FIRSTGOLD CORP.
Form 10-Q
September 22, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JULY 31, 2008

Commission File Number 0-20722

FIRSTGOLD CORP.
(Exact name of small business issuer as specified in its charter)

DELAWARE (State of other jurisdiction of incorporation or organization)	16-1400479 (I.R.S. Employer Identification Number)
3108 Ponte Morino Drive, Suite 210 Cameron Park, CA (Address of Principal Executive Offices)	95682 Zip Code
Issuer's telephone number:	(530) 677-5974

Indicate by check mark whether the issuer (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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES X NO _____

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act)

YES _____ NO X

Common stock, $0.001 par value, of which 130,845,543 were issued and outstanding as of August 29, 2008.

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer _____	Accelerated filer _____
Non-accelerated filer _____	Smaller reporting company X

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRSTGOLD CORP.
INDEX TO UNAUDITED FINANCIAL STATEMENTS

FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	July 31 2008 (unaudited)	January 31, 2008
ASSETS		
Current assets:		
Cash	$ 114,765	$ 383,223
Receivables	146,211	196,811
Deposits	259,769	295,281
Prepaid expense	268,974	242,577
Inventory	208,026	7,721
Total current assets	997,745	1,125,613
Property, plant and equipment, net of accumulated depreciation of $443,670 and $205,084 at July 31 and January 31, 2008, respectively	11,513,110	8,438,997
Other Assets		
Restricted cash	687,064	674,850
Deferred reclamation costs	680,326	680,326
Total other assets	1,367,390	1,355,176
Total assets	$ 13,878,245	$ 10,919,786
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 2,171,920	$ 2,730,596
Accrued expenses	635,931	538,987
Notes payable	1,420,945	163,726
Total current liabilities	4,228,796	3,433,309
Long-term liabilities		
Convertible debenture net of deferred financing costs of $165,567 and $148,480 at July 31 and January 31, 2008, respectively	563,396	694,211
Accrued reclamation costs	680,326	680,326
Deferred revenue	800,000	937,650
Total long-term liabilities	2,043,722	2,312,187
Total liabilities	6,272,518	5,745,496

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FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	July 31, 2008 (unaudited)	January 31, 2008
Commitments and contingencies		
Shareholders' surplus (deficit)		
Common stock, $0.001 par value		
250,000,000 shares authorized at January 31, 2008 and 2007, respectively		
130,845,543 and 117,432,317 shares issued and outstanding at		
July 31 and January 31, 2008, respectively	130,845	117,432
Additional paid in capital	44,313,628	36,447,996
Deficit accumulated during the exploration stage	(36,838,746)	(31,391,142)
Total shareholders' surplus	7,605,727	5,174,290
Total liabilities and shareholders' surplus	$ 13,878,245	$ 10,919,786

FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
For the Six and Three Months Ended July 31, 2008 and 2007
and for the Period from January 1, 1995 to July 31, 2008

	For the Six Months Ended July 31, 2008	For the Six Months Ended July 31, 2007	For the Three Months Ended July 31, 2008	For the Three Months Ended July 31, 2007	For the Period From January 1, 1995 to July 31, 2008
Net Sales	$ 645,360	$ -	$ 369,567	$ -	$ 1,196,639
Exploration and maintenance costs	3,013,513	463,815	1,622,102	337,134	7,102,865
Gross loss	(2,368,153)	(463,815)	(1,252,535)	(337,134	(5,906,226)
Operating expenses	(2,968,926)	(2,211,602)	(1,497,520)	(1,225,917)	(24,551,900)
Loss from operations	(5,337,079)	(2,675,417)	(2,750,055)	(1,563,051)	(30,458,129)
Other (expense)					
Interest income	22,532	83,306	1,469	77,340	301,203
Dividend income					30,188
Gain on settlement of obligations	22,851		22,851		1,149,375
Other income					6,565
Adjustments to fair value of derivatives	-	(703,992)	-	919,263	(1,357,903)
Interest expense	(155,910)	(523,539)	(121,305)	(275,580)	(4,031,366)
Loss from joint venture					(859,522)
Loss on sale of marketable securities					(281,063)
Bad debt expense					(40,374)
Loss on disposal of plant, property and equipment					(334,927)
Loss on disposal of bond					(21,000)
Total other income (expense)	(110,527)	(1,144,225)	(96,985)	(721,023)	(5,438,824)
Net loss	$ (5,447,606)	$ (3,819,642)	$ (2,847,040)	$ (842,028)	$ (35,896,953)
Basic and diluted loss per share	$ (0.04)	$ (0.04)	$ (0.02)	$ (0.01)	

Basic and diluted weighted-average shares outstanding	128,079,528	87,133,248	130,729,904	93,940,374

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FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
For the Six Months Ended July 31, 2008 and 2007
and for the Period from January 1, 1995 to July 31, 2008

	For the Six Months Ended July 31, 2008	For the Six Months Ended July 31, 2007	For the Period From January 1, 1995 to July 31, 2008
Cash flows from operating activities			
Net loss	$ (5,447,606)	$ (3,819,642)	$ (33,044,661)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of warrants issued as a debt discount	21,461	21,461	1,341,606
Accretion of beneficial conversion	-	-	107,468
Accretion of debt discount	-	119,919	531,110
Adjustments to fair value of derivatives	-	703,992	1,357,904
Loss from joint venture	-	-	859,522
Loss on sale of marketable securities	-	-	281,063
Depreciation and amortization	246,069	111,213	509,399
Loss on disposal of property, plant and equipment	-	-	334,927
Impairment in value of property, plant and equipment	-	-	807,266
Loss on disposal of bond	-	-	21,000
Impairment in value of Relief Canyon Mine	-	-	3,311,672
Impairment in value of joint investments	-	-	490,000
Bad debt	-	-	40,374
Assigned value of stock and warrants exchanged for services	-	358,062	2,108,452
Assigned value of stock options issue for compensation	116,639	55,039	895,864
Gain on write off of note payable	-	-	(7,000)
Judgment loss accrued	-	-	250,000
(Increase) decrease in:			
Restricted cash	(12,214)	(423,869)	(674,850)
Receivables	50,600	100,000	(54,383)
Deposits	35,512	(100,000)	(94,468)
Deferred reclamation costs	-	-	214,848
Prepaid expenses	(26,397)	6,360	(284,909)
Inventory	(200,305)	-	(289,362)
Reclamation bonds	-	-	185,000
Other assets	-	-	(1,600)
Increase (decrease) in:			
Accounts payable	(558,676)	(133,812)	517,662

Accrued expenses	96,944	70,730	1,063,320
Net cash used by operating activities	(5,677,973)	(2,662,923)	(19,160,132)
Cash flows from investing activities			
Proceeds from sale of marketable securities	-	-	34,124
Investment in marketable securities	-	-	(315,188)
Advances from shareholder	-	-	7,436
Contribution from joint venture partner	-	-	775,000
Purchase of joint venture partner interest	-	-	(900,000)
Capital expenditures	(3,312,699)	(965,185)	(13,966,483)
Proceeds from disposal of property, plant and equipment	-	-	278,783
Investments in joint ventures	-	-	(490,000)
Note receivable	-	-	(268,333)
Repayment of note receivable	-	-	268,333
Net cash used by investing activities	(3,312,699)	(965,185)	(14,576,328)
Cash flows from financing activities			
Proceeds from the issuance of common stock	7,621,515	10,992,988	28,258,782
Proceeds from notes payable	1,405,966	960,000	8,646,733
Principal repayments of notes payable	(167,617)	(8,757)	(2,631,443)
Repayment of advances to affiliate	-	-	(231,663)
Deferred revenue	(137,650)	-	800,000
Net cash provided by financing activities	8,722,214	11,944,231	34,842,409
Net increase in cash	(268,458)	8,316,123	1,175,307
Cash, beginning of year	383,223	150,647	6,687
Cash, end of year	$ 114,765	$ 8,466,770	$ 1,168,620

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FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
For the Six Months Ended July 31, 2008 and 2007
and for the Period from January 1, 1995 to July 31, 2008

Supplemental cash flow information for the three months ended July 31, 2008 and 2007 and January 1, 1995 through April 30, 2008 as follows:

	For the Six Months Ended July 31, 2008		For the Six Months Ended July 31, 2007		For the Period From January 1, 1995 to July 31, 2008
Cash paid for interest	$	-	$	-	$ 161,107
Cash paid for income taxes	$	-	$	-	$ -
Non Cash Investing and Financing Activities:					
Conversion of related party note payable to common stock, including interest payable of $446,193	$	-	$	-	$ 2,093,573
Conversion of convertible debentures to common stock, including interest of $217,151	$	-	$	450,000	$ 4,359,609
Issuance of warrants as financing costs in connection with convertible debt	$	-	$	-	$ 2,093,573
Issuance of common stock as payment for settlement of liabilities	$	63,999	$	-	$ 2,093,573

FIRSTGOLD CORP.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended July 31, 2008

NOTE 1 - ORGANIZATION AND LINE OF BUSINESS

Firstgold Corp. has been in the business of acquiring, exploring, developing, and producing gold properties. Firstgold had rights to mine properties in Nevada and Montana. Its primary focus was on the Relief Canyon mine located near Lovelock, Nevada, where it has performed development and exploratory drilling and was in the process of obtaining permits to allow operation of the Relief Canyon Mine. In December 1997, Firstgold placed the Relief Canyon Mine on care and maintenance status. From mid-2001 until the beginning of 2003 Firstgold was essentially inactive, only continuing with some of the care and maintenance at Relief Canyon, as provided for by a non-affiliate company owned by the Chief Operating Officer of Firstgold.

Firstgold has embarked on a business strategy whereby it will invest in and/or manage the exploration of gold and other mineral producing properties. Currently, Firstgold's principal assets include various mineral leases associated with the Relief Canyon mine located near Lovelock, Nevada along with various items of mining equipment located at that site. Firstgold's business will be to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada. Firstgold plans to carryout comprehensive exploration and development programs on its properties. Firstgold plans to conduct these activities itself, although some activities may be outsourced. Consequently, Firstgold's current plan will require the hiring of significant amounts of mining employees to carry out its future mining and current exploration activities.

NOTE 2 - GOING CONCERN

These financial statements have been prepared on a going concern basis. During the years ended January 31, 2008 and 2007 and the period from January 1, 1995 to January 31, 2008, Firstgold incurred net losses of approximately $7,632,537, $4,728,070, and $30,449,347, respectively. In addition, Firstgold has been in the exploration stage since inception and through July 31, 2008. Information for the six months ended July 31, 2008 include a net loss of $5,447,606, negative cash flows from operations of $5,677,973 and a deficit accumulated during the exploration stage of $36,638,746. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, the Company has satisfied its capital needs by issuing equity and debt securities.

Management plans to continue to provide for its capital needs during the year ending January 31, 2009 by issuing equity securities or incurring additional debt financing, with the proceeds to be used to re-establish mining operations at Relief Canyon as well as improve its working capital position. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should Firstgold be unable to continue as a going concern.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or

omitted pursuant to these rules and regulations. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Firstgold's Form 10-KSB, as filed with the SEC for the year ended January 31, 2008.

Exploration Stage Company

Effective January 1, 1995 (date of inception), the Company is considered a development stage Company as defined in SFAS No. 7. The Company's development stage activities consist of the development of several mining properties located in Nevada. Sources of financing for these development stage activities have been primarily debt and equity financing. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Firstgold considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash
Restricted cash represents a certificate of deposit with Umpqua Bank to serve as collateral for a reclamation bond with the Nevada Department of Environmental Protection at the Relief Canyon Mine.

Deferred Reclamation Costs
In August 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 143, “Accounting for Asset Retirement Obligations,” which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was adopted February 1, 2003. The reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the UOP method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management’s best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines were reflected in earnings in the period an estimate was revised.

Valuation of Derivative Instruments
FAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" requires bifurcation of embedded derivative instruments and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black Scholes model as a valuation technique. Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as Adjustments to Fair Value of Derivatives. In addition, the fair values of freestanding derivative instruments such as warrants are valued using Black Scholes models.

Revenue Recognition
Revenues will be recognized when deliveries of gold are made, title and risk of loss passes to the buyer and collectibility is reasonably assured. Deferred revenue represents non-refundable cash received in exchange for royalties on net smelter returns on the Relief Canyon Mine. Deferred revenue will be amortized to earnings based on estimated production in accordance with the royalty agreement.

Risks Associated with Gold Mining
The business of gold mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. Prior to suspending operations, Firstgold carried insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While Firstgold maintained insurance consistent with industry practice, it is not possible to insure against all risks associated with the mining business, or prudent to assume that insurance will continue to be available at a reasonable cost. Firstgold has not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. Firstgold currently carries no insurance on any of its properties due to the current status of the mine and Firstgold’s current financial condition.

Comprehensive Income
Firstgold utilizes SFAS No. 130, “Reporting Comprehensive Income.” This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on available-for-sale marketable securities. Comprehensive income is presented in Firstgold's financial statements since Firstgold did have unrealized gain (loss) from changes in equity from available-for-sale marketable securities.

Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Loss Per Share
Firstgold utilizes SFAS No. 128, “Earnings per Share.” Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

The following common stock equivalents were excluded from the calculation of diluted loss per share since their effect would have been anti-dilutive:

	2008	2007
Warrants	49,332,841	39,183,820
Stock options	5,751,038	3,825,000

Recent Accounting Pronouncements
In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). Under the provisions of SFAS 159, Companies may choose to account for eligible financial instruments, warranties and insurance contracts at fair value on a contract-by-contract basis. Changes in fair value will be recognized in earnings each reporting period. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. The Company is currently assessing the impact of the adoption of SFAS 159.

In December 2007, the FASB released FAS 141R, "Business Combinations" and FAS 160, "Non-controlling Interests in Consolidated Financial Statements." Both standards will be effective for transactions that occur after January 1, 2009. FAS 141R applies to all business combinations and will require the acquiring entity to recognize the assets and liabilities acquired at their respective fair value. This standard changes the accounting for business combinations in several areas. If we complete an acquisition after the effective date of FAS 141R, some of these changes could result in increased volatility in our results of operations and financial position. For example, transaction costs, which are currently capitalized in a business combination, will be expensed as incurred. Additionally, pre-acquisition contingencies (such as in-process lawsuits acquired) and contingent consideration (such as additional consideration contingent on specified events in the future) will be recorded at fair value at the acquisition date, with subsequent changes in fair value reflected in our results of operations. Under current accounting guidance, adjustments to these contingencies are reflected in the allocation of purchase price if they occur within a certain period of time after the acquisition date.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment was recorded at $11,956,780 and $1,914,064 at July 31, 2008 and 2007, respectively. Depreciation expense was $443,670 and $55,735 for the six months ended July 31, 2008 and 2007, respectively

NOTE 5 - NOTES PAYABLE

Notes payable consist of the following at July 31, 2008:

Note payable	$	250,000
The note bears interest at 12% and is due January 2009. The note along with the Convertible Debenture issued in May 2008 (see Note 6 below) is secured by all property of Firstgold.		
Equipment notes payable		60,298
The first note does not bear any interest and is due in December 2010. The second note bears interest at 8.6% and is due June 2011. The loans are secured by a Caterpillar loader and backhoe.		
Insurance premium note payable		55,966

The note bears interest at 5.6%, is payable in monthly installments of $6,218 and is due February 2009.		
Total notes payable	$	116,264

Firstgold recorded interest expense of $121,305 and $155,910 for the three months and six months ended July 31, 2008 compared to interest expense of $275,580 and $523,539 for the three months and six months ended July 31, 2007.

NOTE 6 – CONVERTIBLE DEBENTURES

September 2006 Convertible Debenture
In September 2006, Firstgold entered into a Securities Purchase Agreement (the “Purchase Agreement”) and other agreements, as amended on November 1, 2006, in connection with the private placement of convertible debentures, in the aggregate principal amount of $3,000,000 and bearing interest at 8% per annum (the “Debenture”). The Debentures were funded $1,000,000 on September 26, 2006, $1,000,000 upon the filing of a resale registration statement with the SEC on December 1, 2006 and $1,000,000 on March 15, 2007. Of the $1,000,000 funded on September 26, 2006, $120,000 was paid for various loan fees and closing costs; of the $1,000,000 funded December 1, 2006, $90,000 was paid for various loan fees and closing costs; and of the $1,000,000 funded March 19, 2007, $90,000 was paid for various loan fees and closing costs.

The Debentures were due and payable three years after the issue date unless converted into shares of common stock or repaid prior to its expiration date. The conversion rate was adjustable and at any conversion date, would be the lower of $0.45 per share or 95% of the Market Conversion Price. On July 13, 2007 $450,000 of the Debenture dated March 15, 2007 was converted into 1,000,000 shares of common stock. On September 13, 2007 the $1,000,000 Debenture dated September 26, 2006 was converted into 2,222,222 shares of common stock. On October 12, 2007 $450,000 of the Debenture dated December 1, 2006 was converted into 1,000,000 shares of common stock. On October 16, 2007 $450,000 of the Debenture dated December 1, 2006 was converted into 1,000,000 shares of common stock. On October 30, 2007 1,444,444 shares of common stock were issued in conversion of the remaining $650,000 in principal of outstanding Secured Convertible Debentures. An additional 413,784 shares of common stock was issued in conversion of $186,203 of accrued interest on the Secured Convertible Debentures.

October 2006 Convertible Debentures

In October 2006, Firstgold issued convertible debentures in the aggregate principal amount of $650,000 and bearing interest of 8% per annum. The Debentures and accrued interest are convertible into shares of Firstgold common stock at a conversion rate of $0.405 per share. The Debentures are due and payable three years from the date of issue unless they are converted into shares of the Company's common stock or are repaid prior to their expiration date. Additionally, the investors were issued warrants to purchase an aggregate of 746,843 shares of Firstgold common stock exercisable at $0.45 per warrant. The warrants were issued as financing costs and total deferred financing cost of $173,114 was recorded in relation to this debt.

May 2008 Convertible Debenture

In May 2008, Firstgold issued a convertible debenture in the principal amount of $1,100,000 and bearing interest of 10% per annum. The Debentures and accrued interest are convertible into shares of Firstgold common stock at a conversion rate of $0.80 per share. The Debentures are due and payable 20 months from the date of issue unless they are converted into shares of the Company's common stock or are repaid prior to their expiration date. Additionally, the investor was issued warrants to purchase an aggregate of 1,100,000 shares of Firstgold common stock exercisable at $1.00 per warrant. The warrants were issued as financing costs and total deferred financing cost of $296,102 was recorded in relation to this debt. The May 2008 Convertible Debenture along with the $250,000 Note Payable in Note 5 above is secured by all property of Firstgold.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Except for the advance royalty and rent payments noted below, Firstgold is not obligated under any capital leases or non-cancelable operating lease with initial or remaining lease terms in excess of one year as of July 31, 2008. However, minimum annual royalty payments are required to retain the lease rights to Firstgold's properties.

Relief Canyon Mine

Our mining property rights are represented by 141 unpatented mill site and mining lode claims which were re-staked in October 2004 and June 2006. Unpatented mining claims are generally considered subject to greater title risks than patented mining claims or real property interests that are owned in fee simple. To remain valid, such unpatented claims are subject to annual maintenance fees. As of July 31, 2008, we were current in the payment of such maintenance fees.

During 1996, Repadre Capital Corporation ("Repadre") purchased for $500,000 a net smelter return royalty (Repadre Royalty). Repadre was to receive a 1.5% royalty from production at each of the Relief Canyon Mine and Mission Mines. In July 1997, an additional $300,000 was paid by Repadre for an additional 1% royalty from the Relief Canyon Mine. In October, 1997, when the Mission Mine lease was terminated, Repadre exercised its option to transfer the Repadre Royalty solely to the Relief Canyon Mine resulting in a total 4% royalty. The total amount received of $800,000 has been recorded as deferred revenue in the accompanying financial statements.

On February 8, 2007, a complaint was filed against ASDi, LLC, Crescent Red Caps LLC, Firstgold, and Scott Dockter by the Lessors of the Crescent Valley and Red Caps mining properties. The complaint was filed in the Sixth Judicial District Court of Lander County, Nevada (Case No. 9661). In the complaint the plaintiffs allege that ASDi, LLC wrongfully assigned its lessee rights in the Crescent Valley and Red Caps mining properties to Crescent Red Caps LLC (of which Firstgold is the Managing Member).

In late March, 2008 the parties reached a settlement agreement and the case was dismissed by the Court on April 4, 2008. As a result of the Settlement, Firstgold paid $150,000 to Plaintiffs and Firstgold, ASDi LLC and Crescent Red Caps LLC relinquished all right, title and interest in the Red Caps and Crescent Valley leases to the Plaintiffs. Consequently, Firstgold no longer has any interest in these leases and will not pursue any further exploration activity on such leased property.

On September 24, 2007, a complaint was served on Firstgold by Swartz Private Equity, LLC. The complaint was filed in the District Court for the Western District of New York (Case No. 07CV6447). In the complaint, plaintiff alleges that pursuant to an Investment Agreement dated October 4, 2000, and entered into with Firstgold's former management, it is entitled to the exercise of certain warrants in the amount of 1,911,106 shares of Firstgold common stock or the equivalent cash value of $0.69 per share and a termination fee of $200,000. Firstgold filed an answer to the complaint on December 3, 2007 and expects to vigorously defend this action. The lawsuit is now in the discovery phase.

On January 30, 2008, a complaint was served on Firstgold by Park Avenue Consulting Group, Inc. The complaint was filed in the Supreme Court of the State of New York but was subsequently removed to the Federal District Court for the Southern District of New York (Case No. 08CV01850). In the complaint, plaintiff alleges that pursuant to a Retainer Agreement entered into on September 1, 2000, it is entitled to $100,000 in retainer fees, $43,874 in expenses, and 850,000 shares of common stock during the term of the agreement. Firstgold is currently evaluating this lawsuit and expects to vigorously defend this action.

Firstgold is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate dispositions of these matters will not have a material adverse effect on Firstgold's financial position, results of operations or liquidity.

NOTE 8 - SHAREHOLDERS' SURPLUS

Common Stock
In February 2008 warrants to purchase 250,000 shares of common stock were exercised at an average exercise price of $0.25 per share.

In February 2008 Firstgold received proceeds of $3,450,975 upon the issuance of Units consisting of 5,309,193 shares of common stock and warrants to purchase 2,654,460 shares of common stock at an exercise price of $0.80 per share. The warrants have a term of 18 months.

In March 2008 Firstgold received proceeds of $4,261,822 upon the issuance of Units consisting of 6,556,650 shares of common stock and warrants to purchase 3,278,325 shares of common stock at an exercise price of $0.80 per share. The warrants have a term of 18 months.

In April 2008 Firstgold received proceeds of $330,100 upon the issuance of Units consisting of 507,846 shares of common stock and warrants to purchase 253,923 shares of common stock at an exercise price of $0.80 per share. The warrants have a term of 18 months.

In April 2008 warrants to purchase 200,000 shares of common stock were exercised at an exercise price of $0.50 per share.

In May 2008 Firstgold received proceeds of $300,000 upon the issuance of Units consisting of 461,538 shares of common stock and warrants to purchase 230,769 shares of common stock at an exercise price of $0.80 per share. The warrants have a term of 18 months.

In May 2008 Firstgold issued 127,999 shares of common stock to one person in settlement of an existing note payable and accrued interest totaling $63,999.

Warrants
The fair market value of warrants issued during the six months ended July 31, 2008 in conjunction with the issuance of common stock was determined to be $1,836,890 and was calculated under the Black-Scholes option pricing model with the following assumptions used:

Expected life	1.5 to 1.67 years
Risk free interest rate	1.53% to 2.41%
Volatility	63.39% to 104.95%
Expected dividend yield	None

The fair value of these warrants has been recorded as both a debit and credit to additional paid in capital.

The following table presents warrant activity from January 31, 2008 through July 31, 2008:

	Number of Shares		Weighted-Average Exercise Price
Outstanding, January31, 2008	39,507,146	$	0.47