

VISTA GOLD CORP
Form 10-Q
July 31, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number: 001-9025

VISTA GOLD CORP.

(Exact Name of Registrant as Specified in its Charter)

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

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

(720) 981-1185

(Registrant's Telephone Number, including Area Code)

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 82,390,217 common shares, without par value, outstanding as of July 28, 2015.

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VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q

For the Quarter Ended June 30, 2015

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

VISTA GOLD CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	(Unaudited)	
	June 30, 2015	December 31, 2014
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,808	\$ 3,714
Short-term investments (Note 8)	8,793	-
Other investments, at fair value (Note 2)	2,341	6,163
Other current assets	1,264	1,485
Total current assets	16,206	11,362
Non-current assets:		
Mineral properties (Note 3)	3,874	5,406
Plant and equipment, net (Note 4)	2,497	2,842
Assets held for sale (Note 4)	6,500	6,500
Long-term deferred tax asset	633	1,916
Total non-current assets	13,504	16,664
Total assets	\$ 29,710	\$ 28,026
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$ 113	\$ 457
Accrued liabilities and other	599	370
Current deferred tax liability	633	1,916
Total current liabilities	1,345	2,743
Total liabilities	1,345	2,743

Commitments and contingencies – (Note 7)

Shareholders' equity:

Common shares, no par value - unlimited shares authorized; shares outstanding:

2015 - 82,390,217 and 2014 - 82,390,217

404,912 404,912

Additional paid-in capital (Note 5)

33,638 33,171

Accumulated other comprehensive income/(loss) (Note 6)

(16) 11

Accumulated deficit

(410,169) (412,811)

Total shareholders' equity

28,365 25,283

Total liabilities and shareholders' equity

\$ 29,710 \$ 28,026

Approved by the Board of Directors

Racy A. S

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

Tracy A. Stevenson John M. Clark

Director

Director

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

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VISTA GOLD CORP.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating expense:				
Exploration, property evaluation and holding costs	\$ (984)	\$ (1,003)	\$ (1,959)	\$ (2,421)
Corporate administration	(798)	(1,088)	(1,842)	(2,363)
Depreciation and amortization	(177)	(224)	(368)	(441)
Gain on disposal of mineral property, net (Note 3)	—	—	1,958	—
Total operating expense	(1,959)	(2,315)	(2,211)	(5,225)
Non-operating income/(expense):				
Gain/(loss) on sale of marketable securities	—	9	12	22
Unrealized gain/(loss) on other investments (Note 2)	(312)	(632)	(702)	1,422
Realized gain/(loss) on other investments, net (Note 2)	—	—	(348)	155
Research and development grant (Note 10)	5,863	—	5,863	—
Interest income	2	3	3	7
Interest expense	—	—	—	(78)
Other income/(expense)	(5)	16	25	(362)
Total non-operating income/(expense)	5,548	(604)	4,853	1,166
Income/(loss) before income taxes	3,589	(2,919)	2,642	(4,059)
Deferred income tax/(expense) benefit	—	—	—	—
Net income/(loss)	\$ 3,589	\$ (2,919)	\$ 2,642	\$ (4,059)
Other comprehensive gain/(loss):				
Unrealized fair value increase/(decrease) on available-for-sale securities	(3)	9	(27)	62
Comprehensive gain/(loss)	\$ 3,586	\$ (2,910)	\$ 2,615	\$ (3,997)
Basic:				
Weighted average number of shares outstanding	82,390,217	82,275,217	82,390,217	82,275,217

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Net income/(loss) per share	\$ 0.04	\$ (0.04)	0.03	\$ (0.05)
Diluted:				
Weighted average number of shares				
outstanding	82,390,217	82,275,217	82,390,217	82,275,217
Net income/(loss) per share	\$ 0.04	\$ (0.04)	0.03	\$ (0.05)

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

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VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Common shares	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total shareholders' equity
Balances at December 31, 2013	82,275,217	\$ 404,470	\$ 32,487	\$ (393,885)	\$ (59)	\$ 43,013
Shares issued	115,000	—	—	—	—	—
Stock-based compensation	—	442	684	—	—	1,126
Other comprehensive loss	—	—	—	—	70	70
Net loss	—	—	—	(18,926)	—	(18,926)
Balances at December 31, 2014	82,390,217	\$ 404,912	\$ 33,171	\$ (412,811)	\$ 11	\$ 25,283
Stock-based compensation	—	—	467	—	—	467
Other comprehensive income	—	—	—	—	(27)	(27)
Net income	—	—	—	2,642	—	2,642
Balances at June 30, 2015	82,390,217	\$ 404,912	\$ 33,638	\$ (410,169)	\$ (16)	\$ 28,365

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

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VISTA GOLD CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income/(loss) for the period	\$ 2,642	\$ (4,059)
Adjustments to reconcile net income/(loss) for the period to net cash used in operations:		
Depreciation and amortization	368	441
Stock-based compensation	467	748
Gain on disposal of marketable securities	(12)	(22)
Gain on disposal of mineral property	(1,958)	—
Unrealized (gain)/loss on other investments	702	(1,422)
Realized (gain)/loss on other investments	348	(155)
Other non-cash items	—	(7)
Change in working capital account items:		
Other current assets	152	532
Accounts payable, accrued liabilities and other	(115)	(268)
Net cash provided by/(used in) operating activities	2,594	(4,212)
Cash flows from investing activities:		
Proceeds from sales of marketable securities	41	55
Proceeds from sale of other investments, net	2,772	10,560
Acquisition of short-term investments	(8,793)	—
Additions to plant and equipment	(10)	(3)
Proceeds from option/sale agreements, net	3,490	180
Net cash provided by investing activities	(2,500)	10,792
Cash flows from financing activities:		
Repayment of debt	—	(6,344)
Net cash used in financing activities	—	(6,344)
Net increase in cash and cash equivalents	94	236
Cash and cash equivalents, beginning of period	3,714	5,475
Cash and cash equivalents, end of period	\$ 3,808	\$ 5,711

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

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VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(All dollar amounts in U.S dollars and in thousands, except per share, 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”) operate in the gold mining industry. We are focused on the evaluation, acquisition, exploration and advancement of gold exploration and potential development projects, which may lead to gold production or value adding strategic transactions such as earn-in right agreements, option agreements, leases to third parties, joint venture arrangements with other mining companies, or outright sales of assets for cash and/or other consideration. We look for opportunities to improve the value of our gold projects through exploration drilling and/or technical studies focused on optimizing previous engineering work.

Our principal asset is our flagship Mt Todd gold project (“Mt Todd”) in Northern Territory (“NT”), Australia. We also hold 4.9% of the outstanding common shares in the capital of Midas Gold Corp. (“Midas Gold Shares”), non-core projects in Mexico and the United States, and royalty interests in 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, 2014 filed March 3, 2015 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.

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

2. Other Investments

Midas Gold Shares

During February 2014, we sold 16,000,000 Midas Gold Shares at a price of C\$0.80 (\$0.73) per Midas Gold Share, for net proceeds of \$10,560, reducing the total Midas Gold Shares we owned to 15,802,615 or approximately 11.2% of the Midas Gold Shares outstanding, on a non-dilutive basis, at that time. 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, net of costs to sell.

During March 2015, we sold 8,000,000 Midas Gold Shares, at a price of C\$0.46 (\$0.36) per Midas Gold Share, for net proceeds of \$2,772, reducing the total Midas Gold Shares we own to 7,802,615 or approximately 4.9% of the Midas Gold Shares outstanding, on a non-dilutive basis. This sale resulted in a realized loss on other investments of \$348 based on the realized value at the time of the sale compared to the fair value of the Midas Gold Shares at December 31, 2014, net of costs to sell. We also entered into a lock-up agreement whereby we agreed not to sell any of our remaining Midas Gold Shares for a period of six months.

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.

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VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

The following table summarizes our investment in Midas Gold Shares as June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
Fair value at beginning of period	\$ 6,163	\$ 20,990
Sale of Midas Gold Shares, net of costs to sell	(2,772)	(10,560)
Realized and unrealized loss during the period	(1,050)	(4,267)
Fair value at end of period	\$ 2,341	\$ 6,163
Estimated tax benefit/(expense) for the period	\$ 219	\$ 1,478
Midas Gold Shares held at the end of the period	7,802,615	15,802,615

3. Mineral Properties

	At June 30, 2015	At December 31, 2014
Mt Todd, Australia	\$ 2,146	\$ 2,146
Guadalupe de los Reyes, Mexico	1,728	2,224
Los Cardones, Mexico	—	1,036
	\$ 3,874	\$ 5,406

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

During April 2014, Minera Gold Stake S.A. de C.V. (“MGS”), Vista’s wholly-owned subsidiary, entered into a definitive option agreement (the “Option Agreement”) to option its interest in the Guadalupe de los Reyes gold/silver project in Sinaloa, Mexico to Great Panther Silver Limited (formerly Cangold Limited) (“Great Panther”) for consideration

of \$5,000 in payments over a three-year period, with payments totaling \$1,000 in the first year (already received, of which \$500 was received in March 2015), \$1,500 in January 2016 and \$2,500 in January 2017.

The Option Agreement provides that all cash payments are non-refundable and optional to Great Panther, and in the event Great Panther 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 Great Panther will have no interest in the Guadalupe de los Reyes gold/silver project. Provided it is not in breach of the Option Agreement, Great Panther 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 Great Panther earning a 70% interest in the Guadalupe de los Reyes gold/silver project, MGS has granted Great Panther 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 Great Panther 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 Great Panther'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 Great Panther elect to sell its 70% interest in the Guadalupe de los Reyes gold/silver project to a third party.

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

Los Cardones

In October 2013, we sold our 100% debt and equity participation in the Los Cardones gold project located in Baja California Sur, Mexico (“Los Cardones Sale”) to Investure Group, S.A. de C.V. (“Investure”) and RPG Structured Finance S.a.r.l. (together the “Purchasers”) for a total of \$13,000 (\$7,000 of which was paid in October 2013 and \$6,000 of which was originally payable January 2014 (the “Subsequent Payment”) subject to the Purchasers’ option to elect to not make the Subsequent Payment). In 2014, the due date for the Subsequent Payment was extended to January 30, 2015 for additional consideration of \$500. In October 2014, Investure announced that the Los Cardones gold project had been suspended because the conditions for its development were not favorable at that time, which introduced substantial doubt that the Subsequent Payment would be made. After making this announcement, there were no apparent significant favorable changes to incentivize Investure to lift the suspension. In January 2015, we agreed to amend the payment terms (the “Amendment”) of the Los Cardones Sale. Under the Amendment, the Company received a payment of \$3,000 cash from the Purchasers as the final payment for 100% of the Company’s interest in the project. This resulted in a realized gain of \$1,958.

4. Plant and Equipment

	June 30, 2015			December 31, 2014		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Mt Todd, Australia	\$ 5,493	\$ 3,065	\$ 2,428	\$ 5,483	\$ 2,756	\$ 2,727
Guadalupe de los Reyes, Mexico	17	8	9	17	8	9
Corporate, United States	403	343	60	403	297	106
	\$ 5,913	\$ 3,416	\$ 2,497	\$ 5,903	\$ 3,061	\$ 2,842

	June 30, 2015			December 31, 2014		
	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	\$ 6,500	\$ —	\$ 6,500
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5. Additional Paid-in Capital

Warrants

Warrant activity is summarized in the following table:

	Warrants outstanding	Weighted average exercise price per share	Weighted average remaining life (yrs.)	Intrinsic value
As of December 31, 2014	15,219,802	\$ 5.00	0.8	\$ —
As of June 30, 2015	15,219,802	\$ 5.00	0.3	\$ —

The 15,219,802 warrants outstanding expire in October 2015. Warrants were excluded from weighted average diluted shares as the exercise price is greater than the average price per common share.

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 to our directors, officers, employees and consultants. The combined maximum number of shares in the capital of Vista (“Common Shares”) that may be reserved

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VISTA GOLD CORP.

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

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 and RSUs under the Plan and LTIP, respectively, 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. Stock-based compensation expense for the three and six months ended June 30, 2015 and 2014 is as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Stock options	\$ 2	\$ 19	\$ 4	\$ 123
Restricted stock units	237	315	463	625
	\$ 239	\$ 334	\$ 467	\$ 748

As of June 30, 2015, stock options and RSUs had unrecognized compensation expense of \$24 and \$464, respectively, which is expected to be recognized over a weighted average period of 3.50 and 1.26 years, respectively. Stock options were excluded from weighted average diluted shares as the exercise prices are greater than the average price per common share. RSUs were excluded from weighted average diluted shares as they are considered anti-dilutive.

Stock Options

A summary of options under the Plan as of June 30, 2015 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, 2014	2,257,500	\$ 1.60	3.02	\$ —
Outstanding - June 30, 2015	2,257,500	\$ 1.60	2.52	\$ —
Exercisable - June 30, 2015	2,011,250	\$ 1.75	2.41	\$ —

A summary of our unvested stock options as of June 30, 2015 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, 2014	246,250	\$ 0.22	3.99
Unvested - June 30, 2015	246,250	\$ 0.22	3.50

Restricted Stock Units

The following table summarizes the RSUs under the LTIP as of June 30, 2015:

	Number of units	Weighted average grant-date fair value per unit
Unvested - December 31, 2014	3,692,829	\$ 0.74
Unvested - June 30, 2015	3,692,829	\$ 0.74

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 and market criteria, including the accomplishment of

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VISTA GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

certain corporate objectives and the Company's share price performance. The vesting period for RSUs is at least one year. The average forfeiture is approximately 29%, based on historical market conditions.

6. Accumulated Other Comprehensive Income/(Loss)

	Accumulated other comprehensive income/(loss)	Accumulated other comprehensive income/(loss), net of tax
As of December 31, 2014	\$ 11	\$ 10
Other comprehensive loss due to change in fair market value of marketable securities during period before reclassifications	(15)	