

VISTA GOLD CORP
Form 10-Q
August 07, 2009
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

Commission File Number 1-09025

VISTA GOLD CORP.

(Exact name of registrant as specified in its charter)

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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
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 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 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: 34,475,829 Common Shares, without par value, outstanding at August 6, 2009

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VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended June 30, 2009

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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, 2009	December 31, 2008
Assets:		
Cash and cash equivalents - Note 7	\$ 16,300	\$ 13,266
Marketable securities - Note 4	628	8,153
Accounts receivable	47	127
Prepays and other	676	466
Current assets	17,651	22,012
Mineral properties - Note 5	33,381	30,407
Amayapampa disposal consideration - Note 3	4,813	4,813
Property, plant and equipment - Note 6	18,744	18,533
	56,938	53,753
Total assets	\$ 74,589	\$ 75,765
Liabilities and Shareholders Equity:		
Accounts payable	\$ 65	\$ 803
Accrued liabilities and other	449	803
Current liabilities	514	803
Convertible notes - Note 7	24,718	23,496
Other long-term liabilities	228	228
Total liabilities	25,460	24,527
Capital stock, no par value:		
Common - unlimited shares authorized; shares outstanding: 2009 - 34,475,829 and 2008 34,475,829	225,098	225,098
Warrants	336	336
Options - Note 8	4,833	4,634
Contributed surplus - Note 9	1,488	1,387
Equity component of convertible notes - Note 7	6,298	6,298
Accumulated other comprehensive income - Note 10	183	4,602
Deficit - Note 2	(189,107)	(191,117)
Total shareholders' equity	49,129	51,238
Total liabilities and shareholders' equity	\$ 74,589	\$ 75,765

Subsequent events - Note 15

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 EARNINGS AND (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
	2009	2008 (restated note 2)	2009	2008 (restated note 2)	
Income:					
Gain/(loss) on disposal of marketable securities	\$ 6,822	\$ (88)	\$ 6,815	\$ (67)	\$ 7,048
Interest income	21	171	49	280	2,577
Gain on currency translation	68	13	45	6	(348)
Total other income	\$ 6,911	\$ 96	\$ 6,909	\$ 219	\$ 9,277
Costs and expenses:					
Exploration, property evaluation and holding costs	\$ (268)	\$ (252)	\$ (601)	\$ (497)	\$ (3,439)
Corporate administration and investor relations	(974)	(1,253)	(1,986)	(2,540)	(21,931)
Costs of Arrangement					(2,901)
Depreciation and amortization	(62)	(40)	(114)	(79)	(484)
Interest expense	(584)	(585)	(1,163)	(769)	(3,167)
Costs of Amayapampa disposal		(132)		(132)	(132)
Write-down of marketable securities	(11)		(123)		(849)
Loss on sale of mineral property Note 5	(131)		(131)		(131)
Other income/(expense)	(2)	11		14	374
Total costs and expenses	(2,032)	(2,251)	(4,118)	(4,003)	(32,660)
Earnings/(loss) from continuing operations before income taxes	\$ 4,879	\$ (2,155)	\$ 2,791	\$ (3,784)	\$ (23,383)
Future income tax benefit/(expense)	\$ (989)	\$ 179	\$ (781)	\$ (93)	\$ 31
Earnings/(loss) from continuing operations after income taxes	\$ 3,890	\$ (1,976)	\$ 2,010	\$ (3,877)	\$ (23,352)
Earnings/(loss) from discontinued operations	\$	\$ (72)	\$	\$ (294)	\$ (16,879)
Net earnings/(loss)	\$ 3,890	\$ (2,048)	\$ 2,010	\$ (4,171)	\$ (40,231)
Other comprehensive income/(loss):					
Unrealized fair-value increase/(decrease) of available-for-sale securities	198	936	1,373	(588)	
Realized (gain)/loss on available-for-sale securities	(5,798)	75	(5,793)	57	
	(5,600)	1,011	(4,420)	(531)	
Comprehensive loss	\$ (1,710)	\$ (1,037)	\$ (2,410)	\$ (4,702)	
Weighted average number of shares outstanding	34,475,829	34,420,130	34,475,829	34,211,221	
Basic and diluted earnings/(loss) per share from continuing operations	\$ 0.11	\$ (0.06)	\$ 0.06	\$ (0.11)	
Basic and diluted earnings/(loss) per share	\$ 0.11	\$ (0.06)	\$ 0.06	\$ (0.12)	

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

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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,	
	2009	2008 (restated Note 2)	2009	2008 (restated Note 2)
Deficit, beginning of period	\$ (192,997)	\$ (183,267)	\$ (191,117)	\$ (181,144)
Net earnings/(loss)	3,890	(2,048)	2,010	(4,171)
Deficit, end of period	\$ (189,107)	\$ (185,315)	\$ (189,107)	\$ (185,315)

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, 2009		Six Months Ended June 30, 2009		Cumulative during Exploration Stage
	2008 (restated)		2008 (restated)		
Cash flows from operating activities:					
Earnings/(loss) from continuing operations after income taxes	\$ 3,890	\$ (1,976)	\$ 2,010	\$ (3,877)	\$ (23,352)
Adjustments to reconcile loss for the period to net cash used in operations:					
Depreciation and amortization	62	40	114	79	507
Stock-based compensation	115	309	240	605	6,059
(Gain)/loss on disposal of marketable securities	(6,822)	88	(6,815)	67	(7,310)
Future income tax (benefit)/expense	989	(179)	781	93	(31)
Accretion of convertible notes	265	233	525	314	1,363
Accrued interest	322	352	641	456	1,809
Cost of disposal of Amayapampa		132		132	132
Loss on disposal of mineral property	131		131		131
Write-down of marketable securities	11		123		849
Prepaid transaction costs					1,841
Other non-cash items					(313)
Change in operating assets and liabilities:					
Accounts receivable	57	(61)	64	(66)	(461)
Interest paid	(1,500)	(842)	(1,500)	(842)	(3,842)
Prepays and other	(245)	(304)	(210)	(261)	(496)
Accounts payable, accrued liabilities and other	(318)	136	(329)	21	(1,210)
Net cash used in operating activities	(3,043)	(2,072)	(4,225)	(3,279)	(24,324)
Cash flows from investing activities:					
Acquisition of marketable securities		(51)		(77)	(1,026)
Proceeds from sale of marketable securities	9,016	31	9,034	89	10,123
Additions to mineral properties, net of cost recoveries	(728)	(2,498)	(1,639)	(3,883)	(22,029)
Acquisition of mineral property				(452)	(3,332)
Additions to plant and equipment	(115)	(327)	(324)	(16,635)	(18,966)
Proceeds on disposal of mineral property	188		188		188
Proceeds on disposal of plant and equipment					52
Short-term loan receivable		(350)		(350)	
Cash transferred to Allied Nevada Gold Corp., net of receivable					(24,517)
Net cash provided by/(used in) investing activities	8,361	(3,195)	7,259	(21,308)	(59,507)
Cash flows from financing activities:					
Net proceeds from equity financings					54,409
Proceeds from exercise of warrants				2,941	39,020
Proceeds from exercise of stock options				69	2,794
Issuance of convertible notes, net of issuance costs		(144)		28,390	28,345

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Prepaid transaction costs					(1,841)
Net cash provided by financing activities		(144)		31,400	122,727
Net increase/(decrease) in cash and cash equivalents - continuing operations	5,318	(5,411)	3,034	6,813	38,896
Net decrease in cash and cash equivalents - discontinued operations		(73)		(294)	(23,270)
Net increase/(decrease) in cash and cash equivalents	5,318	(5,484)	3,034	6,519	15,626
Cash and cash equivalents, beginning of period	10,982	28,689	13,266	16,686	674
Cash and cash equivalents, end of period	\$ 16,300	\$ 23,205	\$ 16,300	\$ 23,205	\$ 16,300

Supplemental cash flow information - Note 12

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

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VISTA GOLD CORP. (AN EXPLORATION STAGE ENTERPRISE)

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, 2009 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 14, 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, 2008, as amended.

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 re-engineering 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 preliminary and advanced 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

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Effective September 30, 2008, the Corporation adopted the Emerging Issues Committee Abstract 172 (EIC 172), Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income. EIC 172 provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. EIC 172 should be applied retrospectively, with restatement of prior periods from January 1, 2007, the date of adoption of the Canadian Institute of Chartered Accountants (CICA) Section 3855, Financial Instruments Recognition and Measurement.

The adoption of EIC 172 resulted in a reclassification of \$1,132,000 of income tax recovery from the accumulated other comprehensive income balance to the accumulated deficit as of December 31, 2007. It also decreased the Corporation's three-month loss for the period ended June 30, 2008 by \$179,000 and increased the Corporation's six-month loss for the period ended June 30, 2008 by \$93,000.

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 is effective for the Corporation commencing January 1, 2009. The Corporation has determined there is no impact on its current financial statements.

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3. *Amayapampa disposal consideration*

On April 7, 2008, the Corporation entered into 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 agreed to pay to the Corporation, \$3.0 million in three payments of \$1.0 million. The first of these payments will be 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 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 fair value of the consideration received upon the disposal of the Amayapampa project has been calculated as of June 30, 2009 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.

4. *Marketable securities*

(U.S. dollars in thousands)	Cost	At June 30, 2009		At December 31, 2008		
		Unrealized gain/(loss)	Fair value	Cost	Unrealized gain/(loss)	Fair value
Allied Nevada Gold Corp.	\$	\$	\$	\$ 2,194	\$ 5,547	\$ 7,741
Esperanza Silver Corp.	10	52	62	10	35	45
Luzon Minerals Ltd.	12	1	13	12		12
Nevgold Resources Corp.	59	36	95	44		44
Other marketable securities	333	125	458	480	(169)	311
	\$ 414	\$ 214	\$ 628	\$ 2,740	\$ 5,413	\$ 8,153

On April 3, 2009 the Corporation announced that it had sold all of its 1,529,848 shares of Allied Nevada Gold Corp. (Allied) for \$9,016,088. These shares had an original cost of \$2,194,397 and when sold, resulted in a realized gain of \$6,821,691. In May 2007, the Corporation completed a transaction that resulted in the formation of Allied and the transfer of the Corporation's Nevada properties to Allied. The Allied shares sold by the Corporation were retained in connection with this transaction to facilitate the payment of any taxes payable by the Corporation in respect of the transaction. The Corporation has determined that there are no other taxes payable by it in respect of the transaction and made the decision to sell the Allied shares at the appropriate time and use the cash for project development requirements.

At June 30, 2009, the Corporation determined that certain of its securities had become impaired. The write-down of \$11,000, less a tax benefit of \$2,000, has been included on our Statement of Consolidated Earnings and Loss. The Corporation evaluated the remaining securities for impairment, but concluded that any decline in value was temporary due to the short amount of time that the security's fair market value was under cost.

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5. *Mineral properties*

(U.S. dollars in thousands)	2008		2009			June	
	December 31, balance	Disposition	Option payments	Exploration & land costs	Capitalized interest	Year to date activity	30, ending balance
Long Valley, United States	960			13		13	973
Yellow Pine, United States	878			1		1	879
Paredones Amarillos, Mexico	9,237			797	1,547	2,344	11,581
Guadalupe de los Reyes, Mexico	3,136			6		6	3,142
Awak Mas, Indonesia	3,757			90		90	3,847
Mt. Todd, Australia	11,967			776		776	12,743
Other	472	(321)	50	15		(256)	216
	\$ 30,407	\$					