

FOCUS GOLD Corp  
Form 10-K  
June 03, 2013

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: February 28, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 00-52720

**FOCUS GOLD CORPORATION**

(Name of small business issuer in its Charter)

Nevada 26-4205169  
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

4695 MacArthur Court, STE 1430, Newport Beach, CA 92660

(Address of principal executive offices)

Issuer's telephone number: (949) 475-9086

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

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, Par Value \$0.00001

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

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

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

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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company  x

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common

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equity, as of the last business day of the registrant's most recently completed second fiscal quarter: The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the registrant's most recently completed second fiscal quarter, August 31, 2012 was \$4,167,689 (based on the last reported trade as of that date of \$0.28). For purposes of the foregoing calculation only, directors, executive officers, and holders of 10% or more of the issuer's common capital stock have been deemed affiliates.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of the latest practicable date: As of May 20, 2013, there were 19,884,604 shares outstanding.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

The issuer had no revenues for its fiscal year ended February 28, 2013.

**TABLE OF CONTENTS**

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	1
<b>PART I</b>	<b>1</b>
<b>ITEM 1. BUSINESS</b>	<b>1</b>
<b>ITEM 1A. RISK FACTORS</b>	<b>2</b>
<b>ITEM 1B. UNRESOLVED STAFF COMMENTS</b>	<b>2</b>
<b>ITEM 2. PROPERTIES</b>	<b>2</b>
<b>ITEM 3. LEGAL PROCEEDINGS</b>	<b>3</b>
<b>ITEM 4. Mine Safety Disclosures</b>	<b>3</b>
<b>PART II</b>	<b>3</b>
<b>ITEM 4. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</b>	<b>3</b>
<b>ITEM 5. SELECTED FINANCIAL DATA</b>	<b>7</b>
<b>ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS</b>	<b>8</b>
<b>ITEM 6A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</b>	<b>11</b>
<b>ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</b>	<b>12</b>
<b>ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</b>	<b>12</b>
<b>ITEM 8A. CONTROLS AND PROCEDURES</b>	<b>12</b>
<b>ITEM 8B. OTHER INFORMATION</b>	<b>13</b>
<b>PART III</b>	<b>13</b>
<b>ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</b>	<b>13</b>
<b>ITEM 11. EXECUTIVE COMPENSATION</b>	<b>15</b>
<b>ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS</b>	<b>17</b>
<b>ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</b>	<b>18</b>
<b>ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</b>	<b>18</b>
<b>PART IV</b>	<b>19</b>
<b>ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</b>	<b>19</b>
<b>SIGNATURES</b>	<b>20</b>

## **FORWARD LOOKING STATEMENTS**

When used in this Report, the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “intend,” and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regarding events, conditions and financial trends which may affect the Company’s future plans of operations, business strategy, operating results and financial position. Such statements are not guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements because of various factors.

The following discussion and analysis should be read in conjunction with our financial statements and the notes associated with them contained elsewhere in this Report. This discussion should not be construed to imply that the results discussed in this Report will necessarily continue into the future or that any conclusion reached in this Report will necessarily be indicative of actual operating results in the future. The discussion represents only the best assessment of management.

## **PART I**

As used in this Annual Report on Form 10-K (“Annual Report”), references to “we,” “us,” “our,” “Focus Gold,” or “our Company” refers to Focus Gold Corporation, a Nevada corporation.

## **ITEM 1. BUSINESS**

### **Corporate History**

Focus Gold is an exploration stage issuer focused on the acquisition and development of mining properties. Focus Gold left shell company status in October 2010 when it acquired an option on 16 mining claims in the Canadian Province of Ontario from Victoria Gold Corporation. On December 31, 2010, Focus Gold acquired an option on the Huicicila gold project in Nayarit, Mexico through its subsidiary Focus Gold Mexico Limited (“Focus Mexico”) which acquired 100% of the capital stock of Fairfields Gold S.A. de C.V. (“Fairfields”). In February 2011, Focus Mexico through Fairfields expanded its holdings of mining claims by acquiring five additional gold and silver mining claims adjacent to the Huicicila gold project in Nayarit, Mexico. In fiscal 2012, Focus Gold acquired Metallum Resources, PLC through its subsidiary Focus Celtic Gold Corporation (“Focus Celtic”). During the year ended February 28, 2013, Focus Gold sold its interest in Focus Celtic for \$2,500,000 to European Resource Capital Inc. and Focus Mexico sold its interest in Fairfields for \$60,000 to three individuals.

Focus Gold was formed as a Nevada corporation on December 23, 2005 under the name Real Estate Referral Center, Inc. On December 27, 2005, the Company sold 2,500,000 shares of its Common Stock at \$0.001 per share to its officers for proceeds of \$5,000. On June 21, 2006, the Securities and Exchange Commission declared the Company's Form SB-2 Registration Statement effective. The Company sold 982,000 shares of Common Stock to 55 individuals. On May 22, 2009, the Company changed its name to Gold Bag, Inc. and completed a 10:1 forward split paid as a dividend. On June 6, 2011, the Company changed its name to Focus Gold Corporation and its common stock began trading under the symbol "FGLD". From June 1, 2009 through June 3, 2011, the Company's common stock traded under the symbol "GBGI." Focus Gold consolidated its common stock 1:20 on January 14, 2013.

Our principal executive and head office in the United States is located at 4695 MacArthur Court, Suite 1430, Newport Beach, CA 92660, U.S.A. Our registered agent is The Corporation Trust Company of Nevada with its office located at 311 S. Division Street, Carson City, NV 89703.

## Narrative Description of Business

The Company has developed a private equity strategy to acquiring mining properties following several key investment criteria:

- i) Primarily gold, silver, coal, oil and gas;
- ii) Assets must be in safe governmental jurisdictions primarily in the Americas. The Company will seek geographic diversification across its portfolio;
- iii) Looking to invest \$500,000 to \$5 million in projects with significant exploration upside where returns are at their highest;
- iv) Will look for assets ranging from grass roots exploration to near production. The Company will look to have a balanced portfolio of properties across this spectrum so as to maximize returns while also mitigating risk;
- v) Investments may be structured as 100% control, minority/majority equity positions or debt depending on the transaction type and potential return;
- vi) Where possible, the Company will acquire properties with existing capable management teams and then provide senior level experienced management oversight;
- vii) Once a property has matured to a sizable level, the Company will seek to divest of the property either through a strategic sale or through a spin-off into a stand-alone public company.

## Employees

At the close of our fiscal year, February 28, 2013, we had no full-time employees.

## Competition

We compete with major mining companies and other natural mineral resource companies in the acquisition, exploration, financing and development of new prospects. Many of these companies are larger and better capitalized than we are. There is significant competition for the limited number of acquisition and exploration opportunities. Our competitive position depends upon our ability to successfully and economically explore, acquire and develop new and existing mineral prospects. Factors that allow producers to remain competitive in the market over the long term include the quality and size of their ore bodies, costs of operation, and the acquisition and retention of qualified

employees. We also compete with other mining companies for skilled mining engineers, mine and processing plant operators and mechanics, geologists, geophysicists and other technical personnel. This could result in higher turnover and greater labour costs.

### **Available information**

Information about the Company can be reviewed at the Securities and Exchange Commission.

### **ITEM 1A. RISK FACTORS**

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

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Although the Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item, there are no unresolved staff comments.

### **ITEM 2. PROPERTIES**

Our principal executive and head office in the United States is located at 4695 MacArthur Court, Suite 1430, Newport Beach, CA 92660, U.S.A. Our registered office is located at 311 S. Division Street, Carson City, NV 89703. Since September 1, 2012, our Secretary and outside law firm has provided office space to Focus Gold without cost.



### ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending or threatened against Focus Gold or any of its subsidiaries.

### ITEM 4. Mine Safety Disclosures

Not applicable.

## PART II

### ITEM 4. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our Common Stock is currently traded under the symbol "FGLD" on OTC Pink, the third tier of the OTC market. OTC Pink is the speculative trading marketplace that has no financial standards or reporting requirements. From June 1, 2009 until June 6, 2011, our stock symbol was "GBGI".

The market for the Company's Common Stock is limited, volatile and sporadic and could be subject to wide fluctuations in response to quarter to quarter variations in results, news announcements, trading volume, sales of Common Stock by the Company, sales of Common Stock by officers, directors and principal shareholders of the Company, general market trends, changes in the supply and demand for the Company's shares, and other factors. The following table sets forth the high and low sales prices relating to the Company's Common Stock for fiscal years 2013 and 2012. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commissions, and may not reflect actual transactions. The Company consolidated its common stock 20:1 on January 14, 2013 and the table below reflects prices as adjusted by the consolidation (i.e., reverse stock split).

	High	Low
<b>2013 Fiscal Year:</b>		
Fourth Quarter (ended 02/28/13)	\$0.19	\$0.03
Third Quarter (ended 11/30/12)	\$0.74	\$0.10
Second Quarter (ended 08/31/12)	\$1.06	\$0.16

First Quarter (ended 05/31/12)     \$5.40     \$0.99

**2012 Fiscal Year:**

Fourth Quarter (ended 02/29/12)     \$2.70     \$1.60

Third Quarter (ended 11/30/11)     \$8.16     \$2.80

Second Quarter (ended 08/31/11)     \$11.80     \$7.07

**Holder**

There were 108 registered holders or persons otherwise entitled to hold our shares of Common Stock as of February 28, 2013 pursuant to a shareholders' list provided by our transfer agent as of that date and our records relating to issuable shares. The number of registered shareholders excludes any estimate by us of the number of beneficial owners of shares of Common Stock held in street name.

**Securities Authorized for Issuance under Equity Compensation Plans**

On February 7, 2011, the Board of Directors adopted the 2011 STOCK & STOCK OPTION COMPENSATION PLAN (the "Plan") for employees, directors and other persons associated with the Company. The Plan is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the Plan supports and increases the Company's ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The Board reserved 500,000 shares of common stock for issuance under the Plan. As of the fiscal year end, February 28, 2013, the Board had granted options to purchase 320,000 shares of common stock at \$10.00 per share to 7 persons.

On October 16, 2012, the Board of Directors adopted the 2012 STOCK & STOCK OPTION COMPENSATION PLAN (the "Plan") for employees, directors and other persons associated with the Company. The Plan is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the Plan supports and increases the Company's ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The Board reserved 2,500,000 shares of common stock for issuance under the Plan. As of the fiscal year end, February 28, 2013, the Board had granted 500,000 shares of common stock at \$.16 per share (\$80,000) to 1 person for consulting services.

## **DESCRIPTION OF SECURITIES**

### Common Stock

The Company is authorized to issue 50,000,000 shares of common stock, par value \$0.00001 per share ("Common Stock"). Holders of Common Stock are entitled to one vote per share and to receive dividends or other distributions when and if declared by the Board of Directors.

Our Common Stock does not have pre-emptive rights, meaning that our common shareholders' ownership interest would be diluted if additional shares of our Common Stock are subsequently issued, and the existing shareholders are not granted the right, in the discretion of the Directors, to maintain their percentage ownership interest in the Company. This lack of protection from dilution to minority shareholders could allow our Directors to issue additional shares of our Common Stock to persons friendly with our existing management, thus preventing any change in control of the Company.

Upon any liquidation, dissolution or winding-up of the Company, our assets, after the payment of debts and liabilities and any liquidation preferences of, and unpaid dividends on, any class of Preferred Stock then outstanding, will be distributed pro-rata to the holders of the Common Stock. The holders of the Common Stock have no right to require us to redeem or purchase their shares.

The holders of Common Stock are entitled to share equally in dividends, if and when declared by our Directors, out of funds legally available therefore, subject to the priorities given to any class of Preferred Stock which may be issued.

No Cumulative Voting

Holders of shares of our Common Stock do not have cumulative voting rights, which means that the holders of more than 50% of the outstanding shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in that event, the holders of the remaining shares will not be able to elect any of our directors.

Preferred Stock

The Company is authorized to issue 100,000,000 shares of Preferred stock, \$0.00001 par value

On November 29, 2012 a vote by stockholders holding shares of the Company's voting stock approved the amendment of the Company's articles of incorporation to increase the authorized number of shares of stock from 350,000,000 to 1,100,000,000. Effective the January 14, 2013, the Company reduced its authorized common stock and its issued and outstanding common stock on a 20:1 reverse split, reducing the authorized number of shares of common stock from 1,000,000,000 to 50,000,000. All per share amounts in this report and the accompanying consolidated financial statements and Notes thereto have been adjusted to reflect the 20:1 reverse split to the Company's common stock.

On October 19, 2012, the board of directors approved the designation of the Company's Series A Preferred Stock consisting of 3,000,000 shares and Series B Non-Voting 6% Convertible Preferred Stock consisting of 7,000,000 shares.

Series A Preferred Stock:

Consists of Three Million (3,000,000) shares of \$.00001 par value. The Series A Preferred rank senior to the common stock and all other shares of preferred stock that may be later authorized. Each outstanding share of Series A Preferred Stock shall have two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and shall vote with the common stock on all matters. The shares of Series A Preferred shall (i) not have any liquidation preference; (ii) not accrue, earn, or participate in any dividends; and (iii) shall be subject to redemption by the Corporation at a price of two cents (\$.02) per share. In addition to any other rights provided by law, the Company shall not, without first obtaining the affirmative vote or written consent of the holders of sixty percent (60%) of the outstanding shares of Series A Preferred, do any of the following:

take any action which would either alter, change or affect the rights, preferences, privileges or restrictions of the Series A Preferred or increase the number of shares of such series authorized hereby or designate any other series of Preferred Stock;

· increase the size of any equity incentive plan(s) or arrangements;

· make fundamental changes to the business of the Company;

· make any changes to the terms of the Series A Preferred or to the Company's Articles of Incorporation or Bylaws, including by designation of any stock;

· create any new class of shares having preferences over or being on a parity with the Series A Preferred as to dividends or assets, unless the purpose of creation of such class is, and the proceeds to be derived from the sale and issuance thereof are to be used for, the retirement of all Series A Preferred then outstanding;

· make any change in the number of authorized directors, currently five (5); or  
· repurchase any of the Company's common stock;

Any shares of Series A Preferred acquired by the Company by reason of redemption shall be returned to the status of undesignated and unissued shares of preferred stock of the Company.

Series B Non-Voting 6% Convertible Preferred Stock

Consists of Seven Million (7,000,000) shares of \$0.00001 par value and a stated value of \$100 per share. The Series B Non-Voting 6% Convertible Preferred Stock is non-voting.

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Conversion rights: Each share of Series B Non-Voting 6% Convertible Preferred Stock is convertible at any time at the election of the holder into that number of shares of the Company's common stock determined by dividing the stated value of such shares of preferred stock into the conversion price. The conversion price is defined as twenty percent (20%) of the lowest closing bid price of the Company's common stock during five (5) trading days immediately preceding a conversion date.

Dividend rights: Holders shall be entitled to receive cumulative dividends at a rate per share of 6% per annum, payable in arrears on June 30 and December 31 and on each conversion date in cash or at the Company's irrevocable option, shares of the Company's common stock. The number of shares issuable is defined as 50% of the previous ten (10) day variable weighted average price of the Company's common stock, with certain limitations. Dividends on the Series B Non-Voting 6% Convertible Preferred Stock shall accrue daily commencing on the original issuance date and shall be deemed to accrue from such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends.

Liquidation rights: Upon any liquidation, dissolution or winding up of the Company, the holders shall be entitled to receive out of the assets an amount equal to the stated value, plus any accrued and unpaid dividends before payment is made to the holders of junior securities such as common stock or all other common stock equivalents of the Company other than those securities which are explicitly senior or pari passu to Series B Non-Voting 6% Convertible Preferred Stock.

#### Dividend Policy

To date, we have not paid any dividends. The payment of dividends, if any, on our Common Stock in the future is within the sole discretion of our Directors and will depend upon our earnings, capital requirements, financial condition, and other relevant factors. At present, the Company does not intend to declare any dividends on the Common Stock in the foreseeable future, but instead intends to retain all earnings, if any, for use in our business operations.

#### Transfer Agent

The Company uses Securities Transfer Corporation located at 2591 Dallas Parkway, Suite 102, Frisco, TX 75034 as its transfer agent.

#### **RECENT SALES OF UNREGISTERED SECURITIES.**

During the year ended February 28, 2013, the Company issued 200,000 shares of common stock for \$165,500 of fees, 2,918,403 shares of its common stock for the exercise of conversions under the Company's convertible securities in the amount of \$571,810, 500,000 shares of common stock for settlement of \$80,000 of consulting fees, 5,000 shares of common stock in settlement of a loan facility and 160,000 of its common stock as settlement for \$554,826 of accrued fees on the Company's September 14 and 19, 2012 promissory notes.

Issued 1,850.2 shares of Series B Preferred Stock with a stated value of \$185,020 on January 31, 2013 to two creditors of the Company (who were related parties at the time of this transaction), in settlement of \$166,217 of accounts payable due to such creditors.

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On October 19, 2012, the Company issued 1,000,000 shares of Series A Preferred Stock to each of the Company's three directors (total 3,000,000 shares) at fair value of \$0.02 per share. Each share of Series A Preferred Stock has two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and votes with the Company's common stock on all matters.

In the quarter ended May 31, 2011, the Company conducted a private placement of \$.40 units consisting of one share of its common stock and ½ common stock purchase warrant granting the holder the right to purchase a share of common stock at \$.50 per share for one year following purchase of the units. The Company sold 3,325,750 units, consisting of 3,325,750 shares of common stock and 1,617,875 common stock purchase warrants. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. In connection with this private placement, the Company's agents received a selling commission of \$106,450 of the proceeds of the units sold and 116,450 warrants to purchase an additional share of the Company's stock for a period of one year at \$0.50 per share. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

In the quarter ended February 28, 2011, the Company completed a private placement of \$.40 units consisting of one share of its common stock and ½ common stock purchase warrant granting the holder the right to purchase a share of common stock at \$.50 per share for one year following purchase of the units. The Company sold 236,838 units, consisting of 236,838 shares of common stock and 118,419 common stock purchase warrants. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.



In the quarter ended February 28, 2011, the Company entered into a Consulting Agreements with 1 person who received 200,000 shares of common stock at \$.40 per share. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On December 31, 2010, the Company, through its wholly-owned subsidiary, Focus Gold Mexico Corporation, a Delaware corporation, completed its purchase of Fairfields under the terms of a Share Purchase Agreement dated November 10, 2010, as amended. The Company issued 16,000,000 shares of common stock to the three owners of Fairfields. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

In December, 2010, the Company completed a private placement of its common stock. The Company sold 4,700,000 shares of common stock at \$.20 per share to 15 investors for gross proceeds of \$940,000. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

During November and December, 2010, the Company entered into a series of Consulting Agreements with 13 persons who received 969,000 shares of common stock at \$.20 per share. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On October 1, 2010, the Company) and Victoria Gold Corp. (“Victoria”) entered into an Option Agreement (“Agreement”) covering 16 gold mining claims in the Province of Ontario. Under the Agreement, the Company has the right to acquire Victoria’s ownership interest in eight (8) mining claims located in Currie Township, Timmins Mining District, Ontario known as the Watabeag Property and eight (8) mining claims located in Bowman Township, Timmins Mining District, Ontario known as the Russell Creek Property (collectively, the “Project”). Under the Agreement, the Company issued 250,000 shares of its common stock and agreed to undertake \$2,000,000 of cumulative Exploration Expenditures on or before the third anniversary of the date of the Agreement. Upon the commencement of Commercial Production, the Company will pay to Victoria a Net Smelter Returns royalty (the “Royalty”) equal to 3.0% of Net Smelter Returns. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have

such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

In the quarter ended August 31, 2010, the Company entered issued 250,000 shares of common stock to one person for services rendered. There was no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The persons who received securities have such knowledge in business and financial matters that he/she/it is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

#### **ITEM 5. SELECTED FINANCIAL DATA**

As a smaller reporting company, no disclosure of this information is required.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

Focus Gold is an exploration stage issuer focused on the acquisition and development of mining properties.

The Ontario Rights. - In October 2010, Focus Gold acquired an option on 16 mining claims in the Canadian Province of Ontario from Victoria Gold Corporation. On November 27, 2012, Focus Gold and Victoria Gold Corporation terminated the option agreement.

The Mexico Rights. - On December 31, 2010, Focus Gold acquired an option on the Huicicila gold project in Nayarit, Mexico. Subsequently, Focus Gold expanded its holdings of mining claims by acquiring five additional gold and silver mining claims adjacent to the Huicicila gold project in Nayarit, Mexico. Focus Gold's wholly owned subsidiary, Focus Gold Mexico Limited, owns Fairfield's Gold S.A. de C.V. which has an option agreement on the Huicicila gold project in Nayarit, Mexico from Ramon Farias. On February 8, 2013, the Company's wholly owned subsidiary Focus Gold Mexico Limited entered into a share purchase agreement with three individuals, Santiago Leon Avaleyra, Eduardo Zayas Dueñas and Carmen Leticia Calderon Leon, as purchasers, to sell of 50 shares of common stock in Fairfield's Gold, S.A. de C.V. for \$1,900,000 or purchasers can return the original consideration from the December 31, 2010 transaction (512,500 shares of the Company's common stock) on the closing date of February 20, 2013. On closing, the Company received as consideration 512,501 shares of its common stock with an aggregate fair value as at February 8, 2013 of \$66,625. The 512,501 shares of common stock received has been recorded as treasury stock on the consolidated balance sheet pending cancellation.

The Celtic Rights. - On October 25, 2011, Focus Gold completed the acquisition of a 98.65% interest in Metallum Resources PLC ("Metallum"). The acquisition gave Focus Gold indirect ownership through Focus Celtic Gold Corporation ("Celtic") of thirty one exploration licenses in Northern Ireland, Scotland and Ireland covering in excess of 388,000 hectares. On October 5, 2012, Focus Gold entered an agreement with European Resource Capital Inc. ("ERC") for the sale of 24,420,000 shares of common stock of Focus Celtic Gold Corporation ("Celtic") (the owner of Metallum) 64,987,982 Metallum options providing the acquirer with the option to acquire an additional 64,987,982 common shares of Metallum for £0.10 per share through December 31, 2012 and amounts receivable from Celtic of \$217,031 for \$2,553,778 (based upon the CAD to USD exchange rate). ERC issued Focus Gold an eight percent (8%) Two Million Five Hundred Thousand Dollar Promissory Note payable in Canadian Dollars that is secured by the 24,420,000 shares of Celtic common stock.

The results from the operations of the Mexico and Celtic Rights have been included in discontinued operations in the Company's consolidated statement of operations for the years ended February 28, 2013 and February 29, 2012.

Focus Gold intends to restructure itself and has engaged an outside consultant to identify, review, and assess additional mining properties for purchase.

Focus Gold is in the zone of insolvency. Accordingly, Focus Gold must consider the interests of both shareholders and creditors. As Focus Gold strives to repay its debt and secure capital to create revenue in future periods, there will be dilution to existing stockholders caused by the issuance of common stock for cash, services, and in exchange for debt. While management seeks to minimize the dilution to existing stockholders, multiple factors beyond management's control, such as general economic conditions, the availability of and terms available for debt and equity funding, and the trading price of the Company's common stock, have a significant impact on this effort. Focus Gold's effort to restructure its operations and to report positive cash flow and profits is expected to take 12-18 months. Investors are cautioned that these efforts may not be successful.

The results for the year ended February 28, 2013 do not provide a meaningful comparison against the results during the year ended February 29, 2012.

## **Critical Accounting Policies and Estimates**

### **Critical Accounting Policies**

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have changed. Accounting rules generally do not involve a selection among alternatives, but involve an implementation and interpretation of existing rules, and the use of judgment, to the specific set of circumstances existing in our business. Discussed below are the accounting policies that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. See Note 2, “Summary of Significant Accounting Policies,” in our Consolidated Financial Statements for a discussion of those policies.

### **Mineral Properties, Leases and Exploration and Development Costs**

The Company accounts for mineral properties in accordance with ASC 930: *Extractive Activities-Mining*. Costs of acquiring mineral properties and leases are capitalized by project area upon purchase of the associated. Mineral properties are periodically assessed for impairment of value and any diminution in value.

The Company accounts for mineral exploration and development costs in accordance with ASC 932: *Extractive Activities*. All exploration expenditures are expensed as incurred, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on units of production basis over proven and probable reserves.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property or to exploration costs as applicable. If payments received exceed the capitalized cost of the mineral property or the exploration costs incurred, the excess is recognized as income in the year received.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

## Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and the related notes. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risks Relating to Our Business,” “Description of Business” and elsewhere in this document. See “Forward-Looking Statements.”

### *Results of Operations – Comparison of Years Ending February 28, 2013 and 2012*

We generated no revenues for the years ended February 28, 2013 or February 28, 2012. Total expenses from continuing operations decreased to \$3,009,126 in the year ended February 28, 2013 compared to the amount of \$3,642,752 recorded for the year ended February 29, 2012. This decrease was primarily attributable to the Company’s reduction of exploratory activities in Mexico and the lack of stock option benefits in the current period, and other items as noted in the discussion below regarding the following items:

Exploration expense was \$80,000 for the year ended February 28, 2013, compared to \$232,779 expense in the prior year. The reduction of expenses related to exploration expenses is attributable to a reduction in funding available to fund exploration expenditures in the current year.

General and Administrative expenses decreased approximately 74%, or \$2,095,621, for the year ended February 28, 2013 as compared to the comparable prior year period. This decrease was primarily attributable to the reduction in stock based compensation recorded in the year ended February 29, 2012. The components of General and Administrative expenses are:

Consulting expenses were \$132,977 for the year ended February 28, 2013, as compared to \$348,853 in the comparable prior year period. This decrease was primarily attributable to the ending of consulting contracts executed in the year ended February 28, 2011 and February 29, 2012.

Management fees and salaries decreased by approximately 55% to \$137,771 for the year ended February 28, 2013, as compared with the year ended February 29, 2012. This decrease was primarily attributable to the cessation of fees payable to the Company's former director of exploration and a reduction in fees payable to Grant White former president and CEO of the Company as well as adjustments of \$23,810 which reduced the aggregate management fees and salaries expenses.

Legal and professional expenses increased approximately \$173,806 or 108% for the year ended February 28, 2013, as compared to the comparable prior year period. This increase was primarily attributable to expenses related to legal and audit costs related to the complexity of our financial reporting and the costs of maintaining litigation defense.

Stock based compensation expense was \$30,000 for the year ended February 28, 2013, compared to \$1,510,167 for the year ended February 29, 2012. This expense is attributable to the granting of stock options to directors, officers in the fiscal year ended February 28, 2011 and the amortization of resultant stock based compensation expenses.

Other income and expenses for the year ended February 28, 2013 totaled \$2,138,314 compared to \$573,540 in the year ended February 29, 2012, composed of \$80,097 (2012 - \$27,348) of interest income from the Company's note receivable; \$747,779 (2012 - \$17,076) from the amortization of the discount recorded on notes payable; \$1,733,594 (2012 - \$475,153) of interest and financial fees. This increase in interest and financing fees is attributable to the accounting for the Company's additional financial instruments in the year ended February 28, 2013 and the accounting for interest and financial fee recording for derivative liabilities. In addition, other income and expenses included a gain on extinguishment of debt recorded of \$316,587 with no comparative for the prior period; income from changes in the fair value of derivative liabilities in the year ended February 28, 2013 was \$603,961 with no comparative for the prior year; an impairment loss on the fair value of the Company's note receivable of \$545,849 with no comparative for the prior period, and loss on settlement of amounts payable in the year ended February 28, 2013 was \$111,736 with \$108,659 recorded in the prior period. Management expects the amount of other expenses related to the amortization of debt discounts to be amortized in the fiscal year ended 2015. Derivative liabilities fair values are tested at the end of each reporting period and changes in fair value are recorded in the consolidated statement of operations as other incomes or expenses.

#### Income or Loss from Discontinued Operations

We incurred a loss from discontinued operations of \$9,250,950 for the year ended February 28, 2013 compared to a loss from discontinued operations of \$1,931,315 for the year ended February 29, 2012. Discontinued operations for the year ended February 28, 2013 include impairment charges of \$7,695,828 related to the impairments of our former subsidiaries mineral properties and a net gain on the disposition of the discontinued subsidiaries of \$295,898) and amortization of debt discounts of \$366,084. Additionally, discontinued operations for the year ended February 29, 2012 includes amortization of debt discount of \$120,516.

Management does not believe the percentage increases in expenses is indicative of future increases. Until the Company engages in exploration activities for a sufficient time to include comparable prior year periods, management is unable to predict the anticipated increases in expenses.



## **Liquidity and Capital Resources**

Although incorporated in 2005, Focus Gold began its current operations in October 2010, and has not as yet attained a level of operations which allows it to meet its current overhead. We do not contemplate attaining profitable operations until year end 2014, nor is there any assurance that such an operating level can ever be achieved.. While Focus Gold has funded its initial operations with private placements of equity and debt, there can be no assurance that adequate financing will continue to be available to us and, if available, on terms that are favourable to us. These factors raise substantial doubt about our ability to continue as a going concern and the accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should we be unable to continue as a going concern.

As of February 28, 2013, the Company's cash balance was \$1,237. Accounts payable and accrued liabilities as well as short term payments under contracts as of February 28, 2013 totaled \$3,102,152. The Company's working capital as at February 28, 2013 was a deficit of \$3,100,915.

During the years ended February 28, 2013 and February 29, 2012, our sole means of meeting our cash flow requirements was through the sale of our common stock and loans. In the year ended February 28, 2013 we generated net proceeds of \$nil from the sale of stock, (2012 - \$1,811,434) and \$604,000 from the issuance of debt instruments (2011 - \$570,000). The net proceeds from these stock offerings and issuances of debt securities were used to satisfy operations requirements and to conduct exploration activities on the Company's former mineral properties.

### **Other Activities:**

The Company is actively looking for acquisitions and joint venture opportunities which can build out its portfolio of mining properties.

### **Contractual Obligations**

There are no contractual obligations other than those described in the notes to the audited consolidated financial statements.

### **Off-balance sheet arrangements**

There are no off balance sheet arrangements.

### **Disclosure of Commission Position on Indemnification for Securities Act Liabilities**

Our Articles of Incorporation provide that we must indemnify and hold harmless directors, officers, employees, and agents of the Company, as and to the extent permitted by the Nevada Revised Statutes. One of our officers or directors could take the position that this duty on our behalf to indemnify the director or officer may include the duty to indemnify the officer or director for the violation of securities laws.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to our Articles of Incorporation, Bylaws, Nevada laws or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers, or control persons, and the successful defense of any action, suit or proceeding) is asserted by such director, officer or control person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

### **ITEM 6A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and as such, is not required to provide the information required under this item.

**ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Financial statements are included and may be found at pages F-1 through F-31.

**ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 8A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of February 28, 2013, the end of the period covered by this report, an evaluation was performed by our officer, Gordon F. Lee, who serves as our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (“Exchange Act”). Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure.

Based on this evaluation, Mr. Lee has concluded that the Company’s disclosure controls and procedures are not effective because of the identification of a material weakness in our internal control over financial reporting which is identified below, which we view as an integral part of our disclosure controls and procedures.

The material weakness relates to the lack of segregation of duties in financial reporting, as our financial reporting and most functions are performed by an external consultant with no oversight by a professional with accounting expertise. Mr. Lee does not possess accounting expertise and our Company does not have an audit committee. This weakness is due to the Company’s lack of working capital to hire additional staff. To remedy this material weakness, we intend to engage an accountant or outside accounting firm to assist with financial reporting as soon as our finances will allow.

**Management’s Report on Internal Control Over Financial Reporting**

## Edgar Filing: FOCUS GOLD Corp - Form 10-K

Management of the Company (Mr. Gordon F. Lee) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

In connection with the preparation of our annual financial statements, we have assessed the effectiveness of internal control over financial reporting as of February 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation as discussed above, Mr. Lee determined that as of February 28, 2013, the Company has a material weakness in our internal control over financial reporting that relates to the lack of segregation of duties in financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Internal control over financial reporting has inherent limitations which include but is not limited to the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Internal control over financial reporting is a process which involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We are a "smaller" company filer and are required to comply with the internal control reporting and disclosure requirements of Section 404 of the Sarbanes-Oxley Act for fiscal years ending on or after July 15, 2007. Although we are working to comply with these requirements, we have no financial personnel other than Mr. Lee, making compliance with Section 404 - especially with segregation of duty control requirements—very difficult and cost ineffective, if not impossible. While the SEC has indicated it expects to issue supplementary regulations easing the burden of Section 404 requirements for small entities like us, such regulations have not yet been issued.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the fourth quarter of the year ended February 28, 2013 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

**Attestation Report of the Registered Public Accounting Firm**

This report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. The disclosure contained under this Item was not subject to attestation by our registered public accounting firm in this annual report.

**ITEM 8B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The following information provided under this PART III presents the information as it relates to the Directors and Executive Officers as was in effect on February 28, 2013.

The following table identifies our current executive officers and directors, their respective offices and positions, and their respective dates of election or appointment:

Name		Dates of Appointment
Gordon F. Lee	Chief Executive Officer, Chief Financial Officer and Director	August 29, 2012
Richard O. Weed	Secretary and Director	August 29, 2012

There is no arrangement or understanding between our sole officer and director and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management shareholders will exercise their voting rights to continue to elect the current board of directors. There are also no arrangements, agreements or understandings to our knowledge between non-management shareholders that may directly or indirectly participate in or influence the management of our affairs.

### **Business Experience**

Gordon F. Lee, age 62, Board Member, Chief Executive Officer, Chief Financial Officer. Mr. Lee has 30 years of direct experience in the securities and investment industries, as a private investment banker, securities adviser, corporate strategist, entrepreneur and significant investor, Lee has made his footprint over the landscape. The first eight years of his career were spent in the public sector of capital formation for oil and gas companies, focused on corporate securities matters, including advising small business clients, assisting companies with raising money, going public, closing various opportunities in structuring transactions such as mergers, acquisitions and joint ventures. After several years in the Canadian markets in the capacity of Chief Advisor, Corporate Finance, he became an investment banker and moved to the US. He is currently focused on public venture capital and investing in high growth companies in various industry sectors.

Mr. Lee holds the following academic credentials: BA, 1975, University of Ontario (Guelph); LLB, 1977, University of Toronto. Mr. Lee is a Director and the Chief Executive Officer of Gold Crest Mines, Inc.

During the past ten years, Mr. Lee has not been involved in any legal proceedings that are material to an evaluation of his ability or integrity under Item 401(f) of Regulation S-K.

Richard O. Weed, age 50, Board Member and Secretary. Mr. Weed is a partner in Weed & Co. LLP, a Newport Beach, California law firm that provides advice on capital formation and business strategy, including litigation. Mr. received a B.B.A. degree from the University of Texas at Austin in 1984, a Juris Doctor degree from St. Mary's University School of Law in 1987 and an M.B.A degree from the University of Southern California in 1992. Mr.

Weed devotes approximately 20% of his time to our business affairs.

During the past ten years, Mr. Weed has not been involved in any legal proceedings that are material to an evaluation of his ability or integrity under Item 401(f) of Regulation S-K.

**Significant Employees**

Other than the executive officer named herein, the Company does not have any employees.

**Family Relationships**

None.



### **Involvement In Legal Proceedings**

To the best of our knowledge, during the past five years, none of our directors or executive officers were involved in any of the following: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

### **Nomination Procedure for Directors**

The Company does not have a standing nominating committee; recommendations for candidates to stand for election as directors are made by the board of directors. The Company has not adopted a policy that permits shareholders to recommend candidates for election as directors or a process for shareholders to send communications to the board of directors.

### **Audit Committee Financial Expert**

The Company has no financial expert. Management believes the cost related to retaining a financial expert at this time is prohibitive. The Company's Board of Directors has determined that it does not presently need an audit committee financial expert on the Board of Directors to carry out the duties of the Audit Committee. The Company's Board of Directors has determined that the cost of hiring a financial expert to act as a director of the Company and to be a member of the Audit Committee or otherwise perform Audit Committee functions outweighs the benefits of having a financial expert on the Audit Committee.

### **Identification of Audit Committee**

The Company does not have a separately-designated standing audit committee. Rather, the Company's entire board of directors performs the required functions of an audit committee.

The Company does not have a written audit committee charter or similar document.

### **Code of Ethics**

The Company does not have a written Code of Ethics or similar document.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires directors and certain officers of the Company, as well as persons who own more than ten percent (10%) of a registered class of the Company's equity securities ("Reporting Persons"), to file reports with the SEC. The Company believes that during fiscal year ended February 28, 2013; all Reporting Persons timely complied with all filing requirements applicable to them.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Summary Compensation Table**

The table below shows certain compensation information for services rendered in all capacities for the fiscal years ended February 28, 2013, 2012 and 2011. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

Name and Principal Position	Fiscal Year End	Annual Compensation		Long Term Compensation		Restricted Shares or Restricted Share Units (#)
		Salary (\$)	Bonus (\$)	All other compensation and LTIP Payouts (\$)	Options/SARS Granted (#)	
Gordon F. Lee, CEO, CFO and Director	2013	\$40,000	–	– \$	10,000	–
	2012	\$0	–	–	–	–
Richard O. Weed Secretary and Director *	2013	\$40,000	–	– \$	10,000	–
	2012	\$9,000	–	–	–	–

\* Mr. Weed is a partner in the law firm of Weed & Co. LLP. Weed & Co. LLP billed the Company \$139,500 for legal services during the fiscal year ended February 28, 2013.

### Employment Agreements with Management

The Company entered into an agreement with Weed & Co. LLP, a law firm with whom Mr. Weed is a partner. Under the terms of this agreement, the Company pays Weed & Co. LLP for certain specified legal services. Weed & Co. LLP billed the Company \$139,500 for legal services during the fiscal year ended February 28, 2013.

### Outstanding Equity Awards

On February 7, 2011, the Board of Directors adopted the 2011 STOCK & STOCK OPTION COMPENSATION PLAN (the "Plan") for employees, directors and other persons associated with the Company. The Plan is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the Plan supports and increases the Company's ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The Board reserved 500,000 shares of common stock for issuance under the Plan. As of the fiscal year end, February 28, 2013, the Board had granted options to purchase 320,000 shares of common stock at \$10.00 per share to 7 persons.

On October 16, 2012, the Board of Directors adopted the 2012 STOCK & STOCK OPTION COMPENSATION PLAN (the "Plan") for employees, directors and other persons associated with the Company. The Plan is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the Plan supports and increases the Company's ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The Board reserved 2,500,000 shares of common stock for issuance under the Plan. As of the fiscal year end, February 28, 2013, the Board had granted 500,000 shares of common stock at \$.16 per share (\$80,000) to 1 person for consulting services.

### **Directors' Compensation**

The Company does not have a fixed policy concerning the compensation of persons serving as directors. However, board members were granted certain stock options in February 2011.

Grant R. White, a former director, received a five year option to purchase 200,000 common shares at \$10.00 per share as part of his employment agreement.

Dorian L. (Dusty) Nicol, a former director, received a five year option to purchase 50,000 common shares at \$10.00 per share as part of his employment agreement to join the Corporation as Director of Exploration.

Eduardo Zayas, a former director, received a five year option to purchase 17,500 common shares at \$10.00 per share.

Larry Segerstrom, a former director, received a five year option to purchase 10,000 common shares at \$10.00 per share.

Richard O. Weed received a five year option to purchase 10,000 common shares at \$10.00 per share.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following alphabetical table sets forth the ownership, as of May 31, 2013, of our capital stock by each person known by us to be the beneficial owner of more than 5% of our outstanding Common Stock, Series A Preferred Stock, and Series B Non-Voting 6% Convertible Preferred Stock and for each of our directors and executive officers; and all of our directors and executive officers as a group. The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the SEC and is not necessarily indicative of ownership for any other purpose. This table is based upon information derived from our stock records. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned. Except as set forth below, applicable percentages are based upon 19,884,604 shares of Common Stock outstanding as of May 20, 2013.

Name of Beneficial Owner	Title of Class	Amount and	
		Nature of Beneficial Ownership	Percentage of Class
Gordon F. Lee, Chief Executive Officer, Chief Financial Officer and Director (1)	Common Stock	10,000,000	50%
	Series A	1,000,000	33%
Richard O. Weed, Secretary and Director (2)	Common Stock	10,000	-
	Series A	2,000,000	67%
	Series B	1,850.2	100%
All directors and named executive officers as a group (2 persons)	Common Stock	10,000,000	50%
	Series A	3,000,000	100%
	Series B	1,850.2	100%

(1) Gordon F. Lee, Chief Executive Officer, Chief Financial Officer and Director bought 5,000,000 shares of common stock and a 5 year Common Stock Purchase Warrant to acquire 5,000,000 shares of common stock at \$.02 per share

from the Company on April 5, 2013. Mr. Lee received 1,000,000 shares of Series A Preferred Stock (“Series A”) on October 19, 2012 at fair value of \$0.02 per share. Each share of Series A has two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and votes with the Company’s common stock on all matters. As such, Mr. Lee can cast 255,000,000 votes.

(2) Richard O. Weed, Secretary and Director, owns 250,000 shares of common stock and holds an option to purchase 10,000 shares of common stock at \$10.00 per share that expires February 24, 2016. Mr. Weed received 1,000,000 shares of Series A on October 19, 2012 at fair value of \$0.02 per share and 1,000,000 shares of Series A on February 20, 2013 from Eduardo Zayas. Each share of Series A has two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and votes with the Company’s common stock on all matters. As such, Mr. Weed can cast 500,000,000 votes. Mr. Weed is considered the beneficial owner of 1,850.2 shares of the Company’s Series B Non-Voting 6% Convertible Preferred Stock (“Series B”) because Weed & Co. LLP owns 850.2 shares of Series B it acquired for accrued legal fees of \$85,020 on February 1, 2013 and Six Eighteen Corp. owns 1,000 shares of Series B it acquired as satisfaction of a \$77,159.80 Judgment dated August 20, 2012 against the Company.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The Company entered into an agreement with Weed & Co. LLP, a law firm with whom Mr. Weed is a partner. Under the terms of this agreement, the Company pays Weed & Co. LLP for certain specified legal services. The Company paid Weed & Co. LLP \$139,500 for legal services during the fiscal year ended February 28, 2013.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

On October 7, 2010, our Board of Directors approved the engagement of Rosenberg Rich Baker Berman & Company (“RRBB”) to serve as our principal independent public accountant to audit our financial statements for the fiscal year ended February 28, 2013. RRRB served as our principal independent public accountant to audit our financial statements for the fiscal year ended February 29, 2012.

Audit fees billed by our principal independent public accountants for services rendered for the audit of our annual financial statements and review of our quarterly financial statements included in Form 10-Q for the last two fiscal years are presented below. Audit-related fees, tax fees, and other fees for services billed by our principal independent public accountant during each of the last two fiscal years are also presented in the following table:

	Years Ended February 28 and 29, 2013      2012	
Audit Fees	\$69,225	\$44,700
Audit-related fees	\$-	\$-
Tax fees	\$-	\$-
Registration Statement Fees	\$-	\$-
All other fees	\$-	\$-

Our Board of Directors established a policy whereby the outside auditors are required to seek pre-approval on an annual basis of all audit, audit-related, tax and other services by providing a prior description of the services to be performed. For the year ended February 28, 2013, 100% of all audit-related services were pre-approved by the Board of Directors, which concluded that the provision of such services by RRBB was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions.





PART IV

**ITEM 15. EXHIBITS**

Exhibit No.	Description
3.1	Articles of Incorporation - incorporated by reference to the Form SB-2 filed June 2, 2006 (SEC Accession Number 1002014-6-418)
3.2	Bylaws - incorporated by reference to the Form SB-2 filed June 2, 2006 (SEC Accession Number 1002014-6-418)
3.3	Articles of Amendment to the Articles of Incorporation to change name to Gold Bag, Inc. - incorporated by reference to the Form 10-K for the year ended February 28, 2011 filed June 13, 2011 (SEC Accession Number 1019687-11-1937)
3.4	Certificate of Amendment to Articles of Incorporation - incorporated by reference to the Form 10-K for the year ended February 28, 2011 filed June 13, 2011 (SEC Accession Number 1019687-11-1937)
3.5	Certificate of Amendment to Articles of Incorporation – name change to Focus Gold Corporation - incorporated by reference to the Form 10-K for the year ended February 28, 2011 filed June 13, 2011 (SEC Accession Number 1019687-11-1937)
3.6	Certificate of Amendment to Articles of Incorporation - incorporated by reference to the Form 8-K filed October 19, 2012 (SEC Accession Number 1019687-12-4384)
4.1	Specimen Stock Certificate for Common Stock - incorporated by reference to the Form SB-2 filed June 2, 2006 (SEC Accession Number 1002014-6-418)
4.2	2011 Stock & Stock Option Compensation Plan - incorporated by reference to the Form 10-K for the year ended February 28, 2011 filed June 13, 2011 (SEC Accession Number 1019687-11-1937)
4.3	2012 Stock & Stock Option Compensation Plan - incorporated by reference to the Form S-8 filed on October 16, 2012 (SEC Accession Number 1019687-12-3686)
4.4	Certificate of Designations of the Series A Preferred Stock – incorporated by reference to the Form 8-K filed October 19, 2012 (SEC Accession Number 1019687-12-3752)
4.5	Certificate of Designations of the Series B Non-Voting 6% Convertible Preferred Stock – incorporated by reference to the Form 8-K filed October 19, 2012 (SEC Accession Number 1019687-12-3752)
4.5	Common Stock Purchase Warrant - incorporated by reference to the Form 8-K filed April 5, 2013 (SEC Accession Number 1019687-13-1238)
10.1	Share Purchase Agreement with European Resource Capital Inc. – incorporated by reference to the Form 8-K filed October 5, 2012 (SEC Accession Number 1019687-12-3634)
10.2	Share Purchase Agreement with Santiago Leon Avaleyra, Eduardo Zayas Duenas and Carmen Leticia Calderon Leon - incorporated by reference to the Form 8-K filed February 14, 2013 (SEC Accession Number 1019687-13-474)
10.3	Assignment Agreement with Distressed Debt Investment Corp and European Resource Capital Inc. - incorporated by reference to the Form 8-K filed March 29, 2013 (SEC Accession Number 1019687-13-1050)
10.4	Private Placement Subscription Agreement - incorporated by reference to the Form 8-K filed April 5, 2013 (SEC Accession Number 1019687-13-1238)

21.1 List of Subsidiaries\*

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31.1 Certification of Chief Executive Officer and Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 14d-14(a)\*

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sect 1350\*

101.INS XBRL Instance Document\*

101.SCH XBRL Schema Document\*

101.CAL XBRL Calculation Linkbase Document\*

101.DEF XBRL Definition Linkbase Document\*

101.LAB XBRL Label Linkbase Document\*

101.PRE XBRL Presentation Linkbase Document\*

\* Filed herewith.

19

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 31, 2013

/s/ Gordon F. Lee

Gordon F. Lee  
Chief Executive Officer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

May 31, 2013

/s/ Gordon F. Lee

Gordon F. Lee  
Chief Executive Officer and Director

/s/ Richard O. Weed

Richard O. Weed, Director

**FOCUS GOLD CORPORATION**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of Focus Gold Corporation

We have audited the accompanying balance sheets of Focus Gold Corporation as of February 28, 2013 and February 29, 2012, and the related statements of operations, stockholders' equity, and cash flows for each of the years ended February 28, 2013 and February 29, 2013. Focus Gold Corporation's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Focus Gold Corporation as of February 28, 2013 and February 29, 2012, and the results of its operations and its cash flows for the years ended February 28, 2013 and February 29, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 2 to the financial statements, the company is in the exploration stage and has suffered recurring losses from operations. This raises substantial doubt about the company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Rosenberg Rich Baker Berman & Company

Somerset, NJ

May 31, 2013

F-1

## FOCUS GOLD CORPORATION

(An Exploration Stage Company)

## Consolidated Balance Sheets

## ASSETS

	February 28, 2013	February 29, 2012
Current Assets		
Cash and cash equivalents	\$1,237	\$2,641
Taxes and other amounts receivable	–	12,214
Prepaid expenses	–	40,918
Current assets of discontinued operations	–	1,036,584
Total Current Assets	1,237	1,092,357
Equipment	–	2,835
Mineral property rights	–	50,000
Long term note receivable	2,085,602	–
Long term assets of discontinued operations	–	12,388,624
Total Assets	\$2,086,839	\$13,533,816

## LIABILITIES &amp; STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$467,336	\$345,138
Accounts payable and accrued expenses - related	28,093	130,092
Notes payable, net of discounts	832,737	1,111,811
Derivative liabilities	1,773,986	–
Current liabilities of discontinued operations	–	1,161,819
Total Current Liabilities	3,102,152	2,748,860
Long-Term Debt		
Long term liabilities of discontinued operations	–	351,402
<b>Total Liabilities</b>	<b>\$3,102,152</b>	<b>\$3,100,262</b>
Contingencies and Commitments	–	–
Stockholders' Equity		
Preferred stock, \$0.00001 par value, authorized 100,000,000 shares		
Series A, 3,000,000 authorized and outstanding as of February 28, 2013 and nil at February 29, 2012	30	–
	–	–

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Series B, 7,000,000 authorized, 1,850 issued and outstanding as of February 28, 2013 and nil at February 29, 2012

Common stock, \$0.00001 par value, authorized 50,000,000 shares, 8,734,877 shares issued and outstanding as of February 28, 2013 4,951,252 shares issued and outstanding as of February 29, 2012	87	50
Additional paid-in capital	18,409,825	17,401,932
Accumulated other comprehensive income (loss)	–	–
Accumulated deficit prior to exploration stage	(414,284 )	(414,284 )
Accumulated deficit during exploration stage	(18,815,146 )	(6,554,144 )
Treasury stock	(195,825 )	–
Total Stockholders' Equity	(1,015,313 )	10,433,554
Total Liabilities and Stockholders' Equity	\$2,086,839	\$13,533,816

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



## FOCUS GOLD CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Operations

	For the Year Ended		For the period
	February 28, 2013	February 29, 2012	October 1, 2010
			(Entry into Exploration Stage) to February 28, 2013
Revenues	\$-	\$-	\$-
Operating Expenses			
Exploration expense	80,000	232,779	326,020
Mineral property impairment	50,000	-	50,000
General & administrative expenses	740,813	2,836,434	4,344,133
Total Operating Expenses	870,813	3,069,213	4,720,153
Other Income (Expenses)			
Interest income	80,097	27,348	107,445
Amortization of debt discount	(747,779 )	(17,076 )	(764,855 )
Interest and financial fees	(1,733,594 )	(475,153 )	(2,208,747 )
Change in derivative liabilities	603,961	-	603,961
Gain on extinguishment of debt	316,586	-	207,927
Note receivable impairment	(545,849 )	-	(545,849 )
Loss on settlement	(111,736 )	(108,659 )	(111,736 )
Total Other Income (Expenses)	(2,138,314 )	(573,540 )	(2,711,864 )
Net Loss from Continuing Operations	\$ (3,009,127 )	\$ (3,642,753 )	\$ (7,432,017 )

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Loss from operations of the discontinued entities	(1,976,468 )	(1,932,890)	(4,109,307 )
Loss on disposal of the discontinued entities	(7,399,930 )	–	(7,399,930 )
Loss from discontinued operations attributable to non-controlling interest	125,448	1,575	127,023
Loss from Discontinuing Operations attributable to Focus Gold	(9,250,950 )	(1,931,315)	(11,382,214)
Net Loss	(12,260,077)	(5,574,068)	(18,814,221)
Preferred Share Dividends	925	–	925
Net Loss Attributable to Focus Gold Stockholders	\$(12,261,002)	\$(5,574,068)	\$(18,815,146)
Basic and Diluted Net Loss Per Share, Continuing Operations	\$(0.48 )	\$(0.77 )	
Basic and Diluted Net Loss Per Share, Discontinued Operations	\$(1.47 )	\$(0.41 )	
Weighted average number of shares outstanding, basic and diluted	6,291,079	4,760,179	

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

F-3

## FOCUS GOLD CORPORATION

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

	For the Year Ended		For the period
	February 28, 2012	February 29, 2012	October 1, 2010
			Entry into Exploration Stage) to February 28, 2013
Cash Flows from Operating Activities			
Net Loss	\$(12,260,077)	\$(5,574,068)	\$(18,814,221)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	2,840	1,735	4,830
Amortization of debt discount	747,779	17,076	764,854
Non-cash interest and financial fees	1,593,508	465,153	2,058,661
Change in derivative liabilities	(603,961 )	–	(603,961 )
Gain on settlement of debt	(316,586 )	–	(207,927 )
Loss on settlement	111,736	108,659	111,736
Stock based compensation	30,000	1,510,167	1,842,200
Mineral property impairment	50,000	–	50,000
Note receivable impairment	545,849	–	545,849
Interest income	(80,097 )	–	(80,097 )
Common stock issued for services	182,977	276,950	488,609
Change in operating assets and liabilities:			
Decrease/ (Increase) in taxes and other amounts receivable	12,214	(12,216 )	114,614
Decrease in prepaid expenses	5,000	–	(6,087 )
Increase in accounts payable and accrued expenses	334,938	204,416	608,529
Increase in accounts payable and accrued expenses - related	64,218	79,378	138,365
Cash flows from operating activities - discontinued operations	9,088,662	476,798	9,475,451
Net Cash Used in Operating Activities	(491,000 )	(2,445,952)	(3,508,595 )

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Cash Flows From Investing Activities			
Pre-acquisition loans to former subsidiary	–	(865,347 )	(1,065,347 )
Post acquisition loan to former subsidiary	(231,832 )	(587,693 )	(1,089,525 )
Purchase of equipment	–	(1,268 )	(4,826 )
Cash flows from investing activities - discontinued operations	31,832	951,335	1,194,064
Net Cash Used in Investing Activities	(200,000 )	(502,973 )	(965,634 )
Cash Flows From Financing Activities			
Proceeds from the sale of preference stock	30,000	–	30,000
Proceeds from the sale of common stock	–	1,877,720	2,912,455
Proceeds from notes payable	604,000	570,000	1,174,000
Cash flows from financing activities - discontinued operations	53,063	303,183	353,714
Net Cash Provided by Financing Activities	687,063	2,750,903	4,470,169
Net Decrease in Cash	\$(3,937 )	\$(198,022 )	\$(4,060 )
Foreign currency translation adjustment	2,533	(171 )	5,291
Cash and Cash Equivalents at Beginning of Period	\$2,641	\$200,834	\$6
Cash and Cash Equivalents at End of Period	\$1,237	\$2,641	\$1,237
Cash paid for			
Interest	\$–	\$–	\$–
Income Taxes	\$–	\$–	\$–

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

## FOCUS GOLD CORPORATION

(An Exploration Stage Company)

## Consolidated Statement of Stockholders' Equity

	Preferred Series A		Preferred Series B		Common Stock		Additional	Accumulated	Accumulated
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Other Comprehensive Income (Loss)	Deficit Prior to Exploration Stage
Balances at February 28, 2011	–	\$–	–	\$–	2,897,292	\$29	\$6,992,498	\$396	\$(414,284)
Common stock issued for cash in private placements with warrants at \$8.00 per unit (net of commissions)	–	–	–	–	220,538	2	1,697,718	–	–
Common stock issued for consulting services at \$2.80 per share	–	–	–	–	125,000	1	349,999	–	–
Common stock issued for consulting services at \$2.00 per share	–	–	–	–	225,000	2	449,998	–	–
Common stock issued at \$2.05 per share for debt of subsidiary	–	–	–	–	50,000	1	102,485	–	–
Common stock issued for consulting services at \$2.60 per share	–	–	–	–	150,000	2	389,998	–	–
Common stock issued for cash in private placements at	–	–	–	–	66,667	1	146,855	–	–

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\$3.00 per unit (Net of commissions) Common stock issued for consulting services at \$4.60 per share	–	–	–	–	12,500	–	57,500	–	–
Common stock issued for acquisition of discontinued subsidiary and accruals of non-controlling interest	–	–	–	–	1,185,788	12	5,160,441	–	–
Common stock issued for settlement of debt of subsidiary at \$9.80 per share	–	–	–	–	18,467	–	181,763	–	–
Stock option expense	–	–	–	–	–	–	1,510,167	–	–
Warrants issued for debt discount	–	–	–	–	–	–	362,510	–	–
Comprehensive income (loss)	–	–	–	–	–	–	–	(396	) –
Net loss for the year ended February 29, 2012	–	–	–	–	–	–	–	–	–

F-5

## FOCUS GOLD CORPORATION

(An Exploration Stage Company)

## Consolidated Statement of Stockholders' Equity

(continued)

	Preferred Series A		Preferred Series B		Common Stock		Additional	Accumulated	Accumulated
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in	Other	
							Capital	Comprehensive	to Explo
								Income (Loss)	Stage
Balances at February 29, 2012	–	\$–	–	\$–	4,951,252	\$50	\$17,401,932	\$–	\$(414,284)
Common stock issued for exercises of conversions of notes payable at various prices per share	–	–	–	–	2,918,403	29	571,781	–	–
Common stock issued at \$0.88 per share for settlement of fees and interest on notes payable	–	–	–	–	50,000	–	44,000	–	–
Common stock issued at \$0.81 per share for settlement of fees and interest on notes payable	–	–	–	–	150,000	1	121,499	–	–
Common shares issued at \$0.80 per share for contract settlement	–	–	–	–	5,000	–	4,000	–	–
Common stock issued at \$0.433 per share for notes	–	–	–	–	80,000	1	34,659	–	–

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payable penalties									
Common stock issued at \$0.305 per share for notes	–	–	–	–	80,000	1	24,399	–	–
payable penalties									
Common stock issued for consulting services at \$0.16 per share	–	–	–	–	500,000	5	79,995	–	–
Shares issued at January 15, 2013 for rounding on 20:1 reverse-split	–	–	–	–	222	–	–	–	–
170,000 Focus Gold Corporation shares acquired in settlement of amounts payable and held as treasury shares	–	–	–	–	–	–	–	–	–
512,501 Focus Gold Corporation shares acquired in sale of former subsidiary and held as treasury shares	–	–	–	–	–	–	–	–	–
Warrants issued for debt discount	–	–	–	–	–	–	67,590	–	–
Series A Preference shares issued October 19, 2012 at fair value of \$0.02 per share	3,000,000	30	–	–	–	–	59,970	–	–
Series B Preference shares issued January 31,	–	–	1,850	–	–	–	–	–	–



2013 to settle accounts payable at fair value of \$129.15 per share									
Comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Net loss for the year ended February 28, 2013	—	—	—	—	—	—	—	—	—
Dividends Balances at February 28, 2013	3,000,000	\$30	1,850	\$—	8,734,877	\$87	\$18,409,825	\$—	\$(414,284)

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

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

### 1. Organization and Description of Business

Focus Gold Corporation (the "Company") was incorporated on December 23, 2005 under the laws of the state of Nevada under the name Real Estate Referral Center Inc. On April 21, 2009, the Company changed its name to Gold Bag, Inc. and effective June 6, 2011 to Focus Gold Corporation. In October 2010 the Company entered into an option agreement with Victoria Gold Inc. for the right to explore and purchase mineral claims located in Ontario Canada and since that time the Company's principal business has been the acquisition and exploration of mineral resources. The Company is considered an exploration stage company and its financial statements are presented in a manner similar to a development stage company as defined in FASC 915-10-05, and interpreted by the Securities and Exchange Commission for mining companies in Industry Guide 7. As at February 28, 2013, the Company has disposed of all its mineral properties and the Company intends to restructure itself and has engaged an outside consultant to identify, review, and assess additional mineral properties for purchase. The Company has developed a private equity strategy to acquiring gold mining properties following several key investment criteria that include properties that are in safe governmental jurisdictions primarily in the Americas; that provide geographic diversification across its portfolio; invest \$500,000 to \$5 million in projects with significant exploration upside; and where possible, the Company will acquire properties with existing capable management teams and then provide senior level experienced management oversight. Once a property has matured, the Company will seek to divest of the property either through a strategic sale or through a spin-off into a stand-alone public company.

On December 31, 2010, the Company acquired 100% ownership of Fairfields Gold S.A. de CV ("Fairfields"), a Mexican corporation involved in the exploration and expansion of its mineral properties. On October 25, 2011, through its wholly owned subsidiary Focus Celtic Gold Corporation ("Celtic") the Company completed on the acquisition of 98.65% ownership of Metallum Resources Plc. ("Metallum"), an England & Wales corporation which is involved in the exploration and expansion of its mineral properties. Subsequent to the acquisition, the Company exchanged shares of Celtic for settlement of accounts payable reducing the Company's equity stake in Celtic to 92.16%. On October 5, 2012, the Company sold its 92.16% interest in Celtic. The associated assets and liabilities of Celtic and Metallum have been classified as discontinued operations at February 29, 2012. The operations of Celtic and Metallum Resources Plc. through October 5, 2012 have been reflected in loss from operations of discontinued entities in the consolidated statements of operations. On February 8, 2013, the Company sold its 100% interest in Fairfields. The associated assets and liabilities of Fairfields have been classified as discontinued operations at February 29, 2012. The operations of Fairfields through February 8, 2013 have been reflected in loss from operations of discontinued entities in the consolidated statements of operations.

The prior period results of continuing operations of Celtic and Fairfields have been reclassified to loss from discontinued operations. All significant intercompany accounts and transactions are eliminated in consolidation.

2. Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the consolidated financial statements.

(a) Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. These consolidated financial statements represent the consolidation of the Company with its subsidiary Focus Gold Mexico Limited and as discontinued operations, its former subsidiaries Fairfields Gold S.A. de CV at February 29, 2012 and for the period since December 31, 2010 through February 8, 2013 and Focus Celtic Gold Corporation and Metallum Resources Plc. at February 29, 2012 and for the period since October 25, 2011 through October 5, 2012. All significant intercompany transactions have been eliminated.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

The Company is considered an exploration stage company and its financial statements are presented in a manner similar to a development stage company as defined in ASC 915 “Development stage entities”, and interpreted by the Securities and Exchange Commission for mining companies in Industry Guide 7. Pursuant to the rules and regulations of the Securities and Exchange Commission, a mining company in the exploration stage should not refer to itself as a development stage company in its financial statements. The Company is required to provide additional disclosures from its date of inception, or the date the Company was reactivated to undertake exploration stage activities; therefore, the statement of operations, stockholders’ equity and comprehensive loss and cash flows include cumulative amounts from October 1, 2010 to February 28, 2013.

The Company is in the business of exploring and developing its mineral properties and having disposed of all of its mineral properties or interests in mineral properties it has acquired since entering the exploration stage in October 2010, the Company intends to restructure itself and has engaged an outside consultant to identify, review, and assess additional mining properties for purchase. The acquisition of such mineral properties is dependent on the availability of properties that meet the Company’s business objectives and on the ability of the Company to obtain necessary financing to acquire such property or properties and undertake exploration or exploitation thereon to determine the existence of economically recoverable reserves.

### (b) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. To limit its credit risk exposure for amounts in excess of federally insured limits, the Company places its deposits with financial institutions of high credit standing.

### (c) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

(d) Mineral Properties, Leases and Exploration and Development Costs

The Company accounts for mineral properties in accordance with ASC 930: *Extractive Activities-Mining*. Costs of acquiring mineral properties and leases are capitalized by project area upon purchase of the associated claims (see Note 5). Mineral properties are periodically assessed for impairment of value and any diminution in value.

The Company accounts for mineral exploration and development costs in accordance with ASC 932: *Extractive Activities*. All exploration expenditures are expensed as incurred, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on units of production basis over proven and probable reserves.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property or to exploration costs as applicable. If payments received exceed the capitalized cost of the mineral property or the exploration costs incurred, the excess is recognized as income in the year received.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

### (e) Derivative Instruments

Derivative instruments consist of common stock warrants and certain instruments embedded in certain notes payable and related agreements. These financial instruments are recorded in the balance sheets at fair value as liabilities. Changes in fair value are recognized in earnings in the period of change.

### (f) Impairment of Long-lived Assets

The Company reviews and evaluates its long-lived assets for impairment at each balance sheet date and documents such impairment testing. The tests include an evaluation of the assets and events or changes in circumstances that would indicate that the related carrying amounts may not be recoverable. Mineral properties in the exploration stage are monitored for impairment based on factors such as the Company's continued right to explore the area, exploration reports, assays, technical reports, drill results and the Company's continued plans to fund exploration programs on the property, whether sufficient work has been performed to indicate that the carrying amount of the mineral property cost carried forward as an asset will not be fully recovered, even though a viable mine has been discovered.

The tests for long-lived assets in the exploration, development or producing stage that would have a value beyond proven and probable reserves would be monitored for impairment based on factors such as current market value of the mineral property and results of exploration, future asset utilization, business climate, mineral prices and future undiscounted cash flows expected to result from the use of the related assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset, including evaluating its reserves beyond proven and probable amounts.

The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable either by impairment or by abandonment of the property. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds its fair value.

During the year ended February 28, 2013, the Company recorded an impairment charge on its Metallum properties and Watabeag & Russell claims (Notes 3 and 7 respectively).

(g) Stock-based Compensation

The Company accounts for stock based compensation to employees as required by ASC718: *Compensation-Stock Compensation* and stock based compensation to nonemployees as required by ASC505-50: *Equity-Based Payments to Non-Employees*. Options and warrants are valued using the Black-Scholes pricing model (See Note 10). The offset to the recorded stock based compensation cost is to additional paid-in capital. Consideration received on the exercise of stock options is recorded as share capital and additional paid-in capital and the related additional paid-in capital is transferred to share capital.

(h) Comprehensive Income

ASC 220: *Comprehensive Income*, establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As at February 29, 2012 and February 28, 2011, the Company's only component of comprehensive income was foreign currency translation adjustments.

(i) Income Taxes

Income taxes are provided based upon the liability method of accounting pursuant to ASC 740-10-25: *Income Taxes – Recognition*. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the “more likely than not” standard imposed by ASC 740-10-25-5 to allow recognition of such an asset. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

The Company follows the provisions of uncertain tax positions as addressed in ASC 740-10-65-1. The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at February 28, 2013 or February 29, 2012 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest and financial expenses in other income (expenses) on the consolidated statement of operations. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties at February 28, 2013 or February 29, 2012 other than for payroll taxes unpaid and flow-through shares issued in Canada. The Company's utilization of any net operating loss carry forward may be unlikely as a result of its exploration stage activities.

### (j) Net Loss Per Share

The Company computes earnings (loss) per share in accordance with ASC Topic 260 Earnings Per Share. ASC Topic 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. At February 28, 2013, the total number of potentially dilutive shares of common stock excluded from basic net loss per share as anti-dilutive was 320,000 from options and 282,262 from warrants.

### (k) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with ASC Topic 830: Foreign Currency Matters, using the exchange rate prevailing at the balance sheet date. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.



The functional currency of the Company's former subsidiary Fairfields, is the Mexican Peso. The functional currency of the Company's former subsidiary Metallum is the British Pound. The financial statements of the Company's foreign subsidiaries are translated to United States dollars in accordance with ASC Topic 830 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the year for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

(l) Share Capital

The Company records proceeds from share issuances, net of issue costs. Shares issued for consideration other than cash are valued in accordance with ASC 845: nonmonetary transactions, at the fair value of the nonmonetary assets acquired or the fair value of the nonmonetary asset given up.

(m) Flow-Through Common Shares

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company.

Flow-through shares are recognized in share capital based on the fair value attributed to common shares without a flow-through feature on the date the Company and the investors agree to the transaction. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the flow-through shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represents the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

(n)

Warrants

The Company accounts for warrants issued in conjunction with stock issuances under private placement using the fair value method. Under this method, the value of warrants issued is measured at fair value at the grant date using the Black-Scholes valuation model and recorded as share capital and additional paid-in capital.

The Company recognized the value of detachable warrants issued in conjunction with issuance of notes payable using the Black-Scholes pricing model. The Company recorded the relative fair value of the warrant as an increase to additional paid-in capital and discount against the related debt. The discount attributed to the value of the warrants is being amortized over the term of the underlying debt instrument.

(o)

Estimates

The preparation of consolidated financial statements 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 revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and equipment, useful lives for amortization, valuation allowances for future income tax assets, fair value of non-cash stock-based compensation and reclamation and environmental obligations. Actual results, as determined by future events, may differ from these estimates.

(p)

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04 (ASU No. 2011-04) "Fair Value Measurement" (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. As a result of the new guidance, U.S. GAAP and the IFRSs have the same definition and meaning of fair value and the same substantive disclosure requirements about fair value measurements (with minor differences in wording and style). ASU No. 2011-04 amends Topic 820 in two ways. Specifically, some of the amendments clarify how to apply the existing fair value measurement and disclosure requirements, while some of the

amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. ASU No. 2011-04 and IFRS 13 do not extend the use of fair value accounting, but rather provide guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or IFRS. ASU No. 2011-04 supersedes much of the guidance in ASC Topic 820, but also clarifies existing guidance and changes certain wording in order to align ASC Topic 820 with IFRS 13. IFRS 13 provides, for the first time, a precise definition of fair value and a single source of fair value measurement requirements, disclosure requirements, and related guidance for use across the IFRSs. The Company's adoption of this policy did not have a material effect on the Company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No 2011-05 (ASU No 2011-05), "Comprehensive Income (Topic 220): Presentation of Comprehensive Income". ASU 2011-05 eliminates the option that permits the presentation of other comprehensive income in the statement of changes in equity and requires presenting components of net income and comprehensive income in either a one-statement approach with totals for both net income and comprehensive income, or a two-statement approach where a statement presenting the components of net income and total net income must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The guidance provided in ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. The adoption of this ASU did not have a material impact on our consolidated financial statements.

## **FOCUS GOLD CORPORATION**

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

In September 2011, the FASB issued ASU No. 2011-08, which updates the guidance in ASC Topic 350, “Intangibles – Goodwill & Other” (ASU-2011-08). The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments in ASU 2011-08 include examples of events and circumstances that an entity should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, however the examples are not intended to be all-inclusive and an entity may identify other relevant events and circumstances to consider in making the determination. The examples in this ASU 2011-08 supersede the previous examples under ASC Topic 350 of events and circumstances an entity should consider in determining whether it should test for impairment between annual tests, and also supersede the examples of events and circumstances that an entity having a reporting unit with a zero or negative should consider in determining whether to perform the second step of the impairment test. Under the amendments in ASU 2011-08, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year as previously permitted under ASC Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 did not have a material impact on the Company's financial position or results of operations.

In December 2011, the FASB issued ASU No. 2011-12, “Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (“ASU 2011-12”). ASU 2011-12 defers changes in Update 2011-05 that relate to the presentation of reclassification adjustments. ASU 2011-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (November 30, 2012 for the Company). The adoption of ASU 2011-12 did not have a material impact on our results of operations, financial condition, or cash flows.

Effective January 1, 2013, the Company adopted ASU No. 2013-02, “Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income,” which amends ASC 220, “Comprehensive Income.” The amended guidance in ASU No. 2013-02 requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component and to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The adoption of ASU No. 2013-02 did not have a significant impact on the Company's

consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations

(q)

Going Concern

The Company's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America, and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company incurred a net loss of \$12,260,077 during the year ended February 28, 2013, and has an accumulated deficit of \$18,815,146 since entry into the exploration stage. Additionally, the Company is in default of various notes with principal amounts aggregating \$270,000. The Company changed its principal business to the development and exploitation of mineral properties in October 2010, but has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

**FOCUS GOLD CORPORATION**

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through sales of common stock and or a debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

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

(r)

Fair Value Measurements

The FASB's Accounting Standards Codification defines fair value as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants and requires that assets and liabilities carried at fair value are classified and disclosed in the following three categories:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active or inactive markets and valuations derived from models where all significant inputs are observable in active markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable in any market.

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Given the conditions surrounding the trading of the Company's equity securities, the Company values its derivative instruments related to embedded conversion features and warrants from the issuance of convertible debentures in accordance with the Level 3 guidelines. For the year ended February 28, 2013, the following table reconciles the beginning and ending balances for financial instruments that are recognized at fair value in these condensed consolidated financial statements. The fair value of warrants and embedded conversion features that have exercise reset features are estimated using an adjusted Black-Scholes model based on the Company's estimation of the likelihood of the occurrence of a reset.

	Balance at February 29, 2012	New Issuances	Changes in Fair Values	Balance at February 28, 2013
Level 3 – Derivative liabilities from:				
Conversion features	\$ –	\$1,959,416	\$(1,204,105)	\$755,311
Warrants	–	418,531	600,144	1,018,675
	\$ –	\$2,377,947	\$(603,962)	\$1,773,986

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation of the likelihood of the occurrence of a change to the contractual terms of the financial instruments. A significant increase (decrease) in this likelihood would result in a higher (lower) fair value measurement.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

### (s) Reclassification

Certain amounts in the balance sheet of February 29, 2012 and statement of operations for the year ended February 29, 2012 have been reclassified to conform with the current year's presentation.

All references to common shares of the Company have been adjusted to give effect to the implementation of a 20:1 reverse split of the Company's authorized and issued common stock which was effected on January 14, 2013.

### 3. Discontinued Operations

On October 5, 2012 the Company entered an agreement with European Resource Capital Inc. for the sale of the Company's 24,420,000 shares of common stock of Celtic (92.16% interest), 64,987,982 Metallum options providing the acquirer with the option to acquire an additional 64,987,982 common shares of Metallum for £0.10 per share through December 31, 2012 and amounts receivable from Celtic of approximately \$217,031 in exchange for \$2,500,000 (Canadian) (\$2,553,887 at exchange rates at the date of this transaction). European Resource Capital Inc. issued the Company an eight percent (8%) 5 year \$2,500,000 (Canadian) promissory note payable that is secured by the 24,420,000 shares of Celtic common stock.

On February 8, 2013, the Company's wholly owned subsidiary Focus Gold Mexico Limited entered into a share purchase agreement with three individuals, Santiago Leon Avaleyra, Eduardo Zayas Dueñas and Carmen Leticia Calderon Leon, as purchasers, to sell its 50 shares of common stock in Fairfields Gold, S.A. de C.V. for \$1,900,000 or purchasers can return the original consideration from the December 31, 2010 transaction (512,500 shares of the Company's common stock) on the closing date of February 20, 2013. On closing, the Company received as consideration 512,501 shares of its common stock with an aggregate fair value as at February 8, 2013 of \$66,625. The 512,501 shares of common stock received has been recorded as treasury stock on the consolidated balance sheet pending cancellation.



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A summarized statement of operations for the discontinued operations for the years ended February 28, 2013 and February 29, 2012 is as follows:

	February 28, 2013	February 29, 2012
Revenues	\$-	\$-
Exploration expense	102,723	694,015
Mineral property impairment	7,695,828	-
General and administrative	1,488,272	1,093,571
Total operating expenses	9,286,823	1,787,587
Net (gain) loss on assets and liabilities disposed of	(295,898 )	
Amortization of debt discount	366,084	120,516
Interest and finance cost	19,389	24,788
Non-controlling interest in operations	(125,448 )	(1,575 )
Loss from discontinued operations	\$(9,250,950)	\$(1,931,315)

F-14

**FOCUS GOLD CORPORATION***(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

**Assets classified as Assets from Discontinued Operations:**

	February 28, 2013	February 29, 2012
Assets	\$	\$
Cash and cash equivalents	–	82,795
Prepaid expenses	–	866,831
Taxes receivable	–	86,958
Total current assets classified as discontinued operations	–	1,036,584
Equipment	–	10,069
Long-term prepaid expenses	–	150,516
Mineral property expenses	–	12,228,039
Total long term assets classified as discontinued operations	\$ –	\$12,388,624

**Liability classified as Liabilities from Discontinued Operations:**

	February 28, 2013	February 29, 2012
Liabilities	\$	\$
Accounts payable and accrued expenses	–	412,457
Accounts payable and accrued expenses - related	–	156,414
Notes payable, net of discounts	–	21,656
Mineral option payment liability	–	571,292
Total current liabilities classified as from discontinued operations	–	1,161,819
Long term mineral option payment liability	–	334,468
Comprehensive income (loss)	–	(52,110 )
Non-controlling interest	–	69,044
Total long term liabilities classified as discontinued operations	\$ –	\$351,402

On August 24, 2012, the Company settled the amount of \$70,629 of amounts payable to a former director of the Company in exchange for 280,000 common shares of the Company subsidiary Celtic. The Company recognized a gain of \$44,041 on this transaction and a mineral property impairment of \$33,220. The 280,000 shares of common stock transferred in this settlement represent 1.06% of the issued and outstanding shares of common stock of Celtic.

Effective July 1, 2012, the Company settled the amount of \$47,303 of amounts payable to the former CEO of the Company in exchange for 440,000 common shares of the Company's subsidiary Celtic. Additionally the former CEO surrendered 170,000 shares of the Company's common stock with a fair value of \$129,200 in exchange for 1,360,000 shares of Celtic common stock. The Company recognized a loss of \$155,776 on the disposition of the 1,800,000 common shares of Celtic's common stock transferred by the Company in this transaction and a mineral property impairment of \$52,203. The 1,800,000 shares of common stock transferred in this settlement represent 6.79% of the issued and outstanding shares of common stock of Celtic.

## **FOCUS GOLD CORPORATION**

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

As at October 5, 2012, the Company owned a 92.16% interest in Celtic before the sale described in Note 3-“Discontinued Operations”.

### 5.

### Acquisitions

#### **Metallum Resources Plc.**

On February 23, 2011, the Company entered into definitive acquisition agreement (the “Metallum Acquisition Agreement”) to purchase all outstanding shares of Metallum Resources Plc. (“Metallum”), a gold and base metals explorer with a focus in Northern Ireland, Republic of Ireland and Scotland. Metallum, founded in 2006, is an unlisted public company incorporated under the laws of England and Wales. Under the terms of this agreement, the Company agreed to purchase all of Metallum's outstanding shares at a price of GBP £0.10 per share through the issuance of the Company's common stock. The number of shares of common stock to be issued at the Agreement's closing was to be calculated by multiplying GBP £0.10 by the GBP/USD exchange rate on the day of closing, divided by the average closing price of the Company's shares on the OTCBB for the 10-day period ended five trading days prior to the closing date. Effective June 29, 2011 the parties agreed to a conversion ratio of .325 shares of the Company's common stock for each Metallum common shares based on a 5 day average trading price of the Company of \$0.493 per share and a conversion rate of £ to \$ of 1.60:1.

On October 25, 2011, the Company closed on the Metallum Acquisition Agreement. The acquisition was accounted for as an asset acquisition. In consideration, based on arms-length negotiations, the Company issued 1,185,787 shares of its common stock to stockholders of Metallum at an agreed price of \$9.80 per share for 72,971,475 or 98.65% of Metallum's outstanding shares and issued 1,056,055 options for the purchase of common shares of the Company with an exercise price of \$9.80 per share expiring December 31, 2012 for 64,987,982 or approximately 99.5% of Metallum's 64,987,982 outstanding options.

#### ***Fair Value Determination and Allocation of Consideration Transferred***

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The fair value of the 1,185,787 common shares was determined to be \$3.80 per share based on the fair value of the Company's stock on October 25, 2011, the acquisition date. The options were valued at \$654,464 using a Black Scholes valuation model. The following assumptions were used in the Black Scholes calculation: expected life of 1.18 years; volatility of 98.5%; no dividend yield; and a risk free interest rate of 0.11%.

The following is a summary of the estimates of the fair value of the acquired assets less assumed liabilities at the acquisition date:

Net assets acquired and liabilities assumed:

Cash	\$3,303
Taxes recoverable and prepaid expenses	69,217
Equipment	10,850
Mineral property rights	6,142,038
Accounts payable and accrued liabilities	(994,336 )
Non-controlling interest	(70,619 )
Paid by issuance of 1,185,787 shares of common stock and 1,056,055 options to purchase shares of the Company's common stock until December 31, 2012	\$5,160,453

**FOCUS GOLD CORPORATION***(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On October 5, 2012, the Company sold 100% of its interest in Metallum Resources, Plc. See Note 3.

	6. Equipment					
	February 29, 2013			February 28, 2012		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer and office equipment	\$4,826	\$ 4,826	\$ –	\$4,826	\$ 1,991	\$2,835
	\$4,826	\$ 4,826	\$ –	\$4,826	\$ 1,991	\$2,835

7. Mineral Property Rights

Watabeag & Russell Creek Claims – Ontario, Canada (terminated November 27, 2012)

On October 1, 2010 the Company and Victoria Gold Corp. entered into an option agreement covering 16 gold mining claims in the Province of Ontario. Under the option agreement, the Company has the right to acquire Victoria Gold Corp.'s ownership interest in eight (8) mining claims located in Currie Township, Timmins Mining District, Ontario known as the Watabeag property and eight (8) mining claims located in Bowman Township, Timmins Mining District, Ontario known as the Russell Creek property.

The Watabeag property comprises a total of 131 hectares and is located approximately 60km east of Timmins, Ontario. Exploration on the property began in 1973 with additional drilling in the 80's. Four overburden holes were drilled in 1980 to follow up anomalous gold values. An additional 11 overburden holes were completed in 1981 to define two anomalies with well-defined head and tail features. The initial drill hole intersected mixed dacite and feldspar with a brecciated and altered zone assaying 8.9g/t Au across a 0.9m interval.

The Russell Creek property is a total of 128 hectares and is located approximately 70 kilometers east of Timmins. Minor exploration for gold commenced in 1980 when Asarco (Cook Joint Venture) completed ground magnetic and EM surveys in the area of two weak airborne EM conductors. The surveys defined a north west trending fault structure along Russell Creek.

On November 27, 2012, the Company reached agreement with Victoria Gold Corp. to terminate the option agreement without liability or obligation by the Company. The Company has accordingly expensed the \$50,000 carrying value of the Watabeag & Russell to impairment of mineral properties in the consolidated statement of operations for the year ended February 28, 2013.

As at November 27, 2012 (the date of the option's expiry), the Company had not commenced exploration activities on these properties.

8.

Note Receivable

On October 5, 2012 the Company entered a sales agreement with European Resource Capital Inc. for the sale of the Company's 24,420,000 shares of common stock of Celtic (92.16% interest), 64,987,982 Metallum options providing the acquirer with the option to acquire an additional 64,987,982 common shares of Metallum for £0.10 per share through December 31, 2012 and amounts receivable from Celtic of \$217,031 in exchange for payment of \$2,500,000 (Canadian) (\$2,553,887 at exchange rates at the date of this transaction). European Resource Capital Inc. issued the Company an eight percent (8%) 5 year \$2,500,000 (Canadian) promissory note payable that is secured by the 24,420,000 shares of Celtic common stock. The sales agreement acknowledges that JMJ Financial has an unperfected lien against 25% of the purchased shares. Where the Company is unsuccessful in removing JMJ Financials' unperfected lien, European Resource Capital may settle such lien and reduce the \$2,500,000 (Canadian) promissory note by 35% of its present value.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On March 21, 2013 the Company restructured its relationship with European Resource Capital Inc. (“ERC”) by entering an Assignment Agreement dated March 21, 2013 with ERC and Distressed Debt Investment Corp. Under the Assignment Agreement, the Company was paid \$200,000 (Canadian Dollars, \$193,602 at exchange rates at April 1, 2013 the date of receipt of proceeds) and received a one percent (1%) net smelter return royalty in the minerals extracted from the properties comprising the prospecting licenses in Ireland, Northern Ireland and Scotland currently registered in the name of Celtic or its subsidiaries. The fair value of the 1% smelter return royalty of \$1,892,000 was based on an independent third party valuation analysis using estimates and assumptions provided by management of Celtic, and other information compiled by management of Celtic. The fair value of the consideration received during the restructuring in March 2013 aggregating \$193,602 has been reflected in the determination of fair value of the \$2,500,000 (Canadian) promissory note and accrued interest at February 28, 2013 and the difference of \$545,849 has been recorded in the consolidated statement of operations for the year ended February 28, 2013 as an impairment of note receivable.

### 9.

### Notes Payable

In July 2011, the Company entered into a Demand Promissory Note (the “Note”) with a private investor as the lender with the principal amount of \$200,000. The Note was payable on demand after August 30, 2011 and accrued interest at the rate of 2% per month calculated and compounded monthly until maturity. A commitment, arrangement and placement fee of \$59,000 was payable at maturity. The commitment, arrangement and placement fee of \$59,000 was initially recorded as a discount to the Note. The Note had a provision that if not repaid upon demand within 3 days, the lender may elect to receive as full repayment for the loan in restricted common stock of the Company at the rate of five times the principal divided by the 10 day average closing price of the Company’s common stock prior to the date of demand. On March 1, 2012, the Company finalized a settlement agreement with the lender for an amount of \$400,000 as full and complete satisfaction of principal, interest, commitment arrangement, placement fees and any other rights of the lender under the Note. On March 29, 2012, the Company reached a settlement agreement on its Note, to settle the amount owing at \$400,000. The Note was further amended to remove any provisions that allowed for payment of the loan through penalty shares which was replaced with a convertible feature. Under the amendments the Note accrued interest at 1%, per month compounded monthly, and matured October 1, 2012, and was convertible at any time into shares of the Company’s common stock, at the holder’s option, at a conversion price, equal to 80% of the average of the three lowest trade prices for the Company’s common stock during the 20 trading days prior to the conversion. No interest or principal payments were required until the maturity date. The Company determined that the resulting modifications of the Note were not substantial in accordance with ASC 470-50, “Modifications and Extinguishments”, thus modification accounting was applied. The Note was determined to have a derivative liability related to its conversion feature with a fair value of \$457,552 at March 29, 2012. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions: expected life



of 0.51 years; volatility of 91.7%; no dividend yield; and a risk free interest rate of 0.14%. The fair value of the derivative liability was recorded as a discount to the debt of \$400,000 and \$57,552 of interest and financing fees. The discount has been fully amortized to amortization of debt discount over the term of the Note and its conversion to shares of common stock. During the year ended February 28, 2013, this Note was converted into an aggregate 1,381,426 common shares of the Company.

In September 2011, the Company entered into two Demand Promissory Notes (the "Notes") in the aggregate amount of \$270,000. The Notes were due upon demand after November 14, 2011 (\$200,000, the "September 14, 2011 Note") and November 19, 2011 (\$70,000, the "September 19, 2011 Note"). The Notes bear interest at the rate of 2% per month calculated and compounded monthly and a commitment arrangement and placement fee of \$67,500 per month (less interest). On June 14 and 19, 2012 the Company entered into a Promissory Note Amending Agreement with the holders of the Notes where by the note holders have agreed to extend the maturity of the September 14, 2011 Note to September 14, 2012 and the September 19, 2011 Note to September 19, 2012 and to settle outstanding commitment, arrangement and placement fees of \$554,825 in exchange for 200,000 shares of the Company's common stock, and eliminate any future commitment, arrangement and placement fees under these promissory notes. In September 2012 the Notes with a principal amount of \$270,000 matured without payment and are in default as of February 28, 2013. Under the terms of the Notes as modified, in the event of non-payment by the Company at maturity, the interest rate on the Notes increases to 5% per month and the Company is required to issue 57,500 and 20,000 shares of the Company's common stock respectively in advance for each month of non-payment of the Notes. The fair value at February 28, 2013 of these penalty shares of \$48,430 (February 29, 2012, \$nil) and accrued interest of \$178,101 (February 29, 2012, \$30,310) are included in the Notes Payable in the consolidated balance sheet.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On October 25, 2011, the Company issued a 6% convertible redeemable secured note (the "6% Note") for a principal amount of \$100,000. The 6% Note was due and payable October 25, 2012 and accrued interest on the outstanding principal balance at the rate of 6% per annum. The 6% Note became convertible at any time after April 25, 2012, into shares of the Company's common stock at a conversion price that is equal to 70% of the lowest closing bid price of the Company's common stock as reported on the National Quotations Bureau Pink Sheets on which the Company's shares are traded, for any of the five trading days including the day upon which a Notice of Conversion is received by the Company. The exercise price was adjustable to a lower amount where within the three business days after the exercise the closing bid for the Company's common stock was 5% lower than the price set out in the notice. As part of the loan, the Company issued to the note holder 33,333 transferable warrants to purchase one common share per warrant at \$3.00 per share for a period of three years. The fair value of the 33,333 warrants was \$96,372. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 3.0 years; volatility of 126.9%; no dividend yield; and a risk free interest rate of 0.43%. The relative fair value of the warrants was \$49,076 and was recorded as a discount to the debt. The 6% Note and accrued interest of \$3,914 were fully paid during the year ended February 28, 2013 through the conversion of the 6% Note to an aggregate of 268,762 shares of the Company's common stock.

On March 22, 2012 the Company issued a Convertible Promissory Note to JMJ Financial ("JMJ") in aggregate principal amount of \$2,110,000 (the "JMJ Note") advanced over time. In consideration for issuing of the JMJ Note and the 125,000 warrants, JMJ provided the initial funding of \$275,000 (total of \$356,000 through February 28, 2013). The JMJ Note bears interest at a one-time amount of 10%, matures three years from the date of issuance, is secured by 25% of the Company's investment property and ownership or other equity interests the Company holds in Focus Celtic Gold Corporation, its wholly owned subsidiary, and is convertible into shares of the Company's common stock, at JMJ's option, at a conversion price, equal to 80% of the average of the three lowest trade prices for the Company's common stock during the 20 trading days prior to the conversion. The Note was issued with a 10% original issue discount. The original issue discount of \$39,556 is being accreted to amortization of debt discount over the term of the note. JMJ has agreed to restrict their ability to convert the JMJ Note and receive shares of common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company's common stock. No interest or principal payments are required until the maturity date. The Note may be prepaid at any time prior to Maturity Date at 150%. The 125,000 warrants issued to JMJ entitle JMJ to purchase up to 125,000 shares of the Company's common stock at \$4.00 per share, subject to adjustment to maintain an aggregate exercise price of \$500,000. The 125,000 common share purchase warrants may in certain circumstances be exercised in whole or part in a cashless exercise equal to the difference between the VWAP on the trading day immediately preceding the date on which the holder elects to exercise the warrant and the exercise price of the warrant times the number of warrants so being exercised. The warrant exercise price may be adjusted to a lesser amount than \$4.00 where at any time while the warrant is outstanding and the Company sells or grants an option to purchase or sell or grant any right to re-price, or issue and

share of common stock or security convertible into the Company's common stock at an effective price less than the \$4.00 exercise price, the exercise price shall be reduced to that lesser amount. The warrant is non-transferrable. The Company has determined that the warrants and the convertible feature of the JMJ Note are derivative liabilities with fair values of \$418,531 and \$867,469 respectively at their dates of issue. The fair value of the derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 3.0 years; volatility of 102.6%; no dividend yield; and a risk free interest rate of 0.56%. The fair value of the derivative liability was recorded as a discount to the debt of \$337,692 and \$948,308 of interest and financing fees. The discount is being amortized to amortization of debt discount over the term of the JMJ Note. The unamortized discount at February 28, 2013 was \$193,858. At February 28, 2013, the fair value of the derivative liability on the warrants and conversion feature was determined to be \$1,018,675 and \$291,921 respectively. The fair value of the derivative liability at February 28, 2013 was determined using the Black-Scholes option pricing model with the following assumptions: expected life of 2.1 years; volatility of 109.39%; no dividend yield; and a risk free interest rate of 0.25%. The Company estimates the fair value of this derivative liability at each reporting period and records any change in the fair value of the derivative liability to the statement of operations. On June 13, 2012 with the Company's failure to file its Form 10-K for the year ended February 29, 2012, the Company entered into technical default on the JMJ Note. During the year ended February 28, 2013 the holder of the JMJ Note exercised conversion rights and the Company issued an aggregate 1,032,500 of its common stock for \$58,417 principal amount of this note.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On July 23, 2012 the Company issued a 6% Redeemable Convertible Note (the "GEL Note") to GEL Properties LLC. ("GEL") in the amount of \$100,000. The Company received net proceeds of \$94,485. The GEL Note is due and payable July 23, 2013 and accrues interest on the outstanding principal balance at the rate of 6% per annum. The GEL Note is convertible at any time after January 23, 2013, into shares of the Company's common stock at a conversion price that is equal to 70% of the lowest closing bid price of the Company's common stock as reported on the National Quotations Bureau Pink Sheets on which the Company's shares are traded, for any of the five trading days including the day upon which a notice of conversion is received by the Company. At any time, the Company has the option to redeem the GEL Note and pay to the holder, 150% of the unpaid principal amount of the GEL Note, in full. As part of the loan, the Company issued to the note holder 71,429 transferable warrants to purchase one common share per warrant at \$1.40 per share for a period of three years. The fair value of the 71,429 warrants was \$25,738. The fair value of the warrants was calculated at the issue date using the Black-Scholes option pricing model with the following assumptions: expected life of 3.0 years; volatility of 91.32%; no dividend yield; and a risk free interest rate of 0.34%. The fair value of the warrants of \$25,738 and was recorded as interest and financial fees. The GEL Note has been determined to have a derivative liability related to its conversion feature with a fair value of \$104,954 at July 23, 2012. The fair value of the derivative liability was determined at the grant date using the Black-Scholes option pricing model with the following assumptions: expected life of 1 year; volatility of 84.96%; no dividend yield; and a risk free interest rate of 0.14%. The fair value of the derivative liability was recorded as a discount to the debt of \$100,000 and \$4,954 of interest and financing fees. The discount is being amortized to amortization of debt discount over the term of the note. The unamortized discount and the fair value of the derivative liability at February 28, 2013 was \$35,952 and \$53,480 respectively. During the year ended February 28, 2013 the holder of the GEL Note exercised conversion rights and the Company issued an aggregate 235,714 of its common stock for \$9,500 principal amount of this note. The outstanding principal balance of the GEL Note at February 28, 2013 was \$90,500.

On September 5, 2012, the Company issued an 8% convertible promissory note (the "8% Note") to Asher Enterprises, Inc. for a principal amount of \$68,000. The Company received net proceeds of \$61,600. The 8% Note is due and payable June 7, 2013 and accrues interest on the outstanding principal balance at the rate of 8% per annum. Any time after 180 days following the date of this note, the 8% Note is convertible into shares of the Company's common stock at a conversion price that is equal to 58% of the average of the lowest three trading prices during the ten trading days preceding the date of conversion. The exercise price may be adjusted to a lower amount where the Company grants or sells shares or options or other convertible securities at a price that is lower than the then in effect conversion price. At any time up and until 180 days from the date of the 8% Note, the Company has the option to redeem the 8% Note for payment to the note holder ranging from 115% to 140% of the unpaid principal amount of the 8% Note.. In event of default, the Company is required to pay the note holder the greater of (i) 150% of the principal as well as interest and other amounts payable to the note holder or (ii) parity value of the common shares that would be issuable upon conversion multiplied by the highest closing price for the common stock during the period beginning on the date of the first occurrence of the default and ending one day prior to the mandatory payment date. In the event of default

interest on the 8% Note accrues at 22% per annum. The 8% Note is secured with 170,000 of the Company's common shares held in treasury. The 8% Note has been determined to have a derivative liability related to its conversion feature with a fair value of \$119,619 at September 5, 2012. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions: expected life of 0.75 years; volatility of 82.48%; no dividend yield; and a risk free interest rate of 0.18%. The fair value of the derivative liability was recorded as a discount to the debt of \$68,000 and \$51,619 of interest and financing fees. The discount is being amortized to amortization of debt discount over the term of the note. The unamortized discount and the fair value of the derivative liability at February 28, 2013 was \$24,480 and \$49,268 respectively.

F-20

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On October 15, 2012, the Company issued an 8% convertible promissory note (the "October 15 Note") to Asher Enterprises, Inc. for a principal amount of \$37,500. The Company received net proceeds of \$33,125. The October 15 Note is due and payable July 17, 2013 and accrues interest on the outstanding principal balance at the rate of 8% per annum. Any time after 180 days following the date of this note, the October 15 Note is convertible into shares of the Company's common stock at a conversion price that is equal to 58% of the average of the lowest three trading prices during the ten trading days preceding the date of conversion. The exercise price may be adjusted to a lower amount where the Company grants or sells shares or options or other convertible securities at a price that is lower than the then in effect conversion price. At any time up and until 180 days from the date of the October 15 Note, the Company has the option to redeem the October 15 Note for payment to the note holder ranging from 115% to 140% of the unpaid principal amount of the October 15 Note. In event of default, the Company is required to pay the note holder the greater of (i) 150% of the principal as well as interest and other amounts payable to the note holder or (ii) parity value of the common shares that would be issuable upon conversion multiplied by the highest closing price for the common stock during the period beginning on the date of the first occurrence of the default and ending one day prior to the mandatory payment date. In the event of default interest on the October 15 Note accrues at 22% per annum. The October 15 Note has been determined to have a derivative liability related to its conversion feature with a fair value of \$34,105 at October 15, 2012. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions: expected life of 0.75 years; volatility of 82.54%; no dividend yield; and a risk free interest rate of 0.18%. The fair value of the derivative liability was recorded as a discount to the debt of \$34,105. The discount is being amortized to amortization of debt discount over the term of the note. The unamortized discount and the fair value of the derivative liability at February 28, 2013 was \$15,559 and \$31,457 respectively.

On November 30, 2012, the Company entered into a 6% convertible promissory note with Circadian Group in the amount of \$54,325 in settlement of amounts payable due Circadian Group (the "Circadian Note"). The Circadian Note matures on May 31, 2013 and has a redemption premium of 110% of the principal amount including 6% interest payable on the principal amount. The holder of the Circadian Note may convert the principal amount and interest to shares of the Company's common stock at any time at a conversion price equal to a 20% discount to the lowest closing price during the five trading days immediately prior to conversion notice, as reported by nasdaq.com. The Company has determined that the convertible feature of the Circadian Note is a derivative liability with fair value of \$30,148 at November 30, 2012. The fair value of the derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 0.5 years; volatility of 79.84%; no dividend yield; and a risk free interest rate of 0.13%. The fair value of the derivative liability was recorded as a discount to the debt of \$30,148 and is being amortized to amortization of debt discount over the term of the note. The redemption premium of \$5,435 is being amortized to amortization of debt discount over the life of the note. The unamortized discount, unamortized redemption premium and the fair value of the derivative liability at February 28, 2013 was \$15,240, \$2,746 and \$24,526 respectively.

On December 20, 2012, the Company entered into a 6% convertible promissory note with William Leiberan in the amount of \$50,000 in settlement of litigation between the parties (the "Leiberan Note"). The Leiberan Note matures on September 30, 2013 and has a redemption premium of 110% of the principal amount including 6% interest payable on the principal amount. The holder of the Leiberan Note may convert the principal amount and interest to shares of the Company's common stock at any time at a conversion price equal to a 15% discount to the lowest closing price during the five trading days immediately prior to conversion notice, as reported by nasdaq.com. The Company has determined that the convertible feature of the Leiberan Note is a derivative liability with fair value of \$29,139 at December 20, 2012. The fair value of the derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 0.6 years; volatility of 113.40%; no dividend yield; and a risk free interest rate of 0.18%. The fair value of the derivative liability was recorded as a discount to the debt of \$29,139 and is being amortized to amortization of debt discount over the term of the note. The redemption premium of \$5,000 is being amortized to amortization of debt discount over the life of the note. The unamortized discount, unamortized redemption premium and the fair value of the derivative liability at February 28, 2013 was \$21,957, \$3,768 and \$24,278 respectively.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On January 16, 2013, the Company issued an 8% convertible promissory note (the "January 16 Note") to Asher Enterprises, Inc. for a principal amount of \$42,500. The Company received net proceeds of \$38,300. The January 16 Note is due and payable September 18, 2013 and accrues interest on the outstanding principal balance at the rate of 8% per annum. Any time after 180 days following the date of this note, the January 16 Note is convertible into shares of the Company's common stock at a conversion price that is equal to 58% of the average of the lowest three trading prices during the ten trading days preceding the date of conversion. The exercise price may be adjusted to a lower amount where the Company grants or sells shares or options or other convertible securities at a price that is lower than the then in effect conversion price. At any time up and until 180 days from the date of the January 16 Note, the Company has the option to redeem the January 16 Note for payment to the note holder ranging from 115% to 140% of the unpaid principal amount of the January 16 Note. In event of default, the Company is required to pay the note holder the greater of (i) 150% of the principal as well as interest and other amounts payable to the note holder or (ii) parity value of the common shares that would be issuable upon conversion multiplied by the highest closing price for the common stock during the period beginning on the date of the first occurrence of the default and ending one day prior to the mandatory payment date. In the event of default interest on the January 16 Note accrues at 22% per annum. The January 16 Note has been determined to have a derivative liability related to its conversion feature with a fair value of \$77,474 at January 16, 2013. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions: expected life of 0.70 years; volatility of 117.87%; no dividend yield; and a risk free interest rate of 0.18%. The fair value of the derivative liability was recorded as a discount to the debt of \$42,500 and \$34,974 of interest and financing fees. The discount is being amortized to amortization of debt discount over the term of the note. The unamortized discount and the fair value of the derivative liability at February 28, 2013 was \$35,041 and \$37,556 respectively.

### 10. Share Capital

#### (a) Authorized capital

The Company is authorized to issue:

100,000,000 shares of Preferred stock, \$0.00001 par value

50,000,000 shares of Common stock, \$0.00001 par value



On November 29, 2012 a vote by stockholders holding shares of the Company's voting stock approved the amendment of the Company's articles of incorporation to increase the authorized number of shares of stock from 350,000,000 to 1,100,000,000. Effective January 14, 2013, the Company reduced its issued and outstanding common stock on a 20:1 reverse split, reducing the authorized number of shares of common stock from 1,000,000,000 to 50,000,000. All per share amounts in these consolidated financial statements and Notes thereto have been adjusted to reflect the 20:1 reverse split to the Company's common stock.

On October 19, 2012, the board of directors approved the designation of the Company's Series A Preferred Stock consisting of 3,000,000 shares and Series B Non-Voting 6% Convertible Preferred Stock consisting of 7,000,000 shares.

F-22

## **FOCUS GOLD CORPORATION**

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

### **Series A Preferred Stock:**

Consists of Three Million (3,000,000) shares of \$.00001 par value. The Series A Preferred rank senior to the common stock and all other shares of preferred stock that may be later authorized. Each outstanding share of Series A Preferred Stock shall have two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and shall vote with the common stock on all matters. The shares of Series A Preferred shall (i) not have any liquidation preference; (ii) not accrue, earn, or participate in any dividends; and (iii) shall be subject to redemption by the Corporation at a price of two cents (\$.02) per share.

In addition to any other rights provided by law, the Company shall not, without first obtaining the affirmative vote or written consent of the holders of sixty percent (60%) of the outstanding shares of Series A Preferred, do any of the following:

take any action which would either alter, change or affect the rights, preferences, privileges or restrictions of the Series A Preferred or increase the number of shares of such series authorized hereby or designate any other series of Preferred Stock;

- o increase the size of any equity incentive plan(s) or arrangements;

- o make fundamental changes to the business of the Company;

- o make any changes to the terms of the Series A Preferred or to the Company's Articles of Incorporation or Bylaws, including by designation of any stock;

- o create any new class of shares having preferences over or being on a parity with the Series A Preferred as to dividends or assets, unless the purpose of creation of such class is, and the proceeds to be derived from the sale and issuance thereof are to be used for, the retirement of all Series A Preferred then outstanding;

- o make any change in the number of authorized directors, currently five (5); or
  
- o repurchase any of the Company's common stock;

Any shares of Series A Preferred acquired by the Company by reason of redemption shall be returned to the status of undesignated and unissued shares of preferred stock of the Company.

**Series B Non-Voting 6% Convertible Preferred Stock:**

Consists of Seven Million (7,000,000) shares of \$0.00001 par value and a stated value of \$100 per share. The Series B Non-Voting 6% Convertible Preferred Stock is non-voting.

Conversion rights: Each share of Series B Non-Voting 6% Convertible Preferred Stock is convertible at any time at the election of the holder into that number of shares of the Company's common stock determined by dividing the stated value of such shares of preferred stock into the conversion price. The conversion price is defined as twenty percent (20%) of the lowest closing bid price of the Company's common stock during five (5) trading days immediately preceding a conversion date.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

Dividend rights: Holders shall be entitled to receive cumulative dividends at a rate per share of 6% per annum, payable in arrears on June 30 and December 31 and on each conversion date in cash or at the Company's irrevocable option, shares of the Company's common stock. The number of shares issuable is defined as 50% of the previous ten (10) day variable weighted average price of the Company's common stock, with certain limitations. Dividends on the Series B Non-Voting 6% Convertible Preferred Stock shall accrue daily commencing on the original issuance date and shall be deemed to accrue from such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends.

Liquidation rights: Upon any liquidation, dissolution or winding up of the Company, the holders shall be entitled to receive out of the assets an amount equal to the Stated Value, plus any accrued and unpaid dividends before payment is made to the holders of junior securities such as common stock or all other common stock equivalents of the Company other than those securities which are explicitly senior or pari passu to Series B Non-Voting 6% Convertible Preferred Stock.

- (b) Share issuances, returns and cancellations during the years ended February 28, 2013 and February 29, 2012:

During the year ended February 28, 2013, the Company:

Issued 2,918,403 shares of its common stock for the exercise of conversions under the Company's convertible securities in the amount of \$571,811; 200,000 shares of common stock for settlement of \$165,500 of fees; 5,000 shares of common stock in settlement of a loan facility; 500,000 for \$80,000 of consulting services; and 160,000 of its common stock as settlement for \$554,826 of accrued fees on the Company's September 14 2011 and September 19 2011 promissory notes.

Issued 1,000,000 shares of Series A Preferred Stock to each of the Company's three directors (total 3,000,000 shares) at fair value of \$0.02 per share. The fair value of \$0.02 per share was determined by management based on the redemption privilege accorded the Company which is at the rate of \$0.02 per share. Each share of Series A Preferred Stock has two hundred fifty (250) votes on all matters submitted to the stockholders of the Company and votes with

the Company's common stock on all matters.

Issued 1,850.2 shares of Series B Preferred Stock with a stated value of \$185,020 on January 31, 2013 to two creditors of the Company (who were related parties at the time of this transaction), in settlement of \$166,217 of accounts payable due to such creditors. The amount of this liability has been recorded at the discounted basis of \$177,434 using a discount rate of 11% (being management's assessment of the interest rate then applicable to borrowings by the company of 18 month debt), an expected life of the 18.2 months for the 1850.2 shares of Series B Preferred Stock and a 6% dividend yield. The Company has determined that the convertible feature of the Series B Preferred Stock is a derivative liability with fair value of \$61,522 at January 31, 2013. The fair value of the derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 5 days; volatility of 114.0%; no dividend yield; and a risk free interest rate of 0.05%. The fair value of the derivative liability and the discounted liability was recorded as a derivative liability of \$238,956. The fair value of the derivative liability at February 28, 2013 was \$239,826.

During the year ended February 29, 2012, the Company:

Received and approved subscriptions for 220,538 units at \$8.00 per unit for gross proceeds of \$1,764,300 less cash issue costs of \$66,580 by way of private placement. Each unit consisted of one common share and one-half non-transferable share purchase warrant that entitles the holder to purchase one additional common share at \$10.00 per share for a period of one year.

The net proceeds of the financing of \$1,679,720 was allocated on a relative fair value basis as \$1,444,653 to common shares and \$235,067 to warrants. The fair value of each warrant issued was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 1.0 to 1.25 years; volatility of 84 - 88%; no dividend yield; and a risk free interest rate of 0.18 - 0.23%.

In connection with this private placement, the Company's agents received a selling commission of \$66,580 and 8,323 warrants to purchase an additional 8,323 shares of the Company's common stock for a period of one to three years at \$8.00 per share. The fair value of the 8,323 warrants was \$41,002. The fair value of each warrant issued was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 1.0 and 3.25 years; volatility of 84% and 144% respectively; no dividend yield; and a risk free interest rate of 0.25% and 0.71% respectively.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

On October 25, 2011, the Company issued an aggregate 1,185,787 common shares at a fair value of \$4,505,989 pursuant to a definitive stock acquisition agreement of the Company dated February 23, 2011, to acquire 98.65% of the common shares of Metallum Resources Plc and, the approved the granting of 1,056,055 Class A Options in exchange for 64,987,982 Metallum options providing the Company with the option to acquire an additional 64,987,982 common shares of Metallum for £0.10 per share through December 31, 2012. In addition, at October 25, 2011, the Company issued an aggregate 18,467 common shares at a fair value of \$181,762 in exchange for debt due to current and former directors and officers by one of the Company's subsidiaries in the amount of \$181,762.

Effective October 15, 2011, the Company issued 12,500 shares of common stock pursuant to a consulting agreement. The agreement has a term of 12 months. The Company recorded the stock payment of \$57,500 as a period expense of \$21,582 and prepaid expenses at February 29, 2012 of \$35,918 which reflected the number of shares issued multiplied by the fair value of services renderable under the agreement, prorated for such services renderable after February 29, 2012.

During December 2011, the Company received and approved subscriptions for 66,667 units at \$3.00 per unit for gross proceeds of \$200,000 less cash issue costs of \$20,000 by way of private placement of "flow-through" common shares. Each unit consisted of one common share and one-half non-transferable share purchase warrant that entitles the holder to purchase one additional common share at \$5.00 per share for a period of two years. In connection with this private placement, the Company's agents received a selling commission of \$20,000 and 6,667 warrants to purchase an additional 6,667 shares of the Company's common stock for a period of two years at \$3.00 per share. The fair value of the 6,667 warrants was \$5,019. The fair value of each warrant issued was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 2.0 years; volatility of 91%; no dividend yield; and a risk free interest rate of 0.43%.

In December, 2011, the Company entered into three separate consulting agreements for consulting services. Pursuant to these agreements, the Company agreed to issue to the consultants 312,500 shares of the Company's common stock as a payment for services under the agreements. The agreements have a term of 12 months. The Company recorded the stock payment of \$815,000 as a period expense of \$188,233 and prepaid expenses at February 29, 2012 of \$626,767 which reflected the number of shares issued multiplied by the fair value of services renderable under the agreement, prorated for such services renderable after February 29, 2012.

In January, 2012, the Company entered into a consulting agreement for consulting services. Pursuant to this agreement, the Company issued 187,500 shares of common stock pursuant to a consulting agreement. The agreement has a term of 24 months. The Company recorded the stock payment of \$375,000 as a period expense of \$36,986 and prepaid expenses at February 29, 2012 of \$338,014 which reflected the number of shares issued multiplied by the fair value of services renderable under the agreement, prorated for such services renderable after February 29, 2012.

(c) Treasury stock

Pursuant to an agreement dated August 24, 2012 with a former director of the Company, the Company acquired 170,000 shares of its common stock at an aggregate purchase price of \$129,200. The acquired 170,000 shares of the Company's common stock have been recorded as treasury stock using the cost method. Pursuant to an agreement dated February 8, 2013 with the former shareholders of Fairfields, the Company acquired 512,501 shares of its common stock at an aggregate fair value of \$66,625. The 682,501 shares of the Company's common stock acquired during the year ended February 28, 2012 have been recorded as treasury stock using the cost method.

**FOCUS GOLD CORPORATION***(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

**(d) Stock options**

The Company has an incentive share option plan (the "Plan") that it adopted February 7, 2011, that allows it to grant incentive stock options to its officers, directors, employees and other persons associated with the Company. The Plan is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. Further, the availability and offering of stock options and common stock under the Plan supports and increases the Company's ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The board of directors reserved 500,000 shares of common stock for issuance under the Plan. As of the fiscal year end, February 29, 2011, the board of directors had granted options to purchase 320,000 shares of common stock at \$10 per share to 7 persons. Through the years ended February 28, 2013 and February 29, 2012 no further grants of options have been made under this plan.

Expiry date	Exercise price per share	Balance February 29, 2012	Granted	Forfeited	Expired/Cancelled	Balance February 28, 2013
February 24, 2016	\$ 10.00	320,000	—	—	—	320,000
		320,000	—	—	—	320,000

All 320,000 stock options granted and were exercisable at February 28, 2013.

As the Company does not have historical experience to estimate the expected life of options, the Company used the project development life of its Huicicila concession as its estimate. The \$5.60 fair value of each stock option grant in the year ended February 28, 2011 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 2.5 years; volatility of 141%; no dividend yield; and a risk free interest rate of 0.95%. In the year ended February 28, 2013 the Company recorded aggregate stock-based compensation expense of \$nil (February 29, 2012 - \$1,510,167) for options based on a twelve month service period from January 1, 2011.



(e) 2012 Stock & Stock Option Compensation Plan

On October 15, 2012 the Company adopted an incentive share option plan referred to as the 2012 Stock & Stock Option Compensation Plan (the "2012 Plan"), for employees, directors and other persons associated with the Company, and is intended to advance the best interests of the Company by providing those persons who have a substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. The board of directors or a committee of the board of directors are responsible for administration of the 2012 Plan and have full power to grant stock options and common stock, construe and interpret the 2012 Plan, establish rules and regulations and perform all other acts, including the delegation of administrative responsibilities, it believes reasonable and proper. The Committee may cancel any stock options awarded under the 2012 Plan if an optionee conducts himself in a manner which the Committee determines to be inimical to the best interest of the Company.

The board of directors reserved 2,500,000 shares of common stock for issuance under the 2012 Plan. Through February 28, 2013, the board of directors had granted 500,000 shares of common stock to one consultant under the 2012 Plan.

**FOCUS GOLD CORPORATION***(An exploration stage company)*

## Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

## (f) Share purchase warrants

The continuity of share purchase warrants is as follows:

Expiry date	Exercise price per share	Balance February 29, 2012	Issued	Exercised	Expired	Balance February 28, 2013	
Class A							
March 1, 2012	\$ 8.00	3,323	—	—	3,323	—	
December 19, 2012	\$ 3.00	6,667	—	—	—	6,667	
June 12, 2014	\$ 8.00	5,000	—	—	—	5,000	
October 14, 2016	\$ 10.00	7,500	—	—	—	7,500	
Class B							
April 24, 2012	\$ 10.00	5,921	—	—	5,921	—	
April 24, 2012	\$ 10.00	72,331	—	—	72,331	—	
May 24, 2012	\$ 10.00	3,813	—	—	3,813	—	
July 20, 2012	\$ 10.00	34,125	—	—	34,125	—	
December 15, 2013	\$ 5.00	33,333	—	—	—	33,333	
Promissory Note Warrants							
October 25, 2014	\$ 3.00	33,333	—	—	—	33,333	
March 22, 2015	\$ 4.00	—	125,000	—	—	125,000	
July 23, 2015	\$ 1.40	—	71,429	—	—	71,429	
Total Warrants Outstanding		205,345	196,429	—	119,512	282,262	
Weighted average exercise price		\$7.80	\$3.05	\$	—	\$9.94	\$3.55
Average remaining contractual term (years)							1.95

The Company has issued the following classes of warrants as set out below:

Class A warrant	Are non-transferrable, exercisable for cash and have no acceleration of the expiry date.
Class B warrant	Are transferrable, each warrant entitles the holder to purchase one additional common share at the exercise price per share set out in the table above, subject to acceleration provisions and with a cashless exercise provision based upon the 20 day volume weighted average price per share at closing day (VWAP) the day prior to exercise. Holders of warrants electing cashless exercise will receive that number of shares equal to the 20 day VWAP minus the exercise price divided by the 20 day VWAP minus the exercise price divided by the 20 day VWAP multiplied by the number of warrants exercised.
Promissory Note Warrants	

**FOCUS GOLD CORPORATION**

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

Are transferrable and entitles the holder to purchase one additional common share for a period of three October years. In lieu of the cash payment the holder has the right to convert this warrant in whole or in part without 24, 2014 payment of any kind into that number of shares of common stock of the Company equal to the quotient & obtained by dividing the aggregate of the closing price of the Company's common stock on the day July 19, immediately preceding the conversion less the aggregate purchase price of the shares being exercised 2015 divided by the closing price of the Company's common stock on the day immediately preceding the conversion.

Transferable with the approval of the Company. At any time after September 22, 2012, in lieu of the cash payment the holder has the right to convert this warrant in whole or in part without payment of any kind into that number of shares of common stock of the Company equal to the quotient obtained by dividing the aggregate of the VWAP price of the Company's common stock on the day immediately preceding the conversion less the aggregate purchase price of the shares being exercised divided by the VWAP of the March 22, 2015 Company's common stock on the day immediately preceding the conversion. The March 22, 2015 warrants provide the warrant holder with down round protection where the Company issues any shares or grants and warrant or convertible security or re-prices a security at less than the effective exercise price of the March 22, 2015 warrant at that time, then the effective exercise price shall be lowered to such lesser amount. As at February 28, 2013, the Company has estimated the re-priced warrant from 125,000 common shares at \$4.00 per share to 26,778,063 common shares at \$0.0187 per share.

During the year ended February 28, 2013, the Company approved unit subscriptions and warrant commissions for an aggregate of nil (February 29, 2012- 22,489) Class A warrants and nil (February 29, 2012 – 143,602) Class B warrants as part of a private placement of units. In addition the Company approved an additional 196,429 (February 29, 2012 – 33,333) warrants as part of promissory note financing (see Note 9).

(g) Class A Options

The continuity of Class A Options is as follows:

Expiry date	Exercise price	Balance February	Issued	Exercised	Expired	Balance February,
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	per share	29, 2012			2013	
December 31, 2012	\$ 9.80	1,056,055	–	–	(1,056,055)	–
Total Class A Options Outstanding		1,056,055	–	–	(1,056,055)	–
Weighted average exercise price		\$9.80	\$ –	\$ –	\$9.80	\$ –
Average remaining contractual term (years)						–

Each Class A Option entitles the holder to purchase one additional common share at \$9.80 per share through December 31, 2012. Holders of Class A Options may elect to exercise Class A Options by means of common cashless exercise provision based upon the 20 day volume weighted average price (VWAP) prior to exercise. Holders of Class A Options electing cashless exercise will receive that number of shares equal to (the 20 day VWAP minus \$9.80) divided by the 20 day VWAP multiplied by the number of Options held.

**FOCUS GOLD CORPORATION***(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

During the year ended February 29, 2012, the Company approved the issuance of 1,056,055 Class A Options in exchange for 64,987,982 Metallum options which provided the Company with the option to acquire an additional 64,987,982 common shares of Metallum for £0.10 per share through December 31, 2012. The Company's options to acquire Metallum common shares were transferred to the acquirer of Celtic on October 5, 2012 (see Note 3 – "Discontinued Operations").

## 11. Commitments and Contingencies

### (a) Huicicila property Option of Vendors (terminated with Fairfields sale February 8, 2013)

On November 10, 2010, the Company signed a definitive agreement to acquire Fairfields Gold S.A. de CV. Fairfields owns an option to acquire 100% of the Huicicila gold project in Nayarit Mexico. Under the terms of the definitive agreement, Fairfields selling stockholders have the opportunity to receive additional shares based on performance as per the following schedule:

Resource Estimate Date	Indicated Reserves	Payment Obligation
18 months after Closing Date	475,000 oz Au (equivalent)	\$ 1,250,000
24 months after Closing Date	750,000 oz Au (equivalent)	\$ 1,250,000
36 months after Closing Date	1,025,000 oz Au (equivalent)	\$ 1,250,000
48 months after Closing Date	1,300,000 oz Au (equivalent)	\$ 1,250,000

Any future payments would be made in shares based on the 20 day average price of the Company's common stock prior to the required payment date.

In addition, Fairfields shareholders received an option to acquire up to 25% of Focus Gold Mexico Corporation, a wholly owned subsidiary of the Company, created to acquire Fairfields. The option price payable upon the exercise of the option shall be 25% of the sum of (i) \$5,000,000, (ii) the dollar value of all payments made in respect of the deferred payments outlined above as at the date of exercise of the option, and (iii) the dollar value of any shareholders'

equity contributed into Fairfields after December 31, 2010 until the date of exercise of the option. The option may only be exercised for cash. The option was transferred with the sale of Fairfields as described in Note 3.

- (b) Option on Huicicila mining concession – Mexico (terminated with Fairfields sale February 8, 2013)

On May 19, 2010, prior to its acquisition by the Company, Fairfields, entered into an exploration, exploitation and purchase option agreement with Ramón Farías García, a Mexico City geologist for the mining lots denominated “CILA”, “CILA 1”, “CILA 2”, “CILA 3” “and CILA 5”, located in Compostela, Nayarit Mexico under the following terms:

US\$ 100,000 plus applicable VAT, paid on May 24, 2010 (paid).

US\$ 1,200,000 plus applicable VAT, on six semester payment of US\$ 200,000 each one, payable on every August and February month from August 17, 2011 (paid) to February 17, 2114.

The issue to the optionee that number of shares of common stock of Fairfields at the end of the option agreement that is 3% of its issued and outstand capital at that time.

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

A Net Smelter Return Royalty (“NSR”) calculated at a rate of the 2.5% above the concentrate sales, payable every quarter over the life of the mines.

This option agreement has an initial maturity of 3 years and 6 months from May 19, 2010. The Company has recorded the fair value of the \$1,200,000 of payments under this option in these condensed consolidated financial statements as the discounted value of the cash payments using a rate based on the prevailing market rates of interest available to the Company (the average of interest rates used was estimated to be 11.0%) and \$768,628 at February 8, 2013 (after payment of \$200,000 in each of August 2011 and February 2012) and \$905,727 at February 29, 2012. The carrying amounts of option payment liabilities owing approximates their fair values. The interest is accrued over the estimated payment period of the option payments. The aggregate amount of interest accrued from acquisition through February 8, 2013 was \$175,128 (February 29, 2012 – \$98,860).

On August 17, 2012, the Company failed to make payment on its Option on the Huicicila mining concession in the amount of \$200,000 and was in breach of its obligations under this Option at that time.

### 12. Supplemental Disclosure with Respect to Cash Flows

The significant non-cash transactions for the year ended February 28, 2013 consisted of the issuance of the 2,918,403 shares of the Company’s common stock for the exercise of conversions under the Company’s convertible securities in the amount of \$571,811; 200,000 shares of common stock for settlement of \$165,500 of fees; 5,000 shares of common stock in settlement of a loan facility; 500,000 shares of common stock for \$80,000 of consulting services; and 160,000 of its common stock as settlement for \$554,826 of accrued promissory note fees; 1,850.2 shares of Series B Preferred Stock in settlement of \$166,217 of accounts payable; and converted additional \$104,325 of amounts payable to convertible promissory notes. In addition in the year ended February 28, 2013, the Company sold its interest in its former subsidiaries Celtic and Fairfilds in non-cash transactions for consideration consisting of a note receivable for \$2,500,000 (Canadian) and 512,501 shares of the Company held in treasury at February 28, 2013.

The significant non-cash transactions for the year ended February 29, 2012 consisted of the issuance of 1,185,787 shares of the Company’s common stock for the acquisition of 98.65% of the common shares of Metallum of \$5,160,453 (Note 5); the issuance of 512,500 shares of the Company’s common stock for services of \$1,247,501; the



recording of \$1,510,167 for the fair value of options granted in the year ended February 28, 2011; and the issuance of 68,467 shares of the Company's common stock for settlement of the Company's former subsidiaries debts in the amount of \$284,249.

13.

#### Related Party Transactions

Commencing August 27, 2010, the Company entered into agreements with the former president and CEO of the Company to provide services in exchange for \$15,000 per month through December 31, 2010 and \$21,000 CDN per month during the year ended December 31, 2011 (informally extended month to month in 2012 through June 30, a) 2012 and thereafter at the rate of \$10,000 per month CDN by the Company's subsidiary until August 28, 2012). During the year ended February 28, 2013, the Company paid \$104,063 (February 29, 2012 - \$253,245) as compensation for such management services.

Effective August 28, 2012 the Company has agreed to pay its current CEO the amount of \$10,000 per month. b) During the year ended February 28, 2013, the Company paid \$40,000 (February 29, 2012 - \$nil) as compensation for such management services.

F-30

## FOCUS GOLD CORPORATION

*(An exploration stage company)*

### Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

c) Effective January 1, 2011, the Company entered into an agreement with the former director of exploration of the Company to provide services in exchange for \$12,000 per month through December 31, 2011 (informally extended month to month in 2012 and terminated March, 2012). During the year ended February 28, 2013, the Company recorded \$nil (February 29, 2012 - \$159,000) as compensation for such management services.

d) Effective January 1, 2011 through February 8, 2013 the Company has paid fees to directors and management of its Mexican subsidiary Fairfields, to provide services related to developing Fairfields mineral properties as well as management services in exchange for a fee of 214,284 pesos each month (\$16,333 monthly at the average rates of exchange during the period March 1, 2012 through February 8, 2013). During the year ended February 28, 2013, the Company recorded \$368,627 (February 29, 2012 - \$408,398) in discontinued operations as compensation for such management services.

e) During the year ended February 28, 2013 the Company paid \$nil (February 29, 2012 - \$14,371) to a director for compensation for serving as corporate secretary. A law firm of which a director is a partner was payable fees for the year ended February 28, 2013 of \$139,500 (February 29, 2012 - \$95,000). Issued 1,850.2 shares of Series B Preferred Stock with a stated value of \$185,020 on January 31, 2013, in settlement of \$166,217 of accounts payable due a law firm of which a director is a partner and a related party to such law firm.

f) During the year ended February 28, 2013, the Company recorded \$nil (February 29, 2012 - \$5,250) as compensation to a company controlled by a former director of the Company for exploration services provided pursuant to a consulting agreement with the Company.

g) Effective October 25, 2011 through October 5, 2012 and included in the loss from discontinued operations for the year ended February 28, 2013, the Company has paid fees to directors and officers of its UK subsidiary Metallum, to provide services related to developing Metallum's mineral properties as well as management services in exchange for a fee of £5,000 each month (\$7,916 monthly at the average rates of exchange during the period from March 1, through October 5, 2012). During the year ended February 28, 2013, the Company recorded \$57,520 (February 29, 2012 - \$32,610) in discontinued operations as compensation for such management services.

h) Included in accounts payable and accrued liabilities – related at February 28, 2013 is \$28,093 (February 29, 2012 - \$130,092) payable to the firms and persons referred to in this Note 13 and persons or firms related with these persons and firms.

The Company has adopted the provision of ASC740. Pursuant to ASC 740 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit of net operating losses have not been recognized in the financial statements because the Company cannot be assured that it is more likely than not that it will utilize the net operating losses carried forward in future years.

F-31

**FOCUS GOLD CORPORATION***(An exploration stage company)*

## Notes to Consolidated Financial Statements

For the years ended February 28, 2013 and February 29, 2012

The components of the net deferred tax asset at February 28, 2013 and February 29, 2012, the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are listed below:

	February 28, 2013	February 29, 2012
Net loss before income taxes	\$(12,260,077)	\$(5,574,068)
Statutory rate	35 %	35 %
Computed expected tax recover	\$(4,291,027 )	\$(1,950,924)
Non-deductible expenses	3,535,181	1,174,310
Change in estimates	0	0
Change in valuation allowance	755,846	776,614
Reported income taxes	—	—
Deferred tax asset		
Cumulative net operating losses	1,951,833	1,195,985
Less valuation allowance	(1,951,833 )	(1,195,985)
Net deferred tax asset	—	—

At February 29, 2013, the Company has net operating loss carry-forwards of approximately \$5,576,665 (February 29, 2012 - \$3,417,101), the majority of which expire through 2034 if not utilized. Deferred tax assets of approximately \$1,951,833, assuming an effective tax rate of 35%, were offset by a valuation allowance, which increased by approximately \$755,848 and \$776,613 during the years ended February 28, 2013 and February 29, 2012, respectively.

Future tax benefits, which may arise as a result of those losses, have not been recognized in these financial statements. They have been offset by a valuation allowance as management does not believe their realization is more likely than not.

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a) The Company has issued 11,450,525 shares of its common stock upon exercise of convertible provisions of notes payable in settlement of \$130,631 of the principal amount of such notes payable. In addition, the Company has issued an additional 497,500 shares of its common stock for penalties of \$56,133 related to non-payment of notes with a principal amount of \$270,000.

b) On March 21, 2013 the Company restructured its relationship with European Resource Capital Inc. ("ERC") concerning the October 5, 2012 sale of Celtic to ERC for \$2.5 Million (Canadian Dollars) by entering an Assignment Agreement dated March 21, 2013 with ERC and Distressed Debt Investment Corp. Under the Assignment Agreement, the Company was paid \$200,000 (Canadian Dollars) and will received a one percent (1%) net smelter return royalty in the minerals extracted from the properties comprising the prospecting licenses in Ireland, Northern Ireland and Scotland currently registered in the name of Celtic or its subsidiaries. The Company recorded an impairment loss of \$545,849 as at February 28, 2013 on the note receivable from ERC based on the fair value of the consideration received on March 21, 2013 (see Note 8).

c) On April 5, 2013 the "Company sold 5,000,000 shares of common stock and a 5 year common stock purchase warrant to acquire 5,000,000 shares of the Company's common stock at \$.02 per share to the Company's CEO. The gross proceeds of \$50,000 are to be used for general corporate purposes.

d) On April 5, 2013, the Company entered a non-binding letter of intent with Carbon Energy Handling, Inc., an Arizona corporation, controlled by the Company's CEO, Gordon F. Lee, that outlines a transaction to acquire various business opportunities related to (A) rights to negotiate for and acquire leases for the exploration and development of coal located on real property owned and/or controlled by Washington Corp., Sunlight Ranch, Jim Ridgeway, and the United States Government's Bureau of Land Management, all of which is located in Carbon County, Montana (the "Coal Properties"); (B) plans and preliminary discussions for a 20-40 mile railroad spur for the transportation of coal to be built on the Coal Properties; and (C) a right of first refusal on any coal leases owned or hereafter acquired in Carbon County, Montana. In exchange for these opportunities under this non-binding letter of intent the Company would pay the owners up to \$1,000,000 through the issuance of securities consisting of 100,000,000 shares of the Company's common stock and a five year common stock purchase warrant to acquire 100,000,000 shares of the Company's common stock at \$0.02 per share.

e) On May 21, 2013 the Company sold 15,000,000 shares of common stock and a 5 year common stock purchase warrant to acquire 15,000,000 shares of the Company's common stock at \$.01 per share to the Company's CEO. The gross proceeds of \$50,000 are to be used for general corporate purposes.