

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



INDEX

	Page
PART I - FINANCIAL INFORMATION	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS</u>	17
<u>ITEM 4T. CONTROLS AND PROCEDURES</u>	21
PART II - OTHER INFORMATION	22
<u>ITEM 1A. FACTORS AFFECTING FUTURE OPERATING RESULTS</u>	22
<u>ITEM 2. UNREGISTERD SALES OF EQUITY SECURITIES</u>	24
<u>ITEM 5. OTHER INFORMATION</u>	24
<u>ITEM 6. EXHIBITS</u>	24

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRSTGOLD CORP.  
INDEX TO UNAUDITED FINANCIAL STATEMENTS

	Page
<u>Condensed Balance Sheet as of July 31, 2008 (Unaudited) and for fiscal year ended January 31, 2008 (Audited)</u>	4
<u>Condensed Statements of Operations for the three and six months ended July 31, 2008 and 2007 (Unaudited)</u>	6
<u>Condensed Statements of Cash Flows for the six months ended July 31, 2008 and 2007 (Unaudited)</u>	7
<u>Notes to Unaudited Financial Statements</u>	10

FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

	July 31 2008 (unaudited)	January 31, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>997,745</b>	<b>1,125,613</b>
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
<b>Other Assets</b>		
Restricted cash	687,064	674,850
Deferred reclamation costs	680,326	680,326
<b>Total other assets</b>	<b>1,367,390</b>	<b>1,355,176</b>
<b>Total assets</b>	<b>\$ 13,878,245</b>	<b>\$ 10,919,786</b>

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

<b>Current liabilities</b>		
Accounts payable	\$ 2,171,920	\$ 2,730,596
Accrued expenses	635,931	538,987
Notes payable	1,420,945	163,726
<b>Total current liabilities</b>	<b>4,228,796</b>	<b>3,433,309</b>
<b>Long-term liabilities</b>		
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
<b>Total long-term liabilities</b>	<b>2,043,722</b>	<b>2,312,187</b>
<b>Total liabilities</b>	<b>6,272,518</b>	<b>5,745,496</b>



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,		For the Three Months Ended July 31,		For the Period From January 1, 1995 to July 31, 2008
	2008	2007	2008	2007	
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

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,		For the Period
	2008	2007	From January 1, 1995 to July 31, 2008
<b>Cash flows from operating activities</b>			
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



Edgar Filing: FIRSTGOLD CORP. - Form 10-Q

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

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,		For the Period From January 1, 1995 to July 31, 2008
	2008	2007	
Cash paid for interest	\$ -	\$ -	\$ 161,107
Cash paid for income taxes	\$ -	\$ -	\$ -
<b>Non Cash Investing and Financing Activities:</b>			
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
<p>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.</p>	
Equipment notes payable	60,298
<p>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.</p>	
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.

Edgar Filing: FIRSTGOLD CORP. - Form 10-Q

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

	Number of Shares		Weighted- Average Exercise Price
Outstanding, January 31, 2008	39,507,146	\$	0.47
Exercised	(450,000)	\$	(0.36)
Granted	10,275,695	\$	0.81
Outstanding, July 31, 2008	49,332,841	\$	0.54
Exercisable, July 31, 2008	49,332,841	\$	0.54

14

---

### Stock options

The 2006 Plan provides for the issuance of non-qualified or incentive stock options to employees, non-employee members of the board and consultants. The exercise price per share is not to be less than the fair market value per share of the Company's common stock on the date of grant. The Board of Directors has the discretion to determine the vesting schedule. Options may be either immediately exercisable or in installments, but generally vest over a three-year period from the date of grant. In the event the holder ceases to be employed by the Company, all unvested options terminate and all vested installment options may be exercised within an installment period following termination. In general, options expire ten years from the date of grant. Stockholders voting at the 2007 Annual Stockholders meeting held on September 20, 2007 approved an increase in the shares issuable under the 2006 Plan to a total of 10,000,000.

Effective February 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment (SFAS 123(R)), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options based on their fair values. Firstgold had not previously issued any stock options prior to adoption of the 2006 Plan. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) to provide guidance on SFAS 123(R). The Company has applied SAB 107 in its adoption of SFAS 123(R).

The Company adopted SFAS 123(R) using the modified prospective transition method as of and for the three months ended April 30, 2008. In accordance with the modified prospective transition method, the Company's financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Share-based compensation expense recognized is based on the value of the portion of share-based payment awards that is ultimately expected to vest. Share-based compensation expense recognized in the Company's Statement of Operations during the three months ended April 30, 2008 includes compensation expense for share-based payment awards granted during the current fiscal year.

In conjunction with the adoption of SFAS 123(R), the Company elected to attribute the value of share-based compensation to expense using the straight-line method. Share-based compensation expense related to stock options and restricted stock grants was \$59,311 for the three months ended April 30, 2008, and was recorded in the financial statements as operating expense.

For the six months ended July 31, 2008 the Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life, 36 months following the grant date; stock volatility, 63.4%; risk-free interest rates of 1.77% to 2.97%; and no dividends during the expected term. As stock-based compensation expense recognized in the consolidated statement of operations pursuant to SFAS No. 123(R) is based on awards ultimately expected to vest, expense for grants beginning upon adoption of SFAS No. 123(R) on February 1, 2006 will be reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

A summary of the Company's stock option activity is as follows:

	# of Shares	Weighted Ave. Exercise Price	Aggregate Intrinsic Value
Outstanding as of January 31, 2008	4,650,000	\$ 0.61	\$ 0
Granted	1,101,038	\$ 0.64	\$ 0
Exercised	0	\$ 0.00	
Cancelled	0	\$ 0.00	



Edgar Filing: FIRSTGOLD CORP. - Form 10-Q

Outstanding as of July 31, 2008	5,751,038	\$	0.63	\$	0
---------------------------------	-----------	----	------	----	---

Exercisable as of July 31, 2008	4,075,260	\$	0.59	\$	0
---------------------------------	-----------	----	------	----	---

NOTE 9 – SUBSEQUENT EVENT

In August 2008, Firstgold issued two Senior Secured Promissory Notes for up to a total of \$15,750,000. Funding of the Notes will occur in five tranches of which the first occurred at the initial closing in August 2008 in the aggregate amount of \$6,742,625 (the “Initial Note Amount”). Two interim fundings occurred in August and September 2008 and totaled \$1,824,324. The second tranche which is scheduled for not later than September 25, 2008, in the amount of \$3,433,051 will occur upon the expiration of appeal periods applicable to certain operating and reclamation permits relating to its Relief Canyon Mine properties. Three additional tranches of \$1,250,000 each will be available during the months of November and December, 2008 and January 2009 subject to the Company achieving certain operational conditions. The loans bear an interest rate of 4% per annum with interest payments commencing in September, 2008. The loans will be due and payable on March 1, 2010.

In conjunction with the making of the loan, the Lenders were issued Warrants to purchase 15,000,000 shares of the Company’s common stock at an exercise price of \$.4357 cents per share which may be adjusted downward based on future market conditions but in no event less than \$.3961 cents per share. The Warrants have a term of 3 years. The Warrants also provide for a Put Right in which the Warrant holder after August 7, 2009 may require the Company to repurchase the Warrants at a redemption price of \$.30 per Warrant. The Put Right is exercisable for a period of one year. In addition, participating brokers will be issued Warrants to purchase up to 1,050,000 shares of common stock having the same terms as set forth above except with no Put Right included.

In August 2008 Firstgold increased the reclamation cost deposit from \$613,500 to \$2,797,346 which was placed in a blocked account with its bank in Sacramento, California.

In August 2008 the May 2008 Convertible Debenture and note payable were repaid in full for the amount of \$1,459,707.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### Caution About Forward-Looking Statements

This Form 10-Q includes "forward-looking" statements about future financial results, future business changes and other events that haven't yet occurred. For example, statements like Firstgold "expects," "anticipates" or "believes" are forward-looking statements. Investors should be aware that actual results may differ materially from Firstgold's expressed expectations because of risks and uncertainties about the future. Firstgold does not undertake to update the information in this Form 10-Q if any forward-looking statement later turns out to be inaccurate. Details about risks affecting various aspects of Firstgold's business are discussed in Firstgold's Form 10-KSB as well as throughout this Form 10-Q and should be considered carefully.

### Overview

We are an exploration-stage company engaged in the acquisition, exploration and, if warranted, development of various mining properties located in the State of Nevada. We are currently conducting a comprehensive exploration and development program on various mineral leases associated with our Relief Canyon Mine property located near Lovelock, Nevada. Since February 1, 2007 we have completed drilling 83 reverse circulation drill holes. We have also drilled a total of 57 sonic holes reverse circulation holes in the existing heap leach pads to assess the economic potential of reprocessing the ore and extracting any remaining gold. These drill results will be added to the historic drill hole database to help develop a new mining plan for Relief Canyon Mine property.

In preparation for the resumption of ore processing at the Relief Canyon Mine, on August 7, 2007 we received an "Approval of the Relief Canyon Mine Heap reprocessing amendment to the Plan of Operations" from the Bureau of Land Management ("BLM"). In conjunction with the BLM action, Firstgold increased its posted reclamation bond to \$2.8 million with the BLM.

On August 16, 2008 an "Amended Reclamation Permit No. 264" issued by the Nevada Division of Environmental Protection ("NDEP") became final. In addition, Firstgold has recently received its Water Pollution Control Permit and Air quality Permit from the NDEP.

The above approval and permits allow Firstgold to begin construction of a new heap leach pad and to construct and operate an ADR Process Plant and crushing facility at the Relief Canyon Mine site.

In October 2006, we entered into a Mineral Lease Agreement to explore, and, if warranted, develop up to 25,000 acres of property called Antelope Peak located in Elko County, Nevada. The Lease allows us the exclusive right to explore for, and, if warranted, develop gold, silver and barite minerals on the leased property. Exploration activity has commenced on this property.

We have conducted preliminary sampling of approximately 4,200 acres of potentially mineralized ground in the Horse Creek area located approximately 100 miles northeast of Reno, Nevada. During the course of the property evaluation, rock chip samples were collected showing the potential presence of intrusion-related mineral systems. During the third quarter we commenced the extensive mapping of the area's bedrock geology. Additionally, we plan to conduct an airborne geophysical survey to map the magnetic character of the rocks. Geochemical exploration efforts continued with more rock chip sampling as well as an in-depth soil sampling survey.

On January 11, 2008 we secured claims on approximately 2,300 acres of potentially mineralized ground near Fairview, Nevada referred to as the Fairview-Hunter property. We are conducting preliminary sampling of the area. During the course of the property evaluation, rock chip samples were collected. The next phase of this project will be to conduct extensive mapping of the area's bedrock geology. Additionally, we plan to conduct an airborne

geophysical survey to map the magnetic character of the rocks. Geochemical exploration efforts will continue with more rock chip sampling as well as an in-depth soil sampling survey.

On February 22, 2008, we secured claims on approximately 3,300 acres of potentially mineralized ground north of Winnemucca, Nevada referred to as the Honorine Gold property. We are conducting preliminary sampling of the area. During the course of the property evaluation, rock chip samples were collected. The next phase of this project will be to conduct extensive mapping of the area's bedrock geology. Additionally, we plan to conduct an airborne geophysical survey to map the magnetic character of the rocks. Geochemical exploration efforts will continue with more rock chip sampling as well as an in-depth soil sampling survey.

In July 2008, Firstgold opened a full service metals and mineral assay laboratory in Lovelock, Nevada. The laboratory will process mineral samples from Firstgold's Relief Canyon Mine, other Firstgold exploration properties and provide excess capacity to process mined samples from other outside mining and exploration companies. At peak operation, the laboratory is designed to process up to 2,200 fire assays and up to 250 geochemical analyses per day.

## Plan of Operations for the Next Twelve Months

Certain key factors and objectives will affect our future financial and operating results. These include, but are not limited to the following:

- Gold prices, and to a lesser extent, silver prices;
- The amount of mineralization at the Relief Canyon Mine as estimated by us (based on past and current exploration by Firstgold and work done by others).
- Our proposed exploration of properties now include 146 mill site and unpatented mining claims contained in about 1,000 acres of the Relief Canyon Property; the 25,000 acre Antelope Peak property; and approximately 4,200 acres in the Horse Creek area of Nevada; 2,300 acres near Fairview, Nevada and 3,300 acres near Winnemucca, Nevada.
- Our operating plan is to continue exploration work on the Relief Canyon mining property during calendar 2008. During 2008, we plan to resume heap leaching at the Relief Canyon Mine and we anticipate commencing ore processing at the Relief Canyon Mine thereafter. Through the sale of additional securities and/or the use of joint ventures, royalty arrangements and partnerships, we intend to progressively enlarge the scope and scale of our current exploration, and future mining and processing operations, thereby potentially increasing our chances of locating and processing commercially viable ore deposits which could increase both our annual revenues and ultimately our net profits. Our objective is to achieve annual growth rates in revenue and net profits for the foreseeable future.
- We expect to make capital expenditures in calendar years 2008 and 2009 of between \$5 million and \$10 million, including costs related to the exploration, development and operation of the Relief Canyon mining property. We will have to raise additional outside capital to pay for these activities and the continuation of exploration activities and possible future production at the Relief Canyon mine.
- Additional funding or the utilization of other venture partners will be required to fund exploration, research, development and operating expenses at the Horse Creek, Antelope Peak, Fairview-Hunter and Honorine Gold properties when and if such activity is commenced at these properties. In the past we have been dependent on funding from the private placement of our securities as well as loans from related and third parties as the sole sources of capital to fund operations.
- Completion of the ore processing facility at the Relief Canyon site and installation of a new jaw crushing unit.
- Operation of a state-of-the-art mineral assay laboratory occupying 10,000 square feet of leased space outside of Lovelock, Nevada.

## Results of Operation

Our current business strategy is to invest in, explore and if warranted, conduct mining operations of our current mining properties and other mineral producing properties. Firstgold is a public company that in the past has been engaged in the exploration, acquisition and development of gold-bearing properties in the continental United States. Currently, our principal assets include various mineral leases associated with the Relief Canyon Mine located near Lovelock, Nevada along with various items of mining equipment and improvements located at that site. We have also entered into (i) a mineral lease to explore approximately 25,000 acres of property located in Elko County, Nevada; ii) the staking of approximately 4,200 acres of property located in Humboldt County, Nevada; (iii) claims to explore 2,300 acres of property located near Fairview, Nevada; and (iv) mineral leases on 3,300 acres of property located near Winnemucca, Nevada.

Operating Results for the Fiscal Quarters Ended July 31, 2008 and 2007

Although we commenced efforts to re-establish our mining business early in fiscal year 2004, no mining operations have commenced and no revenues from mining operations have been recognized during the quarters ended July 31, 2008 and 2007, respectively. We have granted a 4% net smelting return royalty to a third party related to the Relief Canyon mining property which has been recorded as an \$800,000 deferred option income. During the second quarter of fiscal year 2009 we recognized revenue of \$369,567 from the leasing of drill rigs and crew to other nearby mining operations.

During the quarter ended July 31, 2008 we spent \$1,622,102 for exploration, reclamation and maintenance expenses related to our mining properties. Reclamation and maintenance expenses expended during the same quarter ended July 31, 2007 were \$337,134. These expenses relate primarily to exploration activities and installation of processing facilities at the Relief Canyon Mine. The increase in costs was due to extensive building and facility expansion at the Relief Canyon mine and significant exploration drilling. During the quarter ended July 31, 2008 we expended approximately \$78,098 on preliminary exploration activities at the Antelope Peak, Horse Creek, Fairview-Hunter and Honorine Gold properties.

## Edgar Filing: FIRSTGOLD CORP. - Form 10-Q

We incurred operating expenses of \$1,497,520 during the quarter ended July 31, 2008. Of this amount, \$35,206 reflects promotion expense, \$135,433 reflects officer and director compensation during the quarter and \$286,085 reflect fees for outside professional services. We incurred operating expenses of \$1,225,917 during the quarter ended July 31, 2007. Of this amount, \$197,140 reflects outside director compensation expense, \$113,882 reflects promotion expense, \$93,500 reflects officer compensation and related payroll taxes during the quarter and \$224,717 reflect fees for outside professional services.

A large portion of the outside professional services reflects legal and accounting work pertaining to our annual and quarterly reporting on Form 10-KSB and Form 10-Q occurring in fiscal year 2008 and 2009 respectively, as well as the preparation and filing of Amended Form SB-2's. It is anticipated that both mining costs and operating expenses will increase significantly as we continue our exploration program and prepare for mining operations.

We incurred interest expense of \$121,305 during the quarter ended July 31, 2008 which compares to interest expenses of \$275,580 incurred during the same quarter of 2007. The principal balance of loans outstanding at the end of the second quarter of fiscal year 2009 decreased by \$1,221,584 to \$2,149,908 compared to a principal balance of \$3,371,492 outstanding at the end of the second quarter of fiscal year 2008, which was primarily the result of a decrease in convertible debentures. The decrease in interest expense during the quarter ended July 31, 2008 was primarily due to the decrease in the principal balance of loans outstanding during the period offset by the write-off of unamortized debt costs related to convertible debt which was converted in full during the period.

Our total net loss for the quarter ended July 31, 2008 increased to \$2,847,040 compared to a net loss of \$842,028 incurred for the same quarter ended July 31, 2007. The larger net loss in the second quarter of fiscal 2009 reflects the substantial increase in the exploration and mine site improvement expenses as well as an increase in operating expenses. The increase in net loss for the quarter ended July 31, 2008 was partially offset by the net sales revenue recognized during the quarter.

### Operation results for the Six Months Ended July 31, 2008 and 2007

During the six months ended July 31, 2008 we recognized revenue of \$645,360 from the leasing of drill rigs and crew to other nearby mining operations.

During the six months ended July 31, 2008, we spent \$3,013,513 on exploration, reclamation and building and facilities expansion expenses related to our mining properties. Reclamation and maintenance expenses expended during the six months ended July 31, 2007, were \$463,815. These expenses relate primarily to repairing and upgrading costs required to resume exploration drilling of our Relief Canyon mining claims. We incurred operating expenses of \$2,968,926 during the six months ended July 31, 2008. Of this amount, \$113,505 reflects promotion expense; \$363,893 reflects director and officer compensation; and \$1,253,900 reflects fees for outside professional services. A large portion of the outside and professional services reflects legal and accounting work pertaining to our annual and quarterly reporting on Form 10-KSB and Form 10-Q and financing activities. During the six months ended July 31, 2007, we incurred operating expenses of \$2,211,602, of which \$187,000 represented officer compensation, and \$349,249 reflected fees for outside professional services. It is anticipated that both mining costs and operation costs will increase significantly as we continue our exploration program and initiate mining operations.

We incurred interest expense of \$155,910 during the six months ended July 31, 2008, which compares to interest expenses of \$523,539 incurred during the same six months of 2007. The principal balance of loans outstanding during the first six months of the fiscal year 2009 decreased by \$1,221,584, compared to the same six months for the fiscal year 2008, which was primarily the result of the increase in Convertible Debentures. The decrease in additional interest expense during the six months ended July 31, 2008, was primarily due to the decrease in outstanding Convertible Debentures.

Our total net loss of the six months ended July 31, 2008, increased to \$5,447,606 compared to a net loss of \$3,819,642 incurred for the same six months ended July 31, 2007. The higher net loss in the first six months of fiscal 2009 reflects the increase in exploration, maintenance, and operating expenses as we reactivate our exploration activities, construct processing facilities and establish a mineral assay laboratory which expenses were partially offset by revenues recognized during the first six months of fiscal 2009.

#### Liquidity and Capital Resources

We have incurred significant operating losses since inception and during the six months ended July 31, 2008 which has resulted in an accumulated deficit of \$36,638,746 as of July 31, 2008. At July 31, 2008, we had cash and other current assets of \$997,745 compared to \$1,125,613 at January 31, 2008 and a net working capital deficit of \$3,231,051 as of July 31, 2008. Since the resumption of our business in February 2003, we have been dependent on borrowed or invested funds in order to finance our ongoing operations. As of July 31, 2008, we had outstanding debentures and notes payable in the gross principal amount of \$2,149,908 (net balance of \$1,984,341 after \$(165,567) of deferred financing costs) which reflects a decrease in the gross principal balance of \$1,221,584 compared to notes payable in the gross principal amount of \$3,371,492, (net balance of \$4,738,773 after \$(1,868,149) of note payable discount and deferred financing costs and \$3,235,430 of derivative liabilities) as of July 31, 2007.



During the six months ended July 31, 2008 we received proceeds of \$7,621,515 from the issuance of stock and \$1,405,966 from notes payable.

Subsequent to the end of the second fiscal quarter, we secured an additional \$12,000,000 in senior secured notes payable above the amounts outstanding at July 31, 2008 which should be sufficient to bring the Relief Canyon Mine into full production and carry out planned initial exploration on our other properties. Subsequent to this funding we believe we have sufficient working capital to fund our current business plan for Relief Canyon. However, should additional funds become necessary, our intention would be to pursue several possible funding opportunities including the sale of additional securities, entering into joint venture arrangements, or incurring additional debt.

Due to our continuing losses from business operations, the independent auditor's report dated May 15, 2008, includes a "going concern" explanation relating to the fact that Firstgold's continuation is dependent upon obtaining additional working capital either through significantly increasing revenues or through outside financing. As of July 31, 2008, Firstgold's principal commitments included its obligation to pay ongoing maintenance fees on 146 unpatented mining claims, the annual minimum rent due on the Winchell Ranch mineral lease and mortgage payments relating to its offices in Lovelock, Nevada.

It is likely that we will need to raise additional capital to fund the long-term or expanded development, promotion and conduct of our mineral exploration. Due to our limited cash flow, operating losses and limited assets, it is unlikely that we could obtain financing through commercial or banking sources. Consequently, any future capital requirements will be dependent on cash infusions from our major stockholders or other outside sources in order to fund our future operations. Although we believe that our creditors and investors would continue to fund Firstgold's expenses if such became necessary based upon their significant debt and/or equity interest in Firstgold, there is no assurance that such investors would continue to pay our expenses in the future. If adequate funds are not available in the future, through public or private financing as well as borrowing from other sources, Firstgold might not be able to sustain its mineral exploration or mining program.

#### Recent Financing Transactions

During February, March and April of 2008, Firstgold received gross proceeds of \$8,042,897 upon the private placement of Units consisting of 12,373,689 shares of common stock and warrants to purchase 6,186,845 shares of common stock at an exercise price of \$0.80 per share. The warrants have a term of 18 months.

On May 1, 2008, we issued a Convertible Debenture in the principal amount of \$1,100,000 and bearing interest of 10% per annum. The transaction included the issuance of warrants to purchase 1,100,000 shares of Firstgold common stock at an exercise price of \$1.00 per share. On July 11, 2008 we issued a Note Payable in the principal amount of \$250,000 and bearing interest of 12% per annum. The transaction included the issuance of warrants to purchase 500,000 of Firstgold common stock at an exercise price of \$0.50 per share. On August 7, 2008 both the Convertible Debenture and the Note Payable were repaid in full for the amount of \$1,459,707.

Subsequent to the end of the second fiscal quarter and through September 15, 2008, Firstgold issued Senior Promissory Notes in the principal amount of \$8,566,949 which resulted in net proceeds to Firstgold of \$6,252,583. The transaction included the issuance of warrants to purchase 15,000,000 shares of Firstgold common stock at an exercise price of \$0.4357 per share.

#### Off-Balance Sheet Arrangements

During the fiscal quarter ended July 31, 2008, Firstgold did not engage in any off-balance sheet arrangements as defined in Item 303(a) of the SEC's Regulation S-K.

#### Critical Accounting Policies

The discussion and analysis of our financial conditions and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies along with those set forth in Note 3 to the financial statements, affect our more significant judgments and estimates in the preparation of our financial statements.

### Valuation of long-lived assets

Long-lived assets, consisting primarily of property and equipment, patents and trademarks, and goodwill, comprise a significant portion of our total assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Recoverability of assets is measured by a comparison of the carrying value of an asset to the future net cash flows expected to be generated by those assets. The cash flow projections are based on historical experience, management's view of growth rates within the industry, and the anticipated future economic environment.

Factors we consider important that could trigger a review for impairment include the following:

- (a) significant underperformance relative to expected historical or projected future operating results,
- (b) significant changes in the manner of its use of the acquired assets or the strategy of its overall business, and
- (c) significant negative industry or economic trends.

When we determine that the carrying value of long-lived assets and related goodwill and enterprise-level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in its current business model.

### Exploration Costs

Exploration costs are expensed as incurred. All costs related to property acquisitions are capitalized.

### Mine Development Costs

Mine development costs consist of all costs associated with bringing mines into production, to develop new ore bodies and to develop mine areas substantially in advance of current production. The decision to develop a mine is based on assessment of the commercial viability of the property and the availability of financing. Once the decision to proceed to development is made, development and other expenditures relating to the project will be deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation will be charged against the property until commercial production commences. After a mine has been brought into commercial production, any additional work on that property will be expensed as incurred, except for large development programs, which will be deferred and depleted.

### Reclamation Costs

Reclamation costs and related accrued liabilities, which are based on our interpretation of current environmental and regulatory requirements, are accrued and expensed, upon determination.

Based on current environmental regulations and known reclamation requirements, management has included its best estimates of these obligations in its reclamation accruals. However, it is reasonably possible that our best estimates of our ultimate reclamation liabilities could change as a result of changes in regulations or cost estimates.

## ITEM 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Firstgold maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer (CEO) and the chief financial officer (CFO), allowing timely decisions regarding required disclosure. We carried out an evaluation under the supervision and with the participation of management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the quarter covered by this report. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiary) that is required to be included in our periodic reports.

## Changes in Internal Control Over Financial Reporting

As described more fully in our Annual Report on Form 10-KSB for the year ended January 31, 2008, our management periodically assesses our internal controls over financial reporting based upon the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Based on this assessment, including testing, our management determined that as of January 31, 2008 we had the following material weaknesses in our internal control over financial reporting:

1. Deficiencies in Segregation of Duties. Firstgold lacked adequate segregation of duties in our financial reporting process, as our CFO serves as our only qualified internal accounting and financial reporting personnel, and as such, performs substantially all accounting and financial reporting functions with the assistance of an inexperienced internal accountant.
2. Deficiencies in Firstgold's financial reporting process controls. We did not consistently prepare and review account reconciliations and analyses for significant financial statement accounts on a timely basis.

To address and remediate these material weaknesses, we implemented the following changes to our internal controls over financial reporting during the period covered by this report:

For the material weakness concerning deficiencies in segregation of duties, we created the position of Operations Controller and hired an experienced accounting professional to fill the position.

For the material weakness concerning deficiencies in the financial reporting process, we have developed the following remediation plan that will enhance our current policies and procedures. All material accounts are now reconciled on a timely basis.

No changes to our financial statements as filed with the SEC have been required as a result of the ineffectiveness of our previously identified internal disclosure controls and procedures.

Other than the items identified above, during the quarter covered by this report, there was no change in Firstgold's internal control over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal control over financial reporting

## PART II - OTHER INFORMATION

### ITEM 1A. FACTORS AFFECTING FUTURE OPERATING RESULTS

We are a development stage company and an investment in, or ownership position in our common stock is inherently risky. Some of these risks pertain to our business in general, and others are risks which would only affect our common stock. The price of our common stock could decline and/or remain adversely affected due to any of these risks and investors could lose all or part of an investment in our company as a result of any of these risks coming to pass. Readers of this Report should, in addition to considering these risks carefully, refer to the other information contained in this Report, including disclosures in our financial statements and all related notes. If any of the events described below were to occur, our business, prospects, financial condition, or results of operations or cash flow could be materially adversely affected. When we say that something could or will have a material adverse effect on Firstgold, we mean that it could or will have one or more of these effects. We also refer readers to the information in this Report, discussing the impact of Forward-Looking Statements on the descriptions contained in this Report and included in the Factors discussed below.

As an exploration stage company with no proven mineral reserves, we may not be able to prove viable mineral reserves or achieve positive cash flows and our limited history of operations makes evaluation of our future business and prospects difficult. We reactivated our business operations in early 2003 and we have not generated any revenues, other than leasing certain of our drill rigs and crew for short periods of time, since our reactivation. As a result, we have only a limited operating history upon which to evaluate our future potential performance. Our prospects must be considered in light of the risks and difficulties encountered by companies which have not yet established their mining operations.

We believe we currently have sufficient funds to finance our near-term mining activities at the Relief Canyon Mine and preliminary exploration activities at our other properties. We had cash reserves of \$114,765 and a working capital deficit of \$3,231,051 as of July 31, 2008. However, our ability to fully implement our business plan and meet our long-term obligations in the ordinary course of business is dependent upon our ability to raise additional capital through public or private equity financings, establish cash flows from operations, enter into joint ventures or other arrangements with capital sources, or secure other sources of financing to fund operations. Our continuing reliance on outside capital is a consequence of our negative cash flows from operations.

At any time, a serious deficiency in cash flows could occur and it is not always possible or convenient to raise additional capital. A problem in raising capital could result in temporary or permanent insolvency and consequently potential claims by unpaid creditors and perhaps closure of the business.

Our current independent certified public accountants have expanded their opinion contained in our financial statements as of and for the years ended January 31, 2008, and January 31, 2007 to include an explanatory paragraph related to our ability to continue as a going concern, stating, in the audit report dated May 15, 2008, that “the Company has incurred a net loss of \$7,632,537 and had negative cash flow from operations of \$4,832,217. In addition, the Company had an accumulated deficit of \$31,391,142 and a shareholders’ surplus of \$5,174,290 at January 31, 2008.” These factors, among others, as discussed in “Note 2- Going Concern” to the financial statements, raise substantial doubt about our ability to continue as a going concern. The auditors recognize that the cash flow uncertainty makes their basic assumptions about value uncertain. When it seems uncertain whether an asset will be used in a “going concern” or sold at auction, the auditors assume that the business is a “going concern” for purposes of all their work, and then they disclose that there is material uncertainty about that assumption. It is certain, in any case, that analysts and investors view unfavorably any report of independent auditors expressing substantial doubt about a company’s ability to continue as a going concern.

The price of gold has experienced an increase in value over the past five years, generally reflecting among other things relatively low interest rates in the United States; worldwide instability due to terrorism; inflation affecting the US dollar and a slow recovery from the global economic slump. Any significant drop in the price of gold may have a materially adverse affect on the results of our operations unless we are able to offset such a price drop by substantially increased production.

We have no proven or probable reserves and have no ability to currently measure or prove our reserves other than estimating such reserves relying on information produced in the 1990’s and thus may be unable to actually recover the quantity of gold anticipated. We have retained SRK Engineering to perform a resource evaluation. We can only estimate a potential mineral resource which is a subjective process which depends in part on the quality of available data and the assumptions used and judgments made in interpreting such data. There is significant uncertainty in any resource estimate such that the actual deposits encountered or reserves validated and the economic viability of mining the deposits may differ materially from our expectations.

Gold exploration is highly speculative in nature. Success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological data and availability of exploration capital. Due to these and other factors, the probability of our exploration program identifying individual prospects having commercially significant reserves cannot be predicted. It is likely that many of the claims explored will not contain any commercially viable reserves. Consequently, substantial funds will be spent on exploration which may identify only a few, if any, claims having commercial development potential. In addition, if commercially viable reserves are identified, significant amounts of capital will be required to mine and process such reserves.

Our mining property rights consist of 146 mill site and unpatented mining claims at the Relief Canyon Mine, our leasehold interest in the Antelope Peak, Fairview-Hunter and Honorine Gold properties, and recently staked claims in the Horse Creek area of Nevada. The validity of unpatented mining claims is often uncertain and is always subject to contest. Unpatented mining claims are generally considered subject to greater title risk than patented mining claims, or real property interests that are owned in fee simple. If title to a particular property is successfully challenged, we may not be able to carryout exploration programs on such property or to retain our royalty or leasehold interests on that property should production take place, which could reduce our future revenues.

Mining is subject to extensive regulation by state and federal regulatory authorities. State and federal statutes regulate environmental quality, safety, exploration procedures, reclamation, employees’ health and safety, use of explosives, air quality standards, pollution of stream and fresh water sources, noxious odors, noise, dust, and other environmental protection controls as well as the rights of adjoining property owners. We believe that we are currently operating in

substantial compliance with all known safety and environmental standards and regulations applicable to our Nevada property. However, there can be no assurance that our compliance could not be challenged or that future changes in federal or Nevada laws, regulations or interpretations thereof will not have a material adverse affect on our ability to resume and sustain mining operations.

The business of gold mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. We carry insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While we maintain 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. We have not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. We currently carry insurance on our property, plant and equipment as well as comprehensive general liability insurance.

As of August 29, 2008, Firstgold had approximately 130,845,543 shares of Common Stock outstanding and options and warrants to purchase a total of 64,922,821 shares of our Common Stock were outstanding as of August 29, 2008. The possibility that substantial amounts of our outstanding Common Stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future.



## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

On May 1, 2008, we issued a Convertible Debenture in the principal amount of \$1,100,000 and bearing interest of 10% per annum. The Debenture and accrued interest are convertible into shares of Firstgold common stock at a conversion rate of \$0.80 per share. The Debenture is due and payable 20 months from the date of issue. The Debenture was secured by all of our assets including the Relief Canyon Mine. The transaction included the issuance of warrants to purchase 1,100,000 shares of Firstgold common stock at an exercise price of \$1.00 per share. The proceeds of this Debenture were used to fund working capital needs.

Subsequent to the end of the second fiscal quarter, in August 2008, Firstgold issued Senior Secured Promissory Notes in the aggregate principal amount of \$7,215,597 which resulted in net proceeds to Firstgold of \$5,252,584. On September 10, 2008, Firstgold issued additional Senior Promissory Notes in the aggregate principal amount of \$1,351,351, which resulted in net proceeds to Firstgold of \$1,000,000. The Notes bear interest of 4% per annum payable monthly and are due and payable on March 1, 2010. In addition, commencing in December 2008, Firstgold is required to make minimum monthly principal reduction payments of \$400,000. The Notes are secured by all of the assets of Firstgold including its interests in the Relief Canyon Mine property and facilities. The proceeds of these Notes will be used to fund the final permitting, deposits and facility construction at the Relief Canyon Mine site.

The issuance of the above-referenced debt instruments and warrants were made without any public solicitation to a limited number of investors or related individuals or entities. Each investor represented to us that the securities were being acquired for investment purposes only and not with an intention to resell or distribute such securities. Each of the individuals or entities had access to information about our business and financial condition and was deemed capable of protecting their own interests. The debt instruments and warrants were issued pursuant to the private placement exemption provided by Section 4(2) and Regulation D there under or Section 4(6) of the Securities Act. The debenture and notes are deemed to be "restricted securities" as defined in Rule 144 under the Securities Act and the warrant certificates and stock certificates bear a legend limiting the resale thereof.

## ITEM 5. OTHER INFORMATION

In January 2008, Firstgold filed an application to become listed on the Toronto Stock Exchange ("TSX"). This application had been pending with the TSX while Firstgold satisfied various listing requirements, including securing additional capital. On May 12, 2008, the TSX approved Firstgold's application for listing its common shares and, effective May 14, 2008, Firstgold's shares became listed for trading under the symbol "FGD". Firstgold's common stock continues to be listed for trading on the OTC Bulletin Board market under the symbol "FGOC".

## ITEM 6. EXHIBITS

- 10.20(b) Amended Aircraft Time Sharing Agreement dated December 1, 2006
- 10.29(a) Senior Secured Promissory Note dated August 27, 2008 (Platinum)
- 10.29(b) Senior Secured Promissory Note dated August 27, 2008 (Lakewood)
- 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification by CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRSTGOLD CORP.

Dated: September 19, 2008

By: /s/ STEPHEN AKERFELDT  
Stephen Akerfeldt, Chief  
Executive Officer

/s/ JAMES KLUBER  
James Kluber, Principal  
Accounting Officer and Chief  
Financial Officer