

VISTA GOLD CORP
Form 10-Q
August 08, 2008
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE
SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-9025

VISTA GOLD CORP.

(Exact name of registrant as specified in its charter)

**Continued under the laws of the Yukon Territory,
Canada**

(State or other jurisdiction of incorporation or
organization)

None

(IRS Employer Identification No.)

7961 Shaffer Parkway

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Suite 5
Littleton, Colorado
(Address of principal executive offices)

80127
(Zip Code)

(720) 981-1185
(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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to the filing requirements for the past 90 days:

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 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 34,452,117

Common Shares, without par value, outstanding at August 8, 2008

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VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended June 30, 2008

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In this Report, unless otherwise indicated, all dollar amounts are expressed in United States dollars.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED BALANCE SHEETS - UNAUDITED

(U.S. dollars in thousands)	June 30, 2008	December 31, 2007
Assets:		
Cash and cash equivalents	\$ 23,205	\$ 16,686
Marketable securities - Note 4	10,229	10,882
Accounts receivable	157	91
Short-term loans receivable - Note 3	350	
Prepays and other	580	289
Current assets	34,521	27,948
Mineral properties - Note 5	24,523	18,052
Amayapampa disposal consideration - Note 3	4,813	
Plant and equipment - Note 6	17,023	467
Other long-term receivables	16	66
Assets held for sale		4,813
	46,375	23,398
Total assets	\$ 80,896	\$ 51,346
Liabilities and Shareholders' Equity:		
Accounts payable	\$ 19	\$ 102
Accrued liabilities and other	1,121	592
Current liabilities	1,140	694
Convertible notes - Note 7	22,415	
Total liabilities	23,555	694
Capital stock, no par value: - Note 8		
Common - unlimited shares authorized; shares outstanding: 2008 - 34,452,117 and 2007 - 33,257,906	224,946	220,772
Warrants - Note 9	867	531
Options - Note 10	4,397	3,824
Contributed surplus	253	253
Equity component of convertible notes - Note 7	6,308	
Accumulated other comprehensive income - Note 11	6,923	7,547
Deficit	(186,353)	(182,275)
Total shareholders' equity	57,341	50,652
Total liabilities and shareholders' equity	\$ 80,896	\$ 51,346
Subsequent events - Note 16		

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

Table of Contents**VISTA GOLD CORP. (An Exploration Stage Enterprise)****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS - UNAUDITED**

(U.S. dollars in thousands, except share data)	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative during Exploration Stage
	2008	2007	2008	2007	
Income:					
Interest income	\$ 171	\$ 342	\$ 280	\$ 758	\$ 2,299
Other income	11	2	14	4	434
Cost recoveries related to USF&G lawsuit					240
Total other income	\$ 182	\$ 344	\$ 294	\$ 762	\$ 2,973
Costs and expenses:					
Exploration, property evaluation and holding costs	\$ (252)	\$ (202)	\$ (497)	\$ (478)	\$ (2,292)
Corporate administration and investor relations	(1,253)	(917)	(2,540)	(1,635)	(17,009)
Costs of Arrangement		(2,352)		(2,352)	(2,901)
Depreciation and amortization	(40)	(27)	(79)	(53)	(279)
Gain/(loss) on currency translation	13	41	6	37	(36)
Interest expense	(585)		(769)		(769)
Gain/(loss) on disposal of marketable securities	(88)		(67)	140	264
Costs of Amayapampa disposal - Note 3	(132)		(132)		(132)
Other expense					(418)
Total costs and expenses	(2,337)	(3,457)	(4,078)	(4,341)	(23,572)
Loss from continuing operations	\$ (2,155)	\$ (3,113)	\$ (3,784)	\$ (3,579)	\$ (20,599)
Loss from discontinued operations	\$ (72)	\$ (115)	\$ (294)	\$ (425)	\$ (16,879)
Net loss	\$ (2,227)	\$ (3,228)	\$ (4,078)	\$ (4,004)	\$ (37,478)
Other comprehensive income:					
Unrealized fair-value increase/(decrease) of available-for-sale securities	1,101	4,296	(691)	4,287	
Realized (gain)/loss on available-for-sale securities	88		67	(140)	
	1,189	4,296	(624)	4,147	
Comprehensive income	\$ (1,038)	\$ 1,068	\$ (4,702)	\$ 143	
Weighted average number of shares outstanding	34,420,130	32,045,503	34,211,221	31,987,417	
Basic and diluted loss per share from continuing operations	\$ (0.06)	\$ (0.10)	\$ (0.11)	\$ (0.11)	
Basic and diluted loss per share	\$ (0.06)	\$ (0.10)	\$ (0.12)	\$ (0.13)	

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

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF DEFICIT - UNAUDITED

(U.S. dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Deficit, beginning of period	\$ (184,126)	\$ (132,691)	\$ (182,275)	\$ (131,915)
Net loss	(2,227)	(3,228)	(4,078)	(4,004)
Dividend-in-kind		(36,159)		(36,159)
Deficit, end of period	\$ (186,353)	\$ (172,078)	\$ (186,353)	\$ (172,078)

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

Table of Contents**VISTA GOLD CORP. (An Exploration Stage Enterprise)****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

(U.S. dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative during Exploration Stage
	2008	2007	2008	2007	
Cash flows from operating activities:					
Loss for the period - continuing operations	\$ (2,155)	\$ (3,113)	\$ (3,784)	\$ (3,579)	\$ (20,599)
Adjustments to reconcile loss for the period to cash provided by / (used in) operations:					
Depreciation and amortization	40	29	79	55	302
Stock-based compensation	309	179	605	313	4,898
(Gain)/loss on disposal of marketable securities	88		67	(202)	(526)
Accretion of convertible notes	233		314		314
Accrued interest	352		456		456
Costs of disposal of Amayapampa	132		132		132
Prepaid transaction costs		2,119		1,841	1,841
Other non-cash items					(170)
Change in operating assets and liabilities:					
Accounts receivable	(61)	(30)	(66)	(376)	(521)
Interest paid	(842)		(842)		(842)
Prepays and other	(304)	(317)	(261)	(442)	(370)
Accounts payable and accrued liabilities and other	135	(622)	21	(316)	(655)
Net cash used in operating activities	(2,073)	(1,755)	(3,279)	(2,706)	(15,740)
Cash flows from investing activities:					
Acquisition of marketable securities	(51)	(31)	(77)	(115)	(1,011)
Proceeds from sale of marketable securities	31		89	218	1,073
Additions to mineral properties, net of cost recoveries - Note 5	(2,498)	(1,816)	(3,883)	(3,619)	(15,770)
Acquisition of mineral property			(452)		(3,332)
Additions to plant and equipment - Note 6	(327)	(58)	(16,635)	(325)	(17,306)
Proceeds on disposal of plant and equipment					52
Short-term loan receivable - Note 3	(350)		(350)		(350)
Cash transferred to Allied Nevada Gold Corp., net of receivable		(24,384)		(24,384)	(24,517)
Net cash used in investing activities	(3,195)	(26,289)	(21,308)	(28,225)	(61,161)
Cash flows from financing activities:					
Net proceeds from equity financings - Note 8					54,409
Proceeds from exercise of warrants - Note 8		250	2,941	1,495	39,020
Proceeds from exercise of stock options - Note 8			69	17	2,724
Issuance of convertible notes, net of issuance costs - Note 7	(144)		28,390		28,390
Prepaid transaction costs					(1,841)

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Net cash provided by financing activities	(144)	250	31,400	1,512	122,702
Net increase/(decrease) in cash and cash equivalents - continuing operations	(5,412)	(27,794)	6,813	(29,419)	45,801
Net decrease in cash and cash equivalents - discontinued operations	(72)	(14)	(294)	(322)	(23,270)
Net increase/(decrease) in cash and cash equivalents	(5,484)	(27,808)	6,519	(29,741)	22,531
Cash and cash equivalents, beginning of period - continuing operations	28,689	46,765	16,686	48,698	674
Cash and cash equivalents, end of period	\$ 23,205	\$ 18,957	\$ 23,205	\$ 18,957	\$ 23,205

Supplemental cash flow information - Note 13

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

(U.S. dollars unless specified otherwise)

1. *General*

The consolidated interim financial statements of Vista Gold Corp. (an Exploration Stage Enterprise) (the Corporation), as of June 30, 2008, and for the three-month and six-month periods ended June 30, 2008, have been prepared by the Corporation without audit and do not include all of the disclosures required by generally accepted accounting principles in Canada for annual financial statements. As described in Note 15, generally accepted accounting principles in Canada differ in certain material respects from generally accepted accounting principles in the United States. In the opinion of management, all of the adjustments necessary to fairly present the interim financial information set forth herein have been made. These adjustments are of a normal and recurring nature. The results of operations for interim periods are not necessarily indicative of the operating results of a full year or of future years. These interim financial statements should be read in conjunction with the financial statements and related footnotes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007.

2. *Nature of operations and changes in accounting policies*

Nature of operations

The Corporation evaluates, acquires and explores gold exploration and potential development projects. As such, the Corporation is considered an Exploration Stage Enterprise. The Corporation's approach to acquisitions of gold projects has generally been to seek projects within political jurisdictions with well established mining, land ownership and tax laws, which have adequate drilling and geological data to support the completion of a third-party review of the geological data and to complete an estimate of the gold mineralization. In addition, the Corporation looks for opportunities to improve the value of its gold projects through exploration drilling, and/or reengineering the operating assumptions underlying previous engineering work.

In 2007, the Board of Directors and management reevaluated the corporate strategy regarding the development of the Corporation's more advanced projects. As a result of this reevaluation, the Corporation has begun moving its more advanced projects through advanced and pre-feasibility studies in preparation for mine development so that production decisions can be made on those projects.

Although the Corporation has reviewed and is satisfied with the title for all mineral properties in which it has a material interest, there is no guarantee that title to such concessions will not be challenged or impugned.

Changes in accounting policies

Effective January 1, 2008, the Corporation adopted the following standards updates by the Canadian Institute of Chartered Accountants (CICA). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

CICA Section 1535, *Capital Disclosures* requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. The Corporation's objective is to ensure the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Corporation considers items included in its shareholders' equity and its convertible debt as capital. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares through equity financings to reduce debt. The Corporation is not subject to externally imposed capital requirements. See Notes 7, 8, 9 and 10.

CICA Section 1400, *General Standards of Financial Statement Presentation*, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this statement did not have an impact on the consolidated financial statements.

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CICA Section 3862, Financial Instruments-Disclosures and Section 3863, Financial Instruments-Presentations are two standards that replace Section 3861, Financial Instruments-Disclosure and Presentation, revising disclosures related to financial instruments and carry forward unchanged presentation requirements. These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosure about credit risk, liquidity and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Recent accounting pronouncement not yet adopted

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Intangible Assets, and results in a withdrawal of CICA Section 3450, Research and Development Costs, and amendments to Accounting Guideline (AcG) 11, Enterprises in the Development Stage, and CICA Section 1000, Financial Statement Concepts. The standard intends to reduce the differences with International Financial Reporting Standards (IFRS) in the accounting for intangible assets and results in closer alignment with U.S. GAAP. Under current Canadian standards, more items are recognized as assets than under IFRS or U.S. GAAP. The objectives of CICA Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. This standard will be effective for fiscal years beginning on or after October 1, 2008. The Corporation is currently evaluating the impact of adopting this standard in 2009.

3. *Disposal of Amayapampa gold project*

On April 7, 2008, the Corporation announced an agreement to dispose of its wholly-owned subsidiary Vista Gold (Antigua) Corp. (Vista Gold Antigua) to Republic Gold Limited (Republic). Vista Gold Antigua indirectly held the Corporation's interest in the Amayapampa gold project in Bolivia. Under the terms of the transaction, Republic has agreed to pay to the Corporation, \$3.0 million in three payments of \$1.0 million. The first of these payments is due and payable upon the start of commercial production (as defined in the purchase and sale agreement) at Amayapampa followed by \$1.0 million payments on each of the first and second anniversaries of the start of commercial production. In addition, Republic has agreed to pay to the Corporation a net smelter return royalty (NSR) on the gold produced by or on behalf of Republic from the Amayapampa project in varying percentages depending on the price of gold per ounce. When gold is between \$500.01 and \$650.00 per ounce, a 2% NSR is payable, when the price of gold is between \$650.01 and \$750.00 per ounce, a 3% NSR is payable, and when the price of gold is \$750.01 per ounce and above, an NSR of 3.5% is payable. The NSR is capped at 720,000 gold equivalent ounces and no NSR payments are due to the Corporation if the gold price is below \$500 per ounce. The Corporation will retain a first right of refusal in the event Republic decides to sell the property and will also retain a right to re-acquire the property if Republic or Vista Gold Antigua have not moved to close a financing under a project financing facility within five years. Under the terms of the transaction, the Corporation agreed to lend \$350,000 to Republic for ongoing expenses on the Amayapampa gold project. The loan was completed on April 7, 2008. Interest on the loan accrues and is payable at the rate of 10% per annum, payable monthly. The principal is due on or before the earlier of (a) September 30, 2008, (b) the date that a bankable feasibility study is completed with respect to the Amayapampa gold project or (c) such earlier date in the event the Corporation makes demand for full payment upon the occurrence of an event of default.

The fair value of the consideration received on disposal of the Amayapampa project has been calculated as of June 30, 2008 using probability weighted cash flow scenarios and assumptions including future gold prices, estimated gold production and the timing of commencement of commercial production. These inputs in the income approach valuation model used by the Corporation are considered to be level three unobservable inputs as defined by SFAS No. 157, Fair Value Measurements. These are the Corporation's own assumptions based on management's best estimates and the best information available at the time.

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Prime Corporate Finance Pty Limited (PCF) of West Perth, Australia served as corporate advisor to the Corporation in connection with the above transaction. In compensation for the advisory services provided by PCF, the Corporation had agreed to pay PCF a success fee of 5% of the face value of any transaction completed with a party introduced by PCF. Republic was introduced to the Corporation by PCF. On April 8, 2008, the Corporation and PCF agreed that the success fee payable to PCF was \$165,000, such amount being equivalent to Cdn. \$166,815. In addition, on April 8, 2008, PCF and the Corporation agreed that the success fee would be payable in common shares of the Corporation. Based on the market price of the Corporation's common shares at the close of business on April 7, 2008 of Cdn. \$4.47, 37,318 common shares of the Corporation were issuable to PCF. This issuance was completed on June 17, 2008.

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4. *Marketable securities*

(U.S. dollars in thousands)	Cost	At June 30, 2008		At December 31, 2007		
		Unrealized gain/(loss)	Fair value	Cost	Unrealized gain/(loss)	Fair value
Allied Nevada Gold Corp.	\$ 2,194	\$ 6,817	\$ 9,011	\$ 2,194	\$ 7,322	\$ 9,516
Esperanza Silver Corp.	10	87	97	10	134	144
Luzon Minerals Ltd.	342	(240)	102	462	(322)	140
Nevgold Resources Corp.	217	(49)	168	177	(4)	173
Other marketable securities	543	308	851	492	417	909
	\$ 3,306	\$ 6,923	\$ 10,229	\$ 3,335	\$ 7,547	\$ 10,882

5. *Mineral properties*

(U.S. dollars in thousands)	2007		Option payments	Exploration & land costs	2008		Year to date activity	June 30, ending balance
	December 31, net balance	Acquisition costs			Capitalized interest			
Long Valley, United States	948			2		2	950	
Yellow Pine, United States	739			29		29	768	
Paredones Amarillos, Mexico	3,987			1,659	867	2,526	6,513	
Guadalupe de los Reyes, Mexico	1,389	1,452		150		1,602	2,991	
Awak Mas, Indonesia	3,269			219		219	3,488	
Mt. Todd, Australia	7,330			2,052		2,052	9,382	
Other	390		40	1		41	431	
	\$ 18,052	\$ 1,452	\$ 40	\$ 4,112	\$ 867	\$ 6,471	\$ 24,523	

On January 24, 2008, the Corporation completed the acquisition of interests in various mineral properties adjacent to the Corporation's Guadalupe de los Reyes project in Mexico. The consideration paid by the Corporation for the acquisition of these interests included cash payments totalling \$452,000 and the issuance of a total of 213,503 common shares of the Corporation (with an aggregate fair value of \$1,000,000), to various parties.

The recoverability of the carrying values of the Corporation's mineral properties is dependent upon the successful start-up and commercial production from, or sale, or lease, of these properties and upon economic reserves being discovered or developed on the properties. Development and/or start-up of any of these projects will depend, among other things, on management's ability to raise additional capital for these purposes. Although the Corporation has been successful in raising such capital in the past, there can be no assurance that it will be able to do so in the future.

The Corporation believes that the fair value of its mineral properties exceeds the carrying value; however, a write-down in the carrying values of the Corporation's properties may be required in the future as a result of events and circumstances, such as the Corporation's inability to obtain all the necessary permits, resulting in an evaluation of gold resources and the application of an impairment test which is based on estimates of gold resources and gold prices.

6. *Plant and equipment*

(U.S. dollars in thousands)	Cost	June 30, 2008 Accumulated Depreciation and Write-downs	Net	Cost	December 31, 2007 Accumulated Depreciation and Write-downs	Net
Paredones Amarillos, Mexico	16,452	2	16,450	33	2	31
Awak Mas, Indonesia	112	55	57	98	43	55
Mt. Todd, Australia	598	130	468	397	54	