VISTA GOLD CORP
Form 10-Q
August 01, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

Commission file number: 001-9025

VISTA GOLD CORP.

(Exact Name of Registrant as Specified in its Charter)

(Exact Name of Registrant as Specified in its Charter)r	
British Columbia	98-0542444
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 5, 7961 Shaffer Parkway	
Littleton, Colorado	80127
(Address of Principal Executive Offices)	(Zip Code)

(720) 981-1185

(Registrant's Telephone Number, including Area Code)

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 82,275,217 common shares, without par value, outstanding as of July 29, 2014.

VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended June 30, 2014

INDEX

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VISTA GOLD CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	(Unaudited) June 30, 2014	December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	$ 5,711	$ 5,475
Marketable securities	205	176
Other investments (Note 4)	11,852	-
Current deferred tax asset	-	2,353
Other current assets	1,307	1,840
Total current assets	19,075	9,844
Non-current assets:		
Mineral properties (Note 5)	7,004	7,184
Plant and equipment, net (Note 6)	3,261	3,698
Assets held for sale (Note 6)	6,500	6,500
Amayapampa interest (Note 11)	4,813	4,813
Long-term investments	65	21,055
Long-term deferred tax asset (Note 4)	3,887	-
Total non-current assets	25,530	43,250
Total assets	$ 44,605	$ 53,094
Liabilities and Shareholders' Equity:		
Current liabilities:		

Accounts payable	$ 414	$ 705
Accrued liabilities and other	540	517
Current deferred tax liability (Note 4)	3,887	-
Total current liabilities	4,841	1,222
Non-current liabilities:		
Debt (Note 7)	-	6,506
Long-term deferred tax liability	-	2,353
Total non-current liabilities	-	8,859
Total liabilities	4,841	10,081
Commitments and contingencies – (Note 10)		
Shareholders' equity:		
Common shares, no par value - unlimited shares authorized; shares outstanding: 2014 - 82,275,217 and 2013 - 82,275,217	404,470	404,470
Additional paid-in capital (Note 8)	33,235	32,487
Accumulated other comprehensive income (loss) (Note 9)	3	(59)
Accumulated deficit	(397,944)	(393,885)
Total shareholders' equity	39,764	43,013
Total liabilities and shareholders' equity	$ 44,605	$ 53,094

Approved by the Board of Directors

Racy A. S

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

John M. Clark Tracy A. Stevenson

Director Director

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

3

VISTA GOLD CORP.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating income and (expenses):				
Exploration, property evaluation and holding costs	$ (1,003)	$ (5,877)	$ (2,421)	$ (13,007)
Corporate administration	(1,088)	(1,225)	(2,363)	(3,135)
Depreciation and amortization	(224)	(267)	(441)	(542)
Total operating expense	(2,315)	(7,369)	(5,225)	(16,684)
Non-operating income and (expenses):				
Gain/(loss) on sale of marketable securities	9	(24)	22	(18)
Unrealized gain/(loss) on other investments (Note 4)	(632)	(18,541)	1,422	(47,322)
Realized gain on other investments, net (Note 4)	-	-	155	-
Interest income	3	12	7	25
Interest expense	-	(200)	(78)	(206)
Other income/(expense)	16	696	(362)	410
Total non-operating income/(expense)	(604)	(18,057)	1,166	(47,111)
Loss before income taxes	(2,919)	(25,426)	(4,059)	(63,795)
Deferred income tax benefit	-	4,411	-	15,374
Net loss	$ (2,919)	$ (21,015)	$ (4,059)	$ (48,421)
Other comprehensive gain/(loss):				
Unrealized fair value increase/(decrease) on available-for-sale securities	9	(145)	62	(365)
Comprehensive loss	$ (2,910)	$ (21,160)	$ (3,997)	$ (48,786)
Basic:				
Weighted average number of shares outstanding	82,275,217	81,745,476	82,275,217	81,671,873
Net loss per share	$ (0.04)	$ (0.26)	(0.05)	$ (0.59)
Diluted:				
Weighted average number of shares outstanding	82,275,217	81,745,476	82,275,217	81,671,873
Net loss per share	$ (0.04)	$ (0.26)	(0.05)	$ (0.59)

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

VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

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

	Common shares	Common stock	Additional paid-in capital	Accumulated Deficit	Accumulated other comprehensive income/(loss)	Total shareholders' equity
Balances at December 31, 2012	81,563,498	$ 403,583	$ 32,155	$ (334,397)	$ 2	$ 101,343
Shares issued, net of transaction costs	711,719	477	-	-	-	477
Warrants and options	-	410	332	-	-	742
Other comprehensive loss	-	-	-	-	(61)	(61)
Net loss	-	-	-	(59,488)	-	(59,488)
Balances at December 31, 2013	82,275,217	$ 404,470	$ 32,487	$ (393,885)	$ (59)	$ 43,013
Warrants and options	-	-	748	-	-	748
Other comprehensive income	-	-	-	-	62	62
Net loss	-	-	-	(4,059)	-	(4,059)
Balances at June 30, 2014	82,275,217	$ 404,470	$ 33,235	$ (397,944)	$ 3	$ 39,764

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

VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Cash flows from operating activities:		
Net loss for the period	$ (4,059)	$ (48,421)
Adjustments to reconcile net loss for the period to net cash used in operations:		
Depreciation and amortization	441	542
Stock-based compensation	748	744
Loss/(gain) on disposal of marketable securities	(22)	18
Unrealized (gain)/loss on other investments	(1,422)	47,322
Deferred tax benefit	-	(15,374)
Other non-cash items	(162)	(264)
Change in working capital account items:		
Other current assets	532	1,142
Accounts payable, accrued liabilities and other	(268)	(2,204)
Net cash used in operating activities	(4,212)	(16,495)
Cash flows from investing activities:		
Proceeds from sales of marketable securities	55	112
Proceeds from sale of other investments, net	10,560	-
Additions to plant and equipment	(3)	(2,206)
Change in restricted cash	-	(30)
Proceeds from option agreement, net	180	-
Net cash (used in)/provided by investing activities	10,792	(2,124)
Cash flows from financing activities:		
Proceeds from debt financing, net	-	9,637
Repayment of debt	(6,344)	-
Net (used in)/cash provided by financing activities	(6,344)	9,637
Net increase/(decrease) in cash and cash equivalents	236	(8,982)
Cash and cash equivalents, beginning of period	5,475	18,281
Cash and cash equivalents, end of period	$ 5,711	$ 9,299

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

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

1. Nature of Operations and Basis of Presentation

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

Our principal asset is our flagship Mt Todd gold project in Northern Territory ("NT"), Australia. We also hold 11.2% of the outstanding common shares in the capital of Midas Gold Corp ("Midas Gold Shares") and non-core projects in Mexico and the United States and royalty interests in projects in Bolivia and Indonesia.

The interim Condensed Consolidated Financial Statements ("interim statements") of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with the Company's Consolidated Financial Statements for the year ended December 31, 2013 filed March 17, 2014 on Form 10-K. The year-end balance sheet data was derived from the audited financial statements and, in accordance with the instructions to Form 10-Q, certain information and footnote disclosures required by United States generally accepted accounting principles ("GAAP") have been condensed or omitted.

2. Liquidity

These unaudited condensed consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the normal course of business. Accordingly, the continuing operations of the Company are dependent upon our ability to secure sufficient funding and to generate future profits from operations. The underlying value and recoverability of the amounts shown as mineral properties, plant and equipment, assets held for sale, investments and other property interests in the condensed consolidated balance sheets are also dependent on our ability to generate positive cash flow from operations and to continue to fund exploration and development activities that would lead to profitable production or proceeds from the disposition of these assets. There can be no assurance that we will be successful in disposing of these assets or securing additional funding on terms acceptable to us or at all or developing profitable operations in the future. These unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities which might be necessary should we not be able to continue as a going-concern.

Management is strongly committed to careful cash management and maintaining liquidity. The Company's cash burn rate has been dramatically reduced since 2013 as several cash intensive programs at the Mt Todd gold project such as water treatment and preparation of the preliminary feasibility study have been completed. In addition, several significant cost cutting measures have been introduced including a reduction of management positions, significant reductions in cash compensation for executives, senior management and the Company's Board of Directors, and the delay or elimination of discretionary programs, including exploration activities. Other aggressive cost cutting measures, particularly at the Mt Todd gold project, are being pursued. In addition, the Company is advancing discussions with the government of the Northern Territory of Australia aimed at establishing a mechanism for sharing the ongoing costs of water management and the associated environmental monitoring at the Mt Todd gold project.

The Company's cash burn rate is expected to average less than $2,000 per quarter through the remainder of 2014, assuming a normal start of the 2014-2015 wet season in the Northern Territory of Australia. Subject to this assumption, the Company believes that it can sustain this burn rate through 2015, if necessary. The Company will need additional financing to meet these costs in 2015 and hopes to receive $850 in two installments over the next seven months pursuant to the Guadalupe de los Reyes gold/silver project option agreement with Cangold Limited (Note 5). The Company also hopes to receive $6,000 related to the 2013 sale of the Los Cardones gold project, subject to the Purchaser's option to elect to not make this payment (Note 5). In addition, the Company will continue to seek additional financing with priority given to non-dilutive sources such as the sale of non-core assets, including our used mill equipment. However, there can be no assurance that we will receive any of these payments or timely monetize our non-core assets at a value acceptable to us or at all. However, given our ability to liquidate the other investments component of working capital beginning in February 2015, if insufficient capital is available from all other sources, we believe that the Company's other investments could provide access to sufficient funding for us to operate well into 2016.

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

3. Recent Accounting Pronouncements

Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation

In June 2014, the Financial Accounting Standards Board issued guidance related to financial statement presentation for development stage enterprises. The standard removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. In addition, the standard eliminates the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. The standard is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein, with early adoption permitted. As a result, we adopted this standard as of June 30, 2014 and eliminated since inception information from our financial statements.

4. Other Investments

Midas Gold Corp. Combination

In April 2011, Vista completed a combination with Midas Gold, Inc. (the "Combination"), creating Midas Gold Corp, whereby Vista was issued 30,402,615 Midas Gold Shares. Concurrently with the Combination, we purchased 1,400,000 Midas Gold Shares for an aggregate purchase price of $3,632 as part of a private placement. Following completion of these transactions, Vista held a total of 31,802,615 Midas Gold Shares representing 24.9% of the Midas Gold Shares outstanding as of December 31, 2013.

During February 2014, we sold 16,000,000 Midas Gold Shares, for gross proceeds of C$12,800 ($11,640), reducing the total Midas Gold Shares we own to 15,802,615 or approximately 11.2% of the Midas Gold Shares outstanding, on a non-dilutive basis, as of June 30, 2014. This sale resulted in a realized gain on other investments of $155 based on the realized value at the time of the sale compared to the fair value of the Midas Gold Shares at December 31, 2013 less costs to sell.

In addition, during February 2014, we entered into a lockup agreement whereby we agreed not to sell any of our remaining Midas Gold Shares through February 2015.

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

The following table summarizes our investment in Midas Gold Shares as at June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Fair value at beginning of period	$ 20,990	$ 69,489
Sale of Midas Gold Shares, net of costs to sell	(10,560)	-
Unrealized gain/(loss) based on the fair value at the end of the period	1,422	(48,499)
Fair value at end of period	$ 11,852	$ 20,990
Estimated tax benefit/(expense) for the period	$ (492)	$ 17,915
Midas Gold Shares held at the end of the period	15,802,615	31,802,615

In 2014, we reclassified our investment in Midas Gold Shares from non-current assets to current assets as the shares were no longer subject to a pledge as debt security (Note 7). The change in the presentation of the Company's current and non-current deferred tax balances during 2014 is primarily attributable to the re-classification, from non-current to current, of U.S. deferred tax liabilities associated with our investment in Midas Gold Shares. The classification of the deferred tax balances was also impacted by the sale of a portion of our Midas Gold Shares, as discussed above. The sale of Midas Gold Shares by us resulted in a reduction of current

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

deferred tax assets for U.S. net operating loss carry forwards and of non-current U.S. deferred tax liabilities associated with our Midas Gold Shares investment.

As we elected the fair value method to account for our investment in Midas Gold Shares, we are required to provide summarized information for the period in which we held a greater than 20% interest in the outstanding Midas Gold Shares. As a result, summarized financial information for Midas Gold as of December 31, 2013 and for the six months ended June 30, 2013, which are prepared in accordance with International Financial Reporting Standards is as follows.

		December 31, 2013
Total current assets	$	14,742
Total non-current assets		186,673
Total current liabilities		2,432
Total non-current liabilities		919
Total equity		198,064

		Twelve months ended December 31, 2013		Six months ended June 30, 2013
Operating expense	$	3,908	$	2,268
Net loss		3,796		2,337

5. Mineral Properties

	At June 30, 2014	At December 31, 2013

Mt. Todd, Australia	$ 2,146	$ 2,146
Guadalupe de los Reyes, Mexico	2,572	2,752
Los Cardones, Mexico	1,536	1,536
Long Valley, United States	750	750
	$ 7,004	$ 7,184

Proceeds received less costs associated with the transactions discussed below are applied to the capitalized cost basis of the respective project until the cost basis is depleted to zero. At that point, net proceeds received will be recorded as gain/(loss) on disposal of mineral properties in the condensed consolidated statement of income/loss.

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

During January 2014, we announced that we signed a non-binding letter of intent (the "LOI") to option our interest in the Guadalupe de los Reyes gold/silver project in Sinaloa, Mexico to Cangold Limited ("Cangold").

The LOI provided that a non-refundable $50 payment be made to Vista for which Cangold would have a 90 day period of exclusivity to complete due diligence and negotiate and enter into a definitive option agreement with Vista (the "Option Agreement").

During April 2014, Minera Gold Stake S.A. de C.V. ("MGS"), Vista's wholly-owned subsidiary, entered into the Option Agreement to option its interest in the Guadalupe de los Reyes gold/silver project in Sinaloa, Mexico to Cangold.

Pursuant to the terms of the Option Agreement, Vista has granted Cangold the right to earn a 70% interest in the Guadalupe de los Reyes gold/silver project by:

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

- making payments totaling $5,000 in five payments over a three-year period, with payments totaling $1,000 in the first year ($150 of which was paid at signing), $1,500 in the second year and $2,500 in the third year;
- operating the Guadalupe de los Reyes gold/silver project and maintaining the concessions comprising the Guadalupe de los Reyes gold/silver project in good standing; and
- fulfilling all of the obligations of MGS to the Ejido La Tasajera (the “Ejido”) as set out in the temporary occupation contract between MGS and the Ejido.

The Option Agreement provides that all cash payments are non-refundable and optional to Cangold, and in the event Cangold fails to pay any of the required amounts on the scheduled dates or fails to comply with its other obligations, the Option Agreement will terminate and Cangold will have no interest in the Guadalupe de los Reyes gold/silver project. Provided it is not in breach of the Option Agreement, Cangold may at its discretion advance the above payment schedule and exercise the initial option for a 70% interest in the Guadalupe de los Reyes gold/silver project any time during the three-year period.

Subject to Cangold earning a 70% interest in the Guadalupe de los Reyes gold/silver project, MGS has granted Cangold the option to earn the remaining 30% interest in the Guadalupe de los Reyes gold/silver project by notifying MGS of a production decision no later than the tenth anniversary of exercising the first option and by making a cash payment to MGS of $3,000 plus an additional cash payment based on a formula that includes the growth, if any, in estimated measured and indicated mineral resources of the Guadalupe de los Reyes gold/silver project, and the then prevailing spot gold price (“Escalator Payment”).

Should Cangold determine not to put the Guadalupe de los Reyes gold/silver project into production, the Option Agreement provides MGS with the right to buy back Cangold’s 70% interest in the Guadalupe de los Reyes gold/silver project for a cash payment of $5,000 plus the Escalator Payment described above. If MGS does not exercise its buyback option, MGS will still retain a right of first refusal should Cangold elect to sell its 70% interest in the Guadalupe de los Reyes gold/silver project to a third party.

Los Cardones

During October 2013, we and Invecture Group, S.A. de C.V. and RPG Structured Finance S.a.R.L. (together the “Purchasers”) entered into agreements whereby we sold our 100% debt and equity interest in the Los Cardones gold project located in Baja California Sur, Mexico (“Los Cardones Sale”) to the Purchasers for a total of $13,000 ($7,000 of which was paid in October 2013 and $6,000 of which was payable January 2014 (the “Subsequent Payment”) subject to the Purchasers' option to elect to not make the Subsequent Payment). In January 2014, the due date for the Subsequent Payment was extended to July 31, 2014 for additional consideration of $250 payable on July 31, 2014. As a result of permitting delays, we and the Purchasers have agreed to an additional extension of the due date of the Subsequent Payment to January 30, 2015 (the "Second Extension") for additional consideration of $250 (see Note 13 for subsequent event discussion). The Company expects to receive a cash payment of $500 comprising the First Extension Consideration and the Second Extension Consideration on or about August 1, 2014. If the Purchasers elect to not make the Subsequent Payment, we will retain all payments already received and 100% of the Los Cardones gold project will be returned to us.

6. Plant and Equipment

	June 30, 2014			December 31, 2013		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Mt. Todd, Australia	$ 5,479	$ 2,383	$ 3,096	$ 5,476	$ 1,993	$ 3,483
Guadalupe de los Reyes, Mexico	17	6	11	17	5	12
Corporate, United States	403	249	154	780	577	203
	$ 5,899	$ 2,638	$ 3,261	$ 6,273	$ 2,575	$ 3,698

	June 30, 2014			December 31, 2013		
	Book value beginning of period	Write-downs during the period	Book value end of period	Book value beginning of period	Write-downs during the period	Book value end of period
Assets held for sale (mill equipment)	$ 6,500	$ -	$ 6,500	$ 10,000	$ 3,500	$ 6,500

During the year ended December 31, 2013, given the relatively weak market conditions in the gold mining sector, based on an updated

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

independent assessment from a third party, we recorded a Level 3 impairment charge of $3,500 to write-down the value of the mill equipment which is held for sale (Note 10).

7. Debt

During March 2013, the Company entered into a credit agreement with Sprott Resources Lending Partnership (the "Lender") for purposes of establishing a C$10,000 ($9,764) loan facility (the "2013 Facility"). The 2013 Facility bore an interest rate of 8% per annum, payable monthly and originally matured March 2014, with early repayment of the 2013 Facility allowed, at the Company's option, provided that at least four months interest had been paid. In September 2013, the Company and the Lender reached an agreement to extend the maturity date of the 2013 Facility to March 2015.

The 2013 Facility was secured by a general security agreement ("GSA") with certain exclusions and conditions with respect to asset dispositions and a pledge of all the Company's Midas Gold Shares (Note 4).

During February 2014, in accordance with the terms of the 2013 Facility, the Company repaid approximately C$5,516 ($5,000) of the 2013 Facility principal outstanding using proceeds from the sale of Midas Gold Shares (Note 4), reducing the principal balance to approximately C$1,443 ($1,300). During March 2014, we repaid the 2013 Facility in full.

8. Additional Paid-in Capital

	Warrants	Stock options and RSUs	Other paid-in capital	Total additional paid-in capital
As of December 31, 2013	$ 12,936	$ 7,987	$ 11,564	$ 32,487
Stock options amortization	-	123	-	123
Restricted stock units expensed	-	625	-	625

As of June 30, 2014	$ 12,936	$ 8,735	$ 11,564	$ 33,235

Warrants

Warrant activity is summarized in the following table:

	Warrants outstanding	Fair value at issuance date	Weighted average exercise price per share	Weighted average remaining life (yrs.)	Intrinsic value
As of December 31, 2013	19,977,743	$ 12,936	$ 4.63	1.6	$ -
As of June 30, 2014	19,977,743	$ 12,936	$ 4.63	1.1	$ -

The 19,977,743 outstanding warrants expire in the following time frames: 2,666,666 expire July 2014 (see Note 13 for subsequent event discussion), 2,091,275 expire December 2014, and 15,219,802 expire in October 2015.

Stock-Based Compensation

Under our Stock Option Plan (the "Plan") and our Long-Term Equity Incentive Plan (the "LTIP"), we may grant options and/or restricted stock units ("RSUs") or restricted stock awards ("RSAs") to our directors, officers, employees and consultants. The combined maximum number of our Common Shares that may be reserved for issuance under the Plan and the LTIP is a variable number equal to 10% of the issued and outstanding Common Shares on a non-diluted basis. Options under the Plan are granted from time to time at the discretion of the Board of Directors of the Company ("Board"), with vesting periods and other terms as determined by the Board. The LTIP is administered by the Board, which can delegate the administration to the Compensation Committee of the Board or to such other officers and employees of Vista as designated by the Board. Stock-based compensation expense for the three and six months ended June 30, 2014 and 2013 is as follows:

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Stock options	$ 19	$ 110	$ 123	$ 218
Restricted stock units	315	(242)	625	526
	$ 334	$ (132)	$ 748	$ 744

As of June 30, 2014, stock options and RSUs had unrecognized compensation expense of $57 and $1,187, respectively, which is expected to be recognized over a weighted average period of 2.20 and 1.52 years, respectively.

Stock Options

A summary of option activity under the Plan as of June 30, 2014 and changes during the period then ended is set forth in the following table:

	Number of options	Weighted average exercise price per option	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding - December 31, 2013	2,882,500	$ 1.79	3.07	$ 54
Granted	175,000	0.52		
Expired	(140,000)	2.15		
Outstanding - June 30, 2014	2,917,500	$ 1.70	2.80	$ 135
Exercisable - June 30, 2014	2,196,250	$ 2.13	2.22	$ 60

A summary of our unvested stock options as of June 30, 2014 and changes during the period then ended is set forth in the following table:

	Number of options	Weighted average grant-date fair value per option	Weighted average remaining amortization period (Years)
Unvested - December 31, 2013	738,750	$ 0.22	
Granted	175,000		
Vested	(192,500)		
Unvested - June 30, 2014	721,250	$ 0.24	2.20

The fair value of stock options granted to employees, directors and consultants was estimated at the grant date using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2014
Expected volatility	69.17%
Risk-free interest rate	1.75%
Expected life (years)	5
Dividend yield	N/A
Forfeiture assumption	10%

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 our common shares. Changes in the subjective input assumptions can materially affect

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

the fair value estimate. The expected term of the options granted 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.

Restricted Stock Units

The following table summarizes the RSU activity under the LTIP as of June 30, 2014 and changes during the years then ended:

	Number of units	Weighted average grant-date fair value per unit
Unvested - December 31, 2013	2,594,464	$ 2.00
Unvested - June 30, 2014	2,594,464	$ 2.00

A portion of the RSU awards vest on a fixed future date provided the recipient continues to be affiliated with Vista on that date. Other RSU awards vest subject to certain performance criteria, including the accomplishment of certain corporate objectives and the Company's share price performance. The vesting period for time based RSUs is at least one year.

9. Accumulated Other Comprehensive Income/(Loss)

	Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss), net of tax
As of December 31, 2013	$ (59)	$ (50)
Other comprehensive income due to change in fair market value of marketable securities during period before reclassifications	40	34
Reclassifications due to realization of gain/loss on sale of marketable securities (1)	22	19
As of June 30, 2014	$ 3	$ 3

(1) Reclassified to gain/(loss) on sale of marketable securities on the Condensed Consolidated Statement of Income/(Loss) and Comprehensive Income/(Loss).

10. Commitments and Contingencies

Our exploration and development activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. As such, the future expenditures that may be required for compliance with these laws and regulations cannot be predicted. We conduct our operations to minimize effects on the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Under our agreement with the Jawoyn Association Aboriginal Corporation (the "JAAC"), we must offer the JAAC the opportunity to establish a joint venture with Vista holding 90% and the JAAC holding 10% participating interests, respectively, in the Mt Todd gold project. In addition, the JAAC will be entitled to an annual cash payment, or payment in kind, equal to 1% of the value of the annual gold production from the current mining licenses, and a 1% NSR royalty on other metals, subject to a minimum payment of A$50 per year.

11. Fair Value Accounting

The following table sets forth the Company’s assets measured at fair value on a recurring basis by level within the fair value hierarchy. As required by accounting guidance, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

	Fair value at June 30, 2014		
	Total	Level 1	Level 3
Assets:			