VISTA GOLD CORP
Form 10-Q
May 08, 2012
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2012**

**OR**

**o 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 1-09025**

# VISTA GOLD CORP.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Yukon Territory, Canada** | **98-0542444** |
| (State or other jurisdiction of incorporation or organization) | (IRS 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 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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 71,207,144 common shares, without par value, outstanding at May 3, 2012.

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**VISTA GOLD CORP.**

**(An Exploration Stage Enterprise)**

**FORM 10-Q**

**For the Quarter Ended March 31, 2012**

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

**UNAUDITED CONSOLIDATED BALANCE SHEETS**

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

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | $ 14,833 | $ 17,873 |
| Restricted cash (Note 5) | 156 | 134 |
| Marketable securities (Note 4) | 906 | 986 |
| Other current assets | 1,263 | 1,177 |
| Total current assets | 17,158 | 20,170 |
| | | |
| Non-current assets: | | |
| Mineral properties (Note 5) | 13,951 | 16,517 |
| Plant and equipment (Note 6) | 19,448 | 19,232 |
| Amayapampa interest (Note 3) | 4,813 | 4,813 |
| Long-term investments (Note 7) | 112,506 | 119,871 |
| Total non-current assets | 150,718 | 160,433 |
| | | |
| Total assets | $ 167,876 | $ 180,603 |
| | | |
| Liabilities and Shareholders Equity: | | |
| Current liabilities: | | |
| Accounts payable | $ 604 | $ 757 |
| Accrued liabilities and other | 2,448 | 2,466 |
| Total current liabilities | 3,052 | 3,223 |
| | | |
| Non-current liabilities: | | |
| Other long-term liabilities | 635 | 635 |
| Deferred tax liability, net | 32,531 | 35,522 |
| Total non-current liabilties | 33,166 | 36,157 |
| | | |
| Total liabilities | 36,218 | 39,380 |
| | | |
| Shareholders equity: | | |
| Capital stock, no par value - unlimited shares authorized; shares outstanding: 2012 - 71,728,883 and 2011 - 71,503,883 (Note 8) | 380,852 | 380,119 |
| Additional paid-in capital (Note 9) | 25,682 | 24,670 |
| Accumulated other comprehensive income (Note 10) | 91 | 175 |
| Accumulated deficit during exploration stage | (274,967) | (263,741) |
| Total shareholders equity | 131,658 | 141,223 |
| | | |
| Total liabilities and shareholders equity | $ 167,876 | $ 180,603 |

Commitments and contingencies (Note 13)

Subsequent events (Note 15)

Approved by the Board of Directors

| | |
|---|---|
| /s/ *John M. Clark* | /s/ *C. Thomas Ogryzlo* |
| John M. Clark | C. Thomas Ogryzlo |
| Director | Director |

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

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

**UNAUDITED 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 March 31, 2012 | 2011 | Cumulative during Exploration Stage |
|---|---|---|---|
| Operating income and (expenses): | | | |
| Exploration, property evaluation and holding costs | $ (5,707) | $ (2,949) | $ (63,831) |
| Corporate administration and investor relations | (2,074) | (1,098) | (35,021) |
| Depreciation and amortization | (126) | (79) | (1,466) |
| Loss on extinguishment of convertible debt | | | (1,218) |
| Loss on currency translation | (24) | (9) | (78) |
| Gain on disposal of mineral property, net (Note 5) | 934 | | 80,598 |
| Total operating loss | (6,997) | (4,135) | (21,016) |
| | | | |
| Non-operating income and (expenses): | | | |
| Gain on sale of marketable securities | 144 | 366 | 7,946 |
| Unrealized gain/(loss) on long-term investments (Note 7) | (7,365) | | 29,982 |
| Write down of marketable securities | | | (1,007) |
| Interest income | 13 | 12 | 2,825 |
| Interest expense | | (120) | (4,096) |
| Other expense | (12) | | (5,120) |
| Total non-operating gain/(loss) | (7,220) | 258 | 30,530 |
| | | | |
| Income/(loss) from continuing operations before income taxes | (14,217) | (3,877) | 9,514 |
| Deferred income tax benefit/(expense) | 2,991 | | (32,531) |
| Loss from continuing operations after income taxes | (11,226) | (3,877) | (23,017) |
| Loss from discontinued operations | | | (12,863) |
| Net loss | $ (11,226) | $ (3,877) | $ (35,880) |
| | | | |
| Other comprehensive income, net of tax: | | | |
| Unrealized fair-value (decrease)/increase on available-for-sale securities | (84) | 276 | 91 |
| Comprehensive loss | $ (11,310) | $ (3,601) | $ (35,789) |
| | | | |
| Loss per share: | | | |
| Basic and Diluted: | | | |
| Weighted average number of shares outstanding | 71,548,388 | 61,920,846 | |
| Loss per share | $ (0.16) | $ (0.06) | |

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

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

**UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

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

| | Common stock | Additional paid-in capital | Deficit | Accumulated other comprehensive income | Total shareholders equity |
|---|---|---|---|---|---|
| **Balances at December 31, 2011** | $ 380,119 | $ 24,670 | $ (263,741) | $ 175 | $ 141,223 |
| Stock options expensed | | 237 | | | 237 |
| Restricted stock units expensed | | 775 | | | 775 |
| Compensation options exercised | 733 | | | | 733 |
| Other comprehensive loss | | | | (84) | (84) |
| Net loss | | | (11,226) | | (11,226) |
| **Balances at March 31, 2012** | $ 380,852 | $ 25,682 | $ (274,967) | $ 91 | $ 131,658 |

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

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

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

| | Three Months Ended March 31, 2012 | 2011 | Cumulative during exploration stage |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss for the period | $ (11,226) | $ (3,877) | $ (35,880) |
| Adjustments to reconcile loss for the period to net cash used in operations: | | | |
| Depreciation and amortization | 126 | 79 | 1,466 |
| Stock-based compensation | 1,012 | 131 | 8,072 |
| Gain on disposal of marketable securities | (144) | (366) | (7,946) |
| Loss on extinguishment of convertible notes | | | 1,218 |
| Accrued interest and accretion of interest | | 96 | 4,096 |
| Gain on disposal of mineral property | (934) | | (80,867) |
| Common stock issued for interest | | | 1,841 |
| Unrealized (gain)/loss on long-term investments | 7,365 | | (29,982) |
| Write down of marketable securities | | | 1,007 |
| Deferred tax (benefit)/expense | (2,991) | | 32,531 |
| Other non-cash items | | | 1,304 |
| Change in working capital account items: | | | |
| Other current assets | (86) | (308) | (1,525) |
| Accrued interest payable | | | (8,090) |
| Accounts payable, accrued liabilities and other | (171) | (223) | 744 |
| Net cash used in operating activities | (7,049) | (4,468) | (112,011) |
| | | | |
| Cash flows from investing activities: | | | |
| Purchases of marketable securities | (68) | (70) | (1,756) |
| Proceeds from sales of marketable securities | 208 | 392 | 11,257 |
| Acquisition of long-term investments | | | (3,632) |
| Additions to mineral property | | (50) | (7,647) |
| Additions to plant and equipment | (342) | (29) | (20,785) |
| Change in Restricted Cash | (22) | | (22) |
| Proceeds from additional option agreement | 1,500 | | 2,500 |
| Proceeds from earn-in right agreement | 2,000 | | 2,000 |
| Proceeds on disposal of mineral property | | | 188 |
| Proceeds on disposal of plant and equipment | | | 52 |
| Cash transferred to Allied Nevada Gold Corp., net of receivable | | | (24,517) |
| Net cash provided by/(used in) investing activities | 3,276 | 243 | (42,362) |
| | | | |
| Cash flows from financing activities: | | | |
| Net proceeds from equity financings | | | 137,070 |
| Repayment of convertible notes | | (23,000) | (26,108) |
| Proceeds from exercise of warrants | 733 | | 40,062 |
| Proceeds from exercise of stock options | | 73 | 3,974 |
| Issuance of convertible notes | | | 28,345 |
| Cash paid in lieu of capital stock issuances | | | (107) |
| Transaction costs | | | (1,841) |
| Net cash provided by/(used in) financing activities | 733 | (22,927) | 181,395 |

| | | | |
|---|---|---|---|
| Increase/(decrease) in cash and cash equivalents | (3,040) | (27,152) | 27,022 |
| Decrease in cash and cash equivalents - discontinued operations | | | (12,863) |
| Net increase/(decrease) in cash and cash equivalents | (3,040) | (27,152) | 14,159 |
| Cash and cash equivalents, beginning of period | 17,873 | 39,838 | 674 |
| Cash and cash equivalents, end of period | $ 14,833 | $ 12,686 | $ 14,833 |

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in U.S. dollars and in thousands, except per share and per ounce unless otherwise noted)**

**1.** ***Nature of Operations***

Vista Gold Corp. and its subsidiaries (collectively, Vista, the Company, the Corporation, we, our or us ) operate in the mining industry and are focused on the evaluation, acquisition, exploration and advancement of gold exploration and potential development projects, which may lead to gold production, as well as the realization of market value of our assets. As such, we are considered an Exploration Stage Enterprise. Our 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, we look for opportunities to improve the value of our gold projects through exploration drilling, and/or technical studies resulting in changes to the operating assumptions underlying previous engineering work.

We are continuing to move our more advanced projects through technical, engineering and feasibility studies so that production decisions can be made on those projects.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ( U.S. GAAP ) requires management to make estimates and assumptions that affect reported amounts. These estimates and assumptions are based on information available as of the date of the financial statements. Accounting measurements at interim dates inherently involve greater reliance on estimates than at yearend. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of results that can be expected for the full year. Please refer to the section entitled Significant accounting policies of Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2011 Form 10-K for a discussion of our critical accounting policies and estimates.

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all footnote disclosures required by U.S. GAAP. In accordance with U.S. GAAP for interim financial statements, these unaudited condensed consolidated financial statements do not include certain information and note disclosures that are normally included in annual financial statements prepared in conformity with U.S. GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2011 and 2010, and for each of the three years ended December 31, 2011, included in our Annual Report on Form 10-K for the year ended December 31, 2011 ( 2011 Form 10-K ). In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly in all material respects the financial position as of March 31, 2012, and the results of operations and cash flows for the three months ended March 31, 2012 and 2011, in conformity with U.S. GAAP.

**2.** ***Significant Accounting Policies and U.S. GAAP***

*Principles of Consolidation*

The consolidated interim financial statements of Vista consolidate the accounts of entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated in the consolidated financial statements. Our subsidiaries and percentage ownership in these entities are:

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in U.S. dollars and in thousands, except per share and per ounce unless otherwise noted)**

| | **Ownership** |
|---|---|
| Vista Gold U.S., Inc. and its subsidiary | 100% |
| Vista California, LLC | 100% |
| Granges Inc. | 100% |
| Desarrollos Zapal Holding Corp. and its subsidiaries | 100% |
| Desarrollos Zapal S.A. de C.V. (1% owned by Granges Inc.) and its subsidiaries (a) | 99% |
| Servicios Administrativos MPA S.A. de C.V. (1% owned by Granges Inc.) | 99% |
| Servicios Industriales MPA S.A. de C.V. (1% owned by Granges Inc.) | 99% |
| Vista Gold (Barbados) Corp. and its wholly-owned subsidiary | 100% |
| Salu Siwa Pty. Ltd and its subsidiary | 100% |
| PT Masmindo Dwi (1% owned by Vista Gold (Barbados) Corp.) | 99% |
| Vista Minerals (Barbados) Corp. and its wholly-owned subsidiary | 100% |
| Vista Gold Australia Pty Ltd. | 100% |
| Minera Gold Stake Holdings Corp. (name changed from Vitliq Holdings Corp. effective January 23, 2012) | 100% |
| Minera Gold Stake S.A. de C.V. (name changed from Vitliq S.A. de C.V. effective January 23, 2012) (1% owned by Granges Inc.) | 99% |

(a) On February 7, 2012, we entered into an earn-in right agreement (the Earn-in Right Agreement ) with Invecture Group, S.A de C.V. ( Invecture ) whereby Invecture has the right, exercisable by February 7, 2012 (subject to extension) (the Earn-in Right Period ), to earn a 60% interest (subject to adjustment, seen Note 15) in the Concordia gold project, which is owned through our wholly-owned, Mexican subsidiary, Desasarrollos Zapal, S.A. de C.V. ( DZ Mexico ). During the Earn-in Right Period and subject to the terms of the Earn-in Right Agreement, Vista holds 40% of the DZ Mexico shareholder voting rights. The remaining 60% of the DZ Mexico shareholder voting rights are held in a trust that is instructed by representatives of Vista and Invecture. Upon Invecture s exercise of the earn-in right, Vista will continue to hold a 40% interest (subject to adjustment, see Note 15) in DZ Mexico and the Concordia gold project.

*Comparative Figures*

Certain comparative figures as of and for the three months ended March 31, 2011 have been reclassified to conform with the financial statement presentation adopted for the current period.

*Use of Estimates*

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include capital costs of projects, mine closure and reclamation obligations, useful lives for asset depreciation purposes, impairment of mineral properties, deferred income taxes, valuation of investments and the calculation of stock-based compensation. Actual results could differ from these estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand balances held with banks and certificates of deposit all with maturities of three months or less when purchased.

*Marketable Securities*

We classify marketable securities as available-for-sale, as the Company has the ability and intent to hold these securities for the foreseeable future. Accordingly, these securities are carried at fair value with unrealized gains and losses being reported in other comprehensive income until such time that the securities are disposed of or become impaired. At that time, any gains or losses will then be realized and reported in our Consolidated Statement of Income/(Loss). We use the specific identification method for determining carrying value in computing realized gains and losses on sales of investment securities. We evaluate investments in a loss position to determine if such a loss is other-than-temporary. If so, such loss will be recognized and reported during that period.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in U.S. dollars and in thousands, except per share and per ounce unless otherwise noted)**

*Mineral Properties*

Mineral property acquisition costs, including directly related acquisition costs, are capitalized when incurred, and mineral property exploration costs are expensed as incurred.  When we determine that a mineral property can be economically developed in accordance with U.S. GAAP, the costs then incurred to develop such property are capitalized.  When proven and probable ore reserves associated with the projects can be determined, capitalized costs will be depleted using the units-of-production method over the estimated life of the proven and probable reserves. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to loss in that period.

We assess the carrying cost of our mineral properties for impairment whenever information or circumstances indicate the potential for impairment.  Such evaluations compare estimated future net cash flows with our carrying costs and future obligations on an undiscounted basis. If it is determined that the future undiscounted cash flows are less than the carrying value of the property, a write down to the estimated fair value is charged to loss for the period.  Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Proceeds received under option agreements and/or earn-in agreements are recorded as a cost recovery against the carrying value of the underlying project until the carrying value is reduced to zero.  Any proceeds received in excess of the carrying value of the project are recorded as a realized gain in the Consolidated Statement of Income/(Loss).

*Plant and Equipment*

Plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging primarily from three to ten years. Significant expenditures that increase the life of an asset, including interest on qualifying assets, are capitalized and depreciated over the remaining estimated useful life of the asset. Upon sale or retirement of assets, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gains or losses are reflected in the Consolidated Statement of Income/(Loss).

*Asset Retirement Obligation and Closure Costs*

The fair value of a liability for our legal obligations associated with the retirement of long-lived assets is recognized in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset unless the asset has been previously written off, in which case the amount is expensed.

The liability will be adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted to the full value over time through periodic charges to the Consolidated Statement of Income/(Loss).

*Warrants*

Warrants and compensation options issued are recorded at fair value.

*Stock-Based Compensation*

We record compensation expense on the granting of all stock-based compensation awards, including stock options grants, restricted stock units grants and restricted stock awards grants, calculated using the fair-value method. We use the Hull-White Trinomial method of determining the fair value of the stock option on the date of the grant. When an option is granted, the fair value of the immediately vested portion is expensed and included in stock-based compensation within shareholders equity. As to the options vesting, the fair value is amortized using the straight-line method over the vesting period and expensed on a monthly basis. When an option is exercised, the grant-date fair value of the options is transferred to common stock. When options are cancelled, the vested fair-value balance of the stock options is transferred to additional paid-in capital. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed through income. When options expire, the related fair value is transferred to additional paid-in capital.

The fair value of restricted stock units and restricted stock awards on the date of grant is amortized using the straight-line method over the vesting period and expensed on a monthly basis. Certain restricted stock units vest upon the achievement of specified performance and market criterion, but not to be less than one year. On a quarterly basis, management, using the best information available through that time, assesses the probability of achieving those performance and market milestones in determining the appropriate vesting period for the purpose of recording the expense associated with those restricted stock units. On the date of vesting, the grant-date fair value of the restricted stock units or restricted stock awards is transferred to common stock. When restricted stock units or restricted stock awards are

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in U.S. dollars and in thousands, except per share and per ounce unless otherwise noted)**

forfeited prior to vesting, any expense previously recorded is reversed through income.

*Foreign Currency Exchange Gains or Losses*

Our functional currency is the U.S. dollar.  All of our foreign subsidiaries are direct and integral components of Vista and are dependent upon the economic environment of our functional currency.  Therefore, the functional currency of our foreign entities is considered to be the U.S. dollar and accordingly, translation gains and losses are reported in the Consolidated Statement of Income/(Loss) for that period.  Assets and liabilities of these foreign operations are translated using period-end exchange rates and revenues and expenses are translated using average exchange rates during each period.

*Income Taxes*

We provide for income taxes using the liability method of tax allocation.  Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted income tax rates in effect for the year in which the differences are expected to reverse.

Deferred tax is recognized as income or an expense and included in the profit or loss for the period, except when it arises from a transaction that is recognized directly in equity, in which case the deferred tax is also recognized directly in equity, or when it arises from a business combination in which case the deferred tax is included in the resulting goodwill.

We establish a valuation allowance against the future income tax assets if, based on available information, it is more likely than not that all of the assets will not be realized.

*Uncertainty in Income Tax Positions*

The Company recognizes tax benefits from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the taxing authorities. The Company records the related interest expense and penalties, if any, as tax expense in the tax provision.

*Net Income/(Loss) Per Share*

Basic income/(loss) per share amounts are calculated by using the weighted average number of common shares outstanding during the period. Diluted income/(loss) per share amounts reflect the potential dilution that could occur if securities or other contracts that may require the issuance of common shares in the future were converted unless their inclusion would be anti-dilutive.

*Recent Accounting Pronouncements*

*Fair Value Accounting*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued additional guidance to provide a consistent definition of fair value and to ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The guidance became effective for us in 2012 and is being applied prospectively. The adoption of this standard did not have a material impact on our consolidated financial statements.

*Presentation of Comprehensive Income*

In June 2011, the FASB issued guidance that requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The option to present the components of other comprehensive income as part of the statement has been eliminated. This guidance became effective in the first quarter of 2012. Our presentation of comprehensive income already complies with this new guidance.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in U.S. dollars and in thousands, except per share and per ounce unless otherwise noted)**

**3.** ***Amayapampa Interest***

On April 7, 2008, we entered into an agreement to dispose of our wholly-owned subsidiary Vista Gold (Antigua) Corp. ( Vista Gold Antigua ) to Republic Gold Limited ( Republic ). Vista Gold Antigua indirectly held our interest in the Amayapampa gold project in Bolivia. Under the terms of the transaction, Republic agreed to pay to us a total amount of $3,000 in three payments of $1,000. The first of these payments will be due and payable upon the start of commercial production (as defined in the purchase and sale agreement) at the Amayapampa gold project followed by $1,000 payments on each of the first and second anniversaries of the start of commercial production. In addition, Republic agreed to pay to us a net smelter return royalty ( NSR ) on the gold produced by or on behalf of Republic from the Amayapampa gold project in varying percentages depending on the price of gold per ounce. When the price of gold is between $500.01 and $650.00 per ounce, a 2% NSR is payable; when the price of gold is between $650.01 and $750.00 per ounce, a 3% NSR is payable; and when the price of gold is $750.01 per ounce and above, an NSR of 3.5% is payable. The NSR is capped at 720,000 gold equivalent ounces, and no NSR payments are due to us if the gold price is below $500 per ounce. To date, no amount has been paid or payable to the Company under this agreement.

The Amayapampa interest is considered a financial instrument and as such has been accounted for at its fair value of $4,813 based on probability-weighted cash flow scenarios and assumptions, including future gold prices, estimated gold production and the timing of commencement of commercial production. See Note 14 below for further discussion.

On February 3, 2012, Republic announced that it has suspended operation in Bolivia at the Amayapampa gold project pending regulatory and policy certainty specifically related to the nationalization of mining assets and the implications of the Bolivian Draft Mining Code. Republic stated that it will assess its options in Bolivia, which may include the sale of its assets. As of March 31, 2012, we evaluated the carrying amount of the Amayapampa interest based upon the probability-weighted cash flows taking into account a higher probability that the project may never go into production or that commercial production may be delayed due to the political risks described above. Our evaluation also considered recent trends in future gold prices and updated gold production estimates published by an independent third party consulting firm in January 2011. Based upon the upward trend in long-term gold prices and higher estimated gold production specified in third party technical reports, we concluded that there was no change in fair value as of March 31, 2012.

**4.** ***Marketable Securities***

| | At March 31, 2012 | | | At December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Unrealized gain/(loss)** | **Fair value** | **Cost** | **Unrealized gain/(loss)** | **Fair value** |
| Esperanza Resources Corp. | $ 10 | $ 19 | $ 29 | $ 10 | $ 99 | $ 109 |
| Black Isle Resources | 36 | (1) | 35 | 36 | | 36 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nevgold Resources Corp. | | | | | | | | 87 | | 55 | | 142 |
| Sprott Resources Corp. | | 139 | | 83 | | 222 | | 139 | | 75 | | 214 |
| Canadian Phoenix | | 81 | | 14 | | 95 | | 81 | | 14 | | 95 |
| Other | | 549 | | (24) | | 525 | | 458 | | (68) | | 390 |
| | $ | 815 | $ | 91 | $ | 906 | $ | 811 | $ | 175 | $ | 986 |

During the year ended December 31, 2011, we determined that certain of our securities had an other-than-temporary decline in value. The write down of $158 has been included in our Consolidated Statements of Income/(Loss) for the year ended December 31, 2011. There were no such write downs during the three months ended March 31, 2012.

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

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**5.** ***Mineral Properties***

| | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, | Acquisition costs | Option payments | Capitalized interest | Cost recovery | Disposals | Year to date activity | March 31, |
| Long Valley, United States | $ 750 | $ | $ | $ | $ | $ | $ | $ 750 |
| Concordia, Mexico (a) | 10,303 | | | | (2,000) | | (2,000) | 8,303 |
| Guadalupe de los Reyes, Mexico | 2,752 | | | | | | | 2,752 |
| Awak Mas, Indonesia (b) | 566 | | | | (566) | | (566) | |
| Mt. Todd, Australia | 2,146 | | | | | | | 2,146 |
| | $ 16,517 | $ | $ | $ | $ (2,566) | $ | $ (2,566) | $ 13,951 |

The recoverability of the carrying values of our mineral properties is dependent upon the successful start-up and commercial production from, or the 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 on, among other things, management s ability to raise additional capital for these purposes. Although we have been successful in raising such capital in the past, there can be no assurance that we will be able to do so in the future.

We have determined that no impairment provision is currently required. A write down in the carrying values of one or more of our mineral properties may be required in the future as a result of events and circumstances, such as our inability to obtain all the necessary permits, changes in the legal status of our mineral properties, government actions, the results of exploration activities and technical evaluation and changes in economic conditions, including the price of gold and other commodities or input prices. We regularly evaluate the carrying value of our mineral properties to determine if impairment is required in view of such factors.

(a) *Concordia*

We acquired 100% of the Concordia gold project in Mexico from Viceroy Resource Corporation in August 2002. The total acquisition cost of this project included cash payments of $786 for acquisition and related costs, the issuance of 303,030 equity units with a fair value of $1,212 and a cash payment of $320 in August 2003. In September 2011, the Company acquired some additional land from a third party for $1,300, including legal fees, as part of Vista s efforts to advance the Concordia gold project. Vista paid $665 in cash, while the remaining $635 is due upon the achievement of certain milestones and is included in other long-term liabilities in our Consolidated Balance Sheet.

On February 7, 2012, we announced that the Corporation had entered into an Earn-in Right Agreement with Invecture with respect to Vista s Concordia gold project in Baja California Sur, Mexico. Vista holds the Concordia gold project through DZ Mexico. Under the terms of the Earn-in Right Agreement, Invecture made a non-refundable payment of $2,000 in exchange for the right to earn a 60% interest (subject to adjustment, see Note 15) in DZ Mexico (the Earn-in Right ). The Earn-in Right will expire if not exercised by February 7, 2014, subject to extension in certain circumstances. The Earn-in Right Agreement provides that during the Earn-in Period, Invecture will, at its sole expense, manage and operate the Concordia gold project and will undertake all commercially reasonable efforts to obtain the Change of Forest Land Use Permit ( CUSF ) and the Authorization of Environmental Impact which are required to develop the project.

The Earn-in Right Agreement provides that the exercise of the earn-in right by Invecture is conditional upon, among other things: (i) receipt of the CUSF and the Authorization of Environmental Impact; (ii) the completion of a feasibility report on the Concordia gold project that updates the existing feasibility report with respect to costs; (iii) Invecture funding the Concordia gold project during the Earn-in Period; and (iv) Invecture making an additional payment of $20,000 to DZ Mexico, which amount will be used to repay intercompany loans owed by DZ Mexico to Vista.

During the Earn-in Period and subject to the terms of the Earn-in Right Agreement, Vista holds 40% of the DZ Mexico shareholder voting rights. The remaining 60% of the DZ Mexico shareholder voting rights are held in a trust that will be instructed by representatives of Vista and Invecture. Upon Invecture s exercise of the Earn-in Right, Vista will continue to hold a 40% interest (subject to adjustment, see Note 15) in DZ Mexico and the Concordia gold project.

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As part of the Earn-in Right Agreement, DZ Mexico has transferred all of its other material assets, including the mill equipment acquired by Vista for the Concordia gold project in 2008 and the Guadalupe de los Reyes gold/silver project, to other entities in the Vista group of companies. Vista has granted Invecture the option to cause DZ Mexico to acquire the mill equipment for $16,000 plus storage, insurance and transportation costs and any applicable taxes. This option is exercisable by Invecture until February 7, 2013.

(b) *Awak Mas*

In April 2005, we completed our acquisition of the Awak Mas gold project in Sulawesi, Indonesia, pursuant to the exercise of our option to purchase the deposit for a purchase price of $1,500.

In December 2009, Pan Asia Resources Corp. ( Pan Asia ) and our subsidiary Vista Gold (Barbados) Corp. ( Vista Barbados ) executed a joint venture agreement ( JV Agreement ) allowing Pan Asia to earn a 60% interest in the project by: (a) expending $3,000 on the project within a specified period of time; (b) completing an environmental impact assessment and feasibility study (in compliance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ( NI 43-101 )); and (c) issuing to Vista 2,000,000 shares in the capital of Pan Asia and granting to Vista the right to purchase up to an additional 2,000,000 shares of Pan Asia in the event Pan Asia completes an initial public offering of its shares. The 2,000,000 shares of Pan Asia received under the JV agreement were subsequently exchanged for substantially equivalent shares of One Asia Resources Ltd.

In June 2011, Vista Barbados entered into an additional option agreement (the Additional Option Agreement ) with Pan Asia. The Additional Option Agreement provides Pan Asia with the opportunity to earn an additional 20% interest in our Awak Mas gold project in Indonesia after it has earned a 60% interest in the project pursuant to the JV Agreement. Pan Asia can acquire the additional 20% interest by (a) making cash payments totaling $2,500 over a nine-month period; (b) issuing shares with a value equal to $2,000 or making a cash payment of $2,000 within 12 months, depending on whether Pan Asia completes an initial public offering; and (c) carrying out a 5,000 meter drilling program in an area outside of the current project resource area within 18 months. In September 2011, the Additional Option Agreement and JV Agreement were assigned from Pan Asia to Awak Mas Holdings Pty. Ltd. (an affiliate of Pan Asia). Through March 31, 2012, Vista received $2,500 ($1,500 during the three months ended March 31, 2012) under the Additional Option Agreement and has recorded these proceeds as a cost recovery against the carrying value of the Awak Mas gold project, reducing the carrying value to zero with the excess recorded as a gain of $934 in our Consolidated Statement of Income/(Loss).

If Awak Mas Holdings Pty. Ltd. completes the undertakings required in the JV Agreement and the Additional Option Agreement, it will hold an 80% indirect interest in the Awak Mas gold project.

As of March 31, 2012 and March 31, 2011, we recorded restricted cash of $156 and $134, respectively, related to cash at the Awak Mas project contributed by Pan Asia but not yet spent for the furtherance of the project.

**6.** ***Plant and Equipment***

| | March 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and write downs | Net | Cost | Accumulated depreciation and write downs | Net |
| Concordia, Mexico | $ 18,238 | $ 96 | $ 18,142 | $ 18,238 | $ 92 | $ 18,146 |
| Awak Mas, Indonesia | 233 | 171 | 62 | 233 | 171 | 62 |
| Mt. Todd, Australia | 1,990 | 779 | 1,211 | 1,660 | 689 | 971 |
| Guadalupe de los Reyes, Mexico | 10 | 2 | 8 | | | |
| Corporate, United States | 432 | 407 | 25 | 430 | 377 | 53 |
| | $ 20,903 | $ 1,455 | $ 19,448 | $ 20,561 | $ 1,329 | $ 19,232 |

As part of the Earn-in Right Agreement, Vista has granted Invecture the option to cause DZ Mexico to acquire the mill equipment for $16,000 plus storage, insurance and transportation costs and any applicable taxes. This option is exercisable by Invecture until February 7, 2013.

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***7. Long-Term Investments***

*Midas Gold Corp. Combination*

In April 2011, Vista completed a combination (the Combination ) with Midas Gold, Inc. As part of the Combination, each party contributed their respective interests in gold assets in the Yellow Pine-Stibnite District in Idaho to a new Canadian private company named Midas Gold Corp. ( Midas Gold ). In exchange for the contribution of its equity interests in Idaho Gold Holding Company, Vista Gold U.S., Inc. ( Vista US ) was issued 30,402,615 common shares in the capital of Midas Gold ( Midas Gold Shares ). Concurrently with the Combination, Midas Gold completed a private placement of 6,129,800 Midas Gold Shares at a purchase price of C$2.50 ($2.59 based on the exchange rate on April 6, 2011) per share to raise gross proceeds of C$15,325 ($15,876 based on the exchange rate on April 6, 2011) (the Private Placement ). We purchased 1,400,000 Midas Gold Shares through the Private Placement for an aggregate purchase price of C$3,500 ($3,632 based on the exchange rate on April 6, 2011). Following completion of the Combination and the Private Placement, Vista and Vista US together held 31,802,615 Midas Gold Shares representing as at April 6, 2011 approximately 37.4% (basic) and 34.2% (fully diluted basis) of the issued and outstanding Midas Gold Shares.

On July 14, 2011, Midas Gold successfully completed an initial public offering ( IPO ), issuing 13,930,855 Midas Gold Shares. Midas Gold Shares began trading on the Toronto Stock Exchange ( TSX ) under the symbol MAX. As of December 31, 2011, Midas had 105,281,936 common shares outstanding of which Vista owns 31,802,615 common shares or 30.2% of the issued and outstanding Midas Gold Shares.

Upon initial recognition of its investment in the Midas Gold Shares, Vista elected to apply the fair value option, and as such, the investment is recorded at fair value in the Consolidated Balance Sheet. Subsequent changes in fair value are recorded in the Consolidated Statement of Income/(Loss) in the period in which they occur. The difference between the fair value of the 30,402,615 Midas Gold Shares and the carrying value of our Yellow Pine assets has been recorded as a gain on disposal of mineral property given that Vista ceased to have a controlling financial interest in the Yellow Pine gold project upon completion of the Combination.

The Combination with Midas Gold was a tax-free reorganization for U.S. tax purposes. However, upon completion of the Combination, Vista US received Midas Gold Shares with a fair value that was determined to be $78,872. The corresponding estimated deferred tax expense of $29,675 at the time of the Combination exceeded the valuation allowance of $6,086 for Vista US. Therefore, the valuation allowance against Vista US s deferred tax asset was released upon receipt of the Midas Gold Shares. At March 31, 2012, the deferred tax liability of $32,531 contemplates the deferred tax benefit for our unrealized loss on the Midas Gold Shares. During the three months ended March 31, 2012, we recorded an unrealized loss on the Midas Gold Shares of $7,365 with a corresponding tax benefit of $2,737. The tax calculation is based on an effective rate of 38.87% (US Federal 35% and state 3.87%). As of March 31, 2012, the fair value of the Midas Gold Shares was $112,486.

Because management intends on holding this investment for the long term, we have classified our investment in the Midas Gold Shares as a long-term investment.

Summarized financial information for Midas as of December 31, 2011 and for the twelve months then ended, which represents Midas Gold s latest available financial data as of the filing date of this quarterly report, prepared in accordance with International Financial Reporting Standards for interim financial statements is as follows.

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| | | **December 31, 2011** |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ | 36,954 |
| Trade and other receivables | | 277 |
| Prepaid and other assets | | 111 |
| Total current assets | | 37,342 |
| Non-current assets | | |
| Buildings and equipment | | 2,700 |
| Exploration and evaluation assets | | 116,407 |
| Other non-current assets | | 18 |
| Total non-current assets | | 119,125 |
| Total assets | $ | 156,467 |
| | | |
| Liabilities and Shareholders Equity | | |
| Current liabilities | | |
| Accounts payable | $ | 3,461 |
| Current portion of notes payable | | 181 |
| Accrued interest | | 13 |
| Total current liabilities | | 3,655 |
| Long-term portion of notes payable | | 562 |
| Shareholders equity | | |
| Share capital | | 155,548 |
| Equity reserve | | 10,990 |
| Deficit | | (14,288) |
| Total shareholders equity | | 152,250 |
| Total liabilities and shareholders equity | $ | 156,467 |

| | **Three Months Ended** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **December 31, 2011** | | **September 30, 2011** | | **June 30, 2011** | | **March 30, 2011** |
| Operating income/(expense) | $ | (3,950) | $ | (2,988) | $ | (3,349) | $ | (981) |
| Other income/(expense) | | 1,645 | | (3,768) | | (52) | | 5 |
| Net loss | $ | (2,305) | $ | (6,756) | $ | (3,401) | $ | (976) |
| | | | | | | | | |
| Net loss per share, basic and diluted | $ | (0.02) | $ | (0.07) | $ | (0.04) | $ | (0.02) |
| | | | | | | | | |
| Weighted average number of shares outstanding, basic and diluted | | 105,248,000 | | 102,557,000 | | 86,903,000 | | 43,848,000 |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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## 8. *Capital Stock*

Common shares issued and outstanding

| | Number of shares issued | | Common stock |
|---|---|---|---|
| As of December 31, 2011 | 71,503,883 | $ | 380,119 |
| Exercises of compensation options | 225,000 | | 733 |
| As of March 31, 2012 | 71,728,883 | $ | 380,852 |

*Public Offering, April 2011*

On April 20, 2011, GMP Securities L.P. and Wellington West Capital Markets Inc. (collectively, the Underwriters ) purchased 9,000,000 of our common shares at a price of C$3.30 ($3.43 based on the exchange rate on April 20, 2011) per common share (the Issue Price ) for aggregate gross proceeds of C$29,700 ($30,870 based on the exchange rate on April 20, 2011) (the Offering ). Net cash proceeds after legal and regulatory fees were $28,984. Also, in connection with the Offering, we issued 450,000 compensation options to the Underwriters with a fair value of $588 (see Note 9). The common shares were sold by way of a prospectus supplement to our existing base shelf prospectus dated April 27, 2009 and filed with the securities commissions in all of the provinces and territories of Canada (other than the Province of Québec) and in the United States by way of a prospectus supplement to our shelf prospectus included in our shelf registration statement filed with the Securities and Exchange Commission ( SEC ) on April 28, 2009. On May 20, 2011, an over-allotment option expired unexercised. On March 13, 2012, Wellington exercised 225,000 of the aforementioned compensation options and received 225,000 shares of Vista Gold Corp. at a price of $733.

## 9. *Additional Paid-in Capital*

| | | March 31, 2012 | | December 31, 2011 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 24,670 | $ | 22,981 |
| Equity financing, net of transaction costs | | | | 588 |
| Stock options exercised | | | | (430) |
| Stock options expensed | | 237 | | 1,496 |
| Restricted stock units exercised | | | | (392) |
| Restricted stock units expensed | | 775 | | 524 |
| Warrants exercised | | | | (97) |
| Balance, end of period | $ | 25,682 | $ | 24,670 |

*Warrants*

Warrant activity is summarized in the following table:

| | Warrants granted | Valuation | Warrants exercised | Warrants expired | Warrants outstanding | Weighted average exercise price per share | Weighted average remaining life (yrs.) | Intrinsic value |
|---|---|---|---|---|---|---|---|---|
| Outstanding and exercisable as of December 31, 2011 | 28,347,397 | $ 10,288 | (11,772,083) | (725,077) | 15,850,238 | $ 3.45 | 3.7 | $ 485 |
| Outstanding and exercisable as of March 31, 2012 | 28,347,397 | $ 10,288 | (11,772,083) | (725,077) | 15,850,238 | $ 3.45 | 3.4 | $ 530 |

The 15,850,238 outstanding warrants expire in the following time frames; 15,219,802 expire in October 2015 and the remaining 630,436 warrants expire in October 2012.

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*Compensation Options*

| | Compensation options | Valuation | Compensation options outstanding | Expiry date | Weighted average remaining life (yrs.) |
|---|---|---|---|---|---|
| As of December 31, 2011 | 450,000 | $ 588 | 450,000 | | |
| Exercise | (225,000) | (294) | (225,000) | | |
| As of March 31, 2012 | 225,000 | $ 294 | 225,000 | Apr-13 | 1.1 |

In connection with the Offering, Vista granted 450,000 compensation options to the Underwriters as compensation. Each compensation option is exercisable until April 20, 2013 to purchase one common share at the issue price of C$3.30. Our closing price was $3.14 at March 31, 2012.

*Stock-Based Compensation*

A summary of the fair value of all awards issued under Vista s stock compensation plans included within Shareholders Equity is as follows:

| | March 31, 2012 | December 31, 2011 |
|---|---|---|