

FOCUS GOLD Corp
Form 10-K
June 13, 2011

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, 2011

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 (formerly Gold Bag, Inc.)

(Name of small business issuer in its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

26-4205169
(I.R.S. Employer
Identification No.)

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

(Address of principal executive offices)

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

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

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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:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 equity, as of the last business day of the registrant's most recently completed fiscal quarter: The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 6, 2011 is \$18,102,303 (based on the last reported trade as of this date of \$0.44). There are 41,141,598 outstanding shares of common stock of the Company held by non-affiliates. 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 June 6, 2011, there were 58,491,598 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, 2011.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS		3
PART I		3
ITEM 1.	BUSINESS	10
ITEM 1A.	RISK FACTORS	10
ITEM 1B.	UNRESOLVED STAFF COMMENTS	10
ITEM 2.	PROPERTIES	10
ITEM 3.	LEGAL PROCEEDINGS	11
ITEM 4.	[RESERVED]	
PART II		12
ITEM 4.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	12
ITEM 5.	SELECTED FINANCIAL DATA	15
ITEM 6.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS	15
ITEM 6A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	18
ITEM 7.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	19
ITEM 8.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	19
ITEM 8A.	CONTROLS AND PROCEDURES	19
ITEM 8B.	OTHER INFORMATION	20
PART III		21
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	21
ITEM 11.	EXECUTIVE COMPENSATION	23
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS	25
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	26
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	26
PART IV		27
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	27
SIGNATURES		29

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made herein under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere, including information incorporated herein by reference to other documents, are "forward-looking statements" within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control and which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "point to," "project," "predict," "could," "intend," "target," "potential" and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including those described elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC") under the Exchange Act.

All written or oral forward-looking statements that are made by or are attributable to us are expressly qualified in their entirety by this cautionary notice. Our forward-looking statements apply only as of the date of this report or the respective date of the document from which they are incorporated herein by reference. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made, whether as a result of new information, future events or otherwise.

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 (formerly, Gold Bag, Inc.), a Nevada corporation.

ITEM 1. BUSINESS

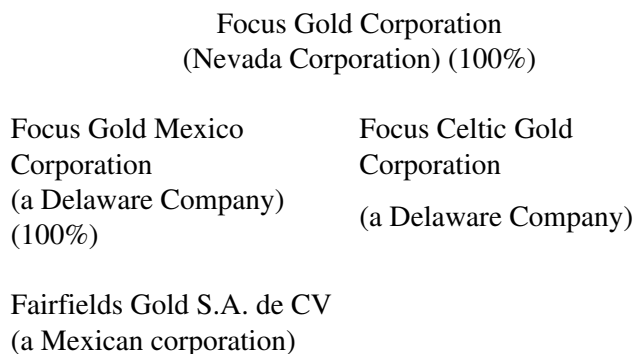
Corporate History

Focus Gold is an exploration stage Company focused on the acquisition and development of gold 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. In February 2011, 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. Management expects the 18,286 hectares in Nayarit, Mexico to have exploration opportunities that will lead to reserves in the next 12-24 months.

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 50,000,000 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 19,640,000 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."

On February 19, 2010, the Company received the resignation of Mr. Ayers as President and sole director. On this same date, Richard O. Weed was elected to the Board of Directors by the stockholders holding a majority of the voting power of the corporation. Mr. Weed was appointed as President, Secretary and Treasurer. (See Form 8-K filed March 3, 2010). On August 27, 2010, Grant R. White was appointed Chief Executive Officer, Treasurer, and Board Member. (See Form 8-K filed August 27, 2010). On October 1, 2010, the Company entered a transaction with Victoria Gold Corp. that had the effect of causing the Company to cease being a shell company, as defined in SEC Rule 12b-2. (See Form 8-K filed October 27, 2010). Effective December 31, 2010, the Company completed its acquisition of Fairfields Gold S.A. de CV and Larry Segerstrom, Dorian Nicol, and Eduardo Zayas were appointed to the board of directors. (See Form 8-K filed January 27, 2011).

The corporate organization chart for Focus Gold as of the date of this Annual Report is as follows:



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 6100 Neil Road, Ste. 500, Reno, NV 89511. Our offices in Canada are located at 1 Dundas Street West, Suite 2500, Toronto, Ontario, M5G 1Z3 Canada. Our corporate website is www.focusgoldcorp.com. Information contained on our website is not part of this Annual Report.

Financial Information about Segments

Segment disclosures are contained in note 12 of the "Notes to the Consolidated Financial Statements" and is incorporated herein by reference.

Narrative Description of Business

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

- i) Primarily gold;
- ii) Assets must be in safe governmental jurisdictions. 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.

On October 1, 2010, the Company entered into an Option Agreement (“Agreement”) with Victoria Gold Corporation (“Victoria”), 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 (“Watabeag”) and eight (8) mining claims located in Bowman Township, Timmins Mining District, Ontario known as the Russell Creek Property (“Russell Creek”)(collectively, the “Canadian Properties”).

About Watabeag

The property is 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. Two 1973 overburden drill holes on the Watabeag property gave 23,330 and 10,470ppb gold in panned concentrates of basal till samples overlying granodiorite. Four overburden holes were drilled in 1980 to follow up these highly anomalous gold values. Two of the holes produced very high gold results with visibly irregular gold grains suggesting a local source. 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 Watabeag property is without known reserves, as defined under SEC Guide 7, and the proposed program for the property is exploratory in nature.

About Russell Creek

The 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.

Under the terms of the Agreement, to exercise the option and receive 100% ownership of the Canadian Properties, the Company issued 250,000 shares of its common stock and committed itself to undertake \$2,000,000 of cumulative Exploration and Maintenance 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. The Company has the ability to buy back 1% of the Royalty at anytime for \$1 million.

The Russell Creek properties is without known reserves, as defined under SEC Guide 7, and the proposed program for the property is exploratory in nature.

Hucicilia Claims – Mexico

On December 31, 2010, Focus Gold acquired an option on the Huicicila gold project in Nayarit, Mexico. In February 2011, 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. Management expects the 18,286 hectares in Nayarit, Mexico to have production potential and exploration opportunities that lead to reserves in the next 12-24 months.

The Huicicila gold project in Nayarit, Mexico is without known reserves, as defined under SEC Guide 7, and the proposed program for the property is exploratory in nature.

Location, means of access and state of property

The property is located in the state of Nayarit approximately 90 kilometers northeast of the city of Puerto Vallarta (Figure 2). The central claim coordinates are UTM (NAD 27 Mexico) 13 Q 494545N, UTM 2357760E, (N21o19'24.8", W105o03'11.1").

The property is reached by paved Federal Highway No. 200 direct from Puerto Vallarta. Transit time depending upon traffic is about two hours. An alternative is thru Mazatlan two hundred eighty kilometers to the north on Federal Highway 45. Mazatlan is about five hours driving time. Quite passable dirt roads allow reasonable access throughout the claim area.

Climate

The region is semitropical. Winters are moderate while the rest of the year is hot and humid. The rainy season is July to early October. This September the highest rainfall in 40 years destroyed several bridges and washed out the Figure 6. Highway system. property access road because there were no culverts at the drainage crossings. Annual rainfall is 1.2 to 1.5 meters and the average temperature is 22°C. Exploration can be conducted year around, but outdoor work is difficult and often only a half day affair during the rainy season.

Local Resources

Cumbre de Huicicila six kilometers distant is the nearest town. It has perhaps one thousand inhabitants, electrical power, cell phone service, small markets, electrical power and a medical clinic. Compostela twenty seven kilometers away by road is a small city with seventy thousand residents. The state capital of Tepic, population 300,000, is thirty five kilometers away. Recruiting a workforce should not be an issue. There are several ranches and three small towns between the property and the larger cities. Many men in those towns are anxious to work.

There are no restrictions on the diversion of surface waters. A company needs only an agreement with the land owner at the point of diversion.

Infrastructure

A network of good paved highways connects the area with The United States, Guatemala and other interior points in Mexico. There is commercial airline service to Mazatlan, Puerto Vallarta and Tepic. The nearest rail service is in Tepic or Compostela. There is a major transmission line about 7 kilometers from the project.

Physiography

The property is located in the Nuevo Volcanico (New Volcanic) Province, which is a 50 kilometer wide, southeasttrending belt of Paleocene to Recent volcanics which crosses most of Mexico and includes the famous Popocatepetl volcano outside of Mexico City. In Nayarit. The Nuevo Volcanico belt separates the Llanos Costera coastal plains of recent sediments to the north from the Sierra Madre del Sur to the south which are mountains composed of Mesozoic sediments. Elevations on the property range from about 1,000 m. to about 200 m. The region is characterized by subdued topography with rounded ridges except where younger volcanoes generate spectacular mountains. Specifically, the drive to Cumbre de Huicicila is across gently rolling and rising terrain. The town is at the crest of a topographic dome. Just past the town the terrain drops precipitously down into a steep valley and the project area.

HISTORY

Old ruins of workings, arrastres and roasters shows the property was worked before written records. The first recorded production was by the Manchaca family of Tepic about 1860 (John E. Hiner). The American Partridge family next worked and promoted the mines for years. A J. P. Cann of San Francisco next appears in the record. The America Smelting and Refining Company. Town of Cumbre de Huicicila in Distant Center. Steep Hillside below Cumbre de Huicicila. Old ASARCO Ore Loading Dock. 20 leased the property from about 1926 to 1936. ASARCO advanced the #3 and #4 levels and ultimately calculated proven and probable reserves of 45,274 tons of 31.2 g/t Au, 401 g/t Ag and 3.4% Pb. It is not clear if those tons were produced or remain in the ground. There is an old stone loading dock at the entrance to the claims. It probably was used for ore shipments and reportedly dates from the ASARCO operation. ASARCO closed the operation in 1936 due to lawlessness, but maintained the claims until 1968. Minera el Pilón staked the area in 1976 and held the claims for 20 years. Luismin rehabilitated the #4 Level in 2002/04. The results are unknown. Grupo Anfaza S. A. de C. V. under President Ramon Farias then began exploring the property. Using a government grant, they drilled six core holes under the supervision of the government's Servicio Geologico Mexicano (SGM) in 2005 and 2006. SGM logged, split and stored the core. The historical workings are small and have caused no significant environmental issues.

The Consejo de Recursos Minerales (1980), Luismin (1991), Echo Bay (1995) and Kobex Resources Ltd. (1997) sampled and mapped the area.

GEOLOGIC SETTING

The geology of the district is heavily obscured by soils and heavy vegetation. However, there is enough information to form a basic working model of the district geology and mineralization. The geologic map published by Consejo de Recursos Minerales shows that the district is at the core of an andesitic volcano intruded by a granodioritic intrusives. The district is within a broad dome topography which has been heavily breached by erosion along structures to create the dramatic dropoff into the valley where the deposits are located.

DEPOSIT TYPES

Phyllic (quartz, sericite, pyrite) hydrothermal alteration is widely exposed on the Focus concession block, covering a minimum of ten square kilometers. Host rock units include fine-grained, weakly porphyritic volcanic rocks and, nearby, an intrusive hornblende granodiorite pluton. Widespread phyllic alteration on the Focus concession block is cut by steeply-dipping, locally brecciated structures that host sulfidic silicification and strong phyllic alteration. Rock units, alteration, base and precious metal vein mineralization observed on the Focus concession blocks are consistent with a porphyry copper-gold deposit type.

MINERALIZATION

Porphyry-related base and precious metal mineralization on the Cila and Focus concession blocks:

- 1) disseminated copper and gold mineralization associated with potassic alteration within a diatreme breccia on the Cila concession block,
- 2) phyllic alteration associated with a buried granodiorite pluton on the Focus concession block, and
- 3) high-grade, polymetallic vein mineralization associated with strong phyllic alteration on the Cila concession block.

EXPLORATION

Previous exploration focused on the Miravalle vein where ASARCO produced on a small scale for several years. There is a report on the on the Luismin exploration which mostly documents the extreme difficulty of trying to reopen an old drift in extremely unstable rock (Manuel Eduardo Caldera Perales). The existing maps (Figure 13) show a typical curvilinear, mineralized structure with ore shoots (Unknown).

DRILLING

Five holes were drilled on the property by Grupo ANFAZA SA de DV with support by Servicio Geologico Mexicano in 2006 (John Hiner and Eugene Schmidt). One drill core was found in the field to establish that the drill sites appear to actually exist. Three holes tested the historic resource block known from ASARCO and two tested a new vein called La Republica discovered during road building.

Mineral rights are separate from surface rights in Mexico. Mineral rights are held in Mexico by the federal government as per the Mining Law of 1992. That law established that all minerals found in Mexican territory are owned by the Mexican nation and that private parties may exploit those minerals (except for oil and nuclear fuel minerals) through mining licenses or concessions granted by the Federal government. Amendments to that law were published on April 29, 2005. Those amendments replaced the separate exploration and exploitation concessions by a single type – the mining concession. That gives the holder both exploration and exploitation rights subject to the payment of appropriate taxes. Old concessions were automatically converted into the new type with a life of 50 years from the date the exploration concession was originally registered with the Public Registry of Mines. Concessions are transferable and may be granted or acquired by Mexican individuals, local communities with collective ownership of lands known as ejidos and companies organized under Mexican law with no limits on foreign ownership. Foreigners wanting to participate in mining in Mexico must establish a Mexican corporation or enter into a joint venture with Mexican individuals or corporations. Mining concessions have maintenance obligations which must be kept current to avoid cancellation. They are the performance of assessment work (comprobacion de obras), the payment of mining taxes (semiannual), compliance with environmental laws and filing each January of a production/activity report called the Reporte Estadistico. Fairfields states that they are in compliance with all requirements. Mining concessions

require marking by a conspicuous monument (mojanera). While the field work was not organized specifically to locate mojaneras, one is located near the entrance to the adit entrance (Figure 3). Mexican law allows the monuments to be up to three kilometers from the concessions boundaries.

Surface rights in Mexico often are communal if organized before the Mexican revolution or ejidal if afterwards. The lands at Huicicila are communal lands. Fairfields has a rental agreement including first right of refusal with the two families, Gonzalez and Jiminez, who own the surface rights. The political subdivisions in Mexico pertinent to this project are the federal, state (Nayarit), municipio (equivalent of county) – here it is Compostela. Exploration permitting has been contracted to Marcelino Gomez Perez (Representante, ESCALA, S.A. de C.V., www.escalasa.com.mx) who managed the permitting for the Vane Minerals operation and was recommended by them. No federal permits can be used without permission of the surface rights owner, which Fairfields has.

On February 11, 2011, Focus Gold, through its wholly-owned subsidiary Fairfields Gold S.A. de CV executed an Agreement (the "SantaFe Agreement"), with Rosalio Salazar Orozco, regarding the exploration and development of these claims.

The two properties provide increased continuity between the company's Huicicila and Focus 1 properties and provide the company with extended trends on both properties.

The 120-Hectare Santa Fe Property strategically extends the company's historic Miravalles Vein. Initial sampling on the Santa Fe Property has indicated more than 500 g/t AG, 5.4% Cu and 22.5% Zn.

The San Nicolas Property includes the caldera border that lies between the Huicicila and Focus 1 properties. The property totals 100 Hectares with initial sampling indicating grades of 27 g/t AU and 2000 g/t AG in the Tiro La Luz area.

Exploration Period

Under the terms of the Santa Fe Agreement, Rosalio Salazar Orozco granted to Focus Gold the exclusive right to explore and develop the Santa Fe and San Nicolas Properties. During this exploration period, Focus Gold received a 80% interest in the Santa Fe and San Nicolas Properties. Focus Gold is required to provide Rosalio Salazar Orozco with certain information and reports and access to the Santa Fe and San Nicolas Properties to conduct inspections of operations during this period.

Title

The Company has prepared a summary table shown below that identifies the nature of our ownership or interest in the property, describes our interest in the properties, describes the type, names, number, unique identifying numbers and the approximate size in acres of each ownership areas.

San Nicolas and Santa Fe concessions: held by Fairfields (80%) and Rosalio Salazar Orozco (20%)

San Nicholas and Santa Fe concessions and status

Name	Number	Expediente (File Number)	Area (ha)	Contract Date	Expiration Date	
San Nicolas	223110	059/06778	100	October 15, 2004	October 14, 2054	Contract
Santa Fe	233854	059/07519	120	April 22, 2009	April 21, 2059	Contract
Total			220			

The San Nicholas and Santa Fe properties are without known reserves, as defined under SEC Guide 7, and the proposed program for the property is exploratory in nature.

Employees

At the close of our fiscal year, February 28, 2011, we had 2 full-time employees.

Reclamation

We generally are required to mitigate long-term environmental impacts by stabilizing, contouring, re-sloping and re-vegetating various portions of a site after mining and mineral processing operations are completed. These reclamation efforts are conducted in accordance with detailed plans, which must be reviewed and approved by the appropriate regulatory agencies.

Government Regulation

Mining operations and exploration activities are subject to various national, state, provincial and local laws and regulations in the United States, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. We have obtained or have pending applications for those licenses, permits or other authorizations currently required in conducting our exploration and other programs. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations passed thereunder in the United States. There are no current orders or directions relating to us with respect to the foregoing laws and regulations.

Environmental Regulation

Our mineral projects are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. The development, operation, closure, and reclamation of mining projects in the United States requires numerous notifications, permits, authorizations, and public agency decisions. Compliance with environmental and related laws and regulations requires us to obtain permits issued by regulatory agencies, and to file various reports and keep records of our operations. Certain of these permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to our proposed operations may be encountered. We are currently operating under various permits for activities connected to mineral exploration, reclamation, and environmental considerations. Our policy is to conduct business in a way that safeguards public health and the environment. We believe that our operations are conducted in material compliance with applicable laws and regulations.

Changes to current local, state or federal laws and regulations in the jurisdictions where we operate could require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of our projects.

During the fiscal year ended February 28, 2011, there were no material environmental incidents or material non-compliance with any applicable environmental regulations. We anticipate that we will not incur material capital expenditures for environmental control facilities during the current fiscal year.

Mine Safety and Health Administration Regulations