

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Consolidated Balance Sheet**  
June 30, 2015 (Unaudited)

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 11,137
Prepaid expenses	<u>0</u>
Total current assets	<u>11,137</u>

**FIXED ASSETS**

Equipment	3,927
Mining Rights	<u>45,350,110</u>
Total fixed assets assets	<u>45,350,110</u>

**OTHER ASSETS**

Deposits	1,460
Bureau of Land Management Bond	<u>506,953</u>
Total other assets	<u>508,413</u>

Total Assets	<u><u>\$ 45,869,660</u></u>
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 382,422
Accrued payroll liabilities	229,605
Short term loan from third party	18,900
Short term loan from related party	300
Loan payable to former related party officer and spouse	249,094
Current portion of capital leases	145,668
Due to former related parties	94,762
Convertible note payable to former related party officer	<u>300,000</u>
Total current liabilities	<u>1,420,751</u>

**LONG-TERM LIABILITIES**

Long-term note payable	<u>0</u>
Total long-term liabilities	<u>0</u>

Total Liabilities	<u>1,420,751</u>
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**STOCKHOLDERS' EQUITY**

Common stock, \$0.0001 par value, authorized 200,000,000 shares; 255,227,557 issued and outstanding	25,523
Preferred stock, \$0.0001 par value, Series A convertible authorized 1,000,000 shares, 247,053 issued and outstanding	25
Series B convertible authorized 1,000,000 shares, 39,565 issued and outstanding	4
Additional paid-in capital	49,099,199
Accumulated deficit	<u>(4,675,842)</u>
Total stockholders' equity	<u>44,448,909</u>

Total Liabilities and Stockholders' Equity	<u><u>\$ 45,869,660</u></u>
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**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Consolidated Statement of Operations**  
Three and Six Months ended September 30, 2015  
(Unaudited)

	<u>Three months</u>	<u>Six Months</u>
REVENUES	\$ 0	\$ 0
OPERATING EXPENSES:		
General and administrative expenses	326,238	326,238
Interest expense	0	0
Professional fees	<u>67,975</u>	<u>76,375</u>
Total expenses	394,213	402,613
Commitments and Contingencies	<u>0</u>	<u>0</u>
Net income (loss)	<u>\$ (394,213)</u>	<u>\$ (402,613)</u>
Income (loss) per weighted average common share	<u>\$ 0.00</u>	<u>\$(0.01)</u>
Number of weighted average common shares outstanding	<u>171,748,133</u>	<u>67,978,882</u>

The accompanying notes are an integral part of the financial statements

**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Consolidated Statement of Stockholders' Equity (Deficit)**  
(Unaudited)

	<b>Number of Shares - Common</b>	<b>Number of Shares - Pref A</b>	<b>Number of Shares - Pref B</b>	<b>Common Stock Par</b>	<b>Preferred Stock Par</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
<b>BALANCE, December 31, 2013</b>	8,055,330	247,053	39,565	\$ 806	\$ 29	\$ 2,867,143	\$(4,264,829)	\$ (1,396,851)
Net loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,400)</u>	<u>(8,400)</u>
<b>BALANCE, December 31, 2014</b>	8,055,330	247,053	39,565	806	29	2,867,143	(4,273,229)	(1,405,251)
Common stock issued to acquire asset	214,752,586	0	0	21,475	0	44,990,542	0	45,012,017
Common stock issued to settle debt	30,419,641	0	0	3,042	0	486,714	0	489,756
Common stock issued for services	1,000,000	0	0	100	0	249,900	0	250,000
Common stock issued for cash	1,000,000	0	0	100	0	504,900	0	505,000
Net loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(402,613)</u>	<u>(402,613)</u>
<b>BALANCE, September 30, 2015</b>	<u>255,227,557</u>	<u>247,053</u>	<u>39,565</u>	<u>\$ 25,523</u>	<u>\$ 29</u>	<u>\$ 49,099,199</u>	<u>\$ (4,675,842)</u>	<u>\$ 44,448,909</u>

The accompanying notes are an integral part of the financial statements

**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Consolidated Statement of Cash Flows**  
Three and Six Months Ended September 30, 2015  
(Unaudited)

	<u>Three months</u>	<u>Six Months</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (394,213)	\$ (402,613)
Adjustments to reconcile net loss to net cash used by operating activities:		
Expenses paid by third party and contributed to the Company	0	0
Common stock issued for services	250,000	250,000
Amortization of prepaid interest	0	0
Changes in operating assets and liabilities		
Increase (decrease) in accounts payable - trade	0	8,400
(Increase) decrease in prepaid expenses	<u>0</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>(144,213)</u>	<u>(144,213)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(3,927)	(3,927)
BLM Bond	<u>(349,410)</u>	<u>(349,410)</u>
Net cash provided (used) by investing activities	<u>(353,337)</u>	<u>(353,337)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Common stock issued for cash	505,000	505,000
Proceeds from related party loan payable	300	300
Proceeds from third party loan payable	29,855	29,855
Payments on notes payable to third party	(10,955)	(10,955)
Payments on notes payable to former related party	<u>(15,513)</u>	<u>(15,513)</u>
Net cash provided by financing activities	<u>508,687</u>	<u>508,687</u>
Net increase (decrease) in cash	<u>11,137</u>	<u>11,137</u>
<b>CASH</b> , beginning of period	<u>0</u>	<u>0</u>
<b>CASH</b> , end of period	<u>\$ 11,137</u>	<u>\$ 11,137</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
<b>Non-Cash Financing Activities:</b>		
Common stock issued to acquire asset	<u>\$ 44,855,000</u>	<u>\$ 45,012,017</u>
Common stock to settle assumed debt	<u>\$ 489,756</u>	<u>\$ 489,756</u>

The accompanying notes are an integral part of the financial statements

**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**NOTE 1 - NATURE OF OPERATIONS AND REVERSE ACQUISITION TRANSACTION**

**(a) The Company** Osceola Gold, Inc. (f/k/a Phyhealth Corporation) is a Delaware chartered corporation which was formed on January 18, 2008. The Company had been inactive since it ceased operations at the close of business June 30, 2012. The Company has acquired certain mining rights located in Nevada and intends to reopen those inactive mines.

The accompanying consolidated financial statements include the activities of Osceola Gold, Inc. and its five subsidiaries.

**NOTE 2 - BASIS OF PRESENTATION**

**a) Statement of Compliance**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") as issued by the Financial Accounting Standards Board ("FASB").

**b) Basis of Measurement**

The Company's financial statements have been prepared on the historical cost basis.

**c) 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following summarize the more significant accounting and reporting policies and practices of the Company:

**(a) Stock compensation for services rendered** The Company may issue shares of common stock in exchange for services rendered. The costs of the services are valued according to generally accepted accounting principles and have been charged to operations.

**(b) Net income (loss) per share** Basic loss per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period.

**( c) Property and equipment** All property and equipment are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

**(d) Income Taxes** Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income, and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(d) Income Taxes** (continued) Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

**(e) Cash and equivalents** For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**(f) Financial Instruments** Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 825, Disclosures about Fair Value of Financial Instruments, requires disclosures of the fair value of financial instruments. The carrying value of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and shareholder loan, approximates their fair values because of the short-term maturities of these instruments.

**(g) Measurement** The Company initially measures its financial instrument at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in earnings for the period in which they occur.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and shareholder loan.

**(h) Impairment** Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in earnings for the period. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in earnings for the period.

**(i) Transaction costs** The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measure at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**(j) Impairment of Long-Lived Assets** A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying value amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived assets exceeds its fair value.

**(k) Related Party Transactions** All transactions with related parties are in the normal course of operations and are measured at the exchange amount.

**(l) Intangible Assets** The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the estimated useful lives.

**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Intangible Assets** (continued) Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. If impairment indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

**(m) Recent Accounting Pronouncements** The Company has considered recent accounting pronouncements during the preparation of these financial statements and does not expect any recent accounting pronouncements to have a material effect on its financial statements.

**NOTE 4 - GOING CONCERN**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's financial position and operating results raise substantial doubt about the Company's ability to continue as a going concern, as reflected by the net loss of \$4,675,842 accumulated through September 30, 2015. The ability of the Company to continue as a going concern is dependent upon commencing operations, developing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is currently seeking additional capital to allow it to begin its planned operations

**NOTE 5 - RELATED PARTY TRANSACTIONS**

From time to time the Company may enter into non-arms length transactions with related parties. These transactions will be valued at historical cost with no value increase given.

**NOTE 6 – STOCKHOLDERS EQUITY**

At September 30, 2015, the Company has 200,000,000 shares of par value \$0.0001 common stock authorized and 255,227,557 issued and outstanding. At September 30, 2015, the Company also has 247,053 shares of Series A and 39,565 shares of Series B preferred stock issued and outstanding. In August the Company increased its authorized common stock to 298,000,00.

In June 2015 the Company issued 9,752,586 shares of common stock to acquire certain mining rights by way of settling the debt owed to a third party by a company that the Company is negotiating to acquire.

In July 2015 the Company issued 1,000,000 shares of common stock in exchange for \$505,000 in cash. In July 2015 the Company issued 76,500,000 shares of common stock to acquire certain mining rights. In July 2015 the Company issued 30,419,641 shares of common stock to settle assumed debt. In August 2015 the Company issued 1,000,000 shares of common stock for services valued at \$250,000. In August 2015 the Company issued 128,500,000 shares of common stock to acquire certain mining rights.

**NOTE 7 - FINANCIAL INSTRUMENTS**

**(a) Liquidity Risk** Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company relies on cash flows generated from operations, as well as injections of capital through the issuance of the Company's capital stock to settle its liabilities when they become due.

**(b) Interest Rate Risk** The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.



**Osceola Gold, Inc.**  
**(f/k/a Phyhealth Corporation)**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**NOTE 8 - SURETY BOND**

The Company acquired an existing \$155,590 Surety Bond for the benefit of the Bureau of Land Management of the U.S. Department of Interior. During July the Company deposited \$359,410 in cash with the BLM to increase the Surety Bond amount in order for the BLM to issue the permit necessary to reopen the existing mine.

**NOTE 9 - SECURED PROMISSORY NOTE**

In August 2015 the Company entered into a secured Promissory Note with Zion Capital Ventures in the amount of \$3,125,000. The Company expects to receive the proceeds, less a 2% loan origination fee, of this Note in November 2015. A stockholder of the Company has pledged 25,000,000 shares as collateral to this Note. This Note bears simple interest at the rate of 16% and payments are due Quarterly. This note bears no stated maturity date.

**NOTE 8 - SUBSEQUENT EVENTS**

In October 2015, the Company issued 175,000 shares of common stock for services valued at \$122,500.