WCM CAPITAL INC
Form 10QSB
February 12, 2003

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

FORM 10-QSB

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

For the Quarter Ended September 30, 2002 Commission File No. 0-9416

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

Delaware (State or other jurisdiction incorporation or organization)	#13-2879202 (I.R.S. Employer Identification No.)
P.O. Box 343, Millburn, New Jersey (Address of Principal Executive Offices)	07041 (Zip Code)
Registrant's Telephone Number, Including Area code	(973)-467-9330
The Number of Shares Outstanding of Common Stock $.01 Par Value, at September 30, 2002	1,318,767

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports,) and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

WCM CAPITAL, INC.

FINANCIAL STATEMENTS

NINE MONTHS ENDED
SEPTEMBER 30, 2002 AND 2001

CONTENTS

Notes to Financial Statements 6 - 15

ACCOUNTANTS' REVIEW REPORT

To the Stockholders
WCM CAPITAL, INC.
New York, New York

We have reviewed the accompanying Balance Sheets of WCM Capital, Inc. as of September 30, 2002 and 2001 and the related Statements of Operations and Cash Flows for the nine months then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of WCM Capital, Inc.

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

Based on our review we are not aware of any material modifications that should be made to the September 30, 2002 financial statements in order for them to be in conformity with generally accepted accounting principles with the following exceptions.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's operations have generated recurring losses and cash flow deficiencies from inception and, as of September 30, 2002 and 2001, had a substantial working capital deficiency. As a result, it was in default with respect to payments on several notes and on convertible debentures and was wholly dependent on outside funding to finance current operations. Such matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

IWA FINANCIAL CONSULTING LLC
Certified Public Accountants
Livingston, New Jersey
February 11, 2003

F-1

WCM CAPITAL, INC.
(An Exploration Stage Company)

BALANCE SHEETS

ASSETS

	30-Sep	
	2002	2001

Assets - Mining Reclamation bonds	$ 144,689	141,853

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current liabilities:		
	$ 2,161,962	1,877,141
Convertible debentures	145,000	145,000
Notes payable:		
Related companies and others	297,029	297,029
U.S. Mining Inc. - related company	125,459	72,814
Total current liabilities	2,729,450	2,391,984
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $.01 per share; 40,000,000 shares authorized; 1,318,767 shares issued and outstanding	13,188	13,188
Additional paid-in capital	18,390,360	18,390,360
Deficit accumulated during the exploration stage	(20,988,309)	(20,653,679)
Total stockholders' deficiency	(2,584,761)	(2,250,131)
Total	$ 144,689	141,853

The accompanying notes are an integral part of these financial statements.

WCM CAPITAL, INC.
(An Exploration Stage Company)

STATEMENTS OF OPERATIONS

	Nine Months Ended September 2002	2001	Three M Se 2002
Revenues:			
Sales	$ --	--	--
Interest income	2,137	2,098	712
Forgiveness of debt	--	--	--
Other income	--	--	--

Total	2,137	2,098	712
Expenses:			
Mine expenses and environmental remediation costs	10,934	5,585	
Write down of inventories	--	--	--
Loss on sale/write down of mining, milling and other property and equipment			
Depreciation and depletion	--	--	--
General and administrative	26,102	73,334	7,500
Interest	48,380	46,753	16,216
Amortization of debt issuance			
Loss on settlement of litigation	--	--	--
Loss on sale of property	--	--	--
Equity in net loss and settlement of claims of Joint Venture			
Other	--	--	--
Total	85,416	125,672	23,716
Net loss	$ (83,279)	(123,574)	(23,004
Loss per common share	$ (0.06)	(0.09)	(0.02
Weighted average shares outstanding	1,318,767	1,318,767	1,318,767

The accompanying notes are an integral part of these financial statements.

F-3

WCM CAPITAL, INC.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Nine Months Ending Sept. 30		Cumulati December 1976 (Incepti throug Sept. 3
	2002	2001	2002
Cash flows from operating activities:			
Net loss	$(83,279)	(123,574)	(20,988,
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and depletion	--	--	1,910,
Forgiveness of debt	--	--	(1,768,
Provision for uncollectible account	--	--	350,
Write down of mining, milling and other			

property and equipment	--	--	6,638,
Amortization of debt issuance expense	--	--	683,
Loss on sale of equipment	--	--	225,
Value of common stock issued for:			
Services and interest	--	--	1,934,
Settlement of:			
Litigation	--	--	100,
Claims by joint venture partner	--	--	936,
Compensation resulting from stock options granted	--	--	311,
Value of stock options granted for services	--	--	112,
Equity in net loss of joint venture	--	--	123,
Other	--	--	(7,
Changes in operating assets and liabilities:			
Interest accrued on mining reclamation bonds	(2,137)	(2,097)	(19,
Accounts payable and accrued expenses	51,026	52,857	2,424,
Payroll and other taxes	--	--	(29,
Net cash used in operating activities	(34,390)	(72,814)	(7,062,
Cash flows from investing activities:			
Purchases and additions to mining, milling and other property and equipment	--	--	(5,120,
Purchases of mining reclamation bonds, net	--	--	(125,
Deferred mine development costs and other expenses	--	--	(255,
Net cash used in investing activities	--	--	(5,500,

The accompanying notes are an integral part of these financial statements.

WCM CAPITAL, INC.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Nine Months Ended Sept. 30 2002	Nine Months Ended Sept. 30 2001	Cumulative December 1, 1976 (inception) through Sept. 30 2002
Cash flows from financing activities:			
Issuance of:			
Common stock	$ --	--	8,758,257
Underwriter's stock warrants	--	--	100
Commissions on sales of common stock	--	--	(381,860)
Purchases of treasury stock	--	--	(12,500)
Payments:			
Deferred underwriting costs	--	--	(63,814)
Debt issuance expenses	--	--	(164,233)
Repayments:			

Other notes and loan payables	--	--	(120,000)
Loans from affiliate	--	--	(48,661)
Proceeds:			
Exercise of stock options	--	--	306,300
Advances from joint venture partner	--	--	526,288
Other notes and loans payable	34,390	72,814	2,383,833
Loans from affiliate	--	--	55,954
Issuance of convertible debentures and notes	--	--	1,505,000
Advances to joint venture partner	--	--	(181,017)
Net cash provided by financing activities	34,390	72,814	12,563,647
Increase (decrease) in cash	--	--	--
Cash Beginning	--	--	--
Cash Ending	$ --	--	--
Supplemental disclosure of cash flow data - Interest paid	$ --	--	299,868

The accompanying notes are an integral part of these financial statements.

WCM CAPITAL, INC.
(An Exploration Stage Company)
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 AND 2001

NOTE 1 - BASIS OF PRESENTATION/GOING CONCERN UNCERTAINTY:

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. However, the Company has had recurring losses and cash flow deficiencies since inception. As of September 30, 2002 and 2001, the Company had no cash balance, an accumulated deficit of $20,988,309 and $20,653,679 respectively, and a working capital deficiency of $2,729,450 and $2,391,984 respectively. The Company was in default on the payment of the principal balances and accrued interest on certain notes and debentures (Notes 5, 6 and 7). In addition to the payable of its current liabilities, management estimates that the Company will incur general, administrative, and other costs and expenditures, exclusive of any costs and expenditures related to any mining and milling operations or environmental matters (Note 8B), at a rate of approximately $25,000 per month during the year 2002 as based upon the year 2001 actual costs. Such matters raise substantial doubt as to the Company's ability to continue as a going concern.

U.S. Mining Co. (USM), has verbally pledged to provide financing to the Company on an as needed basis through December 31, 2002. The funds will cover general, administrative and other costs. Additional funds will be needed to support the extraction and milling processes once underway as well as to upgrade the processing facilities to allow for an increase in ore processing capacity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

WCM Capital, Inc. (formerly Franklin Consolidated Mining Co., Inc.) (Company), incorporated on December 1, 1976 under the laws of the State of Delaware, was formed to engage in the exploration, development and mining of precious and non-ferrous metals, including gold, silver, lead, copper and zinc. The Company owns or has an interest in a number of precious and non-ferrous metal properties. The Company's principal mining properties are (i) the Franklin Mines, located near Idaho Springs in Clear Creek County, Colorado, for which the Company acquired the exclusive right to explore, develop, mine, and extract all minerals located in approximately 51 mining claims of which 28 are patented (Franklin Mines) and (ii) the Franklin Mill, a crushing and flotation mill which is located on the site of the Franklin Mines (Franklin Mill). The Company is an exploration stage enterprise, as it did not generate any significant revenues through September 30, 2002.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

During October 1998, the Company's shareholders approved an amendment to its certificate of incorporation changing the name of the Company to WCM Capital, Inc.

The Company had an accounting policy of capitalizing milling and mining exploration costs because they are a development stage company and operations had not commenced.

Subsequent to the year ended December 31, 2000, the Securities and Exchange Commission deemed the financial statements for the years ended December 31, 1996, 1997, 1998 and 1999 as unaudited because the accounting firm for each year did not secure the consent of the prior firm to use their report in the financial statements they reported thereon.

The SEC also stated that since this was a development stage company for approximately 20 years, the Company should write off as an impairment loss, all the capitalized milling and mining exploration costs as these costs were materially in excess of the undiscounted projected net profits to be realized from future operations. The Company agreed with the SEC findings.

Therefore, for the year beginning January 1, 1996, the Company expensed all prior capitalized milling and mining exploration costs, as an impairment loss. This change of accounting policy and correction of an error had a significant impact on the financial statement for the year ended December 31, 1996 and all subsequent years. Therefore the reports on the financial statements for the prior years from December 31, 1998 through December 31, 2001 have been noted and reissued as of December 31, 2001.

Accounting Estimates:

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

Fair value of Financial Instruments:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Mining, Milling and Other Property and Equipment:

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

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

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

As stated under "Organization of This Note", all prior capitalized milling and mining exploration costs were written off as impairment losses as of December 31, 2001.

Impairment of Long-Lived Assets:

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

WCM CAPITAL, INC.
(An Exploration Stage Company)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002 AND 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue Recognition:

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

Environmental Remediation Costs:

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

Income Taxes:

Deferred income taxes are to be provided on transactions, which are reported in the financial statements in different periods than for income tax purposes. The Company utilized Financial Accounting Board Statement No. 109, "Accounting for Income Taxes," ("SFAS 109"). SFAS 109 requires recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is necessary to reduce deferred tax assets to the amounts expected to be realized (Note 9).

Loss Per Common Share:

The Company has adopted SFAS 128 "Earnings Per Share" ("SFAS 128"), which requires the presentation of "basic" and "diluted" earnings per share on the face of the income statement. Income or loss per common share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during each period. Common stock equivalents have been excluded from the computations since the results would be anti-dilutive. Losses per share have been restated for prior periods to give effect to the reverse stock splits during 1999 and 1998 (Note 10).

WCM CAPITAL, INC.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002 AND 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Statement of Comprehensive Income:

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

NOTE 3 - ACQUISITIONS OF MINING AND MILLING PROPERTIES:

On December 26, 1976, the Company acquired Gold Developers and Producers Incorporated, a Colorado corporation, which prior to the acquisition, leased 28 patented mining claims from Audrey and David Hayden and Dorothy Kennec pursuant to a mining lease and option to purchase, dated November 12, 1976 (hereinafter referred to as "Hayden" and "Kennec"). In 1981, the Company commenced a rehabilitation program to extend and rehabilitate the shafts and tunnels in place at the Franklin Mines, install the Franklin Mill, and search for and delineate a commercial ore body. In 1983, the Company completed the Franklin Mill.

On July 3, 1996, the Company acquired the Gold Hill Mill from a wholly owned subsidiary of Gems, in exchange for an 8% mortgage note with an initial principal balance of $2,500,000. The Gold Hill Mill was a fully permitted milling facility located in Boulder, Colorado. All the Gold Hill Mill assets were sold during 1998 (See Note 2).

NOTE 4 - NOTES PAYABLE - RELATED PARTY AND OTHERS:

Due to related party and others consisting of the following at September 30:

	2002	2001
12% unsecured demand notes due to the Company's former President and his affiliated entity	$142,719	142,719
Secured promissory note (a)	60,000	60,000
Unsecured promissory notes (b)	94,310	94,310
	$297,029	297,029

WCM CAPITAL, INC.
(An Exploration Stage Company)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002 AND 2001

NOTE 4 - NOTES PAYABLE - RELATED PARTY AND OTHERS (continued):

(a) The outstanding principal balance of the note, payable on July 18, 1996 was defaulted; collateralized by a subordinated security interest in the Company's mining reclamation bond. Interest is payable based on the rate of interest applicable to the mining reclamation bond (8% at September 30, 2002).

(b) This principal amount represents four unsecured promissory notes. The

Company assumed these obligations on Novembers 25, 1997, as part of the acquisition from USM. These notes were in default when assumed by the Company, and remain in default as of September 30, 2002; interest is being accrued at 17%.

Accrued interest on the above notes at September 30, 2002 aggregated approximately $150,000.

NOTE 5 - CONVERTIBLE DEBENTURES AND OTHER CONVERTIBLE DEBT:

As of September 30, 2002, consists of a 12.25% convertible debenture in the amount of $145,000 that matured on March 31, 1994.

As of September 30, 2002, the Company was in default with respect to the principal balance of the debenture and accrued interest of approximately $133,240. As a result of its default, the Company may be subject to legal proceedings by the Transfer Agent/Trustee under the Indenture Agreement or from debenture holders seeking immediate repayment of principal plus interest and other costs. Management cannot assure that funds will be available for the required payments or the effect will be of any actions brought by or on behalf of the debenture holders (Note 7c).

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

NOTE 6 - NOTE PAYABLE - RELATED PARTY:

8% promissory note with a balance of $955,756, at December 31, 1997, representing advances to the Company by an affiliated entity, POS Financial, Inc. (POS), a New Jersey corporation, and obligations assumed in connection with the contributions of Joint Venture interest (Note 3). The note was payable on May 4, 1998, and is secured by all the Company's mining claims and mining properties. The note is subject to successive 30-day extensions throughout 1998 and 1999 upon the mutual agreement of the maker and lender for no additional consideration. On March 5, 1998, POS assigned this note to USM. Both POS and USM are considered related parties as they are owned by a director of WCM and can exert significant influence over the Company. The principal balance due of $1,768,829 was forgiven by USM as of December 31, 2000. Accrued interest of $337,022 remains a liability of the Company.

Additional principal amounts loaned to the Company totaling $125,459 through September 30, 2002 remain unpaid as of that date.

NOTE 7 - COMMITMENTS AND CONTINGENCIES:

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

Upon the execution of the Hayden-USM Purchase Agreement, USM agreed to give Hayden mineral rights to certain land parcels and will make royalties which will be expenses as incurred.

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

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

As of September 30, 2002, USM had not received clear title and terminated the agreement.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued):

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

(b) Environmental Matters:

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

The Company received a letter dated March 9, 2001 from the Colorado Division of Minerals and Geology (the "DMG"), which set forth measures that must be taken to bring the site into compliance with groundwater regulations and to stabilize the tailings pond and site. In the event the Company completes all of the required actions by May 30, 2002, a Temporary Cessation order will be granted by DMG. In the event a Temporary Cessation is granted, no further reclamation work or mining work would be required for the duration of the Temporary Cessation, beyond basic maintenance and reclamation required to keep the site from further deterioration.

(c) Litigation:

The Company is involved in various litigations:

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

(ii) In September 1997, certain of the Company's 12.25% Convertible Debenture holders (see Note 6) instituted an action against the Company for payment of approximately $42,500 principal amount of its 12.25% Convertible Debentures plus accrued and unpaid interest totaling approximately $13,000 and other costs and expenses related thereto. The Company answered the aforesaid complaint. A default judgment was entered against the Company in the amount of $42,500 plus interest, costs and disbursements. The Company and USM have been negotiating with the debenture holders without arriving at a settlement. The continued default could result in the Company being subject to additional legal proceedings. In addition, there is no assurance that funds will be available to cure the default or reach a settlement.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued):

(iii) On or about May 14, 1998, Redstone Securities Inc. ("Redstone") commenced an action against the Company in connection with an Investment Banking Agreement dated August 28, 1996, between Redstone and the Company. On or about July 31, 1998, the Company answered the complaint and filed a cross complaint against Redstone. In September 1999, the matter was settled whereby the Company agreed to lift the stop transfer order on the shares held by Redstone allowing them the ability to sell those shares to an unqualified third party.

(d) NASDAQ Notification:

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

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

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

NOTE 8 - INCOME TAXES:

As of September 30, 2002, the Company had federal net operating loss carryforwards of approximately $12,250,000 available to reduce future federal taxable income, which, if not used, will expire at various dates through December 31, 2020. Changes in the ownership of the Company may subject these loss carryforwards to substantial limitations.

The Company has offset the carrying value of the deferred tax attributable to the potential benefits from such net operating loss carryforwards by an equivalent valuation allowance due to the uncertainties related to the extent and timing of its future taxable income. There are no other material temporary differences.

WCM CAPITAL, INC.
(An Exploration Stage Company)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002 AND 2001

NOTE 9 - STOCKHOLDERS' EQUITY:

(a) Reverse Stock Splits:

On May 26, 1998, the Company effectuated a twenty-five-for-one reverse stock split, and a three-for-one reverse stock split on March 20, 1999. The accompanying financials give retroactive effect to these reverse stock splits.

(b) Common Stock Reserved for Issuance:

At September 30, 2002, there were 3,867 shares of common stock reserved for issuance upon the exercise of the 12.25% $145,000 convertible debentures (see Note 6).

(c) Issuance of Common Stock

From March 1, 1976 (inception) through September 30, 2002, the Company issued common stock for:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, Management believes that certain of the matters discussed in this Quarterly Report for the period ended

September 30, 2002 are "forward looking risks and uncertainties which cause actual results to differ materially from those discussed herein including, but not limited, risks relating to changing economic conditions, change in price as disclosed in this Quarterly Report. The Company cautions readers that any such forward-looking statements are based upon management's current expectations and beliefs but are not guaranties of future performance. Actual results could differ materially from those expressed or implied in forward-looking statements.

Liquidity and Capital Resources

The Company had no active mining or milling operations during the second quarter ended September 30, 2002.

During the first quarter of 2000, we filed a notice with the DMG requesting that our permit be placed into Temporary Cessation. A Temporary Cessation is a limited period of non-production, which results when an operator plans to temporarily cease production for at least 180 days upon filing of a notice of such intent with the DMG. As a condition to granting the request, the Company must address certain issues with respect to groundwater and tailings disposal ponds. Thus, the Company's efforts have been focused on addressing these issues. We have adequately addressed the concerns of the DMG and was granted a Temporary Cessation in the first quarter of 2002.

While we have actively sought to place our permit into Temporary Cessation, we remain hopeful that economically viable commercial mining operations at the Idaho Springs mining facilities can be conducted in the future. Given the current economic climate and our efforts concerning the Temporary Cessation order, it is highly unlikely that we the Company will begin operating in fiscal year 2002.

Management estimates that we will incur general, administrative and other costs and expenditures, exclusive of any costs and expenditures related to any mining and milling operations and interest, at the rate of approximately $20,000 per month for the remainder of 2002.

U.S. Mining Co. and its sole shareholder, William C. Martucci, has verbally pledged to provide financing to the Company on an as needed basis for purposes of meeting our general administrative and other costs until on or about December 31, 2002. The Company cannot assure, however, that USM will fulfill its commitment to fund the Company's operations through year-end 2002. The funds received from USM will cover the general, administrative and other costs approximated at $20,000 per month. Additional monies will be needed to ready the Franklin Mine and Milling properties for the commencement of extraction and milling and to support the extraction and milling processes once underway as well as to upgrade the processing facilities to allow for an increase in ore processing capacity should we decide to reactivate our permit.

There can be no assurance that the Company will have adequate funds available to repay the funds advanced by USM or that USM will fulfill its obligations to fund the Company through December 31, 2002.

WCM Capital, Inc.
10-QSB Quarter Ended 9/30/02

Results of Operations:

Nine months ended SEPTEMBER 30, 2002 and 2001

The Company had a net loss of $83,279 for the nine months ended September 30, 2002 as compared to a net loss of $123,574 during the same period in 2001.

Mining expenses were $10,934 for the nine months ended SEPTEMBER 30, 2002 as compared to $5,585 for the same period in 2001.

General and administrative expenses were $26,102 for the nine months ended SEPTEMBER 30, 2002 compared with $73,334 during the same period in 2001. This decrease resulted from a decrease in professional fees.

Interest expense was $48,380 and $46,753 for the nine months ended September 30, 2002 and 2001, respectively.

Three months ended September 30, 2002 and 2001

The Company had a net loss of $23,004 for the three months ended September 30, 2002 as compared to a net loss of $34,765 during the same period in 2001.

There were no mining expenses for the three months ended September 30, 2002 as compared to $5,585 expended for the same period in 2001.

General and administrative expenses were $7,500 for the three months ended September 30, 2002 compared with $13,687 for 2001. This difference resulted from a decrease in professional fees.

Interest expense was $16,216 and $16,192 for the three months ended September 30, 2002 and 2001, respectively.

WCM Capital, Inc.
10-QSB Quarter Ended 9/30/02

PART II

Item 1. Legal Proceedings

The Company, from time to time, may become involved in various legal actions associated with the normal conduct of its business operations. No such actions, other than those set forth below, involve known material gain or loss contingencies not reflected in the Company's financial statements.

Convertible Debentures

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

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

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

In February 1998, USM entered into an Agreement with the Plaintiff Debentureholders agreeing to pay the Judgment plus certain additional costs in the event that the Company fails to pay the Judgment and USM consummates the Transaction with the Company. In the event that USM did not consummate the Transaction by July 12, 1998, USM agreed to pay the Plaintiff Debentureholders $5,100 for their Agreement not to enter the Judgment against the Company or pursue the inquest. Plaintiff Debentureholders agreed not to enter the Judgment against the Company until July 12, 1998 or until USM notifies them that it will not pursue the Transaction.

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

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

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

Environmental Matters:

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

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

NASDAQ Listing

On or about October 5, 2001, the Company received a delisting notification from the NASDAQ Stock Market pursuant to which the Staff determined that the Company failed to comply with the filing, net tangible assets/shareholders' equity/market capitalization/ net income and disclosure requirements, as set forth in the Nasdaq Marketplace Rules 4310(c)(14), 4310(c)(02)(B) and 4310(c)(16). In addition, the Staff cited the Company for certain public interest concerns, as referenced in Marketplace rules 4300 and 4330(a)(03). On or about October 12, the Company sent a formal request for continued listing on the Nasdaq SmallCap Market, notwithstanding the Staff's determinations as set forth above. On or about October 16, 2001, the Company received confirmation that our request will be considered at an oral hearing to be held before a Panel authorized by the Board of Directors of the Nasdaq Stock Market, Inc. Board of Directors on Thursday, November 15, 2001 at 9:30 a.m. in Washington DC. On or about November 14, 2001, the Company, by letter, withdrew it request for a hearing and voluntarily withdrew its securities from listing on the Nasdaq Small Cap Market.

Nasdaq also halted trading in the Company's stock on or about September 9, 2001 with respect to issues relating to the subject matter of the delisting proceedings and in response to the Company's press release of September 9, 2001 regarding errors in the Company's financial statements. See Item 5. Other Information-Company's Financial Statements.

Since the Company's stock will no longer be included for continued listing on the Nasdaq Small Cap Market, we are hopeful that the Company's Common Stock will qualify for trading on the Over-The-Counter/Bulletin Board ("OTC") market and the Company and we will make every effort to facilitate the quotation of our Common Stock on the OTC.

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

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

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

Item 2. Changes in Securities and Use of Proceeds

NONE

Item 3. Default on Senior Securities

See Item 1. Legal Proceedings - Convertible Debenture

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

None.

Item 5. Other Information

Temporary Cessation Notification

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

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

On February 7, 2000, the DMG responded to the Company's correspondence with a recommendation that the Company's mining permit be placed in Temporary Cessation. Temporary Cessation is a limited period of non-production, which results when an operator plans to temporarily cease production for at least 180 days upon the filing of notice thereof with the DMG. In the event that a Temporary Cessation is granted, no further reclamation work or mining work would be required for the duration of the Temporary Cessation, beyond basic maintenance and reclamation required to keep the site from further deterioration. The DMG further indicated that should the Company choose to apply for Temporary Cessation, certain of the tailings pond area would be required to be stabilized and the groundwater and the stability of the tailings ponds must be protected from further deterioration. The DMG required that any notice of Temporary Cessation submitted must specifically address an alternative interim reclamation plan for Tailings Pond No. 5 as well as outlining the temporary stabilization measures needed to comply with these requirements.

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

The Company's application for Temporary Cessation of its permit was approved by the DMG during the first quarter of 2002.

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

Company Financial Statements.

At the request of the Division of Corporate Finance of the Securities and Exchange Commission, we announced on October 17, 2001 that there were potential errors in the audited financial statements of the Company for the fiscal years ended 1996 through 2000. The Company and its independent auditors have been working closely with the SEC, and made the required corrections and reissued these reports during the first quarter 2002.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

B. Reports on Form 8-K

SIGNATURE

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

WCM CAPITAL, INC.

/s/ Robert Waligunda

Date: February 12, 2003

Robert Waligunda, President

WCM Capital, Inc.
10-QSB Quarter Ended 9/30/02