

VISTA GOLD CORP  
Form 10-Q  
November 09, 2007

# 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 September 30, 2007

OR

**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  
Suite 5

Edgar Filing: VISTA GOLD CORP - Form 10-Q

**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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer  Accelerated Filer  Non-accelerated filer

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: **32,966,943**

Common Shares, without par value, outstanding at October 24, 2007

---

**VISTA GOLD CORP.**

**(An Exploration Stage Enterprise)**

**FORM 10-Q**

**For the Quarter Ended September 30, 2007**

**INDEX**

**PART I - FINANCIAL INFORMATION**

<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS (Unaudited)</u>
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>

**PART II OTHER INFORMATION**

<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>
<u>ITEM 4.</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>
<u>ITEM 6.</u>	<u>EXHIBITS</u>
	<u>SIGNATURES</u>

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



**PART I FINANCIAL INFORMATION**



**ITEM 1. FINANCIAL STATEMENTS**

## VISTA GOLD CORP. (An Exploration Stage Enterprise)

## CONSOLIDATED BALANCE SHEETS - UNAUDITED

(U.S. dollars in thousands)	September 30, 2007	December 31, 2006
<b>Assets:</b>		
Cash and cash equivalents	\$ 18,602	\$ 48,691
Marketable securities - Note 4	8,989	791
Accounts receivable	413	645
Supplies inventory, prepaids and other	452	303
Current assets	28,456	50,430
Mineral properties - Note 5	26,698	21,553
Plant and equipment - Note 6	476	134
Prepaid Arrangement costs - Note 3		1,841
Other long-term receivables	116	166
Assets related to Arrangement - Note 3		18,607
	27,290	42,301
Total assets	\$ 55,746	\$ 92,731
<b>Liabilities and Shareholders Equity:</b>		
Accounts payable	\$ 5	\$ 158
Accrued liabilities and other	544	574
Current liabilities	549	732
Asset retirement obligation and closure costs	25	25
Liabilities related to Arrangement - Note 3		4,847
Total liabilities	574	5,604
Capital stock, no par value: - Note 7		
Preferred - unlimited shares authorized; no shares outstanding		
Common - unlimited shares authorized; shares outstanding: 2007 - 32,966,943 and 2006 - 31,674,623	219,696	215,618
Warrants - Note 8	531	932
Options - Note 9	3,189	2,239
Contributed surplus	253	253
Accumulated other comprehensive income - Note 10	5,781	
Deficit	(174,278)	(131,915)
Total shareholders equity	55,172	87,127
Total liabilities and shareholders equity	\$ 55,746	\$ 92,731

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



## VISTA GOLD CORP. (An Exploration Stage Enterprise)

## CONSOLIDATED STATEMENTS OF LOSS - UNAUDITED

(U.S. dollars in thousands, except share data)	Three Months Ended September		Nine Months Ended September		Cumulative during Exploration Stage
	2007	30, 2006	2007	30, 2006	
<b>Income:</b>					
Interest income	\$ 239	\$ 197	\$ 997	\$ 342	\$ 1,788
Other income	10		14	2	314
Gain on disposal of marketable securities	18	5	158	42	331
Gain on disposal of assets					53
Cost recoveries related to USF&G lawsuit					240
Total other income	\$ 267	\$ 202	\$ 1,169	\$ 386	\$ 2,726
<b>Costs and expenses:</b>					
Exploration, property evaluation and holding costs	\$ (204)	\$ (107)	\$ (682)	\$ (345)	\$ (2,142)
Corporate administration and investor relations	(1,688)	(834)	(3,323)	(1,743)	(12,630)
Costs of Arrangement	(528)		(2,880)		(2,880)
Depreciation and amortization	(27)	(24)	(80)	(32)	(168)
Gain/(loss) on currency translation	(20)	32	17	16	(17)
Total costs and expenses	(2,467)	(933)	(6,948)	(2,104)	(17,837)
Loss from continuing operations	\$ (2,200)	\$ (731)	\$ (5,779)	\$ (1,718)	\$ (15,111)
Loss from discontinued operations	\$	\$ (630)	\$ (425)	\$ (1,677)	\$ (10,292)
<b>Net loss</b>	\$ (2,200)	\$ (1,361)	\$ (6,204)	\$ (3,395)	\$ (25,403)
<b>Other comprehensive income/(loss):</b>					
Unrealized fair-value increase on available-for-sale securities	1,115		5,477		
Realized gain on available-for-sale securities	(13)		(228)		
Comprehensive loss	\$ (1,098)		\$ (955)		
Weighted average number of shares outstanding	32,391,811	27,656,092	32,123,697	24,846,654	
Basic and diluted loss per share from continuing operations	\$ (0.07)	\$ (0.03)	\$ (0.18)	\$ (0.07)	
Basic and diluted loss per share	\$ (0.07)	\$ (0.05)	\$ (0.19)	\$ (0.14)	

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

## VISTA GOLD CORP. (An Exploration Stage Enterprise)

## CONSOLIDATED STATEMENTS OF DEFICIT - UNAUDITED

Edgar Filing: VISTA GOLD CORP - Form 10-Q

(U.S. dollars in thousands)	Three Months Ended September		Nine Months Ended September	
	2007	2006	2007	2006
Deficit, beginning of period	\$ (172,078)	\$ (129,778)	\$ (131,915)	\$ (127,744)
Net loss	(2,200)	(1,361)	(6,204)	(3,395)
Dividend-in-kind - Note 3			(36,159)	
Deficit, end of period	\$ (174,278)	\$ (131,139)	\$ (174,278)	\$ (131,139)

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

## VISTA GOLD CORP. (An Exploration Stage Enterprise)

## CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(U.S. dollars in thousands)	Three Months Ended September		Nine Months Ended September		Cumulative during Exploration Stage
	2007	30, 2006	2007	30, 2006	
<b>Cash flows from operating activities:</b>					
Loss for the period - continuing operations	\$ (2,200)	\$ (731)	\$ (5,779)	\$ (1,718)	\$ (15,111)
Loss for the period - discontinued operations		(630)	(425)	(1,677)	(10,292)
Net loss for the period	\$ (2,200)	\$ (1,361)	\$ (6,204)	\$ (3,395)	\$ (25,403)
<b>Adjustments to reconcile loss for the period to cash provided by / (used in) operations:</b>					
Depreciation and amortization	31	24	86	32	195
Stock-based compensation	900	589	1,213	650	3,492
Gain on disposal of assets					(53)
Cost recoveries related to USF&G lawsuit					(240)
Write-down of marketable securities					118
Gain on disposal of marketable securities	(17)	(8)	(219)	(62)	(593)
Loss on currency translation					44
Prepaid transaction costs - Note 3			1,841		
Other non-cash items					(64)
<b>Change in operating assets and liabilities:</b>					
Accounts receivable	125	(48)	(251)	(52)	(777)
Supplies inventory, prepaids and other	294	(518)	(148)	(640)	(230)
Accounts payable and accrued liabilities and other	(89)	213	(405)	129	(859)
Net cash used in operating activities from continuing operations	(956)	(1,109)	(4,087)	(3,338)	(24,370)
Net cash provided by operating activities from discontinued operations		(4)	165	79	2,591
<b>Net cash used in operating activities</b>	<b>(956)</b>	<b>(1,113)</b>	<b>(3,922)</b>	<b>(3,259)</b>	<b>(21,779)</b>
<b>Cash flows from investing activities:</b>					
Acquisition of marketable securities	(114)	(34)	(229)	(242)	(874)
Proceeds from sale of marketable securities	40	45	258	156	984
Additions to mineral properties, net of cost recoveries - Note 5	(991)	(632)	(4,610)	(1,119)	(10,059)
Acquisition of mineral property				(1,269)	(2,880)
Additions to plant and equipment - Note 6	(103)	(41)	(428)	(113)	(652)
Proceeds on disposal of plant and equipment					52
Cash transferred to Allied Nevada Gold Corp., net of receivable	(133)		(24,517)		(24,517)
Net cash used in investing activities from continuing operations	(1,301)	(662)	(29,526)	(2,587)	(37,946)
Net cash used in investing activities from discontinued operations		(298)	(62)	(652)	(14,580)
<b>Net cash used in investing activities</b>	<b>(1,301)</b>	<b>(960)</b>	<b>(29,588)</b>	<b>(3,239)</b>	<b>(52,526)</b>
<b>Cash flows from financing activities:</b>					
Net proceeds from equity financings - Note					54,409

7

Edgar Filing: VISTA GOLD CORP - Form 10-Q

Proceeds from exercise of warrants - Note 7	1,394	763	2,889	25,574	35,359
Proceeds from exercise of stock options - Note 7	508	319	525	798	2,465
Net cash provided by financing activities from continuing operations	1,902	1,082	3,414	26,372	92,233
Net cash provided by financing activities from discontinued operations					
<b>Net cash provided by financing activities</b>	<b>1,902</b>	<b>1,082</b>	<b>3,414</b>	<b>26,372</b>	<b>92,233</b>
Net increase/(decrease) in cash and cash equivalents	(355)	(991)	(30,096)	19,874	17,928
Cash and cash equivalents, beginning of period - continuing operations	18,957	22,888	48,691	2,017	38
Cash and cash equivalents, beginning of period - discontinued operations		4	7	10	636
<b>Cash and cash equivalents, end of period</b>	<b>\$ 18,602</b>	<b>\$ 21,901</b>	<b>\$ 18,602</b>	<b>\$ 21,901</b>	<b>\$ 18,602</b>

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

**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 September 30, 2007, and for the three-month and nine-month periods ended September 30, 2007, 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 11, 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, 2006.

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements, with the exception that on January 1, 2007, the Corporation adopted CICA Handbook Sections 1530, Comprehensive Income, 3855, Financial Instruments Recognition and Measurement, and 3861, Financial Instruments Disclosure and Presentation.

The adoption of these new sections had no impact on the Corporation's financial statements on or before December 31, 2006. The sections require adjustments to the carrying value of available-for-sale securities to be recorded within accumulated other comprehensive income on transition. Accordingly, upon adoption of these sections, the Corporation made a one-time adjustment to the opening balance of accumulated other comprehensive income in the amount of \$531,743.

All available-for-sale securities are measured at fair value. Gains and losses associated with these available-for-sale securities will be separately recorded as unrealized within other comprehensive income until such time the security is disposed of or becomes impaired, at which time any gains or losses will then be realized and reclassified to the statement of loss.

Upon adoption of these new standards, all regular-way purchases of financial assets are accounted for at the trade date. Transaction costs on financial assets are treated as part of the investment cost.

As a result of the completion of the Arrangement Agreement (as defined in Note 3), the Corporation transferred its Nevada-based mining properties to Allied Nevada Gold Corp. (Note 3). The Corporation's financial statements reflect these Nevada-based mining properties as discontinued operations with the assets and liabilities associated with these properties classified under the captions Assets related to Arrangement and Liabilities related to Arrangement on the Consolidated Balance Sheets. The results of operations are treated as losses from discontinued operations and separately stated on the Consolidated Statements of Loss after losses from continuing operations and the related operating, financing and investing cash flows are shown separately on the consolidated statement of cash flows.

2. *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.

Beginning in 2007, the Board of Directors and management have decided to take on a new direction regarding the Corporation's more advanced projects. The more advanced projects will move forward through advanced and pre-feasibility studies, so 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.

3. *Completion of the Arrangement involving Vista Gold Corp., Allied Nevada Gold Corp. and the Pescios*

The previously announced Arrangement involving the Corporation, Allied Nevada Gold Corp. (Allied Nevada), Carl Pescio and Janet Pescio (the Pescios) pursuant to the Arrangement and Merger Agreement between the parties dated as of September 22, 2006 as amended (the Arrangement Agreement), closed on May 10, 2007. The transaction resulted in the acquisition by Allied Nevada of the Corporation's Nevada-based properties and the Nevada mineral assets of Carl and Janet Pescio. Of the 38,933,055 shares of Allied Nevada common stock (the Allied Nevada Shares) issued as part of the transaction, 12,000,000 were issued to Carl and Janet Pescio as partial consideration for the acquisition of their Nevada mineral assets and 26,933,055 were issued to the Corporation in accordance with the Arrangement. As part of the transaction, the Corporation's shareholders exchanged each of their Vista Gold common shares and received: (i) one new Vista Gold common share and (ii) a pro rata portion of (A) the number of Allied Nevada Shares received by the Corporation as part of the Arrangement less (B) the number of Allied Nevada Shares retained by Vista Gold to facilitate payment of any taxes payable in respect of the Arrangement. Accordingly, of the 26,933,055 Allied Nevada Shares issued to the Corporation, 25,403,207 shares were distributed to shareholders of the Corporation by way of an in-kind dividend and the Corporation retained 1,529,848 shares to facilitate the payment of any taxes payable by the Corporation in respect of the Arrangement. The new common shares of the Corporation and the Allied Nevada Shares began trading on May 10, 2007, on the Toronto Stock Exchange and the American Stock Exchange. Also, under the Arrangement Agreement, the Corporation transferred \$25.0 million less the outstanding receivable of \$0.5 million to Allied Nevada.

The 1,529,848 Allied Nevada Shares that the Corporation retained have a book value of \$2.17 million, which is the difference between the net assets transferred to Allied Nevada and the dividend-in-kind distributed to the Corporation's shareholders. These available-for-sale securities have been fair-valued as of September 30, 2007 and have a fair market value of \$7.6 million based on the Allied Nevada share price at that date. The fair market value of these shares is included in marketable securities on the Corporation's Consolidated Balance Sheets and the unrealized gain recorded within other comprehensive income.

The aggregate carrying amount of the net assets transferred from the Corporation to Allied Nevada is as follows:

(U.S. dollars in thousands)	May 10, 2007	December 31, 2006
<b>Assets:</b>		
Cash and cash equivalents	\$ 25,001	\$ 7
Accounts receivable	7	102
Supplies, inventory, prepaids and other	102	104
Current assets	\$ 25,110	\$ 213
Restricted cash	5,385	5,320
Mineral properties - Note 5	9,867	10,196
Plant and equipment - Note 6	929	996
Reclamation premium costs and other assets	1,839	1,882
	<b>18,020</b>	<b>18,394</b>
Total assets related to Arrangement	\$ 43,130	\$ 18,607
<b>Liabilities:</b>		
Accounts payable	\$	\$ 9
Accrued liabilities and other	120	152
Current liabilities	\$ 120	161
Capital lease obligation	20	23
Asset retirement obligation and closure costs	4,663	4,663
Total liabilities related to Arrangement	\$ 4,803	\$ 4,847
<b>Net assets related to Arrangement</b>	<b>\$ 38,327</b>	<b>\$ 13,760</b>

The Corporation has allocated corporate overhead expenses to Allied Nevada based on the ratio of mineral properties transferred to Allied Nevada. These allocations, along with the actual expenses of the Corporation's subsidiaries that held the assets transferred are listed on the statements of loss as losses from discontinued operations.

Also, upon completion of the transaction, \$2.4 million in costs associated with the Arrangement previously held as prepaid items were expensed. These costs included legal fees, tax and audit fees, regulatory fees, consultant fees and other items related to the completion of the Arrangement that were not reimbursable by Allied Nevada.



Edgar Filing: VISTA GOLD CORP - Form 10-Q

4. Marketable Securities

(U.S. dollars in thousands)	At September 30, 2007			At December 31, 2006		
	Cost	Unrealized gain/(loss)	Fair value	Cost	Unrealized gain/(loss)	Fair value
Allied Nevada Gold Corp.	\$ 2,178	\$ 5,471	\$ 7,649	\$	\$	\$
Esperanza Silver Corp.	10	199	209	16	404	420
Luzon Minerals LTD	462	(180)	282	462	(102)	360
Nevgold Resources Corp.	83	30	113	33	14	47
Other	475	261	736	280	216	496
	\$ 3,208	\$ 5,781	\$ 8,989	\$ 791	\$ 532	\$ 1,323

Prior to January 1, 2007, the Corporation did not recognize unrealized gains or losses on available-for-sale securities within the financial statements. On January 1, 2007, the Corporation adopted CICA Handbook Sections 1530, Comprehensive Income and 3855, Financial Instruments Recognition and Measurement which resulted in a one-time adjustment to the opening balance of accumulated other comprehensive income of \$531,743.

5. Mineral properties

(U.S. dollars in thousands)	2006				2007				
	December 31, net balance	Acquisition costs	Option payments	Exploration & land costs	Cost recovery	Retained by Vista Gold Corp.	Transferred to Allied Nevada Gold Corp.	Year to date activity	September 30, Ending Balance
Maverick Springs, United States	\$ 1,471	\$	\$	\$	\$	\$	\$ (1,471)	\$ (1,471)	\$
Mountain View, United States	854			1			(855)	(854)	
Wildcat, United States	1,017						(1,017)	(1,017)	
Hasbrouck and Three Hills, United States	386						(386)	(386)	
F.W. Lewis, Inc. Properties, United States	2,968			3	(24)	(309)	(2,638)	(2,968)	
Hycroft Royalty, United States	3,500						(3,500)	(3,500)	
Mineral properties transferred to Allied Nevada Gold Corp.	\$ 10,196			4	(24)	(309)	(9,867)	(10,196)	
Long Valley, United States	641		250	32				282	923
Yellow Pine, United States	593			41				41	634
Paredones Amarillos, Mexico	3,218			282				282	3,500
Guadalupe de los Reyes, Mexico	1,249		100	21				121	1,370
Amayapampa, Bolivia	10,326								10,326
Awak Mas, Indonesia	2,590			385				385	2,975
Mt. Todd, Australia	2,875			3,705				3,705	6,580
Other	61			20		309		329	390
Mineral properties retained by the Corporation	\$ 21,553	\$ 350	\$ 4,486	\$ 309	\$	\$ 5,145	\$	\$ 26,698	

Prior to the completion of the Arrangement, the F.W. Lewis, Inc. properties included three properties in Colorado. These three properties were retained by the Corporation and are now owned by Vista Gold U.S. Inc. The carrying value of these three properties was \$309,000.

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

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.

*Measurement Uncertainty*

The carrying value of the Amayapampa gold project was \$10.3 million as at September 30, 2007. The valuation of this asset is highly dependent on the Corporation's ability to sell this project and on assumptions regarding the price of gold in the future. As at September 30, 2007, the impairment analysis was performed on a stand-alone project basis and incorporated the following key assumptions:

Gold price of \$515 per ounce

Expected reserves of 440,000 ounces to be mined from the property commencing in 2009 based on a feasibility study carried out in February, 2000.

Using these assumptions, the Amayapampa project was not considered to be impaired based on the projected undiscounted cash flows.

The Corporation believes that the fair value of its other 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 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)	September 30, 2007			December 31, 2006		
	Cost	Accumulated Depreciation and Write-downs	Net	Cost	Accumulated Depreciation and Write-downs	Net
Hycroft mine, United States	\$ 11,949	\$ 11,036	\$ 913	\$ 11,949	\$ 10,969	\$ 980
F.W. Lewis, Inc. Properties, United States	31	15	16	31	15	16
PP&E transferred to Allied Nevada Gold Corp.	11,980	11,051	929	11,980	10,984	996
Awak Mas, Indonesia	101	43	58	96	24	72
Mt. Todd, Australia	397	54	343	30	2	28
Paredones Amarillos, Mexico	33		33			
Corporate, United States	452	410	42	429	395	34
PP&E retained by the Corporation	\$ 983	\$ 507	\$ 476	\$ 555	\$ 421	\$ 134

7. Capital stock

Common Shares issued and outstanding

	Number of shares issued	Capital stock (\$ 000 s)
<b>As of December 31, 2006</b>	31,674,623	\$ 215,618
Warrants exercised from February - March 2002 private placement - Note 8	97,465	146
Warrants exercised from September 2005 private placement, cash - Note 8	216,881	889
Warrants exercised from September 2005 private placement, fair value - Note 8		401
Warrants exercised from February 2006 private placement - Note 8	35,000	210
Exercise of stock options, cash - Note 9	4,000	17
Exercise of stock options, fair value - Note 9		11
Issued during the three months ended March 31, 2007	353,346	1,674
<b>As of March 31, 2007</b>	32,027,969	\$ 217,292
Warrants exercised from September 2005 private placement - Note 8	116,144	250
Issued during the three months ended June 30, 2007	116,144	250
<b>As of June 30, 2007</b>	32,144,113	\$ 217,542
Warrants exercised from September 2005 private placement - Note 8	647,360	1,394
Exercise of stock options, cash - Note 9	175,470	508
Exercise of stock options, fair value - Note 9		252
Issued during the three months ended September 30, 2007	822,830	2,154
<b>As of September 30, 2007</b>	<b>32,966,943</b>	<b>\$ 219,696</b>

8. Warrants

Warrants granted, exercised and outstanding during the period are summarized in the following table:

	Warrants granted(1)(2)	Valuation (\$ 000 s)	Warrants exercised	Warrants expired	Warrants outstanding	Weighted average exercise prices (U.S. \$ )	Expiry date	Weighted average remaining life (yrs)
<b>As of December 31, 2006</b>	<b>12,208,917</b>	<b>932</b>	<b>(10,323,320)</b>	<b>(333,163)</b>	<b>1,552,434</b>	<b>\$ 4.82</b>		
Private placement February - March 2002			(97,465)		(97,465)	1.50	Feb - Mar-07	

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

Private placement September 2005	(401)	(216,881)	(216,881)	4.10	Sep-07	0.5
Private placement February 2006		(35,000)	(35,000)	6.00	Feb-08	0.8
<b>As of March 31, 2007</b>	<b>12,208,917</b>	<b>531</b>	<b>(10,672,666)</b>	<b>(333,163)</b>	<b>1,203,088 \$</b>	<b>5.74</b>
Private placement September 2005		(61,000)	(61,000)	4.10	Sep-07	0.2
<b>As of June 30, 2007</b>	<b>12,208,917</b>	<b>531</b>	<b>(10,733,666)</b>	<b>(333,163)</b>	<b>1,142,088 \$</b>	<b>5.82</b>
Private placement September 2005		(340,000)	(4,000)	(344,000)	\$	4.10 Sep-07
<b>As of September 30, 2007</b>	<b>12,208,917</b>	<b>531</b>	<b>(11,073,666)</b>	<b>(337,163)</b>	<b>798,088 \$</b>	<b>6.57</b>

---

(1) Each warrant entitles the holder to purchase common shares as adjusted in accordance with the warrant terms pursuant to the Plan of Arrangement.

(2) The value of all warrants issued in conjunction with private placements is allocated to common stock upon exercise.

Immediately prior to the completion of the Arrangement on May 10, 2007 (see Note 3), there were 1,203,088 outstanding warrants entitling holders to purchase one common share per warrant. Of the aforementioned

outstanding warrants, 405,000 were issued as part of the September 2005 private placement, 614,684 were issued as part of the February 2006 private placement and an aggregate 183,405 were issued as payment to two agents in connection with the Corporation's November 2006 public equity financing. Upon completion of the Arrangement, the number of shares to be issued in connection with the outstanding warrants was adjusted so that each warrant will entitle the holder thereof to receive the following number of shares per warrant: 1.904 common shares per warrant for the September 2005 private placement warrants, 1.894 common shares per warrant for the February 2006 private placement warrants, 1.925 common shares per warrant for 119,213 of the broker warrants and 1.928 common shares per warrant for the remaining 64,192 broker warrants.

On September 23, 2007, the warrants issued in conjunction with the September 2005 private placement expired. There were 4,000 warrants that were not exercised prior to September 23, 2007 that expired; all other warrants were exercised.

9. *Options to purchase Common Shares*

Under the Corporation's Stock Option Plan (the Plan), the Corporation may grant options to directors, officers, employees and consultants of the Corporation. The maximum number of common shares of the Corporation that may be reserved for issuance under the Plan is a variable number equal to 10% of the issued and outstanding common shares on a non-diluted basis. Under the Plan, the exercise price of each option shall not be less than the market price of the Corporation's stock on the date preceding the date of grant, and an option's maximum term is 10 years or such other shorter term as stipulated in a stock option agreement between the Corporation and the optionee. Options under the Plan are granted from time to time at the discretion of the Board of Directors, with vesting periods and other terms as determined by the Board.

The fair value of stock options granted to employees and directors was estimated at the grant date using a lattice option pricing model, using the following weighted average assumptions:

	September 2007	September 2006
Expected volatility	60%	60%
Risk-free interest rate	4.60%	4.55 - 4.91%
Expected lives (years)	5	5
Dividend yield	N/A	N/A

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected price volatility is based on the historical volatility of the Corporation's stock. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's stock options. The expected term of the options granted is derived from the output of the option pricing model and represents the period of time that the options granted are expected to be outstanding. The risk-free rate of interest for the periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the date of grant.

Edgar Filing: VISTA GOLD CORP - Form 10-Q

A summary of other option activity under the Plan as of September 30, 2007, and changes during the quarter then ended is set forth in the following table:

	Number of Shares	Weighted- Average Exercise Price (\$ USD)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$ 000)
Outstanding - December 31, 2006	944,000	\$ 5.13	2.57	\$ 3,500
Exercised	(4,000)	4.19		
Expired	(2,857)	3.04		
Outstanding - March 31, 2007	937,143	\$ 5.14	2.35	\$ 2,649
Exercisable - March 31, 2007	817,143	\$ 4.50	2.05	\$ 2,649
Expired	(10,000)	4.40		
Modification	(47,777)			
Outstanding - June 30, 2007	879,366	\$ 3.89	2.11	\$ 877
Exercisable - June 30, 2007	765,550	\$ 3.46	1.80	\$ 877
Exercised	(175,470)	2.90		
Granted	625,000	4.58		
Outstanding - September 30, 2007	1,328,896	\$ 4.35	3.51	\$ 788
Exercisable - September 30, 2007	997,428	\$ 4.22	2.63	\$ 782

A summary of the fair-value changes included in options within Shareholders' Equity as of September 30, 2007, and the period then ended is set forth in the following table:

	Options (\$ 000 s)
As of December 31, 2006	\$ 2,239
Exercised	(11)
Expensed	134
As of March 31, 2007	\$ 2,362
Expensed	\$ 179
As of June 30, 2007	\$ 2,541
Exercised	(252)
Expensed	228
Granted	672

As of September 30, 2007                      \$                      3,189

In conjunction with the closing of the Arrangement, under an anti-dilution provision contained within the Plan, the Corporation modified all outstanding option agreements. The anti-dilution provision allows for the Corporation to equalize options in the event of an equity restructuring. As part of the Arrangement, option holders exchanged their Vista options held immediately prior to the closing for new options of both Vista and Allied Nevada. The number and price of the new options was based on, among other things, the intrinsic value



## Edgar Filing: VISTA GOLD CORP - Form 10-Q

of the options immediately preceding the closing of the Arrangement. Therefore, an option holder's intrinsic value of the combined options was the same before and following the closing of the Arrangement. Since the options were modified under the anti-dilution provision, the Corporation is not required to record any incremental expense associated with the new Vista options.

The total number of options outstanding as of September 30, 2007, is 1,328,896 with exercise prices ranging from approximately \$1.99 to \$7.31 and remaining lives of 0.11 to 4.83 years. The total number of options outstanding represents 4.0% of issued capital.

Under the Plan, 625,000 stock options, of which 312,500 will vest immediately and 312,500 will vest upon the first anniversary of the grant date, were granted to employees, directors and consultants of the Corporation during the three-month period ended September 30, 2007. The fair value of the 312,500 options immediately vested has been recorded as a non-cash compensation expense of \$671,774. The weighted-average grant date fair-value of the 625,000 options granted during the three months ended September 30, 2007 was \$2.15.

During the respective three- and nine-month periods ended September 30, 2007, 175,470 and 179,470 options were exercised with an aggregate intrinsic value of \$298,726 and \$300,366. During the same periods in 2006, 93,000 and 216,625 options were exercised with aggregate intrinsic values of \$622,480 and \$1,394,589.

A summary of the status of the Corporation's unvested stock options as of September 30, 2007, and changes during the period then ended, is set forth below:

	Number of Shares	Weighted- Average Grant Date Fair Value (\$ USD)
Unvested - December 31, 2006	125,000	\$ 5.22
Vested	(5,000)	5.05
Unvested - March 31, 2007	120,000	\$ 5.32
Modification	(6,184)	
Unvested - June 30, 2007	113,816	\$ 5.32
Vested	(94,848)	6.84
Granted	312,500	4.58
Unvested - September 30, 2007	331,468	\$ 4.63

As of September 30, 2007, there was \$667,929 of unrecognized compensation expense related to the unvested portion of options outstanding. This expense is expected to be recognized over a weighted-average period of 0.8 years.



10. *Accumulated other comprehensive income*

A reconciliation of the amounts contained in accumulated other comprehensive income is as follows:

	<b>Accumulated other comprehensive income</b>
	<b>(\$ 000 s)</b>
<b>As of December 31, 2006</b>	<b>\$</b>
Adjustment for CICA 3855 adoption	532
Increases to fair market value during period	66
Decreases due to realization of gain	(215)
<b>As of March 31, 2007</b>	<b>383</b>
Increases to fair market value during period	4,296
<b>As of June 30, 2007</b>	<b>4,679</b>
Increases to fair market value during period	1,115
Decreases due to realization of gain	(13)
<b>As of September 30, 2007</b>	<b>\$ 5,781</b>

11. *Geographic and segment information*

The Corporation evaluates, acquires and explores gold exploration and potential development projects. These activities are focused principally in North America, South America, Indonesia and Australia. The Corporation reported no revenues in the three-month and nine-month periods ended September 30, 2007, or for the same periods in 2006. Geographic segmentation of mineral properties and plant and equipment is provided in Notes 5 and 6.

12. *Differences between Canadian and United States generally accepted accounting principles*

The Corporation prepares its financial statements in accordance with accounting principles generally accepted in Canada, which differ in some respects from those in the United States. The significant differences between generally accepted accounting principles ( GAAP ) in Canada and in the United States, as they relate to these financial statements, are as follows:

- (a) In accordance with U.S. GAAP, exploration, mineral property evaluation and holding costs are expensed as incurred. When proven and probable reserves are determined for a property and a bankable feasibility study is completed, then subsequent exploration and development costs on the property would be capitalized. Total capitalized cost of such properties is measured periodically for recoverability of carrying value under SFAS No. 144. Under Canadian GAAP, all such costs are permitted to be capitalized.

(b) In accordance with U.S. GAAP (SFAS No. 115), marketable securities considered to be available-for-sale are to be measured at fair value at the balance sheet date and related unrealized gains and losses are required to be shown separately in comprehensive income. On January 1, 2007, the Corporation adopted CICA 3855 Financial Instruments Recognition and Measurement. This standard essentially aligns Canadian GAAP with U.S. GAAP for accounting for marketable securities considered to be available-for-sale.

(c) Under Canadian corporate law, the Corporation underwent a capital reduction in connection with the amalgamation of Granges, Inc. ( Granges ) and Hycroft Resources & Development, Inc. whereby share capital and contributed surplus were reduced to eliminate the consolidated accumulated deficit of Granges as of December 31, 1994, after giving effect to the estimated costs of amalgamation. Under U.S. corporate law, no such transaction is available and accordingly is not allowed under U.S. GAAP.

(d) In accordance with U.S. GAAP (SFAS No. 123R), the fair value of all options granted after January 1, 2006 is calculated at the date of grant and expensed over the expected vesting period. On transition to this new standard, the unvested portion of options granted to employees before January 1, 2006 is expensed over the remaining vesting period using the fair value on the date of grant. Prior to January 1, 2006, the Corporation accounted for its stock options under APB Opinion 25 for U.S. GAAP purposes, which did not require stock-based compensation expense to be recorded. SFAS No. 123R essentially aligns U.S. GAAP with Canadian GAAP for accounting for stock based compensation.

The significant differences in the consolidated statements of loss relative to U.S. GAAP were:

**CONSOLIDATED STATEMENTS OF LOSS - UNAUDITED**

(U.S. dollars in thousands, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative during Exploration Stage
	2007	2006	2007	2006	
Net loss Canadian GAAP	\$ (2,200)	\$ (1,361)	\$ (6,204)	\$ (3,395)	\$ (25,403)
Exploration, property evaluation and holding costs					
continuing operations (a)	(1,113)	(720)	(4,795)	(1,420)	(9,421)
Exploration, property evaluation and holding costs					
discontinued operations (a)		(162)	(4)	(260)	(1,497)
Financing costs					(222)
Stock-based compensation expense (d)				(4)	1,142
Beneficial conversion feature					(2,774)
Net loss U.S. GAAP	(3,313)	(2,243)	(11,003)	(5,079)	(38,175)
Unrealized gain/(loss) on marketable securities					
(b)	1,102	211	5,249	371	5,781
Comprehensive loss U.S. GAAP	\$ (2,211)	\$ (2,032)	\$ (5,754)	\$ (4,708)	\$ (32,394)
Basic and diluted loss per share U.S. GAAP	\$ (0.07)	\$ (0.07)	\$ (0.18)	\$ (0.19)	

The significant differences in the consolidated statements of cash flows relative to U.S. GAAP were:

**CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

Edgar Filing: VISTA GOLD CORP - Form 10-Q

(U.S. dollars in thousands)	Three Months Ended September		Nine Months Ended September		Cumulative during Exploration Stage					
	2007	30, 2006	2007	30, 2006						
Cash flows from operating activities, Canadian GAAP	\$	(956)	\$	(1,113)	\$	(3,922)	\$	(3,259)	\$	(19,938)
Additions to mineral properties, net (a)		(578)		(882)		(4,264)		(1,680)		(10,383)
Cash flows from operating activities, U.S. GAAP		(1,534)		(1,995)		(8,186)		(4,939)		(30,321)
Cash flows from investing activities, Canadian GAAP		(1,301)		(960)		(29,588)		(3,239)		(52,526)
Additions to mineral properties, net (a)		578		882		4,264		1,680		10,383
Cash flows from investing activities, U.S. GAAP		(723)		(78)		(25,324)		(1,559)		(42,143)
Cash flows from financing activities, Canadian GAAP		1,902		1,082		3,414		26,372		90,392
Cash flows from financing activities, U.S. GAAP		1,902		1,082		3,414		26,372		90,392
Net increase/(decrease) in cash and cash equivalents		(355)		(991)		(30,096)		19,874		17,928
Cash and cash equivalents, beginning of period		18,957		22,892		48,698		2,027		674
Cash and cash equivalents, end of period	\$	18,602	\$	21,901	\$	18,602	\$	21,901	\$	18,602

Edgar Filing: VISTA GOLD CORP - Form 10-Q

The significant differences in the consolidated balance sheets as at September 30, 2007, and December 31, 2006, relative to U.S. GAAP were:

**CONSOLIDATED BALANCE SHEETS - UNAUDITED**

(U.S. \$000 s)	September 30, 2007			December 31, 2006		
	Per Cdn. GAAP	Cdn./U.S. Adj.	Per U.S. GAAP	Per Cdn. GAAP	Cdn./U.S. Adj.	Per U.S. GAAP
<i>Current assets (b)</i>	\$ 28,456		\$ 28,456	\$ 50,430	\$ 541	\$ 50,971
<i>Property, plant and equipment (a)</i>	27,174	(17,396)	9,778	21,687	(12,601)	9,086
Other assets	116		116	2,007		2,007
<i>Assets related to Arrangement (a)</i>				18,607	(1,304)	17,303
Total assets	\$ 55,746	\$ (17,396)	\$ 38,350	\$ 92,731	\$ (13,364)	\$ 79,367
Current liabilities	549		549	732		732
Long term liabilities	25		25	25		25
Liabilities related to Arrangement				4,847		4,847
Total liabilities	574		574	5,604		5,604
Capital stock (c,d)	219,696	75,530	295,226	215,618	75,793	291,411
Special warrants		222	222		222	222
Warrants and options (d)	3,720	(813)	2,907	3,171	(1,076)	2,095
Contributed surplus (c,d)	253	5,526	5,779	253	5,526	5,779
Other comprehensive income (b)	5,781		5,781		541	541
Deficit (a,b,c,d)	(174,278)	(97,861)	(272,139)	(131,915)	(94,370)	(226,285)
Total shareholders equity	55,172	(17,396)	37,776	87,127	(13,364)	73,763
Total liabilities & shareholders equity	\$ 55,746	\$ (17,396)	\$ 38,350	\$ 92,731	\$ (13,364)	\$ 79,367

**13. Related party transactions**





*Completion of the Arrangement*

As previously reported (Note 3), on September 22, 2006, the Corporation entered into an Arrangement and Merger Agreement (the Arrangement Agreement) with Carl Pescio, Janet Pescio and Allied Nevada pursuant to which the parties agreed to undertake a transaction that would result in the transfer of the Corporation's Nevada-based mining properties and related assets to Allied Nevada and the Pescios' transfer to Allied Nevada of their interests in certain Nevada-based mining properties and related assets, all to be carried out pursuant to an arrangement under the provisions of the *Business Corporations Act* (Yukon Territory) (the Arrangement). Completion of the transaction occurred on May 10, 2007.

Prior to the completion of the Arrangement, the immediate cash needs of Allied Nevada were met by loans from the Corporation pursuant to the Arrangement Agreement, which provided that, prior to the date of completion, the Corporation could loan money to its wholly-owned subsidiary that would hold the Corporation's Nevada assets prior to the closing, namely Vista Gold Holdings Inc., in amounts sufficient to undertake certain activities for the benefit of the business that Allied Nevada would operate after the completion of the transaction and to enable Allied Nevada to commence operations immediately after the completion of the transaction. These loans bore interest at the rate of 6% per annum and all principal and interest owing by Vista Gold Holdings Inc. to the Corporation in respect of such loans were paid in full at the time of completion of the Arrangement.

Since the completion of the Arrangement, the Corporation no longer has any related party transactions with Allied Nevada.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*(U.S. dollars in thousands, unless specified otherwise)*

This Management's Discussion and Analysis ( MD&A ) of the consolidated operating results and financial condition of Vista Gold Corp. for the three and nine months ended September 30, 2007, has been prepared based on information available to us as of November 7, 2007. This MD&A should be read in conjunction with the consolidated financial statements of the Corporation for the three years ended December 31, 2006 and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles ( GAAP ) in Canada. Reference to Note 17 to the consolidated annual financial statements should be made for a discussion of differences between Canadian and United States GAAP and their effect on the financial statements. All amounts stated herein are in U.S. dollars, unless otherwise noted.

## **Results from Operations**

Our consolidated net loss for the three-month period ended September 30, 2007, was \$2,200 or \$0.07 per share compared to a consolidated net loss of \$1,361 or \$0.05 per share for the same period in 2006. Our consolidated net loss for the nine-month period ended September 30, 2007, was \$6,204 or \$0.19 per share compared to a consolidated net loss of \$3,395 or \$0.14 per share for the same period in 2006. For both the three and nine-month periods, the increases in the consolidated losses of \$839 and \$2,809 from the respective prior periods are primarily the result of costs related to the completion of the Arrangement of \$528 and \$2,880. The remaining variances for the three and nine-month periods include increases in exploration, property evaluation and holding costs of \$97 and \$337 from the respective prior periods and increases in corporate administration and investor relations costs of \$854 and \$1,580 from the respective prior periods, which are partially offset by increases in interest income of \$42 and \$655 from the respective prior periods and decreases in losses from discontinued operations of \$630 and \$1,252 from the same respective periods.

### ***Exploration, property evaluation and holding costs***

Exploration, property evaluation and holding costs increased to \$204 during the three-month period ended September 30, 2007, as compared with \$107 for the same period in 2006. Exploration, property evaluation and holding costs increased to \$682 during the nine-month period ended September 30, 2007, as compared with \$345 for the same period in 2006. For both the three and nine-month periods our exploration, property evaluation and holding costs increased for all properties held by Vista. These increases reflect our movement towards the development of these projects. See Subsequent Events Commencement of Bankable Feasibility Study for Paredones Amarillos Project.

### ***Corporate administration and investor relations***

Corporate administration and investor relations costs increased to \$1,688 during the three-month period ended September 30, 2007, compared to \$834 for the same period in 2006. The increase of \$854 from the prior period is primarily due to the following:

A decrease of \$392 in the allocation of certain corporate expenses to Allied Nevada as part of the Arrangement (see Consolidated Financial Statements - Note 3) compared to the prior period; and

An increase in stock-based compensation expense of \$500 compared to the prior period. This increase is due to a decrease in the allocation of stock-based compensation expense to Allied Nevada during the 2007 period.

Corporate administration and investor relations costs increased to \$3,323 for the nine-month period ended September 30, 2007, compared to \$1,743 for the same period in 2006. The increase of \$1,580 from the prior period is primarily due to the following:

A decrease of \$437 in the allocation of certain corporate expenses to Allied Nevada as part of the Arrangement (see Consolidated Financial Statements Note 3) compared to the prior period;

An increase in stock-based compensation expense of \$706 compared to the prior period. This increase is due to a decrease in the allocation of stock-based compensation expense to Allied Nevada during the 2007 period;

An increase in labor and benefit costs of \$198 compared to the prior period. This increase is due to the addition of employees as we head towards anticipated development of certain projects; and

An increase in investor relations costs of \$99 compared to the prior period. This increase is due to our participation in additional gold conferences during the 2007 period.

*Costs associated with the Arrangement*

On May 10, 2007, the Plan of Arrangement was completed resulting in, among other things, the transfer of our Nevada related assets to Allied Nevada Gold Corp. ( Allied Nevada ). See Financial Position, Liquidity

and Capital Resources    Liquidity and Capital Resources    Completion of the Arrangement    below. When the transaction was completed there was \$2,352 in prepaid transaction costs which were expensed upon completion of the Arrangement. These costs had previously been deferred on the balance sheet under the heading of    Prepaid transaction costs    . During the three-month period ended September 30, 2007, we incurred an additional \$528 in expenses related to the Arrangement that were immediately expensed as costs associated with the Arrangement.

***Depreciation and amortization***

Depreciation and amortization expense increased to \$27 during the three-month period ended September 30, 2007, compared to \$24 for the same period in 2006. Depreciation and amortization expense increased to \$80 for the nine-month period ended September 30, 2007, compared to \$32 for the same period in 2006. The increase of \$3 for the three-month period and the increase of \$48 for the nine-month period are mostly due to capital expenditures at the Mt. Todd gold mine during the first and second quarter of 2007 that have begun to be depreciated.

***Other income and expense***

***Gain on disposal of marketable securities***

For the three-month period ended September 30, 2007, we realized a gain on the disposal of marketable securities of \$18, compared to \$5 for the same period in 2006. For the nine-month period ended September 30, 2007, we realized a gain on the disposal of marketable securities of \$158 compared to \$42 for the same period in 2006.

At September 30, 2007, we held marketable securities available for sale with a quoted market value of \$8,989. With the exception of our shares of Allied Nevada common stock, as discussed herein, we purchased the securities for investing purposes with the intent to hold the securities until such time that it would be advantageous to sell the securities at a gain. Although there can be no reasonable assurance that a gain will be realized from the sale of the securities, we monitor the market status of the securities consistently in order to mitigate the risk of loss on the investment. At September 30, 2007, also included in marketable securities were 1,529,848 shares of Allied Nevada at a quoted market value of \$7,649. We continue to hold these shares of Allied Nevada, which we retained as part of the closing of the Arrangement to facilitate payment of any taxes payable by Vista as a result of the Arrangement. These shares are    restricted securities    as defined in Rule 144 under the Securities Act of 1933 (the    Securities Act    ) and cannot be resold by us in the absence of registration under the Securities Act unless an exemption from registration is available. We cannot be certain of whether or when the shares would be registered under the Securities Act. The most commonly available exemption for resales, Rule 144 under the Securities Act, would require us to hold these shares for one year before commencing the resales. If there are no taxes to be paid as part of the Arrangement, then we will hold these shares until such time that it would be advantageous to sell the securities at a gain.

***Interest income***

During the three months ended September 30, 2007 we realized \$239 in interest income as compared to \$197 for the same period in 2006. The increase of \$42 is primarily attributable to an increase in interest earned on our liquid savings account. During the nine-month period ended September 30, 2007, we realized \$997 compared to \$342 for the same period in 2006. The increase of \$655 for the nine-month period in interest earned on our liquid savings account is attributable to higher cash balances available to be invested resulting from equity financings and stock

option and warrant exercises that occurred during the fourth quarter of 2006.

**Financial Position, Liquidity and Capital Resources**

*Cash used in operations*

Cash used in operations was \$956 for the three-month period ended September 30, 2007, compared to \$1,113 for the same period in 2006. The decrease of \$157 is the result of an increase in accounts receivable of \$173, an increase in supplies inventory, prepaids and other of \$812 and an aggregate increase of non-cash items of

\$309, partially offset by a decrease in accounts payable, accrued liabilities and other of \$302 and an increase in the consolidated net loss of \$839.

Cash used in operations was \$3,922 for the nine-month period ended September 30, 2007, compared to \$3,259 for the same period in 2006. The increase of \$663 is mostly the result of an increase in our net loss for from the 2006 period of \$2,809, which is partially offset by an aggregate increase of non-cash items of \$2,301.

#### ***Investing activities***

Net cash used for investing activities increased to \$1.3 million for the three-month period ended September 30, 2007, from \$1.0 million for the same period in 2006. The increase of \$0.3 million mostly reflects an increase of \$359 for additions to mineral properties.

Net cash used for investing activities increased to \$29.6 million for the nine-month period ended September 30, 2007, from \$3.2 million for the same period in 2006. The increase of \$26.4 million mostly reflects the \$24.5 million cash transferred to Allied Nevada in conjunction with the Arrangement Agreement representing our payment of \$25 million less \$0.5 million in loans repaid to us by Allied Nevada pursuant to the terms of the Arrangement Agreement.

#### ***Financing activities***

Net cash provided by financing activities increased to \$1.9 million for the three-month period ended September 30, 2007, from \$1.1 million for the same period in 2006. Net cash provided by financing activities decreased to \$3.4 million for the nine-month period ended September 30, 2007, from \$26.4 million for the same period in 2006. Warrants exercised during the three-month period ended September 30, 2007 produced cash proceeds of \$1.4 million as compared to \$0.8 million for the same period in 2006. Warrants exercised during the nine-month period ended September 30, 2007 produced cash proceeds of \$2.9 million as compared to \$25.6 million for the same period in 2006. For the three-month period, the increase relates to warrant exercises pertaining to the September 2005 private placement warrants that expired on September 23, 2007. For the nine-month period, the decrease relates to the acceleration of the February 2003 warrants and the September 2004 warrants in May 2006.

Stock option exercised produced cash of \$508 during the three-month period ended September 30, 2007 as compared to \$319 for the same period in 2006. Stock option exercises produced cash of \$525 during the nine-month period ended September 30, 2007 as compared to \$798 for the same period in 2006.

#### ***Liquidity and Capital Resources***

At September 30, 2007, our total assets were \$55.7 million compared to \$92.7 million at December 31, 2006, representing a decrease of \$37.0 million. At September 30, 2007, we had working capital of \$27.9 million compared to \$49.7 million at December 31, 2006, representing a decrease of \$21.8 million. This decrease relates to a decrease in cash balances from year end due to the transfer of \$25 million to Allied Nevada

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

net of \$0.5 million in loans repaid to us by Allied Nevada in connection with the closing of the Arrangement.

The principal component of working capital at both September 30, 2007 and December 31, 2006, is cash and cash equivalents of \$18.6 million and \$48.7 million, respectively. Other components include supplies inventory, prepaids and other (September 30, 2007 - \$452; December 31, 2006 - \$303), marketable securities (September 30, 2007 - \$8,989; December 31, 2006 - \$791) and accounts receivable (September 30, 2007 - \$413; December 31, 2006 - \$645). At September 30, 2007, we had no outstanding debt to banks or financial institutions.

### *Commencement of Bankable Feasibility Study for Paredones Amarillos Project*

On August 13, 2007, we announced that we had engaged SRK Consulting (US), Inc. to manage the preparation of a bankable feasibility study for our Paredones Amarillos Project in Baja California, Mexico. SRK is engaged to define the scope of work for the various consultants' studies, review and audit their work, undertake an economic analysis of the project, and compile and edit the final report. SRK will also be responsible for the pit slope stability determinations and has been retained to determine the optimum source of water for the project including the use of municipal waste water and desalinized or partially desalinized sea water.

We also announced that we retained Corporación Ambiental de Mexico, S.A. de C.V. ( CAM ) to manage the environmental permitting activities for the Paredones Amarillos Project. CAM is a full-service environmental firm headquartered in Mexico City with experience in mining project permitting in Baja California. As we reported in our press release of October 17, 2007, CAM recently informed us that the environmental and change of land use permits issued to Echo Bay Mines when it held the project are still valid. We have presented all of the studies and permitting documents for our proposed metallurgical core drilling program and anticipate that we will receive the required permits. When the permits are received, we plan to expedite the start of drilling and the related confirmatory metallurgical test program, which is expected to be completed in the first quarter of 2008.

We also announced our selection of the following additional consulting firms to assist in preparation of the bankable feasibility study: Research Development Inc. of Lakewood, Colorado, is to complete the confirmatory metallurgical testing program and define the process flow sheet. Mine Development Associates of Reno, Nevada, is to update the mineral resource estimate, determine proven and probable reserves, prepare the mine plan and estimate the mine capital and operating costs. KD Engineering of Tucson, Arizona, will be responsible for processing engineering/design, infrastructure engineering/design and estimating the processing capital and operating costs. Golder Associates, Inc. of Tucson, Arizona, is to manage geotechnical investigations and test work, provide guidance for the design of structural foundations, determine the most suitable method for disposal of the barren mill flotation tailings with the mine waste rock and design the tailings storage facility including preparing the associated capital and operating cost estimates. We plan to commence construction on the project in the second half of 2008.

### *Mt. Todd Project Update*

In September 2007, we announced that we had received four exploration licenses ( ELs ) covering about 110,633 hectares primarily to the north-northeast of our Mt. Todd gold mine in the Northern Territory, Australia. The ELs had been held in reserve status by the Northern Territory government prior to our acquiring the project. We believe exploration potential for gold and other minerals on these licenses to be good, and a



program to systematically evaluate the mineral potential of this land is underway. The objectives of the program are to obtain information that supports the conversion of inferred gold resources to measured and indicated resources, to explore for additional resources on strike and down dip, to aid in the determination of the copper content of the deposit and to obtain samples for metallurgical testing. Results for our drilling program conducted on this property from February to June 2007 have been reported in our press releases of May 30, 2007 and September 4, 2007. We plan to use the results of this drill program together with other historic information we have obtained to prepare a new resource estimate later in 2007.

#### **Subsequent Events**

*Resignation of Robert A. Quartermain from Board of Directors; Appointment of Tracy A. Stevenson and Frederick H. Earnest to Board of Directors; Appointment of Michael B. Richings as Executive Chairman of Board of Directors*

On November 6, 2007 we announced changes to our Board of Directors as follows:

Effective as of November 6, 2007, Robert A. Quartermain resigned from our Board of Directors. Mr. Quartermain cited pressing business requirements at Silver Standard Resources, Inc., where he is President and a director, as his reason for resigning; but announced that he will continue to assist Vista Gold over the next twelve months as Special Advisor to the Board of Directors.

As a new independent director, the Board approved the appointment of Tracy A. Stevenson to the Board of Directors. Mr. Stevenson is a senior mining executive who worked for Rio Tinto plc and related companies for 26 years where he served in senior positions in information technology, finance, planning and business development and has been involved with many major exploration, development, and financing projects. Mr. Stevenson has served as Global Head of Information and Technology and Global Head of Business Process

Improvement for Rio Tinto plc, Senior Vice President Finance and Control at Kennecott Corporation, and Executive Vice President Financial Services and Strategy at Comalco Limited. Mr. Stevenson holds a B.Sc. Accounting from the University of Utah, is a CPA and spent four years with a predecessor to the firm PricewaterhouseCoopers LLP.

In addition, the Board appointed Frederick H. Earnest, President and Chief Operating Officer of Vista Gold, to the Board of Directors. Messrs. Stevenson and Earnest will hold office until the close of next annual general meeting of shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated in accordance with the Business Corporations Act (Yukon).

The Board also approved the appointment of Michael B. Richings (Chief Executive Officer) to the additional position of Executive Chairman of the Board of Directors.

### **Changes in Accounting Policies**

On January 1, 2007, we adopted CICA Handbook Sections 1530, Comprehensive Income, 3855, Financial Instruments Recognition and Measurement 3861, Financial Instruments Disclosure and Presentation and 1506, Accounting Changes. The adoption of these new sections had no impact on our financial statements on or before December 31, 2006 as the sections require adjustments to the carrying value of available-for-sale securities to be recorded within accumulated other comprehensive income on transition. Upon adoption of these sections, we made a one-time adjustment to the opening balance of accumulated other comprehensive income in the amount of \$532.

All available-for-sale securities are measured at fair-value. Gains and losses associated with these available-for-sale securities will be separately recorded as unrealized within other comprehensive income until such time the security is disposed of or becomes impaired, at which time any gains or losses will then be realized and reclassified to the statement of loss.

Upon adoption of the new Financial Instruments standard, all regular-way purchases of financial assets are accounted for at the trade date. Transaction costs on financial assets are treated as part of the investment cost.

## Certain U.S. Federal Income Tax Considerations

**NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER (AS DEFINED BELOW), FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE. THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DOCUMENT. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.**

The following is a discussion of the material U.S. federal income tax consequences to U.S. Holders, as defined below for purposes of this discussion of Certain U.S. Federal Income Tax Considerations, of the holding and disposition of our common shares. The discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), U.S. Treasury regulations, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect.

A U.S. Holder is a beneficial owner of our common shares that is for U.S. federal income tax purposes (a) an individual U.S. citizen or resident alien; (b) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, the District of Columbia or any state in the United States; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust, if its administration is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if it has made a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

This discussion only addresses U.S. Holders who hold our common shares as capital assets within the meaning of section 1221 of the Code. This discussion does not address all the tax consequences that might be relevant to U.S. Holders in light of their particular circumstances or the U.S. federal income tax consequences to U.S. Holders subject to special treatment under U.S. federal income tax laws, including but not limited to banks and other financial institutions, insurance companies, dealers in securities or foreign currency, traders that have elected mark-to-market accounting, tax-exempt organizations, certain former citizens or residents of the United States, persons that hold our common shares as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. Holders who own, directly or indirectly, 10% or more of Vista Gold's common shares, or U.S. Holders that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below.

If a partnership, or other entity taxed as a partnership for U.S. federal income tax purposes, holds our common shares, the U.S. federal income tax treatment of a partner in the partnership will depend on the status of the partner and the activities of the partnership. Partnerships that hold our common shares, and partners in such partnerships, are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of holding our common shares.

Prospective investors are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of our common shares in their particular circumstances.

## Passive Foreign Investment Company Rules

For U.S. federal income tax purposes, we were classified as a PFIC under section 1297 of the Code for our taxable year ended December 31, 2006, and likely will be a PFIC in subsequent taxable years until we have significant operating income. A non-U.S. corporation generally is classified as a PFIC for U.S. federal income tax purposes in any taxable year if, either (a) at least 75% of its gross income is passive income (the income test), or (b) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the asset test). For purposes of the income test and the asset test, if a non-U.S. corporation owns directly or indirectly at least 25% (by value) of the stock of another corporation, the non-U.S. corporation will be treated as if it held its proportionate share of the assets of the latter corporation and received directly its proportionate share of the income of that latter corporation. Passive income generally includes dividends, interest, royalties and rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person).

For any taxable year in which we are a PFIC, U.S. Holders will be subject to U.S. federal income tax in respect of our common shares in accordance with the special rules applicable to investments in PFICs. Under the PFIC rules, as discussed further below in this section "Passive Foreign Investment Company Rules", the U.S. federal income tax consequences of the ownership of our common shares will be governed by the so-called "non-qualified fund" regime, unless either (a) a U.S. Holder elects to treat Vista Gold as a "qualifying electing fund" (QEF), and we annually supply our U.S. Holders with the information necessary for compliance with the QEF election, or (b) our common shares constitute "marketable stock", within the meaning of section 1296 of the Code, and the U.S. Holder elects to mark our common shares to market as of the end of each taxable year. U.S. Holders of shares of stock of a PFIC are subject to special annual tax reporting requirements.

U.S. HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE POSSIBLE CHARACTERIZATION OF VISTA GOLD AS A PFIC AS WELL AS THE ADVISABILITY OF MAKING A QEF ELECTION OR A MARK-TO-MARKET ELECTION.

#### *Non-Qualifying Fund*

In general, if a QEF election or a mark-to-market election is not made by a U.S. Holder, any gain on a sale or other disposition of our common shares by such a U.S. Holder would be treated as ordinary income and would be subject to special tax rules. Under these special tax rules, (a) the amount of any such gain would be allocated ratably over the U.S. Holder's holding period for our common shares, (b) the amount of ordinary income allocated to years prior to the year of sale or other disposition would be subject to tax at the highest statutory rate applicable to such U.S. Holder for each such year (determined without regard to other income, losses or deductions of the U.S. Holder for such years), and (c) the tax for such prior years would be subject to an interest charge, computed at the rate applicable to underpayments of tax. Under proposed U.S. Treasury regulations, a disposition may include, under certain circumstances, transfers at death, gifts, pledges of shares and other transactions with respect to which gain is not ordinarily recognized. In addition, the adjustment ordinarily made to the tax basis of stock owned by a decedent may not be available with respect to our common shares. Rules similar to those applicable to dispositions will generally apply to distributions in respect of our common shares that exceed 125% of the average amount of distributions in respect of such shares during the preceding three years, or, if shorter, during the preceding years in the U.S. Holder's holding period ("excess distributions").

#### *QEF Election*

If a U.S. Holder makes a valid and timely-filed QEF election in connection with a purchase of our common shares, and provided that we annually supply the information necessary to comply with such election, then the electing U.S. Holder will be required each taxable year to recognize, as ordinary income, a pro rata share of our earnings, and to recognize, as capital gain, a pro rata share of our net capital gain, in each case without regard to whether distributions are received with respect to our common shares for such year. The QEF election, once made, applies to all subsequent taxable years of the U.S. Holder in which it holds our common shares until we cease to be a PFIC. If we are again a PFIC in any taxable year following a year in which we were not treated as a PFIC, the original QEF election continues to be effective. For any taxable year in which we are a PFIC and do not have any net income or net capital gain, a U.S. Holder would not have any income or gain as a result of the QEF election. We will provide the information necessary for complying with the QEF election. Amounts included in a U.S. Holder's taxable income under the QEF regime would increase such U.S. Holder's tax basis in our common shares, and subsequent distributions by us would not be taxable to the U.S. Holder, and instead would reduce the U.S. Holder's tax basis in our common shares to the extent that the U.S. Holder could demonstrate that the distributions were attributable to previously-taxed income. A U.S. Holder generally would recognize capital gain or loss upon a disposition of our common shares that were subject to a QEF election at all times during such U.S. Holder's holding period. Special rules would apply if a U.S. Holder makes a QEF election later than the first taxable year in which our common shares are owned (which could result in the U.S. Holder remaining subject to the non-qualifying fund regime described above).

#### *Mark-to-Market Election*

If a U.S. Holder makes a valid and timely-filed mark-to-market election, and provided that our common shares constitute marketable stock within the meaning of Section 1296 of the Code, then in any year in which we are a PFIC the U.S. Holder annually would be required to report any unrealized gain with respect to its common shares as an item of ordinary income, and would be permitted to deduct any unrealized loss, as an ordinary loss,

to the extent of previous inclusions of ordinary income. Any gain subsequently realized by such electing U.S. Holder upon a disposition of our common shares also would be treated as ordinary income, rather than capital gain, but such U.S. Holder would not be subject to an interest charge on the resulting tax liability as under the non-qualifying fund regime. A U.S. Holder who makes a mark-to-market election would still be taxed on distributions from us when received, as described under **Dividends**.

For purposes of the mark-to-market election, marketable stock generally includes stock that is regularly traded on certain established securities markets within the United States, or on any exchange or other market that the IRS determines has trading, listing, financial disclosure, and other rules adequate to carry out the purposes of the mark-to-market election. The American Stock Exchange and the Toronto Stock Exchange may qualify as such an exchange. Each U.S. Holder should consult its own advisor as to whether the mark-to-market election is available with respect to our common shares. Special rules would apply to a U.S. Holder that held our common shares prior to the first taxable year for which the mark-to-market election was effective, which could result in an interest charge for such first taxable year, as under the non-qualifying fund regime described above.

Once made, a mark-to-market election would be effective for all subsequent taxable years of such U.S. Holder unless revoked with the consent of the Secretary of the Treasury or unless our common shares cease to be marketable.

## **Dividends**

For purposes of this section **Dividends**, it is assumed that we are a PFIC. To the extent that distributions paid on our common shares are not treated as excess distributions received by a non-electing U.S. Holder, and to the extent the distribution exceeds the previously-taxed income of a U.S. Holder that makes a QEF election, such distributions (before reduction for Canadian withholding taxes) will be taxable as dividends to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, and will be includable in a U.S. Holder's ordinary income when received. Dividends on our common shares will not be eligible for the dividends-received deduction generally allowed to U.S. corporations.

The amount of any dividend paid in Canadian dollars will equal the U.S. dollar value of the Canadian dollars received calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. Holder regardless of whether the Canadian dollars are converted into U.S. dollars. If the Canadian dollars received as a dividend are not converted into U.S. dollars at the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to the U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollars will be treated as ordinary income or loss, and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

A U.S. Holder may be entitled to deduct, or claim a U.S. foreign tax credit for, Canadian taxes that are withheld on dividends received by a U.S. Holder, subject to applicable limitations in the Code. Dividends will be income from sources outside the United States and for tax years beginning before January 1, 2007, generally will be passive income or financial services income, and for tax years beginning after December 31, 2006, generally will be passive category income or general category income for purposes of computing the U.S. foreign tax credit allowable to a U.S. Holder. The rules governing the U.S. foreign tax credit are complex, and investors are urged to consult their tax advisors regarding the availability of the U.S. foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital to the extent of a U.S. Holder's basis, and any excess will be treated as capital gain. Such capital gain would not give rise to income from sources outside the United States, and accordingly a U.S. Holder may need other non-U.S. source

income in order to claim a tax credit for Canadian withholding taxes imposed on such distribution.

### **Disposition of Securities**

For purposes of this section **Disposition of Securities**, it is assumed that we are a PFIC. A U.S. Holder will recognize taxable gain or loss on any sale or other disposition of our common shares in an amount equal to the difference between the amounts received (in cash or other property, valued at fair market value) for our common shares and the U.S. Holder's tax basis in our common shares. For U.S. Holders that use the cash method of accounting, and for U.S. Holders that use the accrual method of accounting and so elect, the U.S.



dollar value of the cash received in Canadian dollars on the sale or other disposition of our common shares will be the U.S. dollar value determined on the basis of the spot rate on the settlement date of the sale. Subject to U.S. Holders that make a QEF election as described above, a U.S. Holder's tax basis in our common shares generally equals the U.S. dollar value of the price paid in Canadian dollars determined on the basis of the spot rate on the settlement date of the purchase. Such gain or loss will be income or loss from sources within the United States for U.S. foreign tax credit limitation purposes. For U.S. Holders that make a QEF election, such gain or loss will be a capital gain or loss. Capital gains of non-corporate taxpayers, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of U.S. federal income tax. The deductibility of capital losses is subject to limitations.

#### **Information Reporting and Backup Withholding**

In general, information reporting will apply to dividends on our common shares and the proceeds of the sale or other disposition of our common shares unless a U.S. Holder is an exempt recipient, such as a corporation. Backup withholding will apply to those payments if a U.S. Holder fails to provide a taxpayer identification number and comply with certain certification procedures or otherwise fails to establish an exemption from backup withholding. If backup withholding applies, the relevant intermediary must withhold U.S. federal income tax on those payments at a current rate of 28%. Any amount withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

**Note Regarding Forward-Looking Statements**

This document contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and 21E of the U.S. Securities Exchange Act of 1934, as amended, and forward-looking information under Canadian Securities laws, that are intended to be covered by the safe harbor created by such legislation. All statements, other than statements of historical facts, included in this document, our other filings with the SEC and Canadian Securities Commissions and in press releases and public statements by our officers or representatives, that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as financial and operating results and estimates, results of drilling programs and prospects for exploration and conversion of resources at the Mt. Todd Project, the performance and results of feasibility studies including the ongoing bankable feasibility study for the Paredones Amarillos Project, receipt of required environmental and other permits for the Paredones Amarillos Project and timing for starting and completion of drilling and testing programs at the Project, anticipated timing of commencement of construction at the Project, future business strategy, competitive strengths, goals, expansion and growth of our business, legal proceedings, Vista's potential status as a producer, plans, potential project development, estimated completion dates, estimated exploration expenditures, operations, proven or probable reserves, mineralized material, current working capital, cash operating costs, and other such matters, as well as statements made concerning anticipated effects of the transfer of our Nevada-based mining properties and related assets to Allied Nevada and the Pescios' transfer to Allied Nevada of their interests in certain Nevada-based mining properties and related assets (see Consolidated Financial Statements Note 3 and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I above) are forward-looking statements. The words estimate, plan, anticipate, expect, intend, believe and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause our actual results, performance or achievements, including anticipated consequences of the Arrangement, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, risks related to the Arrangement, including the risk that we may be subject to U.S. federal corporate income tax and Canadian income taxes in connection with our distribution of Allied Nevada shares to our shareholders. These also include other risks such as our likely status as a passive foreign investment company for U.S. federal tax purposes, and business risks including risks relating to delays and incurrence of additional costs in connection with the feasibility study underway at our Paredones Amarillos Project, uncertainty of feasibility study results and estimates on which such results are based; risks relating to delays in commencement and completion of construction at the Paredones Amarillos Project; risks of shortages of equipment or supplies; risks of inability to achieve anticipated production volume or manage cost increases; the risk that our acquisition, exploration and property advancement efforts will not be successful; risks relating to fluctuations in the price of gold; the inherently hazardous nature of mining-related activities; uncertainties concerning reserve and resource estimates; potential effects on our operations of environmental regulations in the countries in which we operate; intense competition in the mining industry; risks due to legal proceedings; uncertainty of being able to raise capital on favorable terms or at all; risks that some of our directors may have conflicts of interest as a result of involvement with other natural resource companies; possible challenges to title to our properties; and risks from political and economic instability in the countries in which we operate, as well as those factors discussed in our latest Annual Report on Form 10-K and other filings with the SEC and Canadian Securities Commissions. For a more detailed discussion of such risks and other important factors that could cause actual results to differ materially from those in such forward-looking statements please see Part II Item 1A. Risk Factors. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that these statements will prove to be accurate as actual results and future events could differ materially from those anticipated in the statements. We assume no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are engaged in the acquisition of gold projects and related activities including exploration engineering, permitting and the preparation of feasibility studies. The value of our properties is related to gold price and changes in the price of gold could affect our ability to generate revenue from our portfolio of gold projects.

Gold prices may fluctuate widely from time to time and are affected by numerous factors, including the following: expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic circumstances and governmental policies, including those with respect to gold holdings by central banks. The gold price fell to a 20-year low of \$253 in July 1999 and has risen significantly since that time to reach a level of \$636 by December 31, 2006 and was \$743 at September 30, 2007 and \$834 at November 7, 2007. The demand for, and supply of, gold affect gold prices, but not necessarily in the same manner as demand and supply affect the prices of other commodities. The supply of gold consists of a combination of new mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. The demand for gold primarily consists of jewelry and investments. Additionally, hedging activities by producers, consumers, financial institutions and individuals can affect gold supply and demand. While gold can be readily sold on numerous markets throughout the world, its market value cannot be predicted for any particular time.

Because we have exploration operations in North America, South America, Indonesia and Australia we are subject to foreign currency fluctuations. We do not engage in currency hedging to offset any risk of currency fluctuations as insignificant monetary amounts are held in foreign currencies for land holding costs related to the properties owned.

We have no debt outstanding, nor do we have any investment in debt instruments other than highly liquid short-term investments. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

**ITEM 4. CONTROLS AND PROCEDURES**

The principal executive officer and principal financial officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of September 30, 2007. Based on the evaluation, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by the Corporation, including consolidated subsidiaries, in reports that the Corporation files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Corporation's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Corporation's internal control over financial reporting during the quarter ended September 30, 2007, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The following updates the disclosure included in Part I Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2006 (the 2006 Form 10-K). On July 31, 2007, Empresa Minera Nueva Vista S.A. ( Nueva Vista ) a 100% wholly owned subsidiary, filed a civil lawsuit in Potosi, Bolivia against Mr. Estanislao Radic Valderrama (recently deceased) and/or his successors (collectively, Radic ) seeking a judgment declaring that Radic lacks any property rights with respect to the mining concessions constituting the Grupo Minero Amayapampa. As stated in the 2006 Form 10-K, we believe that there is no merit to Radic's contentions with respect to the transfer of the mineral concession to Nueva Vista and its predecessors in interest. We believe that our rights in the Amayapampa mineral concessions are valid and while we cannot assure a positive outcome, we have instituted this lawsuit in Bolivia in an effort to confirm these rights and to reduce the potential for further claims by Radic.

### ITEM 1A. RISK FACTORS

In Item 1A. of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (the June 2007 10-Q), we presented risk factors that amended and restated in their entirety the risk factors previously disclosed in our 2006 Form 10-K. In view of our recently commenced bankable feasibility study at our Paredones Amarillos Project in Mexico, we have added risk factors as set forth below. Other than with respect to these additional risk factors, there have been no material changes from the amended and restated risk factors set forth in Item 1A. of the June 2007 10-Q, which for convenience are repeated below as well.

*The feasibility study underway at our Paredones Amarillos Project may be subject to delays and other risks that could result in our incurring additional costs for the study or require us to postpone the study indefinitely.*

We have recently commenced a bankable feasibility study at our Paredones Amarillos Project in Mexico and have retained consulting firms to supervise and assist in the preparation of this study. We have also presented studies and permitting documents to the Mexican governmental authorities for our proposed metallurgical core drilling program at the Project. Although we anticipate that we will receive the required permits, we cannot provide assurance that these permits will be received on a timely basis or at all. When the permits are received, we plan to expedite the start of drilling and the related confirmatory metallurgical test program, which is expected to be completed in the first quarter of 2008. If we do not receive the required permits in a timely manner, commencement of these drilling and test programs, and completion of the feasibility study, would be delayed. As well, if one or more contractors is unable to fulfill its obligations in preparing the study, this could delay completion of the study and we might have to replace the contractor which would also result in delays in completion of the study. If the study is not completed as scheduled, this could require us to incur additional costs to complete the study and could negatively affect our financial position and results of operations.

*Feasibility study results are based on estimates that are subject to uncertainty.*

Feasibility studies are used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

and operating cost estimates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the orebody, ground and mining conditions, expected recovery rates of the gold from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, we cannot give any assurance that our development or exploration projects will become operating mines. Further, it may take many years from the initial phase of drilling before production if possible and, during that time, the economic feasibility of exploiting a discovery may change. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.

*We are subject to possible delays in commencement of construction at the Paredones Amarillos Project.*

We may not be able to commence construction at the Paredones Amarillos Project in the second half of 2008 as currently planned. Delays in commencement of construction could possibly result from delays in completion of the bankable feasibility study currently underway at the Project as noted above, or from factors such as availability and performance of engineering and construction contractors, suppliers and consultants, availability of required equipment and supplies and receipt of required governmental approvals. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which we depend, or lack of availability of required equipment or supplies, or delay or failure to receive required governmental approvals, could delay or prevent commencement of construction at the Paredones Amarillos Project. There can be no assurance whether or when construction at the Paredones Amarillos Project will commence or that the necessary personnel, equipment or supplies will be available to us if and when construction is commenced.

*The following factors, as well as the additional factors set forth above, should be reviewed carefully, in conjunction with the other information contained in this Report and our consolidated financial statements. These factors, among others, could cause actual results to differ materially from those currently anticipated and contained in forward-looking statements made in this Form 10-Q and presented elsewhere by our management from time to time. See Part I, Item 2 Note Regarding Forward-Looking Statements.*

An investment in our Common Shares involves a high degree of risk. The risks described below, as well as the additional factors set forth above, are not the only ones facing our company or otherwise associated with an investment in our Common Shares. Additional risks not presently known to us or which we currently consider immaterial may also adversely affect our business. We have attempted to identify the major factors that could cause differences between actual and planned or expected results, and have included all risk factors that we currently consider material. If any of the risks set forth herein actually happen, our business, financial condition and operating results could be materially adversely affected.

#### **Risks Relating to the Arrangement**

*We may be subject to U.S. federal corporate income tax and Canadian income taxes in connection with our distribution of Allied Nevada Shares.*

The distribution of Allied Nevada Shares could be taxable to us for Canadian income tax purposes and U.S. federal income tax purposes under the U.S. Internal Revenue Code of 1986, as amended (the Code). The amount of our tax liability will depend on the amount of gain deemed realized on the distribution, which would be the difference between the fair market value of the Allied Nevada Shares distributed and our adjusted basis of those Allied Nevada Shares and other factors including, but not limited to, the other deductions or credits available to us such as loss carry forwards or foreign tax credits. Although management has been informed that based on latest tax determinations the Company is not subject to a tax withholding requirement with respect to any gain deemed realized on the distribution, we will not know what our ultimate tax liability, if any, will be until our corporate income tax returns are completed for the year ending December 31, 2007. We have retained approximately 1.5 million Allied Nevada Shares, which our management considers sufficient to fund an adequate reserve to pay such taxes, if any. However, U.S. securities law restrictions would likely preclude us from selling these Allied Nevada Shares in a timely manner to fund any such tax liability because the Allied Nevada Shares retained by us are restricted securities as defined in Rule 144 under the Securities Act of 1933 and cannot be resold by us in the absence of registration under the Securities Act unless an exemption from registration is available. Accordingly, we may instead have to pay any such tax out of our currently available cash. While it might be possible to effect a private resale of restricted securities, this would likely involve a significant discount to market price. If we choose to register the Allied Nevada Shares for resale or choose to rely on an exemption to resell the Allied Nevada Shares into the market, either of these choices would require us to wait at least several months before we could resell the Allied Nevada Shares. This is because registration of the Allied Nevada Shares under the Securities Act could take at least several months to complete; alternatively, the most commonly available exemption for resales, Rule 144 under the

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

Securities Act, would require us to hold the Allied Nevada Shares for one year before commencing the resales. Such one-year period commenced in May 2007, when we received the shares on closing of the Arrangement. Further, any such sale is likely to result in gain or loss for U.S. and Canadian income tax purposes, which may result in tax liability.

### **Risks Related to the Business of Vista Gold**

*Vista Gold is a passive foreign investment company for U.S. tax purposes, which can have a materially adverse effect on a U.S. shareholder's economic return on investment in our common shares.*



For U.S. federal income tax purposes, Vista Gold was classified as a passive foreign investment company ( PFIC ) under section 1297 of the Code for our taxable year ended December 31, 2006, and likely will be a PFIC in subsequent taxable years until it has significant operating income. Classification of a corporation as a PFIC is a tax attribute which may have a material adverse effect on a U.S. shareholder's economic return. Whether, and to what extent, there will be a material adverse effect depends to a very large extent on whether a U.S. shareholder makes certain elections in timely fashion. These elections are discussed herein under Part I Financial Information Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Certain U.S. Federal Income Tax Considerations . Each U.S. investor in our common shares is urged to review that discussion and consult an independent U.S. tax adviser, because the PFIC rules are complex, in connection with an investment in our common shares.

***We cannot be certain that our acquisition, exploration and development activities will be commercially successful.***

We currently have no properties that produce gold in commercial quantities. Substantial expenditures are required to acquire existing gold properties, to establish ore reserves through drilling and analysis, to develop metallurgical processes to extract metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. We cannot assure you that any gold reserves or mineralized material acquired or discovered will be in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

***The price of gold is subject to fluctuations, which could adversely affect the realizable value of our assets and potential future results of operations and cash flow.***

Our principal assets are gold reserves and mineralized material. We intend to attempt to acquire additional properties containing gold reserves and mineralized material. The price that we pay to acquire these properties will be, in large part, influenced by the price of gold at the time of the acquisition. Our potential future revenues are expected to be, in large part, derived from the mining and sale of gold from these properties or from the outright sale or joint venture of some of these properties. The value of these gold reserves and mineralized material, and the value of any potential gold production therefrom, will vary in proportion to variations in gold prices. The price of gold has fluctuated widely, and is affected by numerous factors beyond our control including, but not limited to, international, economic and political trends, expectations of inflation, currency exchange fluctuations, central bank activities, interest rates, global or regional consumption patterns and speculative activities. The effect of these factors on the price of gold, and therefore the economic viability of any of our projects, cannot accurately be predicted. Any drop in the price of gold would adversely affect our asset values, cash flows, potential revenues and profits.

***Mining exploration, development and operating activities are inherently hazardous.***

Mineral exploration involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which we have direct or indirect interests will be subject to all the hazards and risks normally incidental to exploration, development and production of gold and other metals, any of which could result in work stoppages, damage to property and possible environmental damage. The nature of these risks is such that liabilities might exceed any liability insurance policy limits. It is also possible that the liabilities and hazards might not be insurable, or, we could elect not to be insured against such liabilities due to high premium costs or other reasons, in which event, we could incur significant costs that could have a material adverse effect on our financial condition.

***Reserve calculations are estimates only, subject to uncertainty due to factors including metal prices, inherent variability of the ore, and recoverability of metal in the mining process.***

There is a degree of uncertainty attributable to the calculation of reserves and corresponding grades dedicated to future production. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as an estimate only. In addition, the quantity of reserves and ore may vary depending on metal prices. Any material change in the quantity of reserves, mineralization, grade or stripping ratio may affect the economic viability of our properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

***Our exploration and development operations are subject to environmental regulations, which could result in our incurring additional costs and operational delays.***

All phases of our operations are subject to environmental regulation. Environmental legislation is evolving in some countries or jurisdictions in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our projects. We are currently subject to U.S. federal and state government environmental regulations with respect to our properties in California and Idaho in the United States, as well as Bolivia, Mexico, Indonesia and Australia.

#### *U.S. Federal Laws*

The U.S. Bureau of Land Management requires that mining operations on lands subject to its regulation obtain an approved plan of operations subject to environmental impact evaluation under the National Environmental Policy Act. Any significant modifications to the plan of operations may require the completion of an environmental assessment or Environmental Impact Statement prior to approval. Mining companies must post a bond or other surety to guarantee the cost of post-mining reclamation. These requirements could add significant additional cost and delays to any mining project we undertake.

Under the U.S. Resource Conservation and Recovery Act, mining companies may incur costs for generating, transporting, treating, storing, or disposing of hazardous waste, as well as for closure and post-closure maintenance once they have completed mining activities on a property. Our mining operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment which are subject to review, monitoring and/or control requirements under the Federal Clean Air Act and state air quality laws. Permitting rules may impose limitations on our production levels or create additional capital expenditures in order to comply with the rules.

The U.S. Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ( CERCLA ), imposes strict, joint and several liability on parties associated with releases or threats of releases of hazardous substances. Those liable groups include, among others, the current owners and operators of facilities which release hazardous substances into the environment and past owners and operators of properties who owned such properties at the time the disposal of the hazardous substances occurred. This liability could include the cost of removal or remediation of the release and damages for injury to the surrounding property. We cannot predict the potential for future CERCLA liability with respect to our U.S. properties.

#### *California Laws*

A new mining operation in California, such as the Long Valley project, which is on federal unpatented mining claims within a National Forest, require various federal, state and local permits. Mining projects require the establishment and presentation of environmental baseline conditions for air, water, vegetation, wildlife, cultural, historical, geological, geotechnical, geochemical, soil, and socioeconomic parameters. An environmental impact statement ( EIS ) would be required for any mining activities proposed on public lands. Also required would be a Plan of Operations/Reclamation Plan, and permits for waste-water discharge and wetland disturbance (dredge and fill); a county mining plan and reclamation plan; a county mining operations permit; special use permits from the U.S. Forest Service; and possibly others. In addition, compliance must be demonstrated with the Endangered Species Act and the National Historical Preservation Act consultation process. Possible county zoning and building permits and authorization may be required. Baseline environmental conditions are the basis by which direct and

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

indirect project-related impacts are evaluated and by which potential mitigation measures are proposed. If our project were found to significantly adversely impact any of these baseline conditions, we could incur significant costs to correct the adverse impact, or might have to delay the start of production. In addition, on December 12, 2002, California adopted a backfilling law requiring open-pit surface mining operations for metallic minerals to back-fill the mines. While we have determined that the geometry of our Long Valley project would lend itself to compliance with this law, future adverse changes to this law could have a corresponding adverse impact on our financial performance and results of operations, for example, by requiring changes to operating constraints, technical criteria, fees or surety requirements.

*Idaho Laws*

Permitting a mining operation, such as Yellow Pine, located on patented mining claims within a National Forest in Idaho would require obtaining various Federal, State and local permits under the coordination of the Idaho joint review process. Mining projects require the establishment and presentation of environmental baseline conditions for air, water, vegetation, wildlife, cultural, historical, geological, geotechnical, geochemical, soil and socioeconomic parameters. An EIS would be required for any mining activities proposed on public lands. Permits would also be required for storm-water discharge; wetland disturbance (dredge and fill); surface mining; cyanide use, transport and storage; air quality; dam safety (for water storage and/or tailing storage); septic and sewage; water rights appropriation; and possibly others. In addition, compliance must be demonstrated with the Endangered Species Act and the National Historical Preservation Act consultation process. Possible county zoning and building permits and authorization may be required. Baseline environmental conditions are the basis by which direct and indirect project-related impacts are evaluated and by which potential mitigation measures are proposed. If our project is found to significantly adversely impact any of these baseline conditions, we could incur significant costs to correct the adverse impact, or might have to delay the start of production.

*Bolivia Laws*

We are required under Bolivian laws and regulations to acquire permits and other authorizations before we can develop and mine the Amayapampa project. In Bolivia there is relatively new comprehensive environmental legislation, and the permitting and authorization process may be less established and less predictable than in the United States. While we have all the necessary permits to place the Amayapampa project into production, when a production decision is reached, these permits will need to be re-affirmed and there can be no assurance that we will be able to acquire updates to necessary permits or authorizations on a timely basis. Delays in acquiring any permit or authorization update could increase the development cost of the Amayapampa project, or delay the start of production.

Under Bolivian regulations, the primary component of environmental compliance and permitting is the completion and approval of an environmental impact study known as estudio de evaluacion de impacto ambiental ( EEIA ), which we submitted in 1997 and was subsequently approved. The EEIA provides a description of the existing environment, both natural and socio-economic, at the project site and in the region; interprets and analyzes the nature and magnitude of potential environmental impacts that might result from project activities; and describes and evaluates the effectiveness of the operational measures planned to mitigate the environmental impacts. Baseline environmental conditions, including meteorology and air quality, hydrological resources and surface water, are the basis by which direct and indirect project-related impacts are evaluated and by which potential mitigation measures are proposed. If our project is found to significantly adversely impact any of these baseline conditions, we could incur significant costs to correct the adverse impact, or might have to delay the start of production.

*Mexico Laws*

We are required under Mexican laws and regulations to acquire permits and other authorizations before the Paredones Amarillos or Guadalupe de los Reyes projects can be developed and mined. Since the passage of Mexico's 1988 General Law on Ecological Equilibrium and Environmental Protection, a sophisticated system for environmental regulation has evolved. In addition, North American Free Trade Agreement requirements for regulatory standards in Mexico equivalent to those of the United States and Canada have obligated the Mexican government to continue further development of environmental regulation. Most regulatory programs are implemented by various divisions of the Secretariat of Environment and Natural Resources of Mexico ( SEMARNAT ). While we have the necessary permits to place the Paredones Amarillos project into production, there can be no assurance that we will be able to acquire updates to necessary permits or authorizations on a timely basis. Likewise, there can be no assurance that we will be able to acquire the necessary permits or authorizations on a timely basis to place the Guadalupe de los Reyes project into production. Delays in acquiring any permit, authorization or updates could increase the development cost of the Paredones Amarillos project or the Guadalupe de los Reyes project, or delay the start of production. The most significant environmental

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

permitting requirements, as they relate to the Paredones Amarillos and the Guadalupe de los Reyes projects are developing reports on environmental impacts; regulation and permitting of discharges to air, water and land; new source performance standards for specific air and water pollutant emitting sources;

solid and hazardous waste management regulations; developing risk assessment reports; developing evacuation plans; and monitoring inventories of hazardous materials. If the Paredones Amarillos or the Guadalupe de los Reyes projects are found to not be in compliance with any of these requirements, we could incur significant compliance costs, or might have to delay the start of production.

*Indonesia Laws*

We are required under Indonesian laws and regulations to acquire permits and other authorizations before our current Indonesian mining project, the Awak Mas project, can be developed and mined. In Indonesia, environmental legislation plays a significant role in the mining industry. Various environmental documents such as the analysis of environmental impact ( AMDAL ) concerning the Awak Mas project, covering studies on, *inter alia*, air, water, sand, pollution, hazardous and toxic wastes and reclamation of mining area, must be prepared and submitted to the Ministry of Environment for approval. In addition, we are also required to submit periodical environmental reports to the relevant environmental government agencies pursuant to the AMDAL and other required environmental licenses (e.g. license for tailing waste).

The preparation of AMDAL documents and other relevant environmental license documents involves incurrence of time and costs and there is no assurance that those approvals/licenses can be obtained in a timely manner. The Indonesian government also has administrative discretion not to approve AMDAL documents or grant the required environmental licenses (including any renewal or extensions of such documents). All these conditions may delay the production activity of the Awak Mas project.

Failure to meet all of the requirements with respect to the above environmental documents, licensing and report submissions could cause us to be subject to administrative and criminal sanctions as well as fines. In extreme cases, the administrative sanctions can also be imposed in the form of revocation of our business license and the contract of work that we have with the Indonesian government.

As well, from time to time the implementation of the regional autonomy law in Indonesia can cause uncertainty as to the existence and applicability of national and regional regulations (including in the environmental sector). Often regional regulations are in conflict with higher regulations that apply nationally. As a result we may incur cost and time to manage any issues which may arise and that could possibly affect the overall mining activity of the Awak Mas project.

*Australia Laws*

Mineral projects in the Northern Territory of Australia are subject to Northern Territory laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, the Mt. Todd gold mine would be expected to have a variety of environmental impacts should development proceed. We are required under Australian laws and regulations (federal, state and territorial) to acquire permits and other authorizations before the Mt. Todd gold mine can be developed and mined. In Australia, environmental legislation plays a significant role in the mining industry. Various environmental documents such as the EIS over the Mt. Todd gold mine, covering studies on, *inter alia*, air, water, pollution, hazardous and toxic wastes, reclamation of mining area, etc. must be prepared and submitted to the Mining and Petroleum Authorizations and Evaluation Division of the Department of Primary Industries, Fisheries and Mines of the Northern Territory government for approval.

The preparations of the EIS and related documents and other relevant environmental licenses would involve incurrence of time and costs and there is no assurance that those approvals/licenses can be obtained in a timely manner. The Northern Territory government also has administrative discretion not to approve the EIS documents or grant the required environmental licenses (including any renewal or extensions of such documents). We have entered into an agreement with the Northern Territory relating to environmental and rehabilitation issues. We must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken prior to the commencement of mining operations. All these conditions may result in the occurrence of significant compliance costs and the delay of production activity of the Mt. Todd gold mine.



These conditions could frustrate investors seeking certainty in their investments, and as a result we may incur costs and time to manage any issues which may arise and that could possibly affect the overall mining activity of the Mt. Todd gold mine.

***We face intense competition in the mining industry.***

The mining industry is intensely competitive in all of its phases. As a result of this competition, some of which is with large established mining companies with substantial capabilities and with greater financial and technical resources than ours, we may be unable to acquire additional attractive mining claims or financing on terms we consider acceptable. We also compete with other mining companies in the recruitment and retention of qualified managerial and technical employees. If we are unable to successfully compete for qualified employees, our exploration and development programs may be slowed down or suspended. We compete with other gold companies for capital. If we are unable to raise sufficient capital, our exploration and development programs may be jeopardized or we may not be able to acquire, develop or operate gold projects.

***We may be unable to raise additional capital on favorable terms.***

The exploration and development of our development properties, specifically the construction of mining facilities and commencement of mining operations, may require substantial additional financing. Significant capital investment is required to achieve commercial production from each of our non-producing properties. We will have to raise additional funds from external sources in order to maintain and advance our existing property positions and to acquire new gold projects. There can be no assurance that additional financing will be available at all or on acceptable terms and, if additional financing is not available, we may have to substantially reduce or cease our operations.

***Some of our directors may have conflicts of interest as a result of their involvement with other natural resource companies.***

Some of our directors are directors or officers of other natural resource or mining-related companies. C. Thomas Ogryzlo is the President, Chief Executive Officer and a director of Polaris Geothermal Inc., and is a director of Tiomin Resources Inc., Birim Goldfields Inc. and Baja Mining Corp. Michael B. Richings, who is also our Chief Executive Officer, is a director of Allied Nevada Gold Corp., which holds interests in mining properties. John Clark is a director of Alberta Clipper Energy Inc. (a Canadian oil and gas exploration and production company) and Chief Financial Officer and a director of Polaris Geothermal Inc. W. Durand Eppler is Chief Executive Officer and a director of Coal International PLC, a director of Allied Nevada Gold Corp. and Augusta Resource Corporation, and a director and non-executive chairman of NEMI Northern Energy & Mining Inc. Tracy Stevenson is a director of Quaterra Resources Inc. These associations may give rise to conflicts of interest from time to time. In the event that any such conflict of interest arises, a director who has such a conflict is required to disclose the conflict to a meeting of the directors of the company in question and to abstain from voting for or against approval of any matter in which such director may have a conflict. In appropriate cases, the company in question will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the laws of the Yukon Territory, the directors of all Yukon Territory companies are required to act honestly, in good faith and in the best interests of a company for which they serve as a director.

***There may be challenges to our title in our mineral properties.***

There may be challenges to title to the mineral properties in which we hold a material interest. If there are title defects with respect to any of our properties, we might be required to compensate other persons or perhaps reduce our interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs.

## Edgar Filing: VISTA GOLD CORP - Form 10-Q

As discussed herein and in our prior filings including our Annual Report on Form 10-K for the year ended December 31, 2006, under Part I Item 3. Legal Proceedings , a legal dispute was initiated in Bolivia in April 1998 by a Mr. Estanislao Radic Valderrama (recently deceased; the term Radic used herein refers to, as appropriate in context, the individual or the individual and/or his successors), who brought legal proceedings in the lower penal court and, in 1999, brought proceedings in civil court against Mr. Raul Garafulic and us, questioning the validity of Mr. Garafulic s ownership of the Amayapampa property.

In April 2005, Radic commenced a civil lawsuit in La Paz, Bolivia against Empresa Minera Nueva Vista S.A. ( Nueva Vista ) and two of its predecessors in interest, seeking nullification of the public documents by which

the mineral concessions comprising the Grupo Minero Amayapampa had been transferred to Nueva Vista. Nueva Vista and we did not learn of this lawsuit until the quarter ended September 30, 2006.

This is Radic's second civil lawsuit attempting to nullify the transfer of the mineral concession to Nueva Vista and its predecessors in interest. Radic's prior civil suit, initiated in Potosi, Bolivia in 1999 as noted above, ended in April 2004 with a declaration that his cause of action had lapsed. In the present action, Nueva Vista and the other defendants have raised the defenses, among others, of prior adjudication (res judicata) and expiration of the applicable statute of limitations.

We believe that Radic's contentions in the present suit are without merit and are taking appropriate legal action to confirm the validity of our interests in our holdings in Bolivia. Nueva Vista has asserted counterclaims against Radic for bad faith and recklessness in bringing the present action. While we do not anticipate that this lawsuit will result in any material adverse impact on Vista Gold or Nueva Vista or our holdings in Bolivia, we cannot assure that this will be the case.

On July 31, 2007, Nueva Vista filed a civil lawsuit in Potosi, Bolivia against Radic seeking a judgment declaring that Radic lacks any property rights with respect to the mining concessions constituting the Grupo Minero Amayapampa. We believe that our rights in the Amayapampa mineral concessions are valid and while we cannot assure a positive outcome we have instituted this lawsuit in Bolivia in an effort to confirm these rights and to reduce the potential for further claims by Radic.

***Our property interests in Bolivia, Mexico, Indonesia and Australia are subject to risks from political and economic instability in those countries.***

We have property interests in Bolivia, Mexico, Indonesia and Australia, which may be affected by risks associated with political or economic instability in those countries. The risks include, but are not limited to: military repression, extreme fluctuations in currency exchange rates, labor instability or militancy, mineral title irregularities and high rates of inflation. Changes in mining or investment policies or shifts in political attitude in Bolivia, Mexico, Indonesia or Australia may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted.

Recent political developments in Bolivia may adversely affect our Amayapampa project. On May 1, 2006, President Evo Morales of Bolivia, who took office in January 2006, signed a decree which effectively nationalized Bolivia's hydrocarbon industry. President Morales and others in his administration have made public statements regarding their desire to exert greater state control over all natural resource production in Bolivia, including mining.

To date, there have been no formal proposals to nationalize the mining industry and it is not clear that such nationalization would take place. The government may, however, alter its current policies with respect to the mining industry. If the Amayapampa project were nationalized, we might be unable to recover any significant portion of our investment in the project. The government could also substantially increase mining taxes or require significant royalty payments, which could have a material adverse effect on the profitability of the Amayapampa project.

*Our financial position and results are subject to fluctuations in foreign currency values.*

Because we have mining exploration and evaluation operations in North and South America and in Australia and Indonesia, we are subject to foreign currency fluctuations, which may materially affect our financial position and results. We do not engage in currency hedging to offset any risk of currency fluctuations.

We measure and report our financial results in U.S. dollars. We have mining projects in Bolivia, Mexico, Australia and Indonesia, and we are looking for other projects elsewhere in the world. Economic conditions and monetary policies in these countries can result in severe currency fluctuations.

Currently all our material transactions in Mexico, Bolivia, Australia and Indonesia are denominated in U.S. dollars. However, if we were to begin commercial operations in any of these or other countries, it is possible that material transactions incurred in the local currency, such as engagement of local contractors for

major projects, will be settled at a U.S. dollar value that is different from the U.S. dollar value of the transaction at the time it was incurred. This could have the effect of undermining profits from operations in that country.

*Future sales of our common shares in the public or private markets could adversely affect the trading price of our common shares and our ability to raise funds in new share offerings.*

Future sales of substantial amounts of our common shares or equity-related securities in the public or private markets, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common shares and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of common shares or the availability of common shares for future sale will have on the trading price of our common shares.

*It may be difficult to enforce judgments or bring actions outside the United States against us and certain of our directors and officers.*

Vista Gold is a Canadian corporation and certain of its directors and officers are neither citizens nor residents of the United States. A substantial part of the assets of several of these persons, and of Vista Gold, are located outside the United States. As a result, it may be difficult or impossible for an investor:

to enforce in courts outside the United States judgments obtained in United States courts based upon the civil liability provisions of United States federal securities laws against these persons and Vista Gold; or

to bring in courts outside the United States an original action to enforce liabilities based upon United States federal securities laws against these persons and Vista Gold.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**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**

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the *Securities Exchange Act of 1934*, as amended

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the *Securities Exchange Act of 1934*, as amended

32.1 Certification of 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*



**SIGNATURES**

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

**VISTA GOLD CORP.**  
(Registrant)

Date: November 9, 2007

By: */s/ Michael B. Richings*  
Michael B. Richings  
Chief Executive Officer

Date: November 9, 2007

By: */s/ Gregory G. Marlier*  
Gregory G. Marlier  
Chief Financial Officer