

JOSHUA GOLD RESOURCES INC

Form 10-Q

August 17, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from      to

Commission File Number: 000-53809

**JOSHUA GOLD RESOURCES INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**27-0531073**  
(I.R.S. Employer  
Identification No.)

**99 Bronte Road, Suite 121, Oakville, ON L6L 3B7 Canada**  
(Address of principal executive offices)

**(877) 354-9991**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

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

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Check whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 14, 2012, there were 291,338,777 shares of common stock, par value \$0.0001, issued and outstanding.

**Table of Contents**

**JOSHUA GOLD RESOURCES INC.**

**FORM 10-Q**

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1 Financial Statements</u>	3
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	17
<u>Item 4 Controls and Procedures</u>	17
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1 Legal Proceedings</u>	19
<u>Item 1A Risk Factors</u>	19
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	19
<u>Item 3 Defaults Upon Senior Securities</u>	19
<u>Item 4 Mine Safety Disclosures</u>	19
<u>Item 5 Other Information</u>	19
<u>Item 6 Exhibits</u>	20
<u>SIGNATURES</u>	21

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Public Company Accounting Oversight Board for a review of interim financial statements by an entity's auditor.

**Joshua Gold Resources Inc.**

(An Exploration Stage Company)

**Balance Sheets**

As Of

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ (4,201)	\$ 24,566
Accounts receivable	0	27,582
Notes receivable	14,720	14,750
<b>Total Current Assets</b>	<b>10,518</b>	<b>66,898</b>
<b>Other Assets</b>		
Equipment	5,707	6,380
Mineral property interests	520,272	378,753
<b>Total Other Assets</b>	<b>525,978</b>	<b>385,133</b>
<b>Total Assets</b>	<b>\$ 536,496</b>	<b>\$ 452,031</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 153,427	\$ 46,456
Advances from stockholders	219,006	129,153
Dividends payable	0	38,400
Due on mineral rights acquisition - current portion	75,069	43,265
<b>Total Current Liabilities</b>	<b>447,502</b>	<b>257,274</b>
<b>Long Term Liabilities</b>		
Due on mineral rights acquisition	78,504	78,664
<b>Total Liabilities</b>	<b>526,006</b>	<b>335,938</b>

**Stockholders' Equity**

Table of Contents

Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

Preferred stock, \$0.0001 par value; 100,000,000 shares authorized; 240,000 shares issued and outstanding (December 31, 2011 240,000)	24	24
Common stock, \$0.0001 par value; 400,000,000 shares authorized; 283,099,239 shares issued and outstanding (December 31, 2011 278,579,678)	28,624	27,858
Additional paid-in capital	2,067,052	1,357,543
Stock to be issued	399,116	303,190
Subscriptions receivable	(63,500)	(103,247)
Accumulated other comprehensive (loss) income	(8,902)	25,175
Deficit accumulated during the exploration stage	(1,494,454)	(1,494,450)
<b>Total Stockholders Equity</b>	0	116,093
<b>Total Liabilities and Stockholders Equity</b>	\$ 536,496	\$ 452,031

See accompanying notes to the financial statements.

**Table of Contents****Joshua Gold Resources Inc.****(An Exploration Stage Company)****Statements of Operations and Comprehensive Loss**

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	For the Period from Inception July 10, 2009 to June 30, 2012
<b>OPERATING EXPENSES</b>			
Management fees	356,427	\$	\$ 736,990
Consulting fees	285,606		648,225
Exploration	108,508	12,812	211,250
General and administrative	75,843	15,734	134,963
Professional fees	79,436	28,016	155,207
Interest	10,981		29,085
Depreciation	669	7,234	15,889
<b>TOTAL OPERATING EXPENSES</b>	<b>917,470</b>	<b>63,796</b>	<b>1,931,609</b>
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(917,470)</b>	<b>(63,796)</b>	<b>(1,931,609)</b>
Loss from discontinued operations			(441,486)
<b>NET LOSS</b>	<b>\$ (917,470)</b>	<b>\$ (35,632)</b>	<b>\$ (2,373,095)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation	0	(4,118)	(25,175)
<b>COMPREHENSIVE LOSS</b>	<b>\$ (917,470)</b>	<b>\$ (67,914)</b>	<b>\$ (2,347,920)</b>
<b>LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>\$ 0</b>	<b>\$ (0.00)</b>	
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>283,800,019</b>	<b>265,190,416</b>	

See accompanying notes to the financial statements.

**Table of Contents**

Joshua Gold Resources Inc.

(An Exploration Stage Company)

**Statements of Cash Flows**

	Six months Ended June 30, 2012	Six months Ended June 30, 2011	Period from Inception (July 10, 2009) to June 30, 2012
<b>CASH FLOWS FOR CONTINUING OPERATIONS</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Loss from continuing operations</b>	\$ (917,470)	\$ (35,632)	\$ (1,293,184)
<b>Adjustments for non-cash items:</b>			
Depreciation	669	3,650	15,556
Stock-based compensation	500,151		638,205
Accrued interest on advances from stockholders			24,188
<b>Adjustments for changes in working capital:</b>			
Accounts receivable	27,613	999	(38,087)
Prepaid expenses	0	12,997	
Accounts payable and accrued liabilities	68,571	15,127	55,737
<b>NET CASH USED IN OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>(457,608)</b>	<b>(2,859)</b>	<b>(597,585)</b>
<b>FINANCING ACTIVITIES</b>			
Advances from stockholders	31,644	74,717	163,547
Increase in Due on Mineral rights acquisition Proceeds on issuance of capital stock	336,781		583,945
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>\$ 462,733</b>	<b>74,717</b>	<b>747,492</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of Mineral property interests	(141,519)		(43,500)
Acquisition of equipment	0		(6,745)
<b>NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>(141,519)</b>		<b>(50,245)</b>
<b>NET (DECREASE) INCREASE IN CASH FROM CONTINUING OPERATIONS</b>	<b>747</b>	<b>71,858</b>	<b>99,662</b>
<b>CASH FLOWS FOR DISCONTINUED OPERATIONS</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Loss from discontinued operations</b>	0		(441,486)
<b>Adjustments for non-cash items:</b>			
Stock-based compensation	0		270,859
<b>Adjustments for changes in working capital:</b>			
Accounts receivable from discontinued operations	0	(2,035)	
Liabilities from discontinued operations	(4,454)	(82,105)	

Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

<b>NET CASH USED IN OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	0	(84,140)	(170,627)
<b>FINANCING ACTIVITIES</b>			
Issuance of common stock for cash	0		83,783
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	0		83,783
<b>NET DECREASE IN CASH FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>(84,140)</b>	<b>(86,844)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(25,061)	(2,885)	3,407
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(28,768)</b>	<b>(15,167)</b>	<b>16,225</b>
<b>CASH, BEGINNING OF PERIOD</b>	24,566	24,786	
<b>CASH, END OF PERIOD</b>	<b>\$ (4,201)</b>	<b>\$ 9,619</b>	<b>\$ 16,225</b>

See accompanying notes to the financial statements.



## **Table of Contents**

### **Joshua Gold Resources Inc.**

### **An Exploration Stage Company)**

### **Notes to Financial Statements**

### **For the Period from Inception (July 10, 2009) to June 30, 2012**

#### **1. Nature of Operations**

Joshua Gold Resources Inc. (referred to herein as "Joshua", or the "Company") was incorporated on July 10, 2009 in the State of Nevada.

The Company operates as a mineral exploration business headquartered in Oakville, Ontario, Canada. Its principal business activity is the acquisition, exploration and development of mineral property interests in Canada. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to financing and developing these property interests.

The Company has the rights to three mineral properties, the Carson Property in the Northwest Territories, Canada, the Garrett Property in Ontario, Canada, and the Elijah Property in Shining Tree, Ontario, Canada. There has been no determination whether the Company's interests in unproven mineral properties contain mineral reserves, which are economically recoverable.

#### **2. Going Concern**

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operation.

The Company has incurred a net loss of \$917,470 for the period ended June 30, 2012, and a working capital deficit of \$436,984 as of June 30, 2012. As an exploration stage entity, the Company has not yet commenced its mining operations and accordingly does not have any revenue. This casts doubt on the Company's ability to continue as a going concern unless it can begin to generate net profit and raise adequate financing.

The Company has been seeking additional debt or equity financing to support its operations until it becomes cash flow positive. There can be no assurances that action and plan such as above will be sufficient for the Company to continue operating as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts classified as liabilities that might be necessary should the Company be unable to continue in existence. These adjustments could be material.

#### **3. Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed in the preparation of these financial statements are as follows:

#### **Exploration Stage Company**

The Company is an exploration stage company. The Company is still devoting substantially all of its efforts on establishing the business. All losses accumulated, since inception, have been considered as part of the Company's exploration stage activities.

## **Table of Contents**

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

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses). When the Company receives an option payment related to a property, the proceeds of the payment are applied to reduce the carrying value of the exploration asset.

### **Carrying Value of Mineral Property Interests**

The cost of acquiring mineral property interests is capitalized. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are estimated to be less than the carrying value of the property. The Company reviews the carrying value of mineral property interests periodically and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the property's estimated fair value.

### **Foreign Currency Translation**

Management has determined that the functional currency of the Company is the Canadian dollar ( CAD ), and translates the CAD statements into US dollar statements in accordance with the provisions of ASC No. 830 *Foreign Currency Matters*. All assets and liabilities are translated into US dollars at the exchange rate at the balance sheet date. Share capital, stock to be issued, subscriptions receivable, and accumulated deficit are translated into US dollars at historical exchange rate. All revenues and expenses are translated into US dollars at the average exchange rate for the period. Adjustments resulting from the translation of the financial statements from its functional currency to US dollars are accumulated as a separate component of accumulated other comprehensive income and have not been included in the determination of income for the relevant periods.

### **Discontinued Operations**

The discontinued operations has been reported separately in accordance with the provisions of ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*, which provides guidance on when the results of operations of a component of an entity that either has been disposed of or is classified as held for sale would be reported as a discontinued operation in the financial statements. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 periods. Actual results could differ from those estimates. Some of the Company's more significant estimates include those related to

## **Table of Contents**

uncollectible receivables, stock-based compensation, equity instruments, and its intangible assets. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

### **Comprehensive Income**

The Company follows the guidance in ASC 220, *Comprehensive Income*. ASC 220 establishes standards for the reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income is presented in the statements of stockholders' equity, and consists of foreign currency translation adjustments. ASC 220 requires only additional disclosures in the financial statements and does not affect the Company's financial position or results of operations.

### **Fair Value of Financial Instruments**

The Company measures its financial assets and liabilities in accordance with the requirements of ASC 820, *Fair value measurements and Disclosures*, and elects not to disclose its fair value information about financial assets and liabilities for which fair value was not readily available.

### **Income Taxes**

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recorded for differences between the financial statements and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

### **Stock-based Compensation**

The Company accounts for Stock-Based Compensation in accordance with ASC 718, *Compensation - Stock Compensation*. ASC 718 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. ASC 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. ASC 718 requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost is measured based on the fair value of the equity or liability instruments issued.

### **Net Loss Per Share**

The Company accounts for loss per share pursuant ASC 260, *Earnings Per Share*, which requires disclosure on the financial statements of basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year.

There were no dilutive financial instruments for the six months ended June 30, 2012 and the period from inception (July 10, 2009) to June 30, 2012.

**Table of Contents****4. Mineral Property Interests**

	<b>Mineral property interest</b>
Carson Property (a)	\$ 199,960
<b>Balance at December 31, 2010</b>	<b>199,960</b>
Garrett Property (b)	178,793
<b>Balance at December 31, 2011</b>	<b>378,753</b>
Elijah Property (c)	152,758
<b>Balance at December 31, 2011</b>	<b>\$ 531,511</b>

**a) Carson Property**

On December 23, 2010, the Company entered into a mineral property acquisition agreement with 2214098 Ontario Ltd. pursuant to which the Company acquired the mining lease to the Carson Property. Under the acquisition agreement, the Company is required to pay:

1. Cash consideration of \$99,060 (\$100,000 CAD) to be paid according to an installment schedule between April 30, 2011 and September 30, 2015;
2. Equity consideration of 1,000,000 shares of common stock to be issued on or before March 30, 2011; and
3. Royalty of 3% of all net smelter returns upon commencement of commercial production of the property.

The Carson Property is 1,812 acres in area and is located north-north-west of the City of Yellowknife, in the Northwest Territories, Canada. The Company's interest in the property consists of a 21 year mining lease, which expires on June 30, 2024 and for which the Company is responsible for making annual lease payment of \$1,141, in order to keep the lease in good standing.

In accordance with the Company's accounting policy, the only costs related to the property that can be capitalized are the costs of acquisition of a mineral interest from a third party. As such, annual lease payments are expensed as incurred. As of June 30, 2012, management determined that there were no events or changes in circumstances which may have impaired the carrying value of the Carson Property.

As of June 30, 2012, the Company paid \$27,500 (\$27,748 CAD) of the balance due on the Carson Property, and issued 1,000,000 shares of common stock to 2214098 Ontario Ltd.

**b) Garrett Property**

On June 25, 2011 the Company entered into a mineral property acquisition agreement with Firelake Resources Inc. whereby it acquired certain mineral interests in the Garrett Property. Consideration for the mineral interests is as follows:

1. Cash consideration of \$50,765 (\$50,000 CAD) to be paid in two equal installments of \$25,383 (\$25,000 CAD) on January 31, 2012 and January 31, 2013.

Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

2. Equity consideration of 2,000,000 shares of common stock to be issued on or before January 31, 2012
  
3. Royalty of 2% of all net smelter returns upon commencement of commercial production at the property.

**Table of Contents**

As of June 30, 2012, the Company paid \$6,000 (\$6,054 CAD) of the balance due on the Garrett Property, and issued 2,000,000 shares of common stock to Firelake Resources Inc.

The Garrett Property is 8,900 acres in area and is located north of the City of Sudbury, in Ontario, Canada. The Company's interest in the property consists of 157 mineral claim units staked by a prospector. Mining cannot take place until the claims are brought to lease. In order to keep the claims in good standing, the Company is required to perform \$32,800 of exploration work before November 2012 and \$30,000 of exploration work before October 2013.

In accordance with the Company's accounting policy, the only costs related to the property that can be capitalized are the costs of acquisition of a mineral interest from a third party. As such, claim staking and exploration work has been expensed as incurred. As of June 30, 2012, management determined that there were no events or changes in circumstances, which may have impaired the carrying value of the Garrett Property.

**c) Elijah Property**

On February 13, 2012, the Company finalized a mineral property acquisition agreement with Shining Tree Resources Corp. ( Shining Tree ), under which the Company would acquire a 50% interest in the Elijah Property in the townships of Churchill and Asquith in the Province of Ontario, Canada. In exchange for the interest in the property, the Company will:

1. Pay cash consideration of \$50,270 (CDN \$50,000) according to an installment schedule between February and July 2012;
2. Issue 1,000,000 shares of common stock to Shining Tree; and
3. Complete exploration expenditures having a value of \$201,097 (CDN \$200,000) on the conveyed property before February 10, 2014. Upon completion of payment for the conveyed property in the aggregate amount of \$50,270 (CDN \$50,000) and of exploration expenditures on the conveyed property, Shining Tree will issue to the Company 1,000,000 common shares of Shining Tree common stock, on or before July 30, 2012

As of June 30, 2012, the Company paid \$10,000 (CDN \$10,090.30) of the balance due on the Elijah Property.

**5. Advances From Stockholders**

The Company has advances from stockholders due to various individuals and corporations who are not related parties. These amounts are unsecured, interest-bearing at 12% per annum, and are due on demand.

**6. Due On Mineral Rights Acquisition**

	June 30, 2012	December 31, 2011
Due to 2214098 Ontario Ltd re Carson Lake Property	\$ 71,164	78,664
Due to Firelake Resources Inc. re Eric & Huffman Property	43,265	43,265
Due to Shining Tree re Churchill & Asquith Property	40,000	
	<b>154,429</b>	<b>121,929</b>

Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

Less: current portion	75,069	(43,265)
<b>Long-Term Debt</b>	<b>\$ 79,320</b>	<b>78,664</b>

**Table of Contents**

The Company is required to make certain payments in respect of its 2010 acquisition of the Carson Property, its 2011 acquisition of the Garrett Property and its 2012 acquisition of the Elijah Property (note 4). These payments are due to 2214098 Ontario Ltd., Firelake Resources Inc., and Shining Tree, the corporations from which the properties were acquired.

The amounts due are unsecured, non-interest bearing, and are due as follows:

2012 (six months)	\$ 75,069
2013	35,087
2014	10,025
2015	35,088
<b>Total</b>	<b>\$ 155,269</b>

As of June 30, 2012, the Company is in arrears on its payments by \$50,069. This amount has been included above in the installments due for 2012.

**7. Capital Stock****a) Common Stock**

During the three months ended June 30, 2012, the Company issued 826,315 shares of common stock pursuant to private placement transactions at prices of \$0.095 per share and for total cash proceeds of \$40,000 and stock subscription receivable of \$38,500.

During the three months ended June 30, 2012, the Company issued 2,310,631 shares of common stock to directors of the Company for services rendered. These transactions have been recorded as stock-based compensation with a total value of \$219,509.95.

**b) Stock To Be Issued**

As of June 30, 2012, the Company has yet to issue the 1,000,000 shares to Shining Tree (note 4). During the six months ended June 30, 2012, the Company issued the 3,000,000 to 2214098 Ontario Ltd. and Firelake Resources Inc. (note 4).

As of June 30, 2012, the Company was obligated to issue 5,102,591 shares of common stock to directors and employees for services rendered. The Company has recorded stock-based compensation and stock to be issued of \$484,746.15 in respect of these obligations.

**c) Subscriptions receivable**

During the six months ended June 30, 2012, the Company has received payments of \$10,000 related to subscriptions receivable, and recorded additional \$38,500 subscriptions receivable for shares issued.



**Table of Contents****d) Warrants**

The below table summarizes the Company's activity with respect to warrants:

		Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
<b>Balance</b>	<b>December 31, 2010</b>			
Granted		3,723,397	0.129	0.915
Cancelled				
Exercised				
<b>Balance</b>	<b>December 31, 2011</b>	<b>3,723,397</b>	<b>0.129</b>	<b>0.915</b>
Granted		2,370,593	0.126	0.819
Cancelled				
Exercised				
<b>Balance</b>	<b>June 30, 2012</b>	<b>6,093,990</b>	<b>\$ 0.128</b>	<b>0.707</b>

On various dates between October 18, 2011 and June 30, 2012, the Company issued 6,093,990 warrants in connection with its private placements of common stock. Each warrant entitles the holder to purchase one (1) share of common stock of the Company at exercise prices ranging from \$0.10 to \$0.20 per share for a term of one (1) year from the issue date.

**e) Stock-Based Compensation**

The Company incurred stock-based compensation expense in connection with its compensation agreements for its directors, management, and employees. Under these agreements, common stock may be issued as a signing bonus or at certain benchmark dates within an individual's period of service. Stock-based compensation is calculated as the fair value of the stock issued or to be issued to an individual and is recorded at the time the stock becomes owing to the individual. Stock issued to a director, manager, or employee is deferred in the event that their contract requires the individual to remain employed with the Company for a specified time period after issuance. During the six months ended June 30, 2012, the Company issued 2,310,631 shares of common stock and no other shares became issuable in connection with stock-based compensation arrangements. These shares were valued at \$0.095 per share and resulted in compensation expense of \$219,509.95 as a component of consulting fees on the statement of operations.

**8. Related Party Transactions**

The following transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the parties.

During the six months ended June 30, 2012, the Company issued 2,310,631 shares of common stock as compensation to directors and officers of the Company. As of June 30, 2012, an additional 5,102,591 shares of common stock are due to be issued. Stock-based compensation of \$219,509.95 was recorded in relation to these shares.

**9. Financial Instruments****Fair Values**

## Edgar Filing: JOSHUA GOLD RESOURCES INC - Form 10-Q

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, advances from stockholders, dividends payable, and amounts due on mineral rights acquisition. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of these instruments.

**Table of Contents**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in the rates of exchange on foreign currencies will impact the financial position or cash flows of the Company. The Company's functional currency is the Canadian dollar, thus the Company is exposed to foreign currency risks in relation to certain payables that are to be settled in US dollars. Management monitors its foreign currency exposure regularly to minimize the risk of an adverse impact on its cash flows.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss in the event that certain counterparties are unable to fulfill its obligations to the Company. The Company limits its exposure to credit loss on its cash by placing its cash with high credit quality financial institutions. Accounts receivables are harmonized sales taxes due from the Canadian government and notes receivable are due from stockholders of the Company.

**Liquidity Risk**

Liquidity risk is the risk that the Company's cash flows from operations will not be sufficient for the Company to continue operating and discharge its liabilities. The Company is exposed to liquidity risk as its continued operation is dependent upon its ability to obtain financing, either in the form of debt or equity, or achieving profitable operations in order to satisfy its liabilities as they come due.

**Market Risk**

Market risk is the risk that fluctuations in the market prices of minerals will impact the Company's ability to build and achieve profitable operations. The Company is exposed to market risk on the price of gold, which will determine the profitability of future operations, the amount of exploration and development work that the Company will be able to perform, and the number of financing opportunities that will be available. Management believes that it would be premature at this point to enter into any hedging or forward contracts to mitigate its exposure to specific market price risks.

**10. Subsequent Events**

None.

---

**Table of Contents**

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

**Forward Looking Statements**

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words believes, project, expects, anticipates, estimate, intends, strategy, plan, may, will, would, will be, will continue, will likely result, and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

**Overview**

*With respect to this discussion, the terms we, us, our and the Company refer to Joshua Gold Resources Inc.*

**(a) Corporate History and Background.**

We were incorporated in the State of Nevada on July 10, 2009. Prior to the Stock Purchase transaction described below in this Item 2, our business purpose was to seek the acquisition of or merger with, an existing private company. Accordingly, we were engaged in organizational efforts in order to put us in a position where we could seek to target and eventually acquire an existing private company.

On June 4, 2010, Ben Fuschino, our sole officer and director at that time, sold his 35,000,000 shares of the Company's common stock, which shares represented 100% of our issued and outstanding common stock, to Luc Duchesne and Robert Cormier for a total purchase price of \$7,000 (the Stock Purchase). Upon closing of the Stock Purchase, (i) Mr. Duchesne and Mr. Cormier held a controlling 100% ownership in the Company, (ii) we changed our business and became a start-up carbon measuring company and (iii) we changed our name to Bio-Carbon Systems International Inc. to better reflect our new business enterprise.

Immediately after the closing of the Stock Purchase, on June 4, 2010, we entered into a license agreement (the Cormier License) with R&B Cormier Enterprises Inc. (Cormier Enterprises), an Ontario corporation and a license agreement (the GSN License) with GSN Dreamworks, Inc., an Ontario corporation (GSN). The Cormier License and GSN License (collectively, the License Agreements) granted the Company licensed intellectual property and technology to conduct airborne and other surveys of forested lands in areas that are difficult to access. Those surveys would have been conducted in a statistically verifiable process designed for use in carbon trading programs to assess the potential value of the surveyed lands as carbon sequestration land parcels in carbon trading, carbon sequestration, and other greenhouse gas emission control, offset and reduction programs.

Also, on June 4, 2010, the Company entered into consulting agreements (collectively, the Consulting Agreements) with Mr. Duchesne and Mr. Cormier, pursuant to which Mr. Duchesne and Mr. Cormier agreed to provide the Company with management and advisory services with respect to the intellectual property licensed to the Company under the Cormier and GSN Licenses.

---

**Table of Contents**

On December 23, 2010, the Company elected to terminate the License Agreements and Consulting Agreements as the Company determined that conditions were not in place for the successful exploitation of the technology covered by the License Agreements. The termination did not give rise to any penalties against the Company as the termination was concluded through a mutual agreement of separation.

(b) **Current Business of Issuer and Recent Material Transactions.**

Upon termination of the aforementioned License and Consulting Agreements, the Company abandoned the carbon measuring business and became a mineral exploration company located in Oakville, Ontario through the acquisition of a mineral rights lease, as described in further detail below. The Company's principal business activity now is the exploration of mineral property interests. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to exploring mineral property interests. There has been no determination whether the Company's interests in unproven mineral properties contain mineral reserves which are economically recoverable.

On December 23, 2010, the Company entered into a mineral property acquisition agreement (the "2214098 Acquisition Agreement") with 2214098 Ontario Ltd. ("2214098") whereby the Company purchased from 2214098 the mining lease for a certain property located 195 kilometers north-northwest of the City of Yellowknife, Northwest Territories, Canada, on the west shore of Damoti Lake in the Indin Lake Greenstone Belt and known as a claim BR2 (the "Carson Property"). The term of the lease runs until June 30, 2024. The lease is registered at the Northwest Territories Mining Recorder as mining lease 3446 and covers an area of approximately 1,550 acres. Management believes that the Carson Property could potentially host economic gold deposits and, upon expert opinion of their geologists, warrants continued mineral exploration on the property.

In December of 2010, the Company retained an independent geological firm, Aurora Geosciences Inc. to visit the Carson Property and write an evaluation report under Canada's National Instrument 43-101 guidelines. Management, upon the recommendation of Mr. David White, the qualified person who completed the National Instrument 43-101 report, has committed to a phased exploration of the Carson Property upon attainment of sufficient capital. Management is currently preparing an exploration budget based on this recommendation.

Additionally, on June 25, 2011, the Company entered into a mineral property acquisition agreement (the "Fire Lake Acquisition Agreement") with Fire Lake Resources Inc. ("Fire Lake") whereby the Company agreed to purchase from Fire Lake certain mineral interests located in the townships of Eric and Huffman in the Province of Ontario, Canada (the "Eric and Huffman Property") in consideration for the sum of Fifty Thousand and No/100 Dollars (CDN \$50,000) and Two Million (2,000,000) shares of common stock of the Company (the "Firelake Shares"), to be paid by Company to Fire Lake as follows: CDN \$25,000 on or before January 31, 2012; CDN \$25,000 on or before January 31, 2013; and delivery of the Fire Lake Shares on or before January 31, 2012. Additionally, upon commencement of commercial production of the Eric and Huffman Property, the Company will pay to Fire Lake a royalty equal to two percent (2%) of all net smelter returns on minerals from the Property. CDN \$50,000 is approximately USD \$52,220 and CDN \$25,000 is approximately USD \$26,102.

On February 7, 2012, the Company entered into and closed a mineral property acquisition agreement (the "Original Agreement"), as amended and restated on February 13, 2012 (the "Amended Agreement"), with Shining Tree Resources Corp. ("Shining Tree"), pursuant to which Shining Tree agreed to sell to Company an undivided fifty percent (50%) interest in and to certain mineral interests found on that certain Elijah Property located in the Townships of Churchill and Asquith, Ontario, Canada (the "Conveyed Property"). As consideration for the sale of the Conveyed Property, the Company agreed to deliver the following to Shining Tree in the manner set forth below:

1) USD \$50,270 (\$50,000 CDN) according to the following schedule:

- (a) USD \$10,054 (\$10,000 CDN) upon execution of the Agreement;

**Table of Contents**

(b) USD \$10,054 (\$15,000 CDN) due on March 30, 2012;

(c) USD \$10,054 (\$15,000 CDN) due on June 30, 2012; and

(d) USD \$10,054 (\$10,000 CDN) due on July 30, 2012.

2) subject to the approval of the Board of Directors of the Company, One Million (1,000,000) common shares of Company on or before March 30, 2012; and

3) complete USD \$201,097 (\$200,000 CDN) of Expenditures (as defined in the Original and Amended Agreement) on the Conveyed Property on or before February 10, 2014. Upon completion of payment for the Conveyed Property in the aggregate amount of USD \$50,270 (\$50,000 CDN) of Expenditures on the Conveyed Property, Shining Tree will issue to Company 1,000,000 common shares of Shining Tree on or before July 30, 2012.

**Liquidity and Capital Resources**

We are an exploration stage company focused on developing our business in the mineral exploration sector. Our principal business objective for the next twelve (12) months will be to continue to develop our business plan in this sector.

As of June 30, 2012, we had cash overdraft of \$4,201 and current liabilities of \$447,502. We do not have sufficient capital to operate our business and will require additional funding to sustain operations through December 2012. There is no assurance that we will be able to achieve revenues sufficient to become profitable.

We have incurred losses since inception and our ability to continue as a going-concern depends upon our ability to develop profitable operations and to continue to raise adequate financing. We are actively targeting sources of additional financing to provide continuation of our operations. In order for us to meet our liabilities as they come due and to continue our operations, we are solely dependent upon our ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case we may be unable to meet our obligations and we may cease operations.

*Net cash used in operating activities.* During the six months ended June 30, 2012, net cash used in operating activities was \$457,608 compared with \$2,859 used in operating activities for the six months ended June 30, 2011. The cash flow used in operating activities in the six months ended June 30, 2012 was primarily the result of exploration, administrative, legal and audit fees. The cash flow used in operating activities in the six months ended June 30, 2011 was primarily the result of exploration expenses.

*Net cash used in investing activities.* During the six months ended June 30, 2012, net cash used in investing activities was \$141,519 compared with \$Nil used in investing activities for the six months ended June 30, 2011. The cash flow used investing activities in the six months ended June 30, 2012 was primarily the result of acquisition of mineral rights.

*Net cash provided by financing activities.* During the six months ended June 30, 2012, net cash provided by financing activities was \$462,733 compared with \$74,717 provided by financing activities for the six months ended June 30, 2011. The cash flow provided by financing activities in the six months ended June 30, 2012 was primarily derived from the issuance of our stock. The cash flow provided by financing activities in the six months ended June 30, 2011 was primarily derived from shareholder advances and issuance of stock for services.

**Results of Operations**

***Comparison of Six Months Ended June 30, 2012 to Six Months Ended June 30, 2011***

We did not earn any revenues during the six months ended June 30, 2012 and June 30, 2011. We do not anticipate earning revenues until such time as we have entered into commercial production of our mineral



## **Table of Contents**

properties. We are presently in the exploration stage of our business and we can provide no assurance that we will discover commercially exploitable levels of mineral resources on our properties, or if such resources are discovered, that we will enter into commercial production of our mineral properties.

*Management Fees.* Management fees increased to \$356,427 for the six months ended June 30, 2012 from \$Nil for the six months ended June 30, 2011. The increase in management fees was primarily attributable to increased business operations.

*Consulting Fees.* Consulting fees increased to \$285,606 for the six months ended June 30, 2012 from \$Nil for the six months ended June 30, 2011. The increase in consulting fees was primarily attributable to increased business operations.

*Exploration Expenses.* Exploration expenses increased to \$108,508 for the six months ended June 30, 2012 from \$12,812 for the six months ended June 30, 2011. The increase in exploration expenses was due to increased business operations.

*General and Administrative Expenses.* General and administrative expenses increased to \$75,843 for the six months ended June 30, 2012 from \$15,734 for the six months ended June 30, 2011. The increase in general and administrative expenses is primarily related to increased business operations.

*Professional Fees.* Professional fees increased to \$79,436 for the six months ended June 30, 2012 from \$28,016 for the six months ended June 30, 2011. The increase in professional fees was primarily due to increased business operations.

*Interest Expense.* Interest expense increased to \$10,981 for the six months ended June 30, 2012 compared with \$Nil for the six months ended June 30, 2011.

*Net loss.* For the six months ended June 30, 2012, we incurred a net loss of \$917,470 as compared to a net loss of \$63,796 for the six months ended June 30, 2011. The net loss was primarily a result of increased business operations and exploration work.

## **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

## **Inflation**

We do not believe that inflation has had in the past or will have in the future any significant negative impact on our operations.

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

As we are a smaller reporting company, we are not required to provide the information required by this item.

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

### **(a) Evaluation of disclosure controls and procedures.**

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely



**Table of Contents**

decisions regarding required disclosures. As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures are ineffective as of the date of filing this Form 10-Q due to limited accounting and reporting personnel, inadequate accounting policies and procedures, and a lack of segregation of duties due to limited financial resources and the size of our company. We will need to adopt additional disclosure controls and procedures prior to commencement of material operations. Consistent therewith, on an on-going basis we will evaluate the adequacy of our controls and procedures.

(b) Changes in internal control over financial reporting.

We have made significant changes in internal control over financial reporting during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Specifically, we implemented financial reporting procedures and protocols combined with utilization and optimization of business information systems, with full management and oversight by a fully accredited professional accountancy and its professional staff for all financial reporting and records keeping. This process of strengthening our internal controls is ongoing and we intend to enhance our internal controls during the third quarter of 2012.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

There are no legal proceedings that have occurred within the past five years concerning our directors or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one's participation in the securities or banking industries, or a finding of securities or commodities law violations.

**Item 1A. Risk Factors.**

As we are a smaller reporting company, we are not required to provide the information required by this item.

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

(a) Unregistered Sales of Equity Securities.

During the quarterly period ended June 30, 2012, the Company issued shares of the Company's common stock to certain accredited investors and officers and directors of the Company as provided in further detail below.

On May 3, 2012, the Company issued 336,842 shares of the Company's common stock to a certain director of the Company in consideration for services rendered to the Company.

On May 3, 2012, the Company issued 58,000 shares of the Company's common stock to a certain accredited investor in consideration for recruitment services rendered to the Company.

On May 3, 2012, the Company issued 636,842 shares of the Company's common stock to a certain director of the Company in consideration for services rendered to the Company.

On May 3, 2012, the Company issued 636,842 shares of the Company's common stock to a certain officer of the Company in consideration for services rendered to the Company.

On May 3, 2012, the Company issued 42,105 shares of the Company's common stock to a certain accredited investor in consideration for services rendered to the Company.

On May 3, 2012, the Company issued 336,842 shares of the Company's common stock to a certain officer and director of the Company in consideration for services rendered to the Company.

On May 30, 2012, the Company issued 157,895 shares of the Company's common stock to a certain accredited investor in consideration for \$15,000.00.

On June 7, 2012, the Company issued 100,000 shares of the Company's common stock to a certain accredited investor in consideration for \$9,500.00.

On June 28, 2012, the Company issued 300,000 shares of the Company's common stock to a certain accredited investor in consideration for \$28,500.00.

The transactions described above were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

(b) Use of Proceeds.

Not Applicable.

(c) Affiliated Purchases of Common Stock.

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

As the mines operated by the Company are not located in the United States, we are not subject to the provisions of the Federal Mine Safety and Health Act of 1977 and are thus not required to provide the information required by this Item 4.

**Item 5. Other Information.**

None.

**Table of Contents**

## INDEX TO EXHIBITS

**Item 6. Exhibits.**

Exhibit	Description
*3.1	Articles of Incorporation
*3.2	By-laws
*3.3	Certificate of Amendment to the Articles of Incorporation
*10.1	Mineral Property Acquisition Agreement, by and between Company and 2214098 Ontario Ltd., entered into on December 23, 2010
*10.2	Mineral Property Acquisition Agreement, by and between Company and Fire Lake Resources Inc., entered into on June 25, 2011
*10.3	Mineral Property Acquisition Agreement, by and between Company and Shining Tree Resources Corp., entered into on February 7, 2012
*10.4	License Agreement, by and between Company and GSN Dreamworks, Inc., entered into June 4, 2010
*10.5	License Agreement, by and between Company and R&B Cormier Enterprises Inc., entered into on June 4, 2010
*10.6	Consulting Agreement, by and between Company and Mr. Luc Duchesne, entered into on June 4, 2010
*10.7	Consulting Agreement, by and between Company and Mr. Rob Cormier, entered into on June 4, 2010
31.1	Certification of our Chief Executive Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of our Chief Financial Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of our Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification of our Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Included in previously filed reporting documents.

\*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Joshua Gold Resources Inc.**

Dated: August 17, 2012

By: /s/ Benjamin Ward  
Benjamin Ward  
President, Chief Executive Officer (Principal Executive Officer)  
and Director

**Joshua Gold Resources Inc.**

Dated: August 17, 2012

By: /s/ Dino Micacchi  
Dino Micacchi  
Chief Financial Officer (Principal Financial Officer)