules. The penny stock trading rules consequently may materially limit or restrict the liquidity typically associated with other publicly traded equity securities. In this connection, the holder of Common Stock may be unable to obtain on resale the quoted bid price because a dealer or group of dealers may control the market in such securities and may set prices that are not based on competitive forces.

Furthermore, at times there may be a lack of bid quotes which may mean that the

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market among dealers is not active, in which case a holder of Common Stock may be unable to sell such securities. Because market quotations in the over-the-counter market are often subjected to negotiation among dealers and often differ from the price at which transactions in securities are effected, the bid and asked quotations of the Common Stock may not be reliable.

### Item 2. Changes in Securities and Use of Proceeds

NONE

### Item 3. Default on Senior Securities

See Item 1. Legal Proceedings - Convertible Debenture

### Item 4. Submission of Matters to a Vote of Security Holders

None.

### Item 5. Other Information

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### Temporary Cessation Notification

Throughout 1999, inspections of the Franklin Mining properties revealed that certain reclamation issues still remained outstanding at the property. Drainage problems and substandard linings at the tailings disposal areas created potential hazards and required protection measures are addressed. Tailings Pond No. 5 was of specific concern to the DMG. After several extensions had been granted, the Company was unable to complete all of the preventive work required by the DMG. Due to lack of funds, the Company has not been able to institute its paste backfill program, which it believes would alleviate the problems currently existing at its tailings disposal area.

On January 5, 2000, the Company submitted a letter to the DMG to clarify why, among other things, it has not completed all of the recommended preventive measures at the site, specifically with respect to its tailings ponds. The Company explained its difficulty in obtaining needed financing to continue its reclamation and remediation plans and to begin mining and milling operations at the Franklin Mines due to the depressed price of gold. Therefore, the Company concluded that it is economically unfeasible to mine and mill at the properties at this time. Notwithstanding, the Company does not wish to abandon its business plan or reclaim the property but rather intends to maintain the mine and mill site and to comply with all DMG regulations with hopes of restarting the mine and mill as soon as the price of gold makes it profitable to do so.

On February 7, 2000, the DMG responded to the Company's correspondence with a recommendation that the Company's mining permit be placed in Temporary Cessation. Temporary Cessation is a limited period of non-production, which results when an operator plans to temporarily cease production for at least 180 days upon the filing of notice thereof with the DMG. In the event that a Temporary Cessation is granted, no further reclamation work or mining work would be required for the duration of the Temporary Cessation, beyond basic maintenance and reclamation required to keep the site from further deterioration. The DMG further indicated that should the Company choose to apply for Temporary Cessation, certain of the tailings pond area would be required to

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be stabilized and the groundwater and the stability of the tailings ponds must be protected from further deterioration. The DMG required that any notice of Temporary Cessation submitted must specifically address an alternative interim reclamation plan for Tailings Pond No. 5 as well as outlining the temporary stabilization measures needed to comply with these requirements.

As recommended by the DMG, the Company requested for a change of status of its permit to Temporary Cessation. Following a meeting of the DMG and representatives of the Company held on February 10, 2000, the DMG set forth the measures in a letter, dated March 9, 2000, which must be taken by the Company to bring the site into compliance with groundwater regulations and to stabilize the tailings pond and site during the Temporary Cessation.

The Company's application for Temporary Cessation of its permit is still pending before the DMG and we expect our application to be granted in the second or third quarter of fiscal year 2001. While the Company continues its water monitoring activities and to work the DMG to obtain Temporary Cessation, there can be no assurance that our request will be granted. In the event that our application is denied, we will have to comply with more stringent requirements to keep our permit active. It is likely that we will be unable to continue rehabilitation and reclamation work as required by the DMG due to our lack of funding. Failure to comply with any rules, regulations or orders of the DMG can result in citations, which, if remained uncorrected, will result in the loss of our mining permit and will have a material adverse effect on the Company as a whole.

Item 6. Exhibits and Reports on Form 8-K (all filed in original filing)

A. Exhibits

NONE

B. Reports on Form 8-K

NONE

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WCM Capital, Inc.  
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SIGNATURE

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

WCM CAPITAL, INC.

/s/ Robert Waligunda

-----  
Robert Waligunda, President

Date: January 11, 2002

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