

Bergio International, Inc.  
Form 10-Q  
August 14, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 10-Q**

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

For the quarter ended: **June 30, 2012**

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **333-150029**

**Bergio International, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

**27-1338257**  
(IRS Employer I.D. No.)

incorporation)

**12 Daniel Road E.**

**Fairfield, New Jersey 07004**

(Address of principal executive offices and zip Code)

**(973) 227-3230**

(Registrant's telephone number, including area code)

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

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

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

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

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

As of August 9, 2012, there were 135,819,650 shares outstanding of the registrant's common stock.



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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

BERGIO INTERNATIONAL, INC.

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JUNE 30, 2012

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**BERGIO INTERNATIONAL ,INC.**  
**BALANCE SHEETS**

|  | <b>June 30, 2012</b> | <b>December 31,</b> |
|--|----------------------|---------------------|
|  | <b>(UNAUDITED)</b>   | <b>2011</b>         |
| <b>Assets:</b>                               |                      |                     |
| <b>Current Assets:</b>                       |                      |                     |
| Cash   | \$ 283               | \$ 128,238          |
| Accounts Receivable - Net                    | 543,951              | 385,642             |
| Inventory                                    | 1,664,677            | 1,529,394           |
| Prepaid Expenses                             | -                    | 14,863              |
| Other Receivable - Net                       | -                    | 65,000              |
| Deferred Financing Costs                     | 21,864               | 60,689              |
| <b>Total Current Assets</b>                  | <b>2,230,775</b>     | <b>2,183,826</b>    |
| <b>Property and Equipment - Net</b>          | <b>112,066</b>       | <b>104,597</b>      |
| <b>Other Assets:</b>                         |                      |                     |
| Deferred Offering Costs                      | 175,000              | 175,000             |
| Investment in Unconsolidated Affiliate       | 5,828                | 5,000               |
| <b>Total Other Assets</b>                    | <b>180,828</b>       | <b>180,000</b>      |
| <b>Total Assets</b>                          | <b>\$ 2,523,669</b>  | <b>\$ 2,468,423</b> |
| <b>Liabilities and Stockholders' Equity:</b> |                      |                     |
| <b>Current Liabilities:</b>                  |                      |                     |
| Accounts Payable and Accrued Liabilities     | \$ 200,936           | \$ 119,231          |
| Bank Overdraft                               | 742                  | -                   |
| Bank Lines of Credit - Net                   | 187,546              | 104,326             |
| Convertible Debt, Net                        | 340,345              | 364,551             |
| Current Maturities of Notes Payable          | 19,628               | 20,591              |
| Advances from Stockholder - Net              | 209,721              | 323,086             |
| Derivative Liability                         | 285,600              | 282,584             |
| <b>Total Current Liabilities</b>             | <b>1,244,518</b>     | <b>1,214,369</b>    |
| <b>Long Term Liabilities:</b>                |                      |                     |
| Notes Payable                                | 23,680               | 31,035              |
| <b>Commitments and Contingencies</b>         | <b>-</b>             | <b>-</b>            |



|  |                     |                     |
|--|---------------------|---------------------|
| <b>Total Liabilities</b>   | 1,268,198           | 1,245,404           |
| <b>Stockholders' Equity</b>  |                     |                     |
| Series A Preferred Stock - \$.001 Par Value, 51 Shares<br>Authorized, 51 and 51 Shares Issued and Outstanding      |                     |                     |
| (See Note 11)  | -                   | -                   |
| Common Stock, \$.001 Par Value; 500,000,000 Shares Authorized,<br>97,446,504 and 41,302,182 Issued and Outstanding | 97,446              | 41,302              |
| Additional Paid-In Capital   | 4,714,561           | 4,526,165           |
| Accumulated Deficit  | (3,556,536)         | (3,344,448)         |
| <b>Total Stockholders' Equity</b>  | 1,255,471           | 1,223,019           |
| <b>Total Liabilities and Stockholders' Equity</b>  | <b>\$ 2,523,669</b> | <b>\$ 2,468,423</b> |

The accompanying notes are integral part of these financial statements.

**BERGIO INTERNATIONAL, INC.**  
**STATEMENTS OF OPERATIONS (UNAUDITED)**

|   | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |              |
|---|------------------------------------|-------------|----------------------------------|--------------|
|   | <b>2012</b>                        | <b>2011</b> | <b>2012</b>                      | <b>2011</b>  |
| <b>Sales - Net</b>                                      | \$ 450,553                         | \$ 364,661  | \$ 780,500                       | \$ 635,212   |
| <b>Cost of Sales</b>                                    | 171,002                            | 122,290     | 306,662                          | 303,343      |
| <b>Gross Profit</b>                                     | 279,551                            | 242,371     | 473,838                          | 331,869      |
| <b>Selling Expenses</b>                                 | 44,765                             | 128,637     | 81,474                           | 196,241      |
| <b>General and Administrative Expenses</b>              |                                    |             |                                  |              |
| Other   | 185,719                            | 121,484     | 375,748                          | 302,303      |
| <b>Total General and Administrative Expenses</b>        | 185,719                            | 121,484     | 375,748                          | 302,303      |
| <b>Total Operating Expenses</b>                         | 230,484                            | 250,121     | 457,222                          | 498,544      |
| <b>Income/(Loss) from Operations</b>                    | 49,067                             | (7,750)     | 16,616                           | (166,675)    |
| <b>Other Income (Expense)</b>                           |                                    |             |                                  |              |
| Interest Income   | -                                  | -           | 828                              | -            |
| Interest Expense  | (15,641)                           | (12,620)    | (32,358)                         | (29,775)     |
| Derivative Expense                                      | -                                  |             | (28,797)                         | -            |
| Amortization of Debt Discount                           | (68,344)                           | (15,355)    | (198,382)                        | (31,505)     |
| Change in Fair Value of Derivative                      | 67,552                             | (40,016)    | 73,830                           | (25,616)     |
| Amortization of Deferred Financing Costs                | (23,053)                           | -           | (43,825)                         | -            |
| Other Income  | -                                  | 1,350       | -                                | 1,350        |
| <b>Total Other Income (Expense)</b>                     | (39,486)                           | (66,641)    | (228,704)                        | (85,546)     |
| <b>Income(Loss) From Operations Before Income Taxes</b> | 9,581                              | (74,391)    | (212,088)                        | (252,221)    |
| <b>Provision for Income Taxes</b>                       | -                                  | -           | -                                | -            |
| <b>Net Income/(Loss)</b>                                | \$ 9,581                           | \$ (74,391) | \$ (212,088)                     | \$ (252,221) |
| <b>Net Income/(Loss) Per Common Share - Basic</b>       | \$ 0.00                            | \$ (0.00)   | \$ (0.00)                        | \$ (0.02)    |
| <b>Net Income/(Loss) Per Common Share - Diluted</b>     | \$ 0.00                            | \$ (0.00)   | \$ 0.00                          | \$ (0.02)    |

|   |             |            |            |            |
|---|-------------|------------|------------|------------|
| <b>Weighted Average Common Shares<br/>Outstanding<br/>Basic</b>   | 74,422,409  | 20,375,152 | 61,705,825 | 16,098,130 |
| <b>Weighted Average Common Shares<br/>Outstanding<br/>Diluted</b> | 242,258,225 | 20,375,152 | 61,705,825 | 16,098,130 |

The accompanying notes are integral part of these financial statements.

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**BERGIO INTERNATIONAL, INC.**  
**Statement of Stockholders' Equity**  
**For the Six Months Ended June 30, 2012**  
**(Unaudited)**

|   | Common Stock |          | Additional         | Accumulated    | Total                   |
|---|--------------|----------|--------------------|----------------|-------------------------|
|   | Shares       | Amount   | Paid-in<br>Capital | Deficit        | Stockholders'<br>Equity |
| <b>Balance - January 1, 2010</b>  | 4,308,625    | \$ 4,308 | \$ 1,675,042       | \$ (2,097,121) | \$ (417,771)            |
| Issuance of common stock for professional services                          | 135,499      | 135      | 97,925             | -              | 98,060                  |
| Issuance of common stock for related party debt and accrued interest        | 157,142      | 158      | 401,602            | -              | 401,760                 |
| Issuance of common stock for cash (\$30,000) and financing costs (\$60,000) | 125,000      | 125      | 89,875             | -              | 90,000                  |
| Issuance of common stock for deferred offering costs                        | 92,593       | 93       | 499,907            | -              | 500,000                 |
| Issuance of common stock for payment of debt                                | 1,190,249    | 1,190    | 698,809            | -              | 699,999                 |
| Issuance of common stock for payment of accounts payable                    | 714,473      | 714      | 246,286            | -              | 247,000                 |
| Issuance of common stock for share liability                                | 375,000      | 375      | 179,625            | -              | 180,000                 |
| Issuance of common stock for accrued compensation                           | 3,232,020    | 3,232    | 67,601             | -              | 70,833                  |
| Issuance of common stock for debt conversion                                | 828,973      | 829      | 64,921             | -              | 65,750                  |
| Net loss  | -            | -        | -                  | (838,999)      | (838,999)               |
| <b>Balance - December 31, 2010</b>  | 11,159,574   | 11,159   | 4,021,593          | (2,936,120)    | 1,096,632               |
| Issuance of common and preferred stock:                                     |              |          |                    |                |                         |
| Issuance of common stock for accrued compensation                           | 1,988,054    | 1,988    | 21,570             | -              | 23,558                  |
| Issuance of common stock for debt conversion                                | 19,236,424   | 19,237   | 281,139            | -              | 300,376                 |
| Issuance of common stock for professional services                          | 533,553      | 534      | 34,147             | -              | 34,681                  |
| Issuance of common stock for payment of accounts payable                    | 1,040,133    | 1,040    | 30,060             | -              | 31,100                  |
| Issuance of common stock for deferred offering cost                         | 2,136,111    | 2,136    | 49,114             | -              | 51,250                  |
| Common stock issuable for deferred offering cost                            | 5,208,333    | 5,208    | 88,542             | -              | 93,750                  |
| Net loss  | -            | -        | -                  | (408,328)      | (408,328)               |
| <b>Balance - December 31, 2011</b>  | 41,302,182   | 41,302   | 4,526,165          | (3,344,448)    | 1,223,019               |
| Issuance of common stock for debt conversion                                | 56,144,322   | 56,144   | 171,363            | -              | 227,507                 |
|   | -            | -        | 17,033             | -              | 17,033                  |

Reclassification of derivative liability associated  
with convertible debt

|  |                   |                  |                     |                    |                     |
|--|-------------------|------------------|---------------------|--------------------|---------------------|
| Net loss, six months ended June 30, 2012 | -                 | -                | -                   | (212,088)          | (212,088)           |
| <b>Balance - June 30, 2012</b>           | <b>97,446,504</b> | <b>\$ 97,446</b> | <b>\$ 4,714,561</b> | <b>(3,556,536)</b> | <b>\$ 1,255,471</b> |

The accompanying notes are integral part of these financial statements.

**BERGIO INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS (UNAUDITED)**

|   | <b>For the Six Months Ended</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>June 30, 2012</b>            | <b>June 30, 2011</b> |
| <b>Operating Activities</b>   |                                 |                      |
| Net loss  | \$ (212,088)                    | \$ (252,221)         |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                 |                      |
| Depreciation and Amortization   | 11,003                          | 21,514               |
| Allowance for Doubtful Accounts   | -                               | -                    |
| Amortization of Debt Discount and Deferred Financing Costs                  | 242,208                         | 31,505               |
| Derivative Expense  | 28,797                          | -                    |
| Change in fair value of derivative liabilities                              | (73,830)                        | 25,616               |
| <i>Changes in operating assets and liabilities:</i>                         |                                 |                      |
| <i>(Increase) decrease in:</i>  |                                 |                      |
| Accounts Receivable   | (158,309)                       | 88,806               |
| Inventory   | (135,283)                       | 44,660               |
| Prepaid Expenses  | 14,863                          | 6,843                |
| Other Receivable  | 65,000                          | -                    |
| <i>Increase (decrease) in:</i>  |                                 |                      |
| Accounts Payable and Accrued Liabilities                                    | 81,705                          | (116,624)            |
| <b>Net Cash Used In Operating Activities</b>                                | <b>(135,934)</b>                | <b>(149,901)</b>     |
| <b>Investing Activities:</b>  |                                 |                      |
| Capital Expenditures  | (18,472)                        | (20,225)             |
| Proceeds From subsidiary  | (828)                           | -                    |
| Proceeds from Sale of Subsidiary  | -                               | 37,500               |
| <b>Net Provided By (Used In) Investing Activities</b>                       | <b>(19,300)</b>                 | <b>17,275</b>        |
| <b>Financing Activities:</b>  |                                 |                      |
| Increase (Decrease) in Cash Overdraft                                       | 742                             | 19,173               |
| Advances (Repayments) of Bank Lines of Credit - Net                         | 83,220                          | (3,594)              |
| Proceeds from Convertible Debt  | 70,000                          | 100,000              |
| Repayments of Note Payable  | (8,318)                         | (19,137)             |
| Advances from Stockholder - Net   | (113,365)                       | 43,500               |
| Repayments of Capital Leases  |                                 | (11,578)             |
| Deferred Financing Costs  | (5,000)                         | -                    |
| <b>Net Cash Provided By Financing Activities</b>                            | <b>27,279</b>                   | <b>128,364</b>       |
| <b>Net Change in Cash</b>   | <b>(127,955)</b>                | <b>(4,262)</b>       |
| <b>Cash - Beginning of Periods</b>  | <b>128,238</b>                  | <b>4,262</b>         |
| <b>Cash - End of Periods</b>  | <b>\$ 283</b>                   | <b>\$ -</b>          |
| <b><u>Supplemental Disclosures of Cash Flow Information:</u></b>            |                                 |                      |
| Cash paid for interest  | \$ -                            | \$ 19,000            |

|                            |    |   |    |   |
|----------------------------|----|---|----|---|
| Cash paid for income taxes | \$ | - | \$ | - |
|----------------------------|----|---|----|---|

**Supplemental Disclosure of Non-Cash Investing and Financing Activities:**

|  |    |         |    |        |
|--|----|---------|----|--------|
| Debt Discount from Fair Value of Imbedded Derivative                   | \$ | 65,082  | \$ | 61,752 |
| Conversion of Convertible Debt and Accrued Interest for Common Stock   | \$ | 227,507 | \$ | 99,841 |
| Issuance of Common Stock for Accrued Payroll - Related Party           | \$ | -       | \$ | 23,558 |
| Reclassification of Derivative Liability to Additional Paid in Capital | \$ | 17,033  | \$ | -      |
| Issuance of Convertible Note for Settlement Agreement                  | \$ | -       | \$ | 25,000 |

The accompanying notes are integral part of these financial statements.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

***[1] Nature of Operations and Basis of Presentation***

***Nature of Operations*** - Bergio International, Inc. (the Company) was incorporated in the State of Delaware on July 24, 2007 under the name Alba Mineral Exploration, Inc. On October 21, 2009, as a result of a Share Exchange Agreement, the corporate name was changed to Bergio International, Inc. and the Company implemented a 12-for-1 forward stock split of its common shares. Effective June 8, 2012, the Company amended its Articles of Incorporation to change the Company's authorized capital from 200,000,000 common shares to 500,000,000 common shares of stock. Effective December 27, 2010, the Company implemented a 1-for-12 reverse stock split. All share and per share data has been adjusted to reflect such stock splits. The Company is engaged in the product design, manufacturing, distribution of fine jewelry primarily in the United States and is headquartered from its corporate office in Fairfield, New Jersey. Based on the nature of operations, the Company's sales cycle experiences significant seasonal volatility with the first two quarters of the year representing 15% - 25% of annual sales and the remaining two quarters representing the remaining portion of annual sales.

***Basis of Presentation*** - The accompanying unaudited interim financial statements as of June 30, 2012, and for the three and six months ended June 30, 2012 and 2011, have been prepared in accordance with accounting principles generally accepted for interim financial statement presentation and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In the opinion of management, the financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of June 30, 2012, results of operations for the three and six months ended June 30, 2012 and 2011, and cash flows for the six months ended June 30, 2012 and 2011. The results of operations for the three and six months ended June 30, 2012, are not necessarily indicative of the results to be expected for the full year.

***[2] Summary of Significant Accounting Policies***



**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition** - Revenue is recognized upon the shipment of products to customers with the price to the buyer being fixed and determinable and collectability reasonably assured.

**Cash and Cash Equivalents** - Cash equivalents are comprised of certain highly liquid instruments with a maturity of three months or less when purchased. The Company did not have any cash equivalents on hand at June 30, 2012 and December 31, 2011.

**Accounts Receivable** - Accounts receivable is generated from sales of fine jewelry to retail outlets throughout the United States. At June 30, 2012 and December 31, 2011, accounts receivable were substantially comprised of balances due from retailers.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

An allowance for doubtful accounts is provided against accounts receivable for amounts management believes may be uncollectible. The Company determines the adequacy of this allowance by regularly reviewing the composition of its accounts receivable aging and evaluating individual customer receivables, considering the customer's financial condition, credit history and current economic circumstance. As of June 30, 2012 and December 31, 2011, an allowance for doubtful accounts of \$47,939 and \$47,939 respectively has been provided.

***Other Receivable*** - In February 2010, the Company sold all its shares in Diamond Information Institute, Inc. to an unrelated party for \$225,000, and recognized a gain from the sale of \$225,000. Payments due on the receivable are in arrears and the Company has initiated legal proceedings against the purchaser. The receivable balance as of December 31, 2011 and 2010, is \$137,500 and \$175,000, respectively. Subsequent to December 31, 2011, the Company received a \$65,000 payment on the receivable. Management believes the remaining balance will be collected, but due to its uncertainty, has recorded an allowance of the full amount owed of \$72,500 as other expenses.

***Inventories*** - Inventory consists primarily of finished goods and is valued at the lower of cost or market. Cost is determined using the weighted average method and average cost is recomputed after each inventory purchase or sale.

***Concentrations of Credit Risk*** - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash with high credit quality financial institutions. The Company, from time to time, maintains balances in financial institutions beyond the insured amounts. At June 30, 2012 and December 31, 2011, the Company had no cash balances beyond the federally insured amounts.

Concentrations of credit risk with respect to accounts receivable is limited due to the wide variety of customers and markets into which the Company's services are provided, as well as their dispersion across many different geographical areas. As is characteristic of the Company's business and of the jewelry industry generally, the Company extends its customers seasonal credit terms. The carrying amount of receivables approximates fair value. The Company routinely assesses the financial strength of its customers and believes its credit risk exposure on accounts receivable is limited. Based on management's review of accounts receivable, an allowance for doubtful accounts has been recorded for the three months ended June 30, 2012 and 2011. The Company does not require collateral to support

these financial instruments.

***Property and Equipment and Depreciation*** - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from five (5) to seven (7) years.

Expenditures for repairs and maintenance are charged to expense as incurred whereas expenditures for renewals and improvements that extend the useful life of the assets are capitalized. Upon the sale or retirement, the cost and the related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reported within the Statements of Operations in the period of disposal.

***Long-Lived Assets*** - In accordance with generally accepted accounting principles, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flows.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

*Fair Value of Financial Instruments* - The Company follows guidance issued by the FASB on Fair Value Measurements for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

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

These inputs are prioritized below:

.

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company discloses the estimated fair value for all financial instruments for which it is practicable to estimate fair value. As of June 30, 2012 the fair value of short-term financial instruments including cash overdraft, accounts receivable, accounts payable and accrued expenses, approximates book value due to their short-term maturity. The fair value of property and equipment is estimated to approximate its net book value. The fair value of debt obligations, other than convertible debt obligations, approximates their face values due to their short-term maturities and/or the variable rates of interest associated with the underlying obligations.

The following are the major categories of liabilities measured at fair value on a recurring basis: as of June 30, 2012 and December 31, 2011, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

|                        | <b>June 30, 2012</b>                |                |                |              | <b>December 31, 2011</b>            |                |                |              |
|------------------------|-------------------------------------|----------------|----------------|--------------|-------------------------------------|----------------|----------------|--------------|
|                        | <i>Fair Value Measurement Using</i> |                |                |              | <i>Fair Value Measurement Using</i> |                |                |              |
|                        | <u>Level 1</u>                      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> | <u>Level 1</u>                      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Derivative Liabilities | \$ -                                | 285,600        | -              | 285,600      | \$ -                                | 282,584        | -              | 282,584      |

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

In addition, the FASB issued, The Fair Value Option for Financial Assets and Financial Liabilities. This guidance expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any of its qualifying financial instruments.

***Investments in Unconsolidated Affiliates*** - Investments in unconsolidated affiliates, in which the Company owns less than 20% or otherwise does not exercise significant influence, are stated at cost. At June 30, 2012 and December 31, 2011, the Company had an investment in which the Company owned less than 1% interest in an unconsolidated affiliate and therefore the investment is carried at cost.

***Deferred Offering and Deferred Financing Costs*** - We defer certain costs associated with financing activities related to the issuance of equity securities (deferred offering costs) and debt securities (deferred financing costs). These costs consist primarily of legal, banking and other professional fees related to the transactions. Upon successful completion of the offering of equity securities, deferred offering costs are recorded as a reduction of the net proceeds in paid in capital. If the offering is not successful, such costs will be expensed. Deferred financing costs are amortized over the life of the related debt.

***Equity-Based Compensation*** - The Company accounts for equity based compensation transactions with employees under the provisions of ASC Topic No. 718, Compensation: Stock Compensation ( Topic No. 718 ). Topic No. 718 requires the recognition of the fair value of equity-based compensation in net income. The fair value of common stock issued for compensation is measured at the market price on the date of grant. The fair value of the Company's equity instruments, other than common stocks, is estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections including expected stock price volatility and the estimated life of each award. In addition, the calculation of equity-based compensation costs requires that the Company estimate the number of awards that will be forfeited during the vesting period. The fair value of equity-based awards granted to employees is amortized over the vesting period of the award and the Company elected to use the straight-line method for awards granted after the adoption of Topic No. 718.

The Company accounts for equity based transactions with non-employees under the provisions of ASC Topic No. 505-50, *Equity-Based Payments to Non-Employees* ( Topic No. 505-50 ). Topic No. 505-50 establishes that equity-based payment transactions with non-employees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The fair value of common stock issued for payments to non-employees is measured at the market price on the date of grant. The fair value of equity instruments, other than common stock, is estimated using the Black-Scholes option valuation model. In general, the Company recognizes an asset or expense in the same manner as if it was to pay cash for the goods or services instead of paying with or using the equity instrument.

***Advertising and Promotional Costs*** - Advertising and promotional costs are expensed as incurred and are recorded as part of Selling Expenses in the Statement of Operations. The total cost for the three months ended June 30, 2012 and 2011 and the six months ended June 30, 2012 and 2011, was approximately \$17,803, \$48,389, \$53,707 and \$66,954 respectively.

During the year, the Company prepays costs associated with trade shows which are recorded as Prepaid Expenses in the Balance Sheet and are charged to the Statement of Operations upon the trade shows being conducted. For the three months ended June 30, 2012 and 2011 and the six months ended June 30, 2012 and June 30, 2011, \$25,851, \$26,210 and \$26,489 and \$26,210, respectively, of trade show expenses have been recorded.

**BERGIO INTERNATIONAL, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2012****(UNAUDITED)**

**Income Taxes** - The Company accounts for income taxes under the provisions of FASB ASC Topic No. 740 Income Taxes which requires the use of the liability method of accounting for income taxes. The liability method measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax basis of assets and liabilities and their reported amounts on the financial statements. The resulting deferred tax assets or liabilities are adjusted to reflect changes in tax laws as they occur. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

**Basic and Diluted Loss Per Share** - Basic earnings per share includes no dilution and is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Dilutive earnings per share reflect the potential dilution of securities that could occur through the effect of common shares issuable upon the exercise of stock options, warrants and convertible securities. Basic net loss per share equaled the diluted loss per share for the three months ended June 30, 2011 and for the six months ended June 30, 2012 and 2011, since the effect of shares potentially issuable upon the exercise or conversion was anti-dilutive.

Equity instruments that may dilute earnings per share in the future are listed in Note 7. For the six months ended June 30, 2012 and 2011, 167,835,816 and 12,744,200 shares, respectively, issuable upon the conversion of convertible debt were not included in the computation of diluted loss per share because their inclusion would be antidilutive.

The following table sets forth the computation of basic earnings per share:

|   | <b>For the<br/>Three Months<br/>Ended<br/>June 30, 2012</b> | <b>For the<br/>Three Months Ended<br/>June 30, 2011</b> | <b>For the<br/>Six Months Ended<br/>June 30, 2012</b> | <b>For the<br/>Six Months Ended<br/>June 30, 2011</b> |
|---|---|---|---|---|
| Net income (loss)<br>for the period                 | \$ 9,581  | \$ (74,391)   | \$ (212,088)  | \$ (252,221)  |
| Weighted average<br>number of shares<br>outstanding | 74,422,409  | 20,375,152  | 61,705,825  | 16,098,130  |



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|                          |    |      |    |        |    |        |    |        |
|--------------------------|----|------|----|--------|----|--------|----|--------|
| Basic earnings per share | \$ | 0.00 | \$ | (0.00) | \$ | (0.00) | \$ | (0.02) |
|--------------------------|----|------|----|--------|----|--------|----|--------|

The following table sets for the computation of diluted earnings per share:

|   | <b>For the<br/>Three Months Ended<br/>June 30, 2012</b> | <b>For the<br/>Three Months<br/>Ended<br/>June 30, 2011</b> | <b>For the<br/>Six Months Ended<br/>June 30, 2012</b> | <b>For the<br/>Six Months Ended<br/>June 30, 2011</b> |
|---|---|---|---|---|
| Numerator:  |   |   |   |   |
| Net income (loss) for the year  | \$ 9,581  | \$ (74,391)   | \$ (212,088)  | \$ (252,221)  |
| Add: Adjustment for interest on convertible notes   | 4,099   | -   | -   | -   |
| Add: Adjustment for amortization of debt discount   | 27,338  | -   | -   | -   |
| Add: Adjustment for amortization of debt issue costs  | 9,221   | -   | -   | -   |
| Adjusted net income (loss)  | \$ 50,239   | \$ (74,391)   | \$ (212,088)  | \$ (252,221)  |
| Denominator:  |   |   |   |   |
| Weighted-average shares of common stock outstanding used in the calculation of basic net income (loss) per share  | 74,422,409  | 20,375,152  | 61,705,825  | 16,098,130  |
| Effect of dilutive securities:  |   |   |   |   |
| Add: Weighted Average shares assumed to be issued upon conversion of convertible notes as of the date of issuance | 167,835,816   | -   | -   | -   |
| Weighted-average shares of common stock outstanding   | 242,258,225   | 20,375,152  | 61,705,825  | 16,098,130  |

used in the  
calculation of  
diluted net income  
(loss) per share

Diluted  
earnings(loss) per  
share

|    |      |    |        |    |        |    |        |
|----|------|----|--------|----|--------|----|--------|
| \$ | 0.00 | \$ | (0.00) | \$ | (0.00) | \$ | (0.02) |
|----|------|----|--------|----|--------|----|--------|

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**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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*Subsequent Events* - The Company evaluated subsequent events, which are events or transactions that occurred after June 30, 2012 through the issuance of the accompanying financial statements.

***[3] New Authoritative Accounting Guidance***

On May 12, 2011, the FASB issued ASU 2011-04. The ASU is the result of joint efforts by the FASB and the International Accounting Standards Board ( IASB ) to develop a single, converged fair value framework. Thus, there are few differences between the ASU and its international counterpart, IFRS 13. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP; however it expands ASC 820 's existing disclosure requirements for fair value measurements and makes other amendments. The ASU is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material effect on the financial position, results of operations or cash flows of the Company.

On June 16, 2011, the FASB issued ASU 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-05 did not have a material effect on the financial position, results of operations or cash flows of the Company.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying financial statements.

***[4] Property and Equipment***

Property and equipment and accumulated depreciation and amortization are as follows:

|   | June 30,<br>2012  | December 31,<br>2011 |
|---|-------------------|----------------------|
| Selling Equipment                               | \$ 8,354          | \$ 8,354             |
| Office and Equipment                            | 373,496           | 355,027              |
| Leasehold Improvements                          | 7,781             | 7,781                |
| Furniture and Fixtures                          | 18,487            | 18,487               |
| Total - At Cost                                 | 408,118           | 389,646              |
| Less: Accumulated Depreciation and Amortization | 296,052           | 285,049              |
| <b><u>Property and Equipment - Net</u></b>      | <b>\$ 112,066</b> | <b>\$ 104,597</b>    |

Depreciation and amortization expense for the three months ended June 30, 2012 and 2011 and the six months ended June 30, 2012 and June 30, 2011, was approximately \$5,633, \$9,000, \$11,003 and \$22,000, respectively.

**BERGIO INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**(UNAUDITED)**

*[5] Notes Payable*

|  | June 30,<br>2012 | December 31,<br>2011 |
|--|------------------|----------------------|
| Notes payable due in equal monthly installments, monthly payments of \$2,500 and one payment on June 30, 2011 equal to the outstanding balance; interest rate of 7.60%. The notes are collateralized by the assets of the Company. (1) | \$ -             | \$ 91,517            |
| Notes payable due in equal monthly installments, over 60 months, maturing through April 2014 at interest rates of 10.52%. The notes are collateralized by specific assets of the Company.  | 43,308           | 51,626               |
| Total  | 43,308           | 51,626               |
| Less: Current Maturities Included in Current Liabilities   | 19,628           | 20,591               |
| <b><i><u>Total Long-Term Portion of Debt</u></i></b>   | <b>\$ 23,680</b> | <b>\$ 31,035</b>     |

(1) Terms are per the Post Judgment Payment and Forbearance Agreement dated October 9, 2009 between the Company and the bank. In the event of a default, the bank may immediately enforce its rights of collection for the full amount under the judgment, less credits for payment made through the date of default. The note payable was paid off in November 2011 through an assignment of a convertible debt agreement with Panache Capital, LLC.

*[6] Bank Lines of Credit*

A summary of the Company's credit facilities is as follows:

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|   | June 30,<br>2012 | December 31,<br>2011 |
|---|------------------|----------------------|
| Credit line of \$75,000 as of December 16, 2011, due August 31, 2012.<br>Monthly payments of accrued unpaid interest due beginning February 1, 2012. Principal plus all accrued unpaid interest due on August 31, 2012.<br>Interest rate is bank's prime rate plus 1.75%, minimum of 5.75%.<br>Collateralized by the assets of the Company. | \$ 68,000        | \$ --                |
| Various unsecured Credit Cards of \$161,000, minimum payment of principal and interest are due monthly at the credit card's annual interest rate.<br>At June 30, 2012 and December 31, 2011, the interest rates ranged from 3.99% to 24.90%.  | 119,546          | 104,326              |
| <b><u>Total</u></b>   | 187,546          | 104,326              |
| Less: Current maturities included in current liabilities  | 187,546          | 104,326              |
| <b><u>Total Long-Term Portion</u></b>   | \$ --            | \$ --                |

The Company's CEO and majority shareholder also serves as a guarantor of the Company's debt.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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(1) Terms are per the Post Judgment Payment and Forbearance Agreement dated October 9, 2009 between the Company and the bank. In the event of a default, the bank may immediately enforce its rights of collection for the full amount under the judgment, less credits for payment made through the date of default. The credit line was paid off in November 2011 through an assignment and convertible debt agreement with Asher Enterprises, Inc.

***[7] Convertible Debt***

**Asher**

On June 7, 2012, the Company issued an 8% convertible note (the June 7 Note ) in the amount of \$37,500 to Asher Enterprises, Inc. ( Asher ). The principal and accrued interest is payable on March 11, 2013 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company s common stock at a price of 60% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

On February 13, 2012, the Company issued an 8% convertible note (the February 2012 Note ) in the amount of \$32,500 to Asher Enterprises, Inc. ( Asher ). The principal and accrued interest is payable on January 12, 2013 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company s common stock at a price of 60% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

In July 2011, the Company issued an 8% convertible note (the July 2011 Note ) in the amount of \$32,500 to Asher. The principal and accrued interest is payable on April 18, 2012 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the

Company's common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. During the six months ended June 30, 2012, the convertible note and \$1,300 of accrued interest were converted into 4,551,780 shares of common stock.

In August 2011, the Company issued an 8% convertible note (the August 2011 Note ) in the amount of \$32,500 to Asher. The principal and accrued interest is payable on May 29, 2012 or such earlier date as defined in the agreement.

The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company's common stock at a price of 60.0% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. During the six months ended June 30, 2012, the convertible note and \$1,300 of accrued interest were converted into 4,909,787 shares of common stock.



**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**(UNAUDITED)**

In September 2011, the Company issued an 8% convertible note (the September 2011 Note ) in the amount of \$37,500 to Asher. The principal and accrued interest is payable on June 28, 2012 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company's common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. During the six months ended June 30, 2012, the convertible note and \$1,500 of accrued interest were converted into 11,273,127 shares of common stock.

In November 2011, the Company issued an 8% convertible note (the November 2011 Note #2 ) in the amount of \$32,500 to Asher. The principal and accrued interest is payable on September 5, 2012 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company's common stock at a price of 61% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. During the six months ended June 30, 2012, \$6,000 of the convertible note was converted into 9,673,046 shares of common stock.

In November 2011, the Company issued a 10% convertible note (the November 2011 Note ) in the amount of \$39,522 to Asher in consideration for payment of a line of credit with a principal balance of \$36,971 plus interest of \$2,551 (See Note 7). The principal and accrued interest is payable on December 31, 2012, or such earlier date as defined in the agreement. The note is convertible by Asher at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company's common stock at a price of 61% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. In November 2011, the November 2011 Note was converted into 2,333,134 shares of common stock.

In April 2011, the Company issued an 8% convertible note (the April 2011 Note ) in the amount of \$50,000 to Asher. The principal and accrued interest is payable on January 18, 2012 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company's common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. In October and November 2011, the convertible

note and \$2,000 of accrued interest were converted into 2,109,575 shares of common stock.

On February 1, 2010, the Company issued an 8% secured convertible note (the February 2010 Note ) in the amount of \$50,000 to Asher Enterprises, Inc. ( Asher ). The principal and accrued interest is payable on January 2, 2011 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement.

The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In 2010, \$47,000 of the principal was converted into 538,829 shares of company common stock. In January 2011, the balance of the convertible note of \$3,000 and \$2,000 of accrued interest was converted into 100,000 shares of common stock.

**BERGIO INTERNATIONAL, INC.**

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On March 12, 2010, the Company issued an 8% secured convertible note (the March 2010 Note ) in the amount of \$30,000 to Asher. The principal and accrued interest is payable on December 13, 2010 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In February and March 2011, the convertible note of \$30,000 and accrued interest of \$1,200 was converted into 1,121,975 shares of common stock.

In April 2010, the Company issued an 8% secured convertible note (the April 2010 Note ) in the amount of \$40,000 to Asher. The principal and accrued interest is payable on January 13, 2011 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In April 2011, the convertible note and accrued interest was converted into 3,847,321 shares of common stock.

In May 2010, the Company issued an 8% secured convertible note (the May 2010 Note ) in the amount of \$40,000 to Asher. The principal and accrued interest is payable on February 11, 2011 or such earlier date as defined in the agreement. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In May and June 2011, the convertible note and accrued interest was converted into 3,999,843 shares of common stock.

Asher is entitled to have all shares issued upon conversion of the above notes listed upon each national securities exchange or other automated quotation system, if any, upon which shares of the Company common stock are then listed.

Strategic

In May 2011, the Company issued a 15% convertible note (the May 2011 Note ) in the amount of \$50,000 to Strategic Business Initiatives, LLC ( Strategic ). The principal and accrued interest is payable on November 30, 2011 or such earlier date as defined in the agreement. The Company must give 10 days notice to Strategic about its intent to prepay the note. During the ten day period, prior to the Company s prepayment, Strategic has the option to convert all or a portion of the principal and/or accrued interest into shares of the Company s common stock at a price of 80% of the five day average closing price immediately prior to the conversion date.

In November 2011, the Company settled the note in full through an exchange agreement with Genesis Capital Management, LLC. (see below).

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**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Panache**

In November 2011, the Company issued a 10% convertible Note (the November 2011 Note #3 ) in the amount of \$50,000 to Panache Capital, LLC ( Panache ). The principal and accrued interest is payable on November 16, 2012 or such earlier date as defined in the agreement. The note is convertible by Panache at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 65% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

In November 2011, the Company issued a 10% convertible note (the November 2011 Note #4 ) in the amount of \$75,000 to Panache in consideration for payment of a note payable (See Note 5). The principal and accrued interest is payable on November 16, 2012 or such earlier date as defined in the agreement. The note is convertible by Panache at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 65% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. In November and December 2011, \$16,369 of principal was converted into 1,100,000 shares of common stock. During the six months ended June 30, 2012, \$53,874 of principal was converted into 10,125,000 shares of common stock.

**Caesar**

In November 2011, the Company issued a 12% convertible note (the November 2011 Note #5 ) in the amount of \$31,000 to Caesar Capital Group, LLC ( Caesar ). The principal and accrued interest is payable on August 11, 2012 or such earlier date as defined in the agreement. The note is convertible by Caesar at any time after the six month anniversary of the issue date with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 35% of the lesser of closing bid price one day prior to conversion or the average of the five trading days one day prior to conversion. During the six months ended June 30, 2012, \$9,990 of principal was converted into 3,996,000 shares of common stock

TCA Global

In November 2011, the Company issued a 12% convertible note (the November 2011 Note #6 ) in the amount of \$200,000 to TCA Global Credit Master Fund, LP ( TCA Global ). The principal and accrued interest is payable on December 22, 2012 or such earlier date as defined in the agreement. The note is convertible by TCA Global at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 95% of the average of the five lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

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**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Genesis**

In November 2011, the Company issued an 8% convertible note (the November 2011 Note #7 ) in the amount of \$64,643 through an exchange agreement with Genesis Capital Management, LLC ( Genesis ). The new note settled in full the note with Strategic in the principal amount of \$50,000 plus accrued interest of \$3,869. In addition, the Company incurred finance costs of \$10,774. The principal and accrued interest is payable on November 30, 2012 or such earlier date as defined in the agreement. The note is convertible by Genesis at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 65% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion. In December 2011, \$36,000 of principal was converted into 2,517,483 shares of common stock. During the six months ended June 30, 2012, \$41,143 of principal was converted into 11,615,582 shares of common stock.

In November 2011, the Company issued a 10% convertible note (the November 2011 Note #8 ) in the amount of \$60,000 to Genesis. The principal and accrued interest is payable on June 1, 2012 or such earlier date as defined in the agreement. The note is convertible by Genesis at any time after issue with conversion periods as defined in agreement. The note is convertible into shares of the Company s common stock at a price of 65% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

**Tangiers**

Effective January 2011, the Company entered into a 7% convertible promissory note agreement (the January 2011 Note ) in the amount of \$25,000 with Tangiers Capital, LLC ( Tangiers ) for the settlement of an accrued termination fee related to the securities purchase agreement with Tangiers. The principal and accrued interest is payable on June 18, 2012 or such earlier date as defined in the agreement. The note, including any accrued interest, is convertible into shares of the Company s common stock at a price of 80% of the lowest trading price, determined on the then current trading market for the Company s common stock, for the ten trading days prior to conversion, at the option of the holder. In March 2011, \$12,500 of the convertible note was converted into 762,195 shares of common stock. In

March and April 2011, the convertible note and accrued interest was converted into 1,965,254 shares of common stock.

On November 16, 2009, the Company issued a 7% Secured Convertible Debenture (the November 2009 Debenture ) in the amount of \$25,000 to Tangiers. The principal and accrued interest is payable on August 16, 2010 or such earlier date as defined in the agreement. Upon issuance, the November 2009 Debenture, including any accrued interest, was convertible into shares of the Company s common stock at a price of 80% of the average of the two lowest trading prices, determined on the then current trading market for the Company s common stock, for the ten trading days prior to conversion, at the option of the holder. The holder is entitled to piggyback registration rights on shares of common stock issued upon conversion. During the year ended December 31, 2010, \$18,750 of the convertible note was converted into 290,144 shares of common stock. In February 2011, the balance of the note of \$6,250 and accrued interest of \$1,694 was converted into 141,839 shares of common stock.



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The Company accounts for the fair value of the conversion features in accordance with ASC Topic No. 815-15 Derivatives and Hedging; Embedded Derivatives ( Topic No. 815-15 ). Topic No. 815-15 requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company's convertible debt. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component of results of operations. The Company valued the embedded derivative using the Black-Scholes pricing model. The fair values upon issuance of the January 2011 Note of \$12,478, April 2011 Note of \$32,704, May 2011 Note of \$16,570, July 2011 Note of \$30,962, August 2011 Note of \$32,500, September 2011 Note of \$21,507, November 2011 Note of \$28,344, November 2011 Note #2 of \$32,500, November 2011 Note #3 of \$12,488, November 2011 Note #4 of \$18,731, November 2011 Note #5 of \$31,000, November 2011 Note #6 of \$22,982, November 2011 Note #7 of \$64,643 November 2011 Note #8 of \$34,028, February 13, 2012 Note #9 of \$61,297 and June 7, 2012 Note #10 of \$32,582 were recorded as a derivative liability and a discount to the convertible debt. Amortization of debt discount amounted to \$198,382 and \$31,505 for the six months ended June 30, 2012 and 2011, respectively. The derivative liability is revalued each reporting period using the Black-Scholes model. For the the six months ended June 30, 2012 and 2011, the Company recorded an unrealized (loss) gain from the change in the fair value of the derivative liability of \$73,830 and \$(25,616), respectively. Convertible debt as of June 30, 2012 (\$405,767) and December 31, 2011 (\$563,274), is shown net of debt discount in the amount of \$65,422 and \$198,723, respectively.

The Black-Scholes model was valued with the following inputs:

Stock Price - The Stock Price was based on the average closing price of the Company's stock as of the Valuation Date. Stock Prices ranged from \$0.01 to \$0.02 in the period 1-01-2012 through 6-30-2012.

Variable Conversion Price - The variable conversion price was based on: (i) 80% of the lowest Stock Price out of the last 10 trading days prior to the Valuation Date (Tangiers); (ii) 62.5%, 61% and 60% of the average of the 3 lowest Stock Prices out of the last 10 trading days prior to the Valuation Date (Asher); (iii) 80% of the 5 day average Stock Price for the last 5 trading days prior to Valuation Date (Strategic); (iv) 35% of the lesser of Stock Price 1 day prior to

conversion or the average of the 5 trading days ending 1 day prior to Valuation Date (Caesar); (v) 65% of the average of the 3 lowest Stock Prices out of the last 10 trading days prior to the Valuation Date (Panache) and (Genesis), (vi) 95% of the average of the 5 lowest Stock Price during the 10 trading days ending 1 day prior to the Valuation Date (TCA Global) , and (vii) 60% of the average of the 10 lowest Stock Prices during the 10 trading days ending 1 day prior to the Valuation Date (Asher).

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Time to Maturity - The time to maturity was determined based on the length of time between the Valuation Date and the maturity of the debt. Time to maturity ranged from 12 months to 0 months in the period 1-01-2012 through 6-30-12.

.  
Risk Free Rate - The risk free rate was based on the Treasury Note rates as of the Valuation Dates with term commensurate with the remaining term of the debt. The risk free rate ranged from 0.10% to 0.21% in the period 1-01-2012 through 6-30-12.

.  
Volatility - The volatility was based on the historical volatility of three comparable companies as historical volatility of the Company was not useful in developing the expected volatility due to the limited trading history of its stock. The average volatility for the comparable companies ranged from 42% to 94% in the period from January 1, 2012 through June 30, 2012.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**(UNAUDITED)**

***[8] Equipment Held Under Capital Leases***

The Company's equipment held under the capital lease obligations as of June 30, 2012 and December 31, 2011 is summarized as follows:

|  | June 30,<br>2012 | December 31,<br>2011 |
|--|------------------|----------------------|
| Showroom Equipment   | \$ 40,000        | \$ 40,000            |
| Less: Accumulated Amortization   | 36,632           | 32,667               |
| <b><u>Equipment Held under Capitalized Lease Obligations - Net</u></b> | <b>\$ 3,368</b>  | <b>\$ 7,333</b>      |

Amortization related to the equipment held under capital leases is calculated using the straight-line method over the five year useful lives of the assets. For the three months ended June 30, 2012 and 2011, and the six months ended June 30, 2012 and 2011 amortization was approximately \$2,000, \$2,000, \$4,000 and \$4,000 respectively.

The capital lease obligation was paid in full during 2011.

***[9] Stockholders' Equity***

During the six months ended June 30, 2012, the Company issued an aggregate of 30,407,740 shares of common stock to Asher for conversion of its convertible debt. The shares are valued at \$122,500.

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During the six months ended June 30, 2012, the Company issued an aggregate of 11,615,582 shares of common stock to Genesis for conversion of its convertible debt. The shares are valued at \$41,143.

During the six months ended June 30, 2012, the Company issued an aggregate of 3,996,000 shares of common stock to Caesar Capital Group for conversion of its convertible debt. The shares are valued at \$9,990.

During the six months ended June 30, 2012, the Company issued an aggregate of 10,125,000 shares of common stock to Panache Capital for conversion of its convertible debt. The shares are valued at \$53,874.

The Company is authorized to issue 500,000,000 shares of common stock, par value \$.001 per share and 51 shares of preferred stock, par value \$.001 per share. At June 30, 2012 and December 31, 2011, there were 97,446,504 and 41,302,182 common shares issued and outstanding, respectively. In October 2009, the Company effected a 12 for 1 forward split of its common stock. Effective June 8, 2012, the Company amended its Articles of Incorporation to change the Company's authorized capital from 200,000,000 common shares to 500,000,000 common shares of stock. Effective December 27, 2010, the Company implemented a 1-for-12 reverse stock split. All share and per share data has been retroactively adjusted to reflect such stock splits. Effective September 1, 2011, the Company authorized and issued 51 shares of Series A Preferred Stock, par value \$0.001 to its CEO (see Note 10). The Series A Preferred Stock pays no dividends and has no conversion rights. Each share of Series A Preferred Stock has voting rights such that the holder of 51 shares of Series A Preferred Stock will effectively maintain majority voting control of the Company.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**(UNAUDITED)**

In March 2011, the Company issued an aggregate of 1,988,054 shares of common stock valued at \$23,558 to its Chief Executive Officer pursuant to his employment agreement (see Note 10).

During the fiscal year 2011, the Company issued an aggregate of 13,511,848 shares of common stock to Asher for conversion of its convertible debt and accrued interest as follows: February 2010 Note remaining debt of \$3,000, March 2010 Note of \$30,000 and accrued interest of \$3,200, April 2010 Note of \$40,000 and accrued interest of \$3,121, May 2010 Note of \$40,000 and accrued interest of \$2,849, April 2011 Note of \$50,000 and accrued interest of \$2,000 and November 2011 Note of \$39,522. The shares are valued at \$213,692 (see Note 7).

In February, March and April 2011, the Company issued an aggregate of 2,107,093 shares of common stock to Tangiers for full conversion of its convertible debt and accrued interest. The notes and accrued interest were November 2009 Note remaining debt of \$6,250 plus accrued interest of \$1,694 and June 2010 Note of \$25,000 plus accrued interest of \$1,371. The shares are valued at \$34,315 (see Note 7).

In August 2011, the Company issued 533,553 shares of common stock for payment of legal fees. The shares are valued at \$34,681, the fair value at date of issuance.

In October 2011, the Company issued 400,000 shares of common stock for deferred offering costs. The shares are valued at \$20,000, the fair value at date of issuance.

In November 2011, the Company issued 1,040,133 shares of common stock for payment of accounts payable. The shares are valued at \$31,100.

In November and December 2011, the Company issued 1,100,000 shares of common stock to Panache for partial conversion of its November 2011 Note #4 of \$75,000 convertible debt. The shares are valued at \$16,369 (See Note

7).

In December 2011, the Company issued 2,517,483 shares of common stock to Genesis for partial conversion of its November 2011 Note #7 of \$64,643 convertible debt. The shares are valued at \$36,000 (See Note 7).

In December 2011, the Company issued 1,736,111 shares of common stock to TCA Global for deferred offering cost. The shares are valued at \$31,250. The Company also recorded 5,208,333 common shares issuable to TCA Global for deferred offering costs. The shares are valued at \$93,750 (See Note 11).

In January 2010, the Company finalized a Securities Purchase Agreement with Tangiers Investments, LP ( Tangiers ) (See Note 11). Pursuant to the agreement the Company issued Tangiers 92,593 shares of common stock valued at the market price of \$500,000 for a one-time commitment fee.

In January 2010, the Company issued 157,142 shares of common stock to Caesar Capital Group, LLC ( Caesar ) to settle approximately \$402,000 of stockholder advances and accrued interest.

In February 2010, the Company sold 125,000 shares of common stock to Caesar for \$30,000. The value of the stock on the date of sale based on the market price was \$90,000 and the Company recorded an expense for financing costs of \$60,000.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**(UNAUDITED)**

In February 2010, through an agreement with Socius CG II, Ltd ( Socius ), the Company settled a \$699,999 payment of its credit line with Columbia Bank with the issuance of 1,190,249 shares of common stock to Socius.

In 2010, the Company issued an aggregate of 19,666 shares of common stock for legal services rendered for the registration of securities with the SEC. The shares are valued at \$23,160 the market price, and are recorded as financing costs.

In March 2010, the Company issued 90,833 shares of common stock to a consultant for services rendered. The shares are valued at the market price of \$62,900 and are recorded as share-based consulting expense.

In 2010, the Company issued an aggregate of 714,473 shares of common stock to Socius for settlement of approximately \$247,000 in payables.

In April 2010, the Company issued 25,000 shares of common stock for accounting services rendered for the registration of securities with the SEC. The shares are valued at \$12,000 and are recorded as financing costs.

In April 2010, the Company issued 375,000 shares of common stock valued at \$180,000 to settle share liability. The accrued share liability was expensed as share based services.

In 2010, the Company issued an aggregate of 3,232,020 shares of common stock to its Chief Executive Officer pursuant to his employment agreement (see Note 11).

In 2010, the Company issued an aggregate of 538,829 shares of common stock to Asher for partial conversion of its convertible debt. The shares are valued at \$47,000.

In 2010, the Company issued an aggregate of 290,144 shares of common stock to Tangiers Capital, LLC for partial conversion of its convertible debt. The shares are valued at \$18,750.

***[10] Related Party Transactions***

The Company receives periodic advances from its principal stockholder based upon the Company's cash flow needs. At June 30, 2012 and December 31, 2011, \$209,721 and \$323,086, respectively was due to the shareholder. Interest expense is accrued at an average annual market rate of interest which was 3.15% and 3.25% at June 30, 2012 and December 31, 2011, respectively. No terms for repayment have been established. As a result, the amount is classified as a Current Liability.

In the years ended December 31, 2011 and 2010, the Company issued an aggregate of 1,988,054 and 3,232,020 shares of common stock to its Chief Executive Officer ( CEO ), in accordance with his employment agreement (See Note 11), respectively. The shares are valued at \$23,558 and \$70,833 the amount of unpaid compensation owed the CEO, respectively.



**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

***[11] Commitment and Contingencies***

***Employment Agreement*** - Effective February 28, 2010, the Company entered into an employment agreement with its CEO. The agreement, which is for a five year term, provides for an initial base salary of \$175,000 per year with a 3% annual increase thereafter (the Base Salary ). The CEO is also entitled to certain bonuses based on net profits before taxes and other customary benefits, as defined in the agreement. In addition, since it is understood that the Company is employing the CEO during a time of economic decline throughout the U.S. and at times and from time to time, the Company may not be in a position to pay the full amount of Base Salary owed the CEO it is understood and agreed to by the Board, that as long as the Company is unable to pay the CEO the full amount of his Base Salary that the Board shall issue to him, from time to time, an amount of shares that will allow him to remain in possession of fifty-one percent (51%) of the Company s then outstanding common stock. Such issuances shall be made to the CEO at any time when his total share holdings are reduced to an amount less than fifty-one percent (51%) as a result of issuance of shares made on behalf of the Company. The CEO waived the 3% annual increase for 2011.

Effective September 1, 2011, the Company and CEO entered into an Amended and Restated Employment Agreement (the Amended Agreement ) which primarily retains the term and compensation of the original agreement. The Amended Agreement, however, removes the section which previously provided for the issuance of Company common stock to the CEO, from time to time, when the Company is unable to pay the CEO the full amount of his Base Salary which would allow the CEO to maintain a fifty-one percent (51%) share of the Company s outstanding common stock. However, the CEO does have the right to request all or a portion of his unpaid Base Salary be paid with the Company s restricted common stock. In addition, the Amended Agreement provides for the issuance of 51 shares of newly authorized Series A Preferred Stock to be issued to the CEO. As defined in the Certificate of Designations, Preferences and Rights of the Series A Preferred Stock, each share of Series A Preferred Stock has voting rights such that the holder of 51 shares of 51 shares of Series A Preferred Stock will effectively maintain majority voting control of the Company. Effective November 3, 2011, the CEO notified the Company that for the one year period, retroactive from April 1, 2011, through December 31, 2012, he would reduce his Base Compensation to \$100,000.

***Operating Leases*** - The Company leases certain office and manufacturing facilities and equipment. The Company s office and manufacturing facilities are currently leased on a month to month basis at \$1,800 per month. The equipment lease agreements are non-cancelable and expire at various dates through 2011. All these leases are classified as operating leases. As of January 1, 2012, the Company is on a month to month lease.

Rent expense for the Company's operating leases for the three months ended June 30, 2012 and 2011 and the six months ended June 30, 2012 and 2011 amounted to approximately \$3,300, \$5,000, \$6,600 and \$11,000, respectively

**Acquisition** - The Company entered into an Asset Purchase Agreement with Mario Panelli & C. s.a.s. ( Seller ), an Italian distributor of high-end jewelry, and Mario Panelli and Moggi Viviana ( Owners ), wherein the Company agreed to purchase the inventory of the Seller. The Company agreed to pay the Seller an amount equal to 100% of the book value of the Seller's inventory as determined in accordance with U.S. generally accepted accounting principles. The closing date has been extended pending the Company obtaining adequate financing to complete the transaction.

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**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

***Equity Financing Agreement*** - In January 2010, the Company finalized a securities purchase agreement with Tangiers Investors, LP ( Tangiers ) pursuant to which at its discretion the Company can periodically sell to Tangiers shares of common stock up to a maximum purchase of \$25,000,000. The selling price will be 88% of the lowest volume weighted average price, as defined in the agreement, for the five days immediately following the notice of sale date. In addition, the Company issued Tangiers 92,593 shares of common stock valued at \$500,000 for a one-time commitment fee which is recorded as deferred offering costs. Effective June 22, 2010, the Company terminated the securities purchase agreement with Tangiers and recorded an expense of \$535,160 as share-based financing costs which included the \$500,000 commitment fee and \$35,160 of professional fees related to a registration statement for common shares to be issued pursuant to the agreement, which was also terminated.

***Consulting Agreement*** - The Company entered into an agreement for business development services with a consultant. Pursuant to the agreement, the Company issued 375,000 shares of Company common stock for the services, which primarily were rendered in the first quarter of 2010. The shares, which were issued in April 2010, are valued at the market price of \$180,000.

***Committed Equity Facility Agreement*** - In November 2011, the Company entered into a committed equity facility agreement with TCA Global to issue and sell from time to time up to \$2,500,000 of the Company's common stock at 95% of the market price to TCA Global, as defined in the agreement. The Company incurred a non-refundable facility fee of \$125,000 (5%) payable in shares of the Company's common stock which was recorded as deferred offering cost. The fee is to be paid in four quarterly installments. The Company issued 1,736,111 shares of common stock valued at \$31,250 for the first installment at the date of execution of the agreement. The Company has also recorded common stock issuable for the remaining three installments in the amount of 5,208,333 common shares valued at \$93,750.

***Litigation*** - The Company is currently a defendant in a litigation filed by Moti Ganz USA, Ltd., as plaintiff, involving the return of a piece of jewelry valued at approximately \$12,000. As of June 30, 2012 the Company finalized the negotiations and the jewelry was returned to the Company.

The Company is currently a plaintiff in a litigation filed against Macau Consultants and Advisory Services, Inc., Diamond International, Inc., Stanley Larson, Merlin Larson, Dennis Atkins, Paul Crawford, et al, as defendants. The

litigation involves the sale of Diamond International, Inc. to Macau Consultants and Advisory Services, Inc. for a purchase price of \$225,000. A past due receivable balance of \$137,500 was due to the Company at December 31, 2011. Subsequent to December 31, 2011, the Company received a payment of \$65,000, leaving a remaining balance of \$72,500.

Other than the matters described above, we are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

**BERGIO INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(UNAUDITED)**

***[12] Subsequent Events***

In July and August 2012, the Company issued 35,846,497 shares of common stock for conversion of debt. The shares are valued at \$48,057 pursuant to the terms of the various convertible debt agreements.

On July 25, 2012, the Company issued a 12% convertible note (the July 25 Note ) in the amount of \$66,380 to Magna Group, LLC ( Magna ) in exchange for an account payable. The principal and accrued interest is payable on or before March 25, 2013. The note is convertible by Magna at any time. The note is convertible into shares of the Company's common stock at a price of 40% of the average of the stock price for the three days prior to the date of conversion. On July 30, 2012, \$21,380 of principal was converted into 7,746,377 shares of common stock.

In July 25, 2012, the Company issued a 12% convertible note (the July 25 Note ) in the amount of \$26,000 to Hanover Holdings I, LLC ( Hanover ). The principal and accrued interest is payable on or before July 25, 2013. The note is convertible by Hanover at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the agreement. The note is convertible into shares of the Company's common stock at a price of 40% of the average of the stock price for the three days prior to the date of conversion.

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Forward Looking Statements**

This quarterly report on Form 10-Q and other reports (collectively, the Filings ) filed by the Bergio International, Inc. ( Bergio or the Company ) from time to time with the U.S. Securities and Exchange Commission (the SEC ) contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the Filings, the words anticipate, believe, estimate, expect, intend, plan, or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the Risk Factors section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ( GAAP ). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can 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 periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

### **Plan of Operation**

We concentrate our business on boutique, upscale jewelry stores. We currently sell our jewelry to approximately 50 independent jewelry retailers across the United States and have spent over \$3 million in branding the Bergio name through tradeshows, trade advertising, national advertising and billboard advertising since launching the line in 1995.

Our products consist of a wide range of unique styles and designs made from precious metals such as, gold, platinum, and Karat gold, as well as diamonds and other precious stones. We have approximately 50 to 75 product styles in our inventory, with prices ranging from \$400 to \$200,000. We have manufacturing control over our line as a result of having a manufacturing facility in New Jersey as well as subcontracts with facilities in Italy.

It is our intention to establish Bergio as a holding company for the purpose of acquiring established jewelry design and manufacturing firms who possess branded product lines. Branded product lines are products and/or collections whereby the jewelry manufacturers have established their products within the industry through advertising in consumer and trade magazines as well as possibly obtaining federally registered trademarks of their products and collections. This is in line with our strategy and belief that a brand name can create an association with innovation, design and quality which helps add value to the individual products as well as facilitate the introduction of new products.



We intend to acquire design and manufacturing firms throughout the United States and Europe. If and when we pursue any potential acquisition candidates, we intend to target the top 10% of the world's jewelry manufacturers that have already created an identity and brand in the jewelry industry. We intend to locate potential candidates through our relationships in the industry and expect to structure the acquisition through the payment of cash, which will most likely be provided from third party financing, as well as our common stock but not cash generated from our operations. In the event we obtain financing from third parties for any potential acquisitions, Bergio may agree to issue our common stock in exchange for the capital received. However, as of the date of this report, we do not have any binding agreements with any potential acquisition candidates or arrangements with any third parties for financing.

## Results of Operations

### *For the Three Months Ended June 30, 2012 Compared to the Three Months Ended June 30, 2011*

The following income and operating expenses tables summarize selected items from the statement of operations for the three months ended June 30, 2012, compared to the three months ended June 30, 2011.

#### *Income*

|   | <b>Three Months Ended</b> |                          |             | <b>Increase/<br/>(Decrease)</b> |
|---|---------------------------|--------------------------|-------------|---------------------------------|
|   | <b>2012</b>               | <b>June 30,<br/>2012</b> | <b>2011</b> |                                 |
| Sales - Net                             | \$                        | 450,553                  | \$ 364,661  | 23.55%                          |
| Cost of Sales                           | \$                        | 171,002                  | \$ 122,290  | 39.83%                          |
| Gross Profit                            | \$                        | 279,551                  | \$ 242,371  | 15.34%                          |
| Gross Profit as a Percentage of Revenue |                           | 62.05 %                  | 66.46 %     | (4.41 %)                        |

#### *Sales*

Net sales for the three months ended June 30, 2012, were \$450,553, compared to \$364,661 for the three months ended June 30, 2011. This resulted in an increase of \$85,892 or 23.55% from the comparable period. The increase in sales is primarily a result of our efforts to introduce new products and to expand our customer base outside the United

States and into Europe and Asia.

Typically, revenues experience significant seasonal volatility in the jewelry industry. The first two quarters of any given year typically represent approximately 15%-25% of total year revenues, based on historic results. The holiday buying season during the last two quarters of every year typically account for the remainder of annual sales.

#### *Cost of Sales*

Cost of sales for the three months ended June 30, 2012, were \$171,002, an increase of \$48,712, or 39.83%, from \$122,290 for the three months ended June 30, 2011. The increase in cost of sales relative to sales is primarily due to selling old inventory at a higher margin because of the increase of the price of metals and diamonds.

#### *Gross Profit*

During the three months ended June 30, 2012, our gross profit as a percentage of sales was 62.05%, compared to a gross profit as a percentage of sales of 66.46% for the three months ended June 30, 2011. This decrease in gross profit percentage during the three months ended June 30, 2012 was primarily attributable to selling old Inventory as described above.

*Operating Expenses*

|   | <b>Three Months Ended</b> |                 |             | <b>Increase/<br/>(Decrease)</b> |
|---|---------------------------|-----------------|-------------|---------------------------------|
|   | <b>2012</b>               | <b>June 30,</b> | <b>2011</b> |                                 |
| Selling Expenses                          | \$ 44,765                 |                 | \$ 128,637  | (65.20%)                        |
| Total General and Administrative Expenses | \$ 185,719                |                 | \$ 121,484  | 52.88%                          |
| Total Operating Expenses                  | \$ 230,484                |                 | \$ 250,121  | (7.85%)                         |
| Other Income (Expense)                    | \$ (39,486)               |                 | \$ (66,641) | (40.75%)                        |
| Net Income (Loss)                         | \$ 9,581                  |                 | \$ (74,391) | (112.88%)                       |

*Selling Expenses*

Total selling expenses were \$44,765 for the three months ended June 30, 2012, which was a \$83,872 or 65.20% decrease from \$128,637 for the three months ended June 30, 2011. Selling expenses include advertising, trade show expenses, travel and selling commissions. The decrease in selling expenses during the three months ended June 30, 2012, is a result of cutting back on advertisement for the three months ended June 30, 2012 due to the volatility of the economy.

*General and Administrative Expenses*

General and administrative expenses were \$185,719 for the three months ended June 30, 2012, versus \$121,484 for the three months ended June 30, 2011, an increase of \$64,235 or 52.88%. The reason for an increase in the general and administrative expenses was the increase in marketing and travel expenses for opening new markets.

*Income (Loss) from Operations*

During the three months ended June 30, 2012, we had income from operations totaling \$49,067, which was an increase of \$56,817 (733.12%) from the loss of (\$7,750) for the three months ended June 30, 2011. As discussed above, reductions in our selling expenses, increase in revenues as well as an increase in our gross profits let to the

significant increase in profits.

*Other Income (Expense)*

Other Income (Expense) in the three months ended June 30, 2012, is comprised of the fair value change in our derivative of \$67,552, net interest expense of \$15,641, amortization of debt discount of \$68,344, amortization of deferred financing costs of \$23,053 and derivative expense of \$0. Other Income (Expense) in the three months ended June 30, 2011, is comprised of the fair value change in our derivative of (\$40,016) interest expense of \$12,620 and amortization of debt discount of \$15,355, and other income of \$1,350.

*Net Income (Loss)*

We earned a net income of \$9,581 for the three months ended June 30, 2012, compared to a net loss of \$74,391 for the three months ended June 30, 2011. This represented a decrease in our net loss of \$83,972 or (112.88%) from the comparable period, attributable to the various factors. The decrease in net loss is primarily attributable to our decrease in selling expenses from June 30, 2011, to June 30, 2012, of approximately \$83.872.

*For the Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011*

The following income and operating expense tables summarize selected items from the statement of operations for the six months ended June 30, 2012, compared to the six months ended June 30, 2011.

*Income*

|   | <b>Six Months Ended</b> |                          | <b>Increase/<br/>(Decrease)</b> |
|---|-------------------------|--------------------------|---------------------------------|
|   | <b>2012</b>             | <b>June 30,<br/>2011</b> |                                 |
| Sales - Net                             | \$ 780,500              | \$ 635,212               | 22.87%                          |
| Cost of Sales                           | \$ 306,662              | \$ 303,343               | 1.09%                           |
| Gross Profit                            | \$ 473,838              | \$ 331,869               | 42.78%                          |
| Gross Profit as a Percentage of Revenue | 60.71 %                 | 52.25 %                  | 8.46 %                          |

*Sales*

Net sales for the six months ended June 30, 2012, were \$780,500, compared to \$635,212 for the six months ended June 30, 2011. This resulted in an increase of approximately \$145,288 or 22.87% from the comparable period. The increase in sales is primarily a result of our efforts to introduce new products and to expand our customer base outside the United States and into Europe and Asia.

Typically, revenues experience significant seasonal volatility in the jewelry industry. The first two quarters of any given year typically represent approximately 15%-25% of total year revenues, based on historic results. The holiday buying season during the last two quarters of every year typically account for the remainder of annual sales.

*Cost of Sales*

Cost of sales for the six months ended June 30, 2012, were \$306,662, an increase of \$3,319, or 1.09%, from \$303,343 for the six months ended June 30, 2011. The increase in cost of sales relative to sales is primarily due to selling old inventory at a higher margin because of the increase of the price of metals and diamonds.

*Gross Profit*

During the six months ended June 30, 2012, our gross profit as a percentage of sales was 60.71%, compared to a gross profit as a percentage of sales of 52.25% for the six months ended June 30, 2011. This increase in gross profit percentage during the six months ended June 30, 2012 was primarily attributable to selling old Inventory as described above.

*Operating Expenses*

|   | <b>Six Months Ended June 30,</b> |              | <b>Increase/<br/>(Decrease)</b> |
|---|----------------------------------|--------------|---------------------------------|
|   | <b>2012</b>                      | <b>2011</b>  |                                 |
| Selling Expenses                          | \$ 81,474                        | \$ 196,241   | 58.48%                          |
| Total General and Administrative Expenses | \$ 375,748                       | \$ 302,303   | 24.30%                          |
| Total Operating Expenses                  | \$ 457,222                       | \$ 498,544   | 8.29%                           |
| Other Income (Expense)                    | \$ (228,704)                     | \$ (85,546)  | 167.35%                         |
| Net Loss                                  | \$ (212,088)                     | \$ (252,221) | 15.91%                          |

*Selling Expenses*

Total selling expenses were \$81,474 for the six months ended June 30, 2012, which was approximately a \$114,767 or (58.48)% decrease from \$196,241 for the six months ended June 30, 2011. Selling expenses include advertising, trade show expenses, travel and selling commissions. The decrease in selling expenses during the six months ended June 30, 2012, is a result of cutting back on advertisement for the six months ended June 30, 2012 due to the volatility of the economy.

*General and Administrative Expenses*

General and administrative expenses were \$375,748 for the six months ended June 30, 2012, versus \$302,303 for the six months ended June 30, 2011, an increase of \$73,445 or 24.30%. The reason for an increase in the general and administrative expenses was the increase in marketing and travel expenses for opening new markets.

*Income (Loss) from Operations*

During the six months ended June 30, 2012, we had income from operations totaling \$16,616, which was an increase of \$183,291 (109.97%) from the loss of (\$166,675) for the six months ended June 30, 2011. As discussed above, reductions in our selling expenses, increase in revenues as well as an increase in our gross profits let to the significant increase in profits.

*Other Income (Expense)*

Other Income (Expense) in the six months ended June 30, 2012, is comprised of the fair value change in our derivative of \$73,830, net interest expense of \$31,530, amortization of debt discount of \$198,382, amortization of deferred financing costs of \$43,825 and derivative expense of \$28,797. Other Income (Expense) in the six months ended June 30, 2011, is comprised of the fair value change in our derivative of (\$25,616) interest expense of \$29,775 and amortization of debt discount of \$31,505, and other income of \$1,350.



*Net Loss*

We incurred a net loss of \$212,088 for the six months ended June 30, 2012, compared to a net loss of \$252,221 for the six months ended June 30, 2011. This represented a decrease in our net loss of approximately \$40,133 or (15.9%) from the comparable period, attributable to the various factors. The decrease in net loss is primarily attributable to our decrease in selling expenses from June 30, 2011, to June 30, 2012, of approximately \$114,767.

**Liquidity and Capital Resources**

The following table summarizes working capital at June 30, 2012, compared to December 31, 2011.

|                     | June 30,<br>2012 | December 31,<br>2011 | Increase/<br>(Decrease) |
|---------------------|------------------|----------------------|-------------------------|
| Current Assets      | \$ 2,230,775     | \$ 2,183,826         | \$ 46,949               |
| Current Liabilities | \$ 1,244,518     | \$ 1,214,369         | \$ 30,149               |
| Working Capital     | \$ 986,257       | \$ 969,457           | \$ 16,800               |

At June 30, 2012, we had cash of \$283 compared to a cash balance of \$128,238 at December 31, 2011, a decrease of \$127,955. Over the next twelve months we believe that our existing capital combined with available borrowing under our bank line of credit and anticipated cash flow from operations will be sufficient to sustain our current operations.

Additionally, our major stockholder has agreed to continue, from time to time as needed, to advance funds under similar terms as his current advances. It is anticipated that we will need to sell additional equity and/or debt securities in the event we locate potential mergers and/or acquisitions.

Our working capital increased by 1.7% as of June 30, 2012, as discussed below.

Accounts receivable at June 30, 2012 and December 31, 2011, was \$543,951 and \$385,642, respectively, representing an increase of \$158,309 or 41.05%. We typically offer our customers 60, 90 or 120 day payment terms on sales, depending upon the product mix purchased. When setting terms with our customers, we also consider the term of the relationship with individual customers and management's assessed credit risk of the respective customer, and may at management's discretion, increase or decrease payment terms based on those considerations. The increase in accounts

receivable is primarily attributable to our increased sales in Russia.

Inventory at June 30, 2012 and December 31, 2011, was \$1,664,677 and \$1,529,394, respectively. Our management seeks to maintain a very consistent inventory level that it believes is commensurate with current market conditions and manufacturing requirements related to anticipated sales volume. We historically do not have an inventory reserve for slow moving or obsolete products due to the nature of our inventory of precious metals and stones, which are commodity-type raw materials and rise in value based on quoted market prices established in actively trade markets. This allows for us to resell or recast these materials into new products and/or designs as the market evolves.

Accounts payable and accrued expenses at June 30, 2012, were \$200,936 compared to \$119,231 at December 31, 2011, which represents a 68.53% increase. This increase is attributed to the purchasing of raw material for production from our Vegas JCK show orders.

Advances from our major stockholder at June 30, 2012, were \$209,721, compared to \$323,086 at December 31, 2011. The decrease is a result of additional repayments in 2012.

*Bank Lines of Credit and Notes Payable*

Our indebtedness is comprised of various bank credit lines, term loans, capital leases and credit cards intended to provide capital for the ongoing manufacturing of our jewelry line, in advance of receipt of the payment from our retail distributors. As of June 30, 2012, we had one outstanding term loan. The term loan with Leaf Financial Corp., which is payable in monthly installments and matures in April 2014, had an original balance of \$100,000. The note bears an annual interest rate of 10.52% and as of June 30, 2012, there was an outstanding balance of \$43,308. The note is collateralized by our assets. We also had a \$300,000 term loan with JPMorgan Chase, which had an outstanding balance of \$72,371 and was paid in the fourth quarter of 2011, through an assignment and convertible debenture agreement with Panache Capital, LLC, as discussed below.

In December 2011, we entered into a \$75,000 bank line of credit agreement with Columbia Bank. Interest is at the bank's prime rate plus 1.75% with a minimum rate of 5.75%. The credit line has been utilized in 2012. As of June 30, 2012, the outstanding balance is 68,000. The line is collateralized by our assets as well as a personal guarantee by the Company's Chief Executive Officer, Berge Abajian. We had a bank line of credit of \$55,000 with JPMorgan Chase Bank, which had an outstanding balance of \$36,971 and was paid in the fourth quarter of 2011, through an assignment and convertible debenture agreement with Asher Enterprises, Inc. ( Asher ), as discussed below.

In addition to term loans, we have a number of various unsecured credit card obligations. These obligations require minimal monthly payments of interest and principle and as of June 30, 2012, have interest rates ranging from 3.99% to 24.90%. As of June 30, 2012, we have outstanding balances related to these obligations of \$119,546.

*Convertible Debt*

We have convertible debt notes maturing in various months during 2012, with the latest maturity of March 11, 2013. The notes interest rates range from 8% to 12%. The conversion feature is accounted for as an embedded derivative carried on our balance sheet at fair value and any unrealized change in fair value is a component on our statement of operations. The embedded derivative is valued using the Black-Scholes pricing model. At June 30, 2012 convertible debt of \$405,767 is shown net of debt discount of \$65,422. For the six months ended June 30, 2012, amortization of debt discount amounted to \$198,382 and unrealized gain from the change in the fair value of the derivative liability amounted to \$73,830.

*Satisfaction of Our Cash Obligations for the Next 12 Months*

A critical component of our operating plan impacting our continued existence is to efficiently manage the production of our jewelry lines and successfully develop new lines through our Company or through possible acquisitions and/or mergers. Our ability to obtain capital through additional equity and/or debt financing, and joint venture partnerships will also be important to our expansion plans. In the event we experience any significant problems assimilating acquired assets into our operations or cannot obtain the necessary capital to pursue our strategic plan, we may have to reduce the growth of our operations. This may materially impact our ability to increase revenue and continue our growth.

Over the next twelve months we believe that our existing capital combined with available borrowing under our bank line of credit and anticipated cash flow from operations will be sufficient to sustain our current operations. In addition, our major stockholder has agreed to continue, at time to time as needed, to advance funds under similar terms as his current advances. However, in the event we locate potential acquisitions and/or mergers we will most likely need to obtain additional funding through the sale of equity and/or debt securities. There can be no assurance that if additional funding is required we will be able to secure it on terms that are favorable to us or at all.

#### *Research and Development*

We are not anticipating significant research and development expenditures in the near future.

*Expected Purchase or Sale of Plant and Significant Equipment*

We do not anticipate the purchase or sale of any plant or significant equipment; as such items are not required by us at this time.

*Significant Changes in the Number of Employees*

We currently have three (3) full-time employees and two (2) part-time employees. Of our current employees, one (1) is sales and marketing personnel, two (2) are manufacturing and two (2) hold administrative and executive positions. None of our employees are subject to any collective bargaining agreements. We do not anticipate a significant change in the number of full time employees over the next 12 months.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results or operations, liquidity, capital expenditures or capital resources that is deemed material.

**Critical Accounting Policies**

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements in accordance with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported period.

*Accounts Receivable*

Management periodically performs a detailed review of amounts due from customers to determine if accounts receivable balances are impaired based on factors affecting the collectability of those balances. Management has provided an allowance for doubtful accounts of approximately \$48,000 and \$48,000 at June 30, 2012 and December

31, 2011, respectively.

#### *Long-Lived Assets*

In accordance with generally accepted accounting principles, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value as determined by an estimate of undiscounted future cash flows. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in their impairment analyses may not be achieved.

#### *Fair Value of Financial Instruments*

The Company follows guidance issued by the FASB on Fair Value Measurements for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

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

These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company discloses the estimated fair value for all financial instruments for which it is practicable to estimate fair value. As of June 30, 2012, the fair value of short-term financial instruments including cash overdraft, accounts receivable, accounts payable and accrued expenses, approximates book value due to their short-term maturity. The fair value of property and equipment is estimated to approximate its net book value. The fair value of debt obligations, other than convertible debt obligations, approximates their face values due to their short-term maturities and/or the variable rates of interest associated with the underlying obligations.

The following are the major categories of liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

|                      | June 30, 2012                        |                |              |              | December 31, 2011                    |                |              |              |
|----------------------|--------------------------------------|----------------|--------------|--------------|--------------------------------------|----------------|--------------|--------------|
|                      | <u>Fair Value Measurements Using</u> |                |              |              | <u>Fair Value Measurements Using</u> |                |              |              |
|                      | <u>Level</u>                         |                | <u>Level</u> | <u>Total</u> | <u>Level</u>                         |                | <u>Level</u> | <u>Total</u> |
| Derivative Liability | <u>1</u>                             | <u>Level 2</u> | <u>3</u>     |              | <u>1</u>                             | <u>Level 2</u> | <u>3</u>     |              |
|                      | \$ --                                | \$ 285,600     | \$ --        | \$ 285,600   | \$ --                                | \$ 282,584     | \$ --        | \$ 282,584   |

In addition, the FASB issued, The Fair Value Option for Financial Assets and Financial Liabilities. This guidance expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any of its qualifying financial instruments.

*Deferred Offering and Deferred Financing Costs*

We defer certain costs associated with financing activities related to the issuance of equity securities (deferred offering costs) and debt securities (deferred financing costs). These costs consist primarily of legal, banking and other professional fees related to the transactions. Upon successful completion of the offering of equity securities, deferred offering costs are recorded as a reduction of the net proceeds in paid in capital. If the offering is not successful, such costs will be expensed. Deferred financing costs are amortized over the life of the related debt.

*Equity-Based Compensation*

The Company accounts for equity based compensation transactions with employees under the provisions of ASC Topic No. 718, Compensation: Stock Compensation ( Topic No. 718 ). Topic No. 718 requires the recognition of the fair value of equity-based compensation in net income. The fair value of common stock issued for compensation is measured at the market price on the date of grant. The fair value of the Company's equity instruments, other than common stocks, is estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections including expected stock price volatility and the estimated life of each award. In addition, the calculation of equity-based compensation costs requires that the Company estimate the number of awards that will be forfeited during the vesting period. The fair value of equity-based awards granted to employees is amortized over the vesting period of the award and the Company elected to use the straight-line method for awards granted after the adoption of Topic No. 718.



The Company accounts for equity based transactions with non-employees under the provisions of ASC Topic No. 505-50, *Equity-Based Payments to Non-Employees* ( Topic No. 505-50 ). Topic No. 505-50 establishes that equity-based payment transactions with non-employees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The fair value of common stock issued for payments to non-employees is measured at the market price on the date of grant. The fair value of equity instruments, other than common stock, is estimated using the Black-Scholes option valuation model. In general, the Company recognizes an asset or expense in the same manner as if it was to receive cash for the goods or services instead of paying with or using the equity instrument.

### *Revenue Recognition*

The Company's management recognizes revenue when realized or realizable and earned. In connection with revenue, the Company established a sales return and allowance reserve for anticipated merchandise to be returned based on historical operations. The Company's sole revenue producing activity as a manufacturer and distributor of upscale jewelry is affected by movement in fashion trends and customer desire for new designs, varying economic conditions affecting consumer spending and changing product demand by retailers affecting their desired inventory levels. Realizing that this may, and in some periods has, resulted in a significant amount of sales returns, management revised the Company policy of accepting merchandise returns. Whereas under prior policy customers had up to 360 days to return merchandise and were allowed credits as offsets to their outstanding accounts receivable, under the current return policy merchandise, with limited exceptions, cannot be returned.

### **Recently Issued Accounting Standards**

On May 12, 2011, the FASB issued ASU 2011-04. The ASU is the result of joint efforts by the FASB and the International Accounting Standards Board ( IASB ) to develop a single, converged fair value framework. Thus, there are few differences between the ASU and its international counterpart, IFRS 13. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP; however it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The ASU is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material effect on the financial position, results of operations or cash flows of the Company.

On June 16, 2011, the FASB issued ASU 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-05 did not have a material effect on the financial

position, results of operations or cash flows of the Company.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying financial statements.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not hold any derivative instruments and do not engage in any hedging activities.

#### **Item 4. Controls and Procedures**

##### *(a) Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act ) are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our Principal Executive Officer ( PEO ) and Principal Financial Officer ( PFO ), to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide a reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management designed the disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including our PEO and PFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based upon that evaluation, the PEO and PFO concluded that the Company's disclosure controls and procedures were ineffective.

##### *(b) Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

Other than the matters previously disclosed, we are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

### **Item 1A. Risk Factors.**

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on April 3, 2012.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended June 30, 2012, we have issued the following securities which were not registered under the Securities Act. Unless otherwise indicated, all of the share issuances described below were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act for transactions not involving a public offering.

On April 5, April 16, April 27, May 8, and May 21, 2012, we issued 2,142,857 shares, 2,682,927 shares, 2,777,778 shares, 2,800,000 shares, and 869,565 shares of Common Stock to Asher Enterprises, Inc. ( Asher ) for conversion of its convertible debt in the aggregate amount of \$39,000.

On April 30 and June 4, 2012, we issued 1,500,000 shares and 1,500,000 shares of common stock to Panache Capital, LLC ( Panache ) for conversion of its convertible debt in the aggregate amount of \$8,710.

On June 5, 2012, we issued 7,352,941 shares of common stock to Genesis Capital Management, LLC ( Genesis ) for conversion of its convertible debt in the amount of \$12,500.

On June 8, 2012, we issued 3,996,000 shares of common stock to Caesar Capital Group ( Caesar ) for conversion of its convertible debt in the amount of \$33,058.74.

On June 11 and June 20, 2012, we issued 3,181,818 shares and 3,333,333 shares of common stock to Asher for conversion of its convertible debt in the aggregate amount of \$14,000.

On June 21, 2012, we issued 1,650,000 shares of common stock to Panache for conversion of its convertible debt in the amount of \$3,575.

On June 27, 2012, we issued 3,157,895 shares of common stock to Asher for conversion of its convertible debt in the amount of \$6,000.

**Item 3. Defaults upon Senior Securities.**

There has been no default in payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

**Item 4. Mine Safety Disclosure.**

Not applicable.

**Item 5. Other Information.**

We have issued the following securities which were not registered under the Securities Act. Unless otherwise indicated, all of the share issuances described below were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act for transactions not involving a public offering.

On July 9, 2012, we issued 10,000,000 shares of common stock to Genesis for conversion of its convertible debt in the amount of \$10,000.

On July 11, 2012, we issued 8,571,429 shares of common stock to Asher for conversion of its convertible debt in the amount of \$12,000.

On July 25, 2012, we issued 1,500,000 shares of common stock to Asher for conversion of its convertible debt in the amount of \$1,800.

On July 30, 2012, we issued 3,851,992 shares of common stock to Panache for conversion of its convertible debt in the amount of \$4,757.21

On July 25, 2012, the Company issued a 12% convertible note in the amount of \$66,380 to Magna Group, LLC ( Magna ) in exchange for an account payable. The principal and accrued interest is payable on or before March 25, 2013. The note is convertible by Magna at any time. The note is convertible into shares of the Company s common stock at a price of 40% of the average of the stock price for the three days prior to the date of conversion. On July 30, 2012, \$21,380 of principal was converted into 7,746,377 shares of common stock.

On July 30, we issued 11,923,076 shares of common stock to Genesis for conversion of its convertible debt in the amount of \$15,500.

**Item 6. Exhibits.**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 31.1               | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*                           |
| 31.2               | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*                           |
| 32.1               | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2               | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |



**SIGNATURES**

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

**BERGIO INTERNATIONAL, INC.**

Date: August 14, 2012

By: /s/ Berge Abajian  
Name: Berge Abajian  
Title: Chief Executive Officer  
(Principal Executive Officer)  
(Principal Financial Officer)  
(Principal Accounting Officer)

