

VISTA GOLD CORP
Form 10-Q
May 11, 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 March 31, 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**

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

Edgar Filing: VISTA GOLD CORP - Form 10-Q

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: 32,027,969

Common Shares, without par value, outstanding at May 10, 2007

VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended March 31, 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

Edgar Filing: VISTA GOLD CORP - Form 10-Q

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED BALANCE SHEETS UNAUDITED

<i>(U.S. dollars in thousands)</i>	March 31, 2007	December 31, 2006
Assets:		
Cash and cash equivalents Note 14	\$ 46,765	\$ 48,698
Marketable securities Note 1	1,242	791
Accounts receivable	1,075	748
Supplies inventory, prepaids and other	510	381
Other current assets	25	25
Current assets	49,617	50,643
Restricted cash Note 3	5,385	5,320
Mineral properties Note 4	33,545	31,749
Plant and equipment Note 5	1,322	1,130
Prepaid transaction costs Note 13	2,119	1,841
Other long-term receivables	166	166
Reclamation premium costs and other assets	1,852	1,882
	44,389	42,088
Total assets	\$ 94,006	\$ 92,731
Liabilities and Shareholders Equity:		
Accounts payable	\$ 258	\$ 167
Accrued liabilities and other	910	726
Current liabilities	1,168	893
Capital lease obligations	20	23
Asset retirement obligation and closure costs Note 10	4,688	4,688
Total liabilities	5,876	5,604
Capital stock, no par value: Note 6		
Preferred - unlimited shares authorized; no shares outstanding		
Common - unlimited shares authorized; shares outstanding:		
2007 32,027,969 and 2006 31,674,623	217,292	215,618
Warrants Note 7	531	932
Options Note 8	2,362	2,239
Contributed surplus	253	253
Accumulated other comprehensive income Note 9	383	
Deficit	(132,691)	(131,915)
Total shareholders equity	88,130	87,127
Total liabilities and shareholders equity	\$ 94,006	\$ 92,731
Commitments and Contingencies Note 10		
Subsequent events Note 14		

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

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF LOSS UNAUDITED

<i>(U.S. dollars in thousands, except share data)</i>	Three Months Ended March 31,		Cumulative during Exploration Stage
	2007	2006	
Income:			
Interest income	660	92	2,231
Other income	2	1	315
Gain on disposal of marketable securities	202	39	458
Gain on disposal of assets			98
Cost recoveries related to USF&G lawsuit			240
Total other income	864	132	3,342
Costs and expenses:			
Exploration, property evaluation and holding costs	\$ (533)	\$ (455)	\$ (7,616)
Corporate administration and investor relations	(894)	(678)	(11,105)
Depreciation and amortization	(75)	(55)	(1,030)
Provision for reclamation and closure costs			(1,048)
Write-down of mineral properties			(78)
Stock-based compensation	(134)	(34)	(2,413)
Loss on currency translation	(4)	(18)	(27)
Total costs and expenses	(1,640)	(1,240)	(23,317)
Net loss	\$ (776)	\$ (1,108)	\$ (19,975)
Other comprehensive income:			
Unrealized fair-value increase on available-for-sale securities	66		
Realized fair-value increase on available-for-sale securities	(215)		
Increase on available-for-sale securities	(149)		
Comprehensive loss	\$ (627)	\$ (1,108)	
Weighted average number of shares outstanding			
	31,928,687	21,504,598	
Basic and diluted loss per share			
	\$ (0.02)	\$ (0.05)	

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

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF DEFICIT UNAUDITED

<i>(U.S. dollars in thousands)</i>	Three Months Ended March 31,	
	2007	2006
Deficit, beginning of period	\$ (131,915)	\$ (127,744)
Net loss	(776)	(1,108)
Deficit, end of period	\$ (132,691)	\$ (128,852)

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

<i>(U.S. dollars in thousands)</i>	Three Months Ended March 31,		Cumulative
	2007	2006	during
			Exploration
			Stage
Cash flows from operating activities:			
Loss for the period	\$ (776)	\$ (1,108)	\$ (19,975)
Adjustments to reconcile loss for the period to cash provided by / (used in) operations:			
Depreciation and amortization	75	55	1,030
Amortization of reclamation premium costs	30	30	387
Provision for asset retirement obligation and closure costs			1,048
Asset retirement obligation and closure costs accrued, net		68	74
Write-down of mineral properties			78
Stock-based compensation	134	34	2,413
Gain on disposal of assets			(98)
Cost recoveries related to USF&G lawsuit			(240)
Write-down of marketable securities			118
Gain on disposal of marketable securities	(202)	(39)	(576)
Loss on currency translation			44
Other non-cash items			(66)
Change in operating assets and liabilities:			
Accounts receivable	(327)	10	(776)
Supplies inventory, prepaids and other	(129)	5	(124)
Accounts payable and accrued liabilities and other	275	(96)	(273)
Net cash used in operating activities	(920)	(1,041)	(16,936)
Cash flows from investing activities:			
Restricted cash Note 3	(65)	(54)	(5,385)
Acquisition of marketable securities	(84)	(42)	(729)
Proceeds from sale of marketable securities	218	85	944
Additions to mineral properties, net of cost recoveries Note 4	(1,796)	(412)	(9,593)
Acquisition of mineral property		(1,021)	(8,205)
Additions to plant and equipment Note 5	(270)	(5)	(2,231)
Proceeds on disposal of plant and equipment			264
Net cash used in investing activities	(1,997)	(1,449)	(24,935)
Cash flows from financing activities:			
Net proceeds from equity financings Note 6		3,212	54,409
Proceeds from exercise of warrants Note 6	1,245	1,951	33,715
Proceeds from exercise of stock options Note 6	17	293	1,957
Prepaid transaction costs Note 13	(278)		(2,119)
Net cash provided by financing activities	984	5,456	87,962
Net increase/(decrease) in cash and cash equivalents	(1,933)	2,966	46,091
Cash and cash equivalents, beginning of period	48,698	2,027	674
Cash and cash equivalents, end of period	\$ 46,765	\$ 4,993	\$ 46,765

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 March 31, 2007, and for the three-month period ended March 31, 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 12, 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 Instrument Disclosure and Presentation.

On January 1, 2007, the Corporation adopted CICA Handbook Sections 1530, Comprehensive Income and 3855, Financial Instruments Recognition and Measurement. The adoption of these new sections had no impact on the Corporation's 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, 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 the Financial Instruments section, 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.

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.

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. *Restricted cash*

The Corporation has pledged cash as collateral totalling \$5.4 million to the U.S. Bureau of Land Management, Nevada State Office, to cover increased reclamation cost estimates at the Hycroft mine (Note 10). During the quarter ended March 31, 2007, the Corporation earned interest of \$64,392 on the restricted cash account.

4

4. *Mineral properties*

<i>(U.S. dollars in thousands)</i>	2006 December 31, net balance	2007 Acquisition costs	Option payments	Exploration & land costs	Cost recovery	Write-offs	Year to date activity	March 31, ending balance
Maverick Springs, United States	\$ 1,471	\$	\$	\$	\$	\$	\$	\$ 1,471
Mountain View, United States	854			1			1	855
Long Valley, United States	641		250	4			254	895
Wildcat, United States	1,017							1,017
Hasbrouck and Three Hills, United States	386							386
Yellow Pine, United States	593			2			2	595
Paredones Amarillos, Mexico	3,218			88			88	3,306
Guadalupe de los Reyes, Mexico	1,249			4			4	1,253
Amayapampa, Bolivia	10,326							10,326
Awak Mas, Indonesia	2,590			86			86	2,676
F.W. Lewis, Inc. Properties, United States	2,968			3	(11)		(8)	2,960
Hycroft Royalty, United States	3,500							3,500
Mt. Todd, Australia	2,875			1,369			1,369	4,244
Other	61							61
	\$ 31,749	\$	\$ 250	\$ 1,557	\$ (11)	\$	\$ 1,796	\$ 33,545

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 March 31, 2007. The valuation of this asset is highly dependent on the sale to Luzon going ahead and on assumptions regarding the price of gold and Luzon shares in the future. As at March 31, 2007, the impairment analysis incorporated the following key assumptions:

- Gold prices per ounce 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.

5. *Plant and equipment*

<i>(U.S. dollars in thousands)</i>	March 31, 2007			December 31, 2006		
	Cost	Depreciation and Write-downs	Net	Cost	Depreciation and Write-downs	Net
Hycroft mine, United States	\$ 11,949	\$ 11,017	\$ 932	\$ 11,949	\$ 10,969	\$ 980
F.W. Lewis, Inc. Properties, United States	31	15	16	31	14	17

Edgar Filing: VISTA GOLD CORP - Form 10-Q

Awak Mas, Indonesia	101	32	69	96	25	71
Mt. Todd, Australia	280	17	263	30	2	28
Corporate, United States	441	399	42	429	395	34
	\$ 12,802	\$ 11,480	\$ 1,322	\$ 12,535	\$ 11,405	\$ 1,130

5

6. *Capital stock***Common Shares issued and outstanding**

	Number of shares issued	Capital stock (\$ 000 s)
As of December 31, 2006	31,674,623	\$ 215,618
Warrants exercised from February - March 2002 private placement Note 7	97,465	146
Warrants exercised from September 2005 private placement, cash Note 7	216,881	889
Warrants exercised from September 2005 private placement, fair value Note 7		401
Warrants exercised from February 2006 private placement Note 7	35,000	210
Exercise of stock options, cash Note 8	4,000	17
Exercise of stock options, fair value Note 8		11
Issued during the three months ended March 31, 2007	353,346	1,674
As of March 31, 2007	32,027,969	217,292

7. *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)
As of December 31, 2006	12,208,917	932	(10,323,320)	(333,163)	1,552,434	\$ 4.82		
Private placement February - March 2002			(97,465)		(97,465)	1.50	Feb - Mar-07	
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
As of March 31, 2007	12,208,917	531	(10,672,666)	(333,163)	1,203,088	\$ 5.74		

(1) Each warrant entitles the holder to purchase one common share

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

8. *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 the Black-Scholes option pricing model, using the following weighted average assumptions:

Edgar Filing: VISTA GOLD CORP - Form 10-Q

	March 2007	March 2006	
Expected volatility	N/A	60.0	%
Risk-free interest rate	N/A	4.76	%
Expected lives (years)	N/A	5	
Dividend yield	N/A	N/A	

6

Edgar Filing: VISTA GOLD CORP - Form 10-Q

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 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.

A summary of option activity under the Plan as of March 31, 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	\$ 2,649,186
Exercisable	March 31, 2007	817,143	\$ 4.50	2.05	\$ 2,649,186

A summary of the fair-value changes included in options within Shareholders' Equity as of March 31, 2007, and the quarter 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

The total number of options outstanding at the end of the quarter is 937,143 with exercise prices ranging from approximately \$1.96 to \$9.73 and remaining lives of 0.27 to 4.48 years. The total number of options outstanding represents 2.9% of issued capital.

Under the Plan, 10,000 stock options, vesting over a period of two years (5,000 in each year), were granted to an employee of the Corporation in March 2006. The weighted-average grant date fair value of the 10,000 options granted during the period ended March 31, 2006 was \$2.81. There were no options granted during the three months ended March 31, 2007.

During the three months ended March 31, 2007, 4,000 options were exercised with an aggregate intrinsic value of \$13,200. During the same period in 2006, 80,625 options were exercised with an aggregate intrinsic value of \$174,519

A summary of the status of the Corporation's unvested stock options as of March 31, 2007, and changes during the quarter 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

As of March 31, 2007, there was \$216,298 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 0.4 years.

9. *Accumulated other comprehensive income*

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

	Accumulated other comprehensive income (\$000 s)
As of December 31, 2006	\$
Adjustment for CICA 3855 adoption	532
Increases to fair market value during period	66
Decreases due to realization of gain	(215)
As of March 31, 2007	\$ 383

10. *Commitments and contingencies*

The Corporation is required to provide financial assurance of \$7.5 million in respect of reclamation and site closure obligations at the Hycroft mine. The Corporation has been requested to pledge collateral to provide this bonding (Note 3).

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. Substantially all related costs are incurred in the United States. The Corporation reported no revenues in the three-month period ended March 31, 2007, or for the same period in 2006. Geographic segmentation of mineral properties and plant and equipment is provided in Notes 4 and 5.

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

<i>(U.S. dollars in thousands, except share data)</i>	Three Months Ended March 31,		Cumulative during Exploration Stage
	2007	2006	
Net loss Canadian GAAP	\$ (776)	\$ (1,108)	\$ (19,975)
Exploration, property evaluation and holding costs (a)	(1,557)	(453)	(7,676)
Financing costs			(222)
Stock-based compensation expense (d)		(4)	1,142)
Beneficial conversion feature			(2,774)
Net loss U.S. GAAP	(2,333)	(1,565)	(29,505)
Unrealized gain/(loss) on marketable securities (b)	149	518	541
Comprehensive loss U.S. GAAP	\$ (2,184)	\$ (1,047)	\$ (28,964)
Basic and diluted loss per share U.S. GAAP	\$ (0.07)	\$ (0.05)	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

<i>(U.S. dollars in thousands)</i>	Three Months Ended March 31,		Cumulative during Exploration Stage
	2007	2006	
Cash flows from operating activities, Canadian GAAP	\$ (920)	\$ (1,041)	\$ (16,936)
Additions to mineral properties, net (a)	(1,557)	(453)	(7,676)
Cash flows from operating activities, U.S. GAAP	(2,477)	(1,494)	(24,612)
Cash flows from investing activities, Canadian GAAP	(1,997)	(1,449)	(24,935)
Additions to mineral properties, net (a)	1,557	453	7,676
Cash flows from investing activities, U.S. GAAP	(440)	(996)	(17,259)
Cash flows from financing activities, Canadian GAAP	984	5,456	87,962
Cash flows from financing activities, U.S. GAAP	984	5,456	87,962
Net increase/(decrease) in cash and cash equivalents	(1,933)	2,966	46,091
Cash and cash equivalents, beginning of period	48,698	2,027	674
Cash and cash equivalents, end of period	\$ 46,765	\$ 4,993	\$ 46,765

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

CONSOLIDATED BALANCE SHEETS UNAUDITED

	March 31, 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>(U.S. \$000 s)</i>						
Current assets (b)	\$ 49,617		\$ 49,617	\$ 50,643	\$ 541	\$ 51,184
Restricted cash	5,385		5,385	5,320		5,320
Property, plant and equipment (a)	39,004	(15,462)	23,542	36,768	(13,905)	22,863
Total assets	\$ 94,006	\$ (15,462)	\$ 78,544	\$ 92,731	\$ (13,364)	\$ 79,367
Current liabilities	1,168		1,168	893		893
Long term liabilities	4,708		4,708	4,711		4,711
Total liabilities	5,876		5,876	5,604		5,604
Capital stock (c,d)	217,292	75,782	293,074	215,618	75,793	291,411
Special warrants		222	222		222	222
Warrants and options (d)	2,893	(1,065)	1,828	3,171	(1,076)	2,095
Contributed surplus (c,d)	253	5,526	5,779	253	5,526	5,779
Other comprehensive income (b)	383		383		541	541
Deficit (a,b,c,d)	(132,691)	(95,927)	(228,618)	(131,915)	(94,370)	(226,285)
Total shareholders' equity	88,130	(15,462)	72,668	87,127	(13,364)	73,763
Total liabilities & shareholders' equity	\$ 94,006	\$ (15,462)	\$ 78,544	\$ 92,731	\$ (13,364)	\$ 79,367

13. *Related party transactions*

Maverick Springs

On June 9, 2003, the Corporation entered into an agreement granting Silver Standard Resources Inc. (SSRI) an option to acquire the Corporation's interest in the silver mineralized material hosted in the Maverick Springs project in Nevada. The Corporation and SSRI have a common director. Under the terms of the agreement, the Corporation will retain its 100% interest in the gold mineralized material, and SSRI was to pay the Corporation \$1.5 million over four years, of which \$949,823 was paid in 2003, \$428,481 in 2004 and \$144,285 in 2005, completing the \$1.5 million payment obligation. Accordingly, all costs incurred for Maverick Springs are now being shared by the two corporations on the following basis: the Corporation 45%/SSRI 55%. SSRI and the Corporation have formed a committee to jointly manage the exploration of the Maverick Springs project. The Corporation is the operator and has a 45% vote on the committee, and SSRI has a 55% vote.

Amayapampa

In December 2006, we announced that, subject to a number of conditions, we had agreed to loan up to \$200,000 by way of a 90-day term loan, bearing interest at a rate of 12% per annum, to Luzon for Luzon to pay down debts already incurred and ongoing expenses in connection with the Amayapampa Project and Luzon's Lipichi project, both located in Bolivia. The loan is to be secured by a general security agreement in favor of Vista.

In March 2007, we announced that, subject to receipt of all necessary regulatory and other approvals, we entered into a new agreement with Luzon Minerals Ltd. under which, Vista has granted to Luzon an exclusive option to purchase 90% of Vista's interest in the Amayapampa Project for a term of 18 months and subject to the exercise of the option to purchase, a right of first offer over Vista's remaining 10% interest. Luzon has agreed to complete a bankable feasibility study by September 14, 2007, and to arrange for 100% of the Project's financing required for the construction, development and commencement of commercial mining operations at the levels recommended in the feasibility study (including all working capital), by no later than September 14, 2008. Vista may extend the delivery deadline for the feasibility study for a further six months under certain circumstances and for further consideration of \$20,000 per month. Luzon will grant Vista a net smelter return royalty of 2.5% when gold is less than \$500 per ounce and 3.5% when gold is at or above \$500 per ounce. If the feasibility study indicates proven and probable reserves at the Amayapampa Project are greater than 685,252 ounces of gold, then the net smelter return royalties on production above 548,202 ounces of gold shall be reduced to 1.0% when gold is less than \$500 per ounce and 2.0% when the gold price is at or above \$500 per ounce.

Transfer of Nevada Assets and Concurrent Acquisition of Nevada Assets Held by Pescios

As previously reported, on September 22, 2006, the Corporation entered into an Arrangement and Merger Agreement (the Arrangement Agreement) with Carl Pescio, Janet Pescio and Allied Nevada Gold Corp. (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 into 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 was subject to a number of conditions, including receipt of all required securityholder, court, regulatory and third party approvals and certain other conditions.

As part of the transaction, the Corporation's shareholders will exchange each of their Vista Gold common shares and will receive, subject to applicable withholding taxes, (i) one new Vista Gold common share and (ii) a pro rata portion of (A) the number of common shares of Allied Nevada (Allied Nevada Shares) received by the Corporation as part of the Arrangement less (B) the number of Allied Nevada Shares retained by the Corporation to facilitate payment of any taxes payable in respect of the Arrangement. Holders of options to acquire Vista Gold common shares will exchange their options for options to acquire Allied Nevada Shares and options to acquire newly created Vista Gold shares, and holders of warrants of Vista Gold will have their warrants adjusted in accordance with the terms of the warrants. In November 2006, the Corporation received the securityholder and court approvals required as conditions for completion of the transaction. In April 2007, the Corporation announced completion of the registration of Allied Nevada's common shares under the United States Securities Exchange Act of 1934. The closing of the transaction occurred on May 10, 2007. See Note 14.

Prior to the completion of the transaction, the immediate cash needs of Allied Nevada were met by loans from the Corporation pursuant to the Arrangement Agreement, which provides that, prior to the date of completion, the Corporation may loan money to the Corporation's wholly-owned subsidiary, Vista Gold Holdings, Inc. (Vista U.S.), which will hold the Corporation's Nevada-based mining properties and related assets immediately prior to their transfer to Allied Nevada, in amounts sufficient to undertake certain activities for the benefit of the business Allied Nevada will operate after the completion of the transaction, including purchase of mineral properties or property interests, payment of amounts necessary to secure the services of a Chief Executive Officer, and purchase of office equipment, software and other miscellaneous items to enable Allied Nevada to commence operations immediately after the completion of the transaction. These loans bear interest at the rate of 6% per annum and all principal and interest owing by Vista U.S. to the Corporation in respect of such loans are to be paid in full at the time of completion on behalf of Vista U.S. As of March 31, 2007 this loan amount was \$599,567 which included interest of \$10,275.

14. *Subsequent events*

Edgar Filing: VISTA GOLD CORP - Form 10-Q

The previously announced Arrangement involving the Corporation, Allied Nevada and the Pescios closed on May 10, 2007. The transaction resulted in the acquisition by Allied Nevada of the Corporation's Nevada properties and the Nevada mineral assets of Carl and Janet Pescio. Of the 38,933,055 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. Of the 26,933,055 Allied Nevada Shares issued to the Corporation, 25,403,207 shares will be available for distribution to shareholders of Vista, subject to applicable withholding taxes (as described in the management information and proxy circular of the Corporation dated October 11, 2006) and after the Corporation retains approximately 1.5 million shares to facilitate the payment of any taxes payable by the Corporation in respect of the Arrangement. Accordingly, for each existing share of the Corporation that a shareholder owned immediately prior to the effective time of the Arrangement, they will receive, subject to applicable withholding taxes (a) one new share of the Corporation, (b) 0.794 of an Allied Nevada Share, and (c) any payment they are entitled to receive in lieu of a fractional share of Allied Nevada. 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.

At March 31, 2007, the Corporation's working capital was \$48.4 million. Following the Corporation's transfer of \$25 million in cash to Allied Nevada in connection with the closing of the Arrangement, the Corporation's working capital is now approximately \$23 million (of which approximately \$20 million is cash).

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

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

Management's Discussion and Analysis (MD&A) of the consolidated operating results and financial condition of Vista Gold Corp. for the three months ended March 31, 2007 has been prepared based on information available to us as of May 10, 2007. 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 March 31, 2007, was \$776,000 or \$0.02 per share compared to a consolidated net loss of \$1,108,000 or \$0.05 per share for the same period in 2006. The decrease in the consolidated net loss of \$332,000 from the prior year is largely due to an increase in interest income of \$568,000 as well as increased gains on the disposal of marketable securities of \$163,000. These increases in income were partly offset by increases in exploration, property evaluation and holding costs of \$78,000, corporate administration and investor relations costs of \$216,000 and stock-based compensation costs of \$100,000.

Exploration, property and holding costs

Exploration, property and holding costs increased to \$533,000 during the three-month period ended March 31, 2007, as compared with \$455,000 for the same period in 2006. The principal variances from the comparative period in 2006 are as follows:

- An increase in general business development costs of \$14,000;
- An increase in holding costs for the Paredones Amarillos Project of \$68,000;
- An increase in holding costs at the Amayapampa mine of \$25,000;
- An increase in holding costs at the Mt. Todd mine of \$34,000. We did not own the Mt. Todd mine during the first quarter of 2006;
- An increase in holding costs for the Awak Mas Project of \$39,000;
- A decrease in costs for the F.W. Lewis, Inc. properties of \$12,000; and
- A decrease in holding costs at the Hycroft mine of \$90,000.

Corporate administration and investor relations

Corporate administration and investor relations costs increased to \$894,000 during the three-month period ended March 31, 2007, compared to \$678,000 for the same period in 2006. The increase of \$216,000 is primarily due to the following:

- An increase of \$97,000 for labor costs reflecting higher employee benefit costs and an additional employee;

- An increase of \$64,000 for fees paid to an outside consultant to assist with our compliance with internal control over financial reporting and related requirements under Section 404 of the Sarbanes-Oxley Act of 2002; and
- An increase of \$55,000 for audit and tax compliance fees related to the year end audit.

Depreciation and amortization

Depreciation and amortization expense increased to \$75,000 during the three-month period ended March 31, 2007, compared to \$55,000 for the same period in 2006. The increase of \$20,000 is mostly due to capital expenditures at the Mt. Todd gold mine during the first quarter of 2007 that have begun to be depreciated. We did not own the Mt. Todd mine during the first quarter of 2006.

Stock-based compensation

Stock-based compensation increased to \$134,000 for the three-month period ended March 31, 2007, compared to \$34,000 for the same period in 2006. The entire increase of \$100,000 is due to the compensation expense associated with prior year stock option grants.

Other income and expense

Gain on disposal of marketable securities

For the three-month period ended March 31, 2007, we realized a gain of \$202,000 on the disposal of marketable securities, compared to \$39,000 for the same period in 2006. The gain resulted from the sale of securities that had a book value of \$16,327.

At March 31, 2007, we held marketable securities available for sale with a quoted market value of \$1,241,759. 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.

Interest income

During the three months ended March 31, 2007 we realized \$660,000 in interest income as compared to \$92,000 for the same period in 2006. The increase of \$568,000 is primarily attributable to an increase in interest earned on our liquid savings account of \$555,000 and an increase in interest earned on the Hycroft mine restricted cash account of \$10,000 as compared to the same period in 2006. The increase 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 2006. The increase in interest earned on the Hycroft mine restricted cash account is due to higher interest rates during the first three months of 2007 as compared to 2006.

Financial Position, Liquidity and Capital Resources

Cash used in operations

Cash used in operations was \$920,000 for the three-month period ended March 31, 2007, compared to \$1,041,000 for the same period in 2006. The decrease of \$121,000 is the result of an increase in cash used for accounts receivable of \$337,000, an increase in supplies inventory, prepaids and other of \$134,000 and an aggregate decrease of non-cash items of \$111,000, partially offset by a decrease in accounts payable and accrued liabilities of \$371,000 and a decrease in the consolidated net loss of \$332,000.

Investing activities

Net cash used for investing activities increased to \$2.0 million for the three-month period ended March 31, 2007, from \$1.4 million for the same period in 2006. The increase of \$0.6 million is mostly the result of an increase in the additions to mineral properties of \$1.4 million of which is mostly the result of a drilling program we are undertaking at the Mt. Todd gold mine, which was acquired during 2006. This increase is partially offset by a decrease of \$1.0 million in acquisitions of mineral properties. This represents the funds that Vista Gold placed in escrow during the 2006 period in connection with our acquisition of the Mt. Todd gold mine, which was completed in June 2006. There were no comparable expenditures related to acquisitions during the 2007 period.

Financing activities

Net cash provided by financing activities decreased to \$1.0 million for the three-month period ended March 31, 2007, from \$5.5 million for the same period in 2006.

Warrants exercised during the period ended March 31, 2007 produced cash proceeds of \$1.2 million as compared to \$2.0 million for the same period in 2006.

Stock option exercises produced cash of \$17,000 during the period ended March 31, 2007 as compared to \$293,000 for the same period in 2006.

In February 2006, we completed a private placement financing consisting of 649,684 equity units, each priced at \$5.05. Each equity unit consisted of one common share and one warrant. Gross proceeds of \$3.28 million were offset by legal fees and costs to register the shares of \$69,147, for net proceeds of \$3.21 million. There were no comparable transactions during the 2007 period.

The increase of \$0.3 million for prepaid transaction costs for the period ended March 31, 2007 as compared to the same period in 2006 is due to costs incurred in connection with the proposed Arrangement (see Other Status of Proposed Transfer of Nevada Assets and Concurrent Acquisition of Nevada Assets Held by Pescios). Once the Arrangement is completed, these costs will offset any gain that we realize.

Liquidity and Capital Resources

At March 31, 2007, our total assets were \$94.0 million compared to \$92.7 million at December 31, 2006, representing an increase of \$1.3 million. At March 31, 2007, we had working capital of \$48.4 million compared to \$49.8 million at December 31, 2006, representing a decrease of \$1.4 million. This decrease relates to a decrease in cash balances from year end and an increase in liabilities.

The principal component of working capital at both March 31, 2007 and December 31, 2006, is cash and cash equivalents of \$46.8 million and \$48.7 million, respectively. Other components include supplies inventory, prepaids and other (March 31, 2007 \$510,000; December 31, 2006 \$381,000), marketable securities (March 31, 2007 \$1,242,000; December 31, 2006 \$791,000) and other liquid assets (March 31, 2007 \$1,100,000; December 31, 2006 \$773,000). At March 31, 2007, we had no outstanding debt to banks or financial institutions.

Of our current working capital, we anticipate investing \$25 million in common stock of Allied Nevada in connection with the proposed Arrangement (see Other Transfer of Nevada Assets and Concurrent Acquisition of Nevada Assets Held by Pescios). Allied Nevada will use \$15 million of this investment as partial consideration for the purchase of the Pescios Nevada mineral assets. Major cash commitments for the remainder of 2007 are related to corporate administration and operations of approximately \$2.0 million, and property options and expenditure commitments of approximately \$0.4 million. For the first three months of 2006, our cash expenditures aggregated \$0.4 million.

Other

Transfer of Nevada Assets and Concurrent Acquisition of Nevada Assets Held by Pescios

As previously reported, on September 22, 2006, we 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 our Nevada-based mining properties and related assets into 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 was subject to a number of conditions, including receipt of all required securityholder, court, regulatory and third party approvals and certain other conditions.

As part of the transaction, Vista Gold shareholders will exchange each of their Vista Gold common shares and will receive, subject to applicable withholding taxes, (i) one new Vista Gold common share and (ii) a pro rata portion of (A) the number of common shares of Allied Nevada (Allied Nevada Shares) received by Vista Gold 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. Holders of options to acquire Vista Gold common shares will exchange their options for options to acquire Allied Nevada Shares and options to acquire newly created Vista Gold shares, and holders of Vista Gold warrants will have their warrants adjusted in accordance with the terms of the warrants. In November 2006, we received the securityholder and court approvals required as conditions for completion of the transaction. In April 2007, the Corporation announced completion of the registration of Allied Nevada's common shares under the United States Securities Exchange Act of 1934. The closing of the transaction occurred on May 10, 2007. See Subsequent Events below.

Prior to the completion of the transaction, the immediate cash needs of Allied Nevada were met by loans from Vista Gold pursuant to the Arrangement Agreement, which provides that, prior to the date of completion, we may loan money to our wholly-owned subsidiary, Vista Gold Holdings, Inc. (Vista U.S.), which will hold our Nevada-based mining properties and related assets immediately prior to their transfer to Allied Nevada, in amounts sufficient to undertake certain activities for the benefit of the business Allied Nevada will operate after the completion of the transaction, including purchase of mineral properties or property interests, payment of amounts necessary to secure the services of a Chief Executive Officer, and purchase of office equipment, software and other miscellaneous items to enable Allied Nevada to commence operations immediately after the completion of the transaction. These loans bear interest at the rate of 6% per annum and all principal and interest owing by Vista U.S. to us in respect of such loans are to be paid in full at the time of completion on behalf of Vista U.S. As of March 31, 2007 this loan amount was \$599,567 which included interest of \$10,275.

Subsequent Events

The previously announced Arrangement involving the Vista Gold, Allied Nevada and the Pescios closed on May 10, 2007. The transaction resulted in the acquisition by Allied Nevada of our Nevada properties and the Nevada mineral assets of Carl and Janet Pescio. Of the 38,933,055 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 us in accordance with the Arrangement. Of the 26,933,055 Allied Nevada Shares issued to us, 25,403,207 shares will be available for distribution to our shareholders, subject to applicable withholding taxes (as described in the management information and proxy circular of Vista Gold dated October 11, 2006) and after we retain approximately 1.5 million shares to facilitate the payment of any taxes payable by us in respect of the Arrangement. Accordingly, for each existing share of Vista Gold that a shareholder owned immediately prior to the effective time of the Arrangement, they will receive, subject to applicable withholding taxes (a) one new share of Vista Gold, (b) 0.794 of an Allied Nevada Share, and (c) any payment they are entitled to receive in lieu of a fractional share of Allied Nevada. The new common shares of Vista Gold and the Allied Nevada Shares began trading on May 10, 2007, on the Toronto Stock Exchange and the American Stock Exchange.

At March 31, 2007, our working capital was \$48.4 million. Following our transfer of \$25 million in cash to Allied Nevada in connection with the closing of the Arrangement, our working capital is now approximately \$23 million (of which approximately \$20 million is cash).

Changes in Accounting Policies

On January 1, 2007, we adopted CICA Handbook Sections 1530, Comprehensive Income, 3855, Financial Instruments Recognition and Measurement 3861, Financial Instrument 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 \$531,743.

Edgar Filing: VISTA GOLD CORP - Form 10-Q

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

16

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, 2005, 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 amount 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.

20

Uncertainty of 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, that are intended to be covered by the safe harbor created by such sections. All statements, other than statements of historical facts, included in this document, our other filings with the SEC 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, future business strategy, competitive strengths, goals, expansion and growth of our business, legal proceedings, estimated production, estimated completion dates, estimated exploration expenditures, operations, proven or probable reserves, mineralized material, current working capital, cash operating costs, plans and other such matters, as well as statements made concerning plans and anticipated effects of the transfer of our Nevada-based mining properties and related assets into Allied Nevada and the Pescios transfer to Allied Nevada of their interests in certain Nevada-based mining properties and related assets (see Other Transfer of Nevada Assets and Concurrent Acquisition of Nevada Assets Held by Pescios, 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 the market price of our common shares could decrease following the Arrangement, and 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. 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 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. 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 our Annual Report on Form 10-K for the year ended December 31, 2006, under Part I Item 1A. Risk Factors. The foregoing section of our 2006 Form 10-K is incorporated in this filing and investors should refer to it. 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 \$662 at March 31, 2007 and \$684 at April 25, 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) as of March 31, 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. There has been no change in the Corporation's internal control over financial reporting during the quarter ended March 31, 2007, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

22

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please see Part I Item 3. Legal Proceedings as included in our Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Risk Factors section of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.

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.

23

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*

24

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: May 10, 2007

By:

/s/ Michael B. Richings
Michael B. Richings
President and Chief Executive Officer

Date: May 10, 2007

By:

/s/ Gregory G. Marlier
Gregory G. Marlier
Chief Financial Officer

25
