Gold Bag, Inc.
Form 10-Q
October 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 2010

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

Commission File No. 00-52720

GOLD BAG, INC.

(Exact Name of Small Business Issuer as Specified 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)	949-475-9086 (Issuer's Telephone Number)

(Former Name or former address, if changed since last report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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 (§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 [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

APPLICABLE ONLY TO ISSUERS 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 Sections 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 o No o

The number of shares outstanding of the Issuer's Common Stock as of October 12, 2010 was 61,590,010.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

Gold Bag, Inc.
(A Development Stage Company)
Balance Sheets

	Balance as of August 31, 2010	Balance as of February 28, 2010
ASSETS		
Current assets		
Cash	$ 105	$ 5,619
Prepaid legal fees	12,000	-
Total current assets	12,105	5,619
TOTAL ASSETS	$ 12,105	$ 5,619
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$ 37,500	$ 8,596
Advances from Officer	17,445	0
Total current liabilities	54,945	8,596
Total liabilities	54,945	8,596
Stockholders' deficit		
Preferred stock, $0.00001 par value, 100,000,000 shares authorized and none issued and outstanding as of May 31, 2010	-	-
Common stock, $0.00001 par value, authorized 250,000,000 shares, 61,590,010 and 61,340,010 shares issued and outstanding as of August 31, 2010 and May 31, 2010, respectively	616	613
Additional paid-in capital	313,783	250,787
Donated capital	17,559	17,559
Deficit accumulated during the development stage	(374,798)	(271,936)
Total stockholders' equity (deficit)	(42,840)	(2,977)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 12,105	$ 5,619

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

Gold Bag, Inc.
(A Development Stage Company)
Statements of Operations

	Accumulated from 23-Dec-05 (date of inception) to May 31, 2010	For the six months ended August 31,		For the three months ended August 31,	
		2010	2009	2010	2009
Revenue	$ 0	$ 0	$ 0	$ 0	$ 0
Expenses					
Donated services and rent	17,559	-	2,359	-	0
General and administrative	24,101	283	13,567	36	1,550
Management fees	95,881	9,000	42,000	4,500	21,000
Professional fees	237,263	93,579	33,563	43,374	13,564
Total expenses	374,804	102,862	91,489	47,910	35,814
Operating loss	(374,804)	(102,862)	(91,489)	(47,910)	(35,814)
Interest income	6	-	6	-	1
Loss before taxes	(374,798)	(102,862)	(91,483)	(47,910)	(35,813)
Provision for income taxes	-	-	-	-	-
Net loss for period	$ (374,798)	$ (102,862)	(91,483)	$ (47,910)	(35,813)
Basic and diluted net loss per share		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding		61,402,510	69,640,000	61,465,010	69,640,000

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

Gold Bag, Inc.
(A Development Stage Company)
Statements of Cash Flows

	Accumulated from 23-Dec-05 (Date of Inception) to May 31, 2010	For the six months ended August 31, 2010	2009
Cash flow from operating activities			
Net loss	$ (374,798)	$ (102,862)	$ (91,483)
Adjustments to reconcile net loss to net cash used in operating activities			
Donated services and rent	17,559	-	2,359
Expenses paid with common stock	63,000	63,000	
Change in operating assets and liabilities			-
Increase in prepaid expenses	(12,000)	(12,000)	
Accounts payable and accrued liabilities	37,500	28,903	(14,954)
Net cash used in operating activities	(268,739)	(22,959)	(104,078)
Cash flow from financing activities			
Proceeds from issuance of common stock	201,400	-	-
Capital contributed by officer	50,000	-	-
Proceeds from stockholder and officer loans	47,444	17,445	-
Repayments of stockholder and officer loans	(30,000)	-	-
Net cash provided by financing activities	268,844	17,445	-
Net cash increase (decrease)	105	(5,514)	(104,078)
Cash at beginning of year	-	5,619	114,331
Cash at end of year	$ 105	$ 105	$ 10,253
Supplemental information			
Cash paid for taxes	$ -	$ -	$ -
Cash paid for interest expense	$ -	$ -	$ -

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

GOLD BAG, INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited financial statements of Gold Bag, Inc., a Nevada corporation (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Regulation S-X for the three and six month periods ended August 31, 2010 and 2009 and reflect, in the opinion of management, all adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for such periods. The foregoing financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to financial statements for the year ended February 28, 2010 included in the Company's Form 10-K filed with the Securities and Exchange Commission on June 29, 2010. The interim unaudited financial statements should be read in conjunction with the annual financial statements and accompanying notes. Operating results for the three and six months ended August 31, 2010 are not necessarily indicative of the results that may be expected for the year ending February 28, 2011.

NOTE 2 – GOING CONCERN

The Company has been a development stage company and has incurred net operating losses of $374,798 since inception (December 23, 2005). The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern, which is dependent upon the Company's ability to establish itself as a profitable business. Due to the start-up nature of the Company's business, the Company expects to incur losses as it expands. To date, the Company's cash flow requirements have been primarily met by debt, equity financings, and a capital contribution by a shareholder. The Company has raised additional funds through a private equity investment in order to begin its business operations, but there is no assurance that such additional funds will be available for the Company to finance its operations should the Company be unable to realize profitable operations. The financial statements do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation.

NOTE 3 – ADVANCES FROM OFFICER

The sole officer of the Company has made advances to the Company of $17,445. These advances were made to pay necessary corporate expenses and have been loaned without interest.

NOTE 4 – STOCKHOLDERS' EQUITY

On October 21, 2009, pursuant to a vote by the Company's majority shareholder, the Company filed Articles of Amendment to its Articles of Incorporation to increase the Company's authorized shares of Common Stock from 100,000,000 shares to 250,000,000 shares, par value $0.00001.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

On January 19, 2009, the Company entered into a compensation agreement with the Company's chief executive officer, Lance Ayers. Pursuant to the agreement, the Company agreed to pay a signing bonus of $20,000 and a salary of $7,000 per month for a period of nine months. Subsequent to this nine-month period, pursuant to the agreement, the Company's chief executive officer will be entitled to 10% of revenues. The officer resigned on February 19, 2010 and the Company is no longer subject to this commitment.

Richard O. Weed was appointed as the Company's President and elected its sole director on February 19, 2010. The Company agreed to compensate him $1,500 per month for his service as the Company's corporate secretary.

Effective March 1, 2010, the Company entered into a fee agreement with the law firm Weed & Company, LLP of which its President is a partner. Under the terms of this retainer agreement, the Company is to pay Weed & Company a monthly fee of $10,000 as well as an annual payment of 100,000 shares of common stock. The stock was valued equal to the market price of $0.30 per share, or $30,000 at the commitment date.

On August 27, 2010, the Company entered into an employment agreement with Grant R. White to serve as the Company's Chief Executive Officer and Treasurer. Mr. White was also appointed to serve as a member of the Company's Board of Directors. The Company will compensate Mr. White $15,000 per month from September through December 2010 under this agreement.

On August 27, 2010 an investor (GRW Global Investments, a company organized in Barbados) agreed to purchase 10,000,000 shares of common stock for $1,000. The shares have not yet been issued and no consideration has been received as of the date of this filing. The Company believes that this agreement will be restructured. No adjustments to these financial statements have been made to reflect this agreement.

NOTE 6 - RELATED PARTY TRANSACTIONS

Richard O. Weed is the sole officer and director of the Company. In the quarter ended August 31, 2010 he made advances of $14,574 to the Company (a total of $17,445 in advances have been made in the six month period ended August 31, 2010). The Company also has accrued a monthly fee of $1,500 to him as compensation for serving as corporate secretary (a total of $4,500 was accrued in the current quarter, $9,000 in the six months ended August 31, 2010 and an additional $1,500 was owed as of February 28, 2010). A law firm of which Mr. Weed is a partner is also due a monthly fee of $10,000 under a retainer agreement that was effective on March 1, 2010 (a total of $30,000 was accrued in the current quarter under this agreement and $60,000 in the six months ended August 31, 2010). The Company has issued to Mr. Weed 250,000 shares of common stock, of which 100,000 were agreed to be issued in the quarter ended May 31, 2010 under the retainer agreement with Weed & Company, LLP with a value of $30,000 and an additional 150,000 were issued on July 31, 2010 with a value of $33,000 as payment toward his monthly retainer agreement. Mr. Weed and Weed & Company, LLP are due a total of $54,945 as a result of the aforementioned arrangements and advances ($17,445 in total advances, $10,500 due for corporate secretary fees and $27,000 due and payable for the legal retainer agreement).

NOTE 7 – STOCK BASED COMPENSATION

The Company follows the guidance of ASC Topic 718 (formerly Statement of Financial Accounting Standards (SFAS) No. 123R) "SHARE-BASED PAYMENT" for treatment of its stock options and restricted stock issuances. The Company has not issued any stock options. The Company is obligated to issue stock for services to be provided from March 1 through December 31, 2010 per the terms of the retainer agreement. The value of these shares on the date the parties agreed to the terms was $30,000 (100,000 shares due at $0.30 per share). The Company has incurred $18,000 of legal expense in the six months ended August 21, 2010 related to the agreement. The remaining $12,000 in value of the stock has been recorded as a prepaid legal expense. The Company issued an additional 150,000 shares of restricted common stock for payment of legal fees. This stock was valued at $0.22 per share, or a total of $33,000. This stock was issued to partially pay for $60,000 in accrued legal fees.

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

General

The following discussion and analysis provides information which management of the Company believes to be relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read together with the Company's financial statements and the notes to the financial statements, which are included in this report. This information should also be read in conjunction with the information contained in our Form 10-K filed with the Securities and Exchange Commission ("SEC") on June 29, 2010, including the audited financial statements and notes included therein. The reported results will not necessarily reflect future results of operations or financial condition.

Caution Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements", as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. Some discussions in this report may contain forward-looking statements that involve risk and uncertainty. A number of important factors could cause our actual results to differ materially from those expressed in any forward-looking statements made by us in this report. Forward-looking statements are often identified by words like "believe," "expect," "estimate," "anticipate," "intend," "project" and similar words or expressions that, by their nature, refer to future events.

In some cases, you can also identify forward-looking statements by terminology such as "may," "will," "should," "plans," "predicts," "potential," or "continue," or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or achievements. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements in an effort to conform these statements to actual results.

Overview

Gold Bag, Inc. (the "Company") was formed as a Nevada corporation on December 23, 2005 under the name Real Estate Referral Center, Inc. to cater to the inexperienced buyer or seller of residential real estate who did not have a pre-existing established relationship with a realtor. The business plan called for us to locate a realtor for the client with the realtor paying us a fee for that service. The Company was unsuccessful in developing this business plan.

In April 2009, we moved our operations to Dallas, Texas. Simultaneously, Lance Ayers, the sole member of the Company's Board of Directors and majority shareholder, approved our new business operations and changed our name to Gold Bag, Inc. to reflect our new business to purchase unwanted gold coins or broken jewelry, or other items containing precious metals, from the general public at a scrap value price. The precious metals will then be sold to a refinery where the items will be melted down into pure form and sold at market price.

Also at the time of the name change to Gold Bag, Inc., we affected a forward stock split on a 10:1 basis in order to establish a more liquid public market for our shares to trade (the "Forward Split"). Based upon 6,964,000 shares of

Common Stock issued and outstanding on May 22, 2009, the Record Date used to determine shareholders eligible to receive shares under the Forward Split, this action increased the outstanding shares of Common Stock by 900% bringing the total shares issued and outstanding after the Forward Split to 69,640,000. The Pay Date of the Forward Split shares was May 29, 2009. At the open of the market on June 1, 2009, the Company's Common Stock began trading under its new symbol "GBGI".

On February 19, 2010, Lance Ayers resigned and the shareholders elected Richard O. Weed as sole director of the Company. The Board appointed Mr. Weed as President, Secretary and Treasurer.

We are a development stage company. Our principal business activities will be (i) creating our website where customers can request an informational packet to send us their unwanted items, (ii) identifying and entering into an agreement with a refinery; and (iii) promoting our Company through advertisements over the Internet, radio and television.

With the exception of funds raised in June 2006 [the SEC declared our Form SB-2 Registration Statement effective through which we sold 1,964,000 (19,640,000 post-Forward split) shares of our Common Stock at $0.10 per share raising $196,400], we are a company without revenues or operations; we have minimal assets and have incurred losses since inception. Our auditors have issued a going concern opinion. This means that there is substantial doubt that we can continue as an ongoing business operation for the next 12 months. Our ability to achieve and maintain profitability and positive cash flow is dependent upon (i) our ability to attract customers who want to sell their unwanted coins or broken jewelry, (ii) the price at which we purchase the items, (iii) our ability to have the metals refined into a pure form, and (iv) our ability to sell the pure form metals to a refinery or third party for a profit. We expect to generate revenues from the sale of the refined metals to a third party. The attached financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. As such, we may have to cease operations and investors may lose their investment.

We developed our website, network infrastructure, and transaction processing system although we have yet to complete the testing phase. Our website (www.goldbag.com) is not yet live and we have not yet initiated database and website testing procedures to confirm quality control. We secured mailers and had the pre-paid return mailers approved by the U.S. Postal Service. Although we initiated negotiations with a refinery, we have not come to an agreement. To date, the Company has not received adequate funding to proceed with its business plan to purchase unwanted gold coins or jewelry to obtain the precious metals they contain and sell the pure form at market price. We are currently evaluating all possible options to identify the best way to move the company forward.

Liquidity

On December 27, 2005, the Company sold 5,000,000 (50,000,000 post-Forward split) shares of its Common Stock at $0.001 per share to its officers for proceeds of $5,000.

On June 21, 2006, the SEC declared our Form SB-2 Registration Statement effective through which we offered up to 2,000,000 (20,000,000 post-Forward split) shares of our Common Stock at $0.10 per share (the "Offering"). No underwriter was involved in the Offering. On July 31, 2006, we closed the Offering in which we raised $196,400 by selling 1,964,000 (19,640,000 post-Forward split) shares of Common Stock to 55 individuals.

On October 23, 2009, a shareholder of the Company made a capital contribution to the Company in the amount of $50,000.

The Company received advances from its sole officer in the amount of $17,445 during the six months ended August 31, 2010.

Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and the related notes. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risks Relating to Our Business," contained in our Form 10-K filed with the SEC on June 29, 2010 and elsewhere in this document. See "Caution Regarding Forward-Looking Statements."

Material Changes in Financial Condition and Results of Operations

As of August 31, 2010, the Company's cash assets were $105, a decrease of $5,514 from February 28, 2010. The Company also had prepaid expenses of $12,000 as of this date, for total current assets of $12,105. Total liabilities increased $46,349 from $8,596 at February 28, 2010 to $54,945 as of August 31, 2010. This increase in liabilities was attributable to accrued professional fees of $37,500 and advances made by an officer of $17,445. The liabilities that existed as of February 28, 2010 were all paid in the current quarter.

Comparison of Three Month Periods Ended August 31, 2010 and 2009

No revenues were recorded during the three months ended August 31, 2010 and 2009. Operating expenses during the three months ended August 31, 2010 and 2009 were comprised of general and administrative expenses, primarily professional fees in the current quarter. Total general and administrative expenses of $47,910 for the three months ended August 31, 2010 increased 33.8% over the general and administrative expenses of $35,814 in the quarter ended August 31, 2009.

Comparison of Six Month Periods Ended August 31, 2010 and 2009

No revenues were recorded during the six months ended August 31, 2010 and 2009. Operating expenses during the six months ended August 31, 2010 and 2009 were comprised of general and administrative expenses, primarily professional fees in the current quarter. Total general and administrative expenses of $102,862 for the six months ended August 31, 2010 increased 12.4% over the general and administrative expenses of $91,483 in the six months ended August 31, 2009.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms and is accumulated and communicated to management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Evaluation of Disclosure Controls and Procedures

Management has evaluated the effectiveness of the design and operation of our Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act) as of the end of the period covered by this quarterly report. Based on such evaluation, management concluded that the Company’s disclosure controls and procedures are not effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed three months ended August 31, 2010, there has been no significant change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Changes in Internal Controls

During the three months ended August 31, 2010, there were no significant changes in internal controls of the Company, or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

In July 2010, we issued 250,000 shares to Richard O. Weed as a designee of Weed & Company, LLP for amounts owed under a retainer agreement with an effective date of March 1, 2010. Of these shares, 100,000 were due on March 1, 2010. We valued these shares at their fair market value based on the trading price on March 1, 2010 of $0.30 per share, or a total of $30,000. We issued an additional 150,000 shares as partial payment of the amounts due to Weed & Company under the same retainer agreement (which calls for a monthly fee of $10,000). This second batch of shares was valued at the date of issuance, July 21, 2010, of $0.22 per share, or a total value of $33,000. The total value of the 250,000 shares issued was $63,000.

Item 3. Defaults upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Date	Description
3.1	n/a	Articles of Incorporation(1)
3.2	n/a	Bylaws(1)
10.1	September 2, 2009	Amendment to Stock Purchase Agreement between Noel Noel, Ltd. and Lance Ayers. (2)
10.2	September 2, 2009	Secured Promissory Note for $10,000 from Lance Ayers to Noel Noel, Ltd.(2)
10.3	September 2, 2009	Security Agreement between Noel Noel, Ltd. and Lance Ayers. (2)
31.1	October 12, 2010	Certification of Chief Executive Officer and Principal Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 14d-14(a).*
32.1	October 12, 2010	Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.*

(1) Filed as an exhibit to Form SB-2 filed with the SEC on June 2, 2006.

(2) Filed as an exhibit to Current Report on Form 8-K filed with the SEC on September 16, 2009.

* Filed herewith.

SIGNATURES

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

	Gold Bag, Inc.	
Dated: October 12, 2010	By:	/s/ Grant R. White Grant R. White Chief Executive Officer