

VISTA GOLD CORP
Form 10-Q
August 01, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from to

Commission file number: 001-9025

VISTA GOLD CORP.

(Exact Name of Registrant as Specified in its Charter)

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British Columbia 98-0542444
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Suite 5, 7961 Shaffer Parkway
Littleton, Colorado 80127
(Address of Principal Executive Offices) (Zip Code)

(720) 981-1185

(Registrant's Telephone Number, including Area Code)

Indicate by checkmark whether the registrant (1) 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 such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 82,904,132 common shares, without par value, outstanding as of July 28, 2016.

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VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended June 30, 2016

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VISTA GOLD CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in U.S. dollars and in thousands, except shares)

	(Unaudited) June 30, 2016	December 31, 2015
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,354	\$ 902
Short-term investments (Note 3)	8,955	11,990
Other investments, at fair value (Note 3)	5,618	1,798
Other current assets	561	512
Total current assets	16,488	15,202
Non-current assets:		
Mineral properties (Note 4)	3,874	3,874
Plant and equipment, net (Note 5)	8,529	8,792
Total non-current assets	12,403	12,666
Total assets	\$ 28,891	\$ 27,868
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$ 84	\$ 115
Accrued liabilities and other	447	688
Total current liabilities	531	803
Total liabilities	531	803
Commitments and contingencies – (Note 7)		
Shareholders' equity:		

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Common shares, no par value - unlimited shares authorized; shares outstanding: 2016 - 82,904,132 and 2015 - 82,883,562 (Note 6)	439,208	438,900
Accumulated other comprehensive income/(loss)	29	(35)
Accumulated deficit	(410,877)	(411,800)
Total shareholders' equity	28,360	27,065
Total liabilities and shareholders' equity	\$ 28,891	\$ 27,868

Approved by the Board of Directors

Racy A. S

/s/ Tracy A. Stevenson /s/ John M. Clark

Tracy A. Stevenson John M. Clark

Director Director

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

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VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)

(Dollar amounts in U.S. dollars and in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating expense:				
Exploration, property evaluation and holding costs	\$ (824)	\$ (984)	\$ (1,811)	\$ (1,959)
Corporate administration	(650)	(798)	(1,738)	(1,842)
Depreciation and amortization	(134)	(177)	(287)	(368)
Gain on disposal of mineral property, net (Note 4)	—	—	150	1,958
Total operating expense	(1,608)	(1,959)	(3,686)	(2,211)
Non-operating income/(expense):				
Gain on sale of marketable securities	—	—	—	12
Gain/(loss) on other investments (Note 3)	3,277	(312)	3,820	(1,050)
Research and development grant, net (Note 10)	—	5,863	744	5,863
Interest income	13	2	25	3
Other income/(expense)	(45)	(5)	20	25
Total non-operating income	3,245	5,548	4,609	4,853
Net income	\$ 1,637	\$ 3,589	\$ 923	\$ 2,642
Other comprehensive income:				
Unrealized fair value increase/(decrease) on available-for-sale securities	47	(3)	64	(27)
Comprehensive income	\$ 1,684	\$ 3,586	\$ 987	\$ 2,615
Basic:				
Weighted average number of shares outstanding	82,904,132	82,390,217	82,896,560	82,390,217
Net income per share	\$ 0.02	\$ 0.04	\$ 0.01	\$ 0.03
Diluted:				
Weighted average number of shares outstanding	83,990,701	82,390,217	83,699,423	82,390,217
Net income per share	\$ 0.02	\$ 0.04	\$ 0.01	\$ 0.03

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

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VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollar amounts in U.S. dollars and in thousands)

	Common shares	Amount	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total shareholders' equity
Balances at December 31, 2014	82,390,217	\$ 438,083	\$ (412,811)	\$ 11	\$ 25,283
Shares issued (RSUs vested)	493,345	—	—	—	—
Stock-based compensation	—	817	—	—	817
Other comprehensive loss	—	—	—	(46)	(46)
Net income	—	—	1,011	—	1,011
Balances at December 31, 2015	82,883,562	\$ 438,900	\$ (411,800)	\$ (35)	\$ 27,065
Shares issued (RSUs vested)	20,570	—	—	—	—
Stock-based compensation	—	308	—	—	308
Other comprehensive income	—	—	—	64	64
Net income	—	—	923	—	923
Balances at June 30, 2016	82,904,132	\$ 439,208	\$ (410,877)	\$ 29	\$ 28,360

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

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VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in U.S. dollars and in thousands)

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income for the period	\$ 923	\$ 2,642
Adjustments to reconcile net loss for the period to net cash used in operations:		
Depreciation and amortization	287	368
Stock-based compensation	308	467
Gain on disposal of marketable securities	—	(12)
Gain on disposal of mineral property	(150)	(1,958)
(Gain)/loss on other investments	(3,820)	1,050
Change in working capital account items:		
Other current assets	15	152
Accounts payable, accrued liabilities and other	(272)	(115)
Net cash provided by/(used in) operating activities	(2,709)	2,594
Cash flows from investing activities:		
Proceeds from sales of marketable securities	—	41
Proceeds from sale of other investments, net	—	2,772
Disposition of short-term investments, net of acquisitions	3,035	(8,793)
Additions to plant and equipment	(24)	(10)
Proceeds from option/sale agreements, net	150	3,490
Net cash provided by/(used in) investing activities	3,161	(2,500)
Cash flows from financing activities:		
Net cash used in financing activities	—	—
Net increase in cash and cash equivalents	452	94
Cash and cash equivalents, beginning of period	902	3,714
Cash and cash equivalents, end of period	\$ 1,354	\$ 3,808

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

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VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(All dollar amounts in U.S dollars and in thousands, except per share and per option amounts unless otherwise noted)

1. Nature of Operations and Basis of Presentation

Vista Gold Corp. and its subsidiaries (collectively, “Vista,” the “Company,” “we,” “our,” or “us”) operate in the gold mining industry. We are focused on the evaluation, acquisition, exploration and advancement of gold exploration and potential development projects, which may lead to gold production or value adding strategic transactions such as earn-in right agreements, option agreements, leases to third parties, joint venture arrangements with other mining companies, or outright sales of assets for cash and/or other consideration. We look for opportunities to improve the value of our gold projects through exploration drilling and/or technical studies focused on optimizing previous engineering work.

Our principal asset is our flagship Mt Todd gold project (“Mt Todd”) in Northern Territory, Australia where we continue to work to identify opportunities to improve project economics with the goal of advancing the project toward to development. We also hold 4.4% of the outstanding common shares in the capital of Midas Gold Corp. (“Midas Gold Shares”), non-core projects in Mexico and the United States, and royalty interests in Indonesia.

The interim Condensed Consolidated Financial Statements (“interim statements”) of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with the Company’s Consolidated Financial Statements for the year ended December 31, 2015 as filed on February 26, 2016 on Form 10-K. The year-end balance sheet data was derived from the audited financial statements and, in accordance with the instructions to Form 10-Q, certain information and footnote disclosures required by United States generally accepted accounting principles have been condensed or omitted.

References to C\$ refer to Canadian currency, A\$ to Australian currency and \$ to United States currency.

2. Recent Accounting Pronouncements

Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (Accounting Standard Update 2016-09)

In March 2016, the Financial Accounting Standards Board issued guidance related to accounting for stock-based compensation which is intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public companies, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any organization in any interim or annual period. We do not expect to early adopt this guidance and do not believe that the adoption of this guidance will have a material impact on our financial statements.

3. Short-term and Other Investments

Short-term investments

As of June 30, 2016 and December 31, 2015, the amortized cost basis of our short-term investments was \$8,955 and \$11,990, respectively. The amortized cost basis approximates fair value at June 30, 2016 and December 31, 2015. Short-term investments are comprised of U.S. and/or Australian government treasury bills and/or notes which have maturity dates greater than 90 days but less than one year.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(All dollar amounts in U.S dollars and in thousands, except per share and per option amounts unless otherwise noted)

Other investments - Midas Gold Shares

During March 2015, we sold 8,000,000 Midas Gold Shares, at a price of C\$0.46 (\$0.36) per Midas Gold Share, for net proceeds of \$2,772. We currently own 7,802,615 Midas Gold Shares or approximately 4.4% of the Midas Gold Shares outstanding, on a non-dilutive basis.

Upon initial recognition of our investment in the Midas Gold Shares, we elected to apply the fair value option, and as such, the investment is recorded at fair value in the Condensed Consolidated Balance Sheets. Subsequent changes in fair value are recorded in the Condensed Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss) in the period in which they occur.

The following table summarizes our investment in Midas Gold Shares as of June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Fair value at beginning of period	\$ 1,798	\$ 6,163
Sale of Midas Gold Shares, net of costs to sell	—	(2,772)
Gain/(loss) during the period	3,820	(1,593)
Fair value at end of period	\$ 5,618	\$ 1,798
Midas Gold Shares held at the end of the period	7,802,615	7,802,615

4. Mineral Properties

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	At June 30, 2016	At December 31, 2015
Mt Todd, Australia	\$ 2,146	\$ 2,146
Guadalupe de los Reyes, Mexico	1,728	1,728
	\$ 3,874	\$ 3,874

Guadalupe de los Reyes Gold/Silver Project, Sinaloa, Mexico

During April 2014, Minera Gold Stake S.A. de C.V., Vista's wholly-owned subsidiary, entered into a definitive option agreement (the "Option Agreement") to option a 70% interest in the Guadalupe de los Reyes gold/silver project in Sinaloa, Mexico to Great Panther Silver Limited (formerly Cangold Limited) ("Great Panther") for consideration of \$5,000 in payments over a three-year period. On February 25, 2016 Vista received notification from Great Panther that it was terminating the Option Agreement. Pursuant to the terms of the Option Agreement, Vista retains the \$996 already paid by Great Panther (\$500 received in 2014 and \$496 net of legal costs was received in March 2015) and 100% of the Guadalupe de los Reyes gold/silver project.

Los Cardones

In October 2013, we sold our 100% debt and equity participation in the Los Cardones gold project located in Baja California Sur, Mexico ("Los Cardones Sale") to Investure Group, S.A. de C.V. ("Investure") and RPG Structured Finance S.a.r.l. (together the "Purchasers") for a total of \$13,000 (\$7,000 of which was paid in October 2013 and \$6,000 of which was originally payable in January 2014 (the "Subsequent Payment") subject to the Purchasers' option to elect to not make the Subsequent Payment. In 2014, the due date for the Subsequent Payment was extended to January 30, 2015 for additional consideration of \$500. In October 2014, Investure announced that the Los Cardones gold project had been suspended because the conditions for its development were not favorable at that time, which introduced substantial doubt that the Subsequent Payment would be made. After making this announcement, there were no apparent significant favorable changes to incentivize Investure to lift the suspension. In January 2015, we agreed to amend the payment terms (the "Amendment") of the Los Cardones Sale. Under the Amendment, the Company received a payment of \$2,994 net of

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(All dollar amounts in U.S dollars and in thousands, except per share and per option amounts unless otherwise noted)

legal costs from the Purchasers as the final payment for 100% of the Company's interest in the project. This resulted in a realized gain of \$1,958.

Utah Claims

During the first quarter of 2016, we sold our unpatented mining claims located in Utah for \$150 and a 2% net smelter return royalty ("NSR") on any future production from said claims. This resulted in a realized gain of \$150.

5. Plant and Equipment