

FIRSTGOLD CORP.  
Form 10KSB  
May 16, 2007

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-KSB**

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

For the Fiscal Year Ended  
January 31, 2007

Commission File Number  
0-20722

**FIRSTGOLD CORP.**  
(formerly Newgold, Inc.)

Delaware  
(State of Incorporation)

16-1400479  
(I.R.S. Employer Identification)

Principal Executive Offices:  
3108 Gabbert Drive, Suite 210  
Cameron Park, CA 95682  
(530) 677-5974

Securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:

	<u>Title of Each Class</u>
Common Stock	\$0.001 Par Value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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    X    No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information

statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ X ]

The issuer's revenues for its most recent fiscal year were \$0.

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As of April 16, 2007 the aggregate value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the bid and ask price on such date was approximately \$38,046,734 based upon the closing price of \$0.52 per share.

As of April 16, 2007, the Registrant had outstanding 86,637,711 shares of common stock.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

**Documents Incorporated by Reference**

Certain exhibits required by Item 13 have been incorporated by reference from Firstgold's previously filed Form 8-K's, Form 10-QSB and Form 10-KSB.

**TABLE OF CONTENTS**

	<b><u>Page of Report</u></b>
<b>PART I</b>	<b>1</b>
ITEM 1. DESCRIPTION OF BUSINESS	1
ITEM 2. DESCRIPTION OF PROPERTY	16
ITEM 3. LEGAL PROCEEDINGS	17
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	18
<b>PART II</b>	<b>20</b>
ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES.	20
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	25
ITEM 7. FINANCIAL STATEMENTS	37
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	38
ITEM 8A. CONTROLS AND PROCEDURES	38
ITEM 8B. OTHER INFORMATION	38
<b>PART III</b>	<b>39</b>
ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT	39
ITEM 10. EXECUTIVE COMPENSATION	43
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	47
ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION	49
ITEM 13. EXHIBITS	51
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	53
<b>SIGNATURES</b>	<b>55</b>

**PART I**

**ITEM 1. DESCRIPTION OF BUSINESS**

**General**

Firstgold Corp. (“we,” “us,” “our” or “Firstgold”) has embarked on a business strategy whereby it will invest in, explore and if warranted, conduct mining operations of its 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, 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 and improvements located at that site. Firstgold has also entered into a joint venture intended to explore additional mining properties known as the Red Caps Project and Crescent Valley Project, both of which are located in Lander County, Nevada. Firstgold has also secured rights to explore approximately 35,000 acres of property located in Elko County, Nevada.

From 1995 until the beginning of 2000, Firstgold had followed the above described business activity focusing on the exploration and mining of gold and silver ore deposits. At the beginning of 2000, Firstgold’s business strategy became focused on investing in Internet start-up companies. That strategy was not successful and by mid-2001 Firstgold had abandoned such investments. From approximately July 2001 until February 2003 Firstgold had been inactive. During the period of inactivity, ASDi LLC, an entity controlled by A. Scott Dockter who is also the Chairman and CEO of Firstgold, has made the necessary expenditures to maintain the current status of the Relief Canyon mining claims. In February 2003, Firstgold resumed its business of acquiring, exploring and if warranted developing its mining properties.

Firstgold's mailing address is 3108 Gabbert Drive, Suite 210, Cameron Park, CA 95682 and its telephone number is (530) 677-5974.

**The Company**

Firstgold Corp., a Delaware corporation, has been engaged in the acquisition, development and exploration of gold-bearing properties in the continental United States since 1995. In fiscal 1999 Firstgold placed its only remaining property, the Relief Canyon Mine, located in Pershing County, Nevada, on a care and maintenance status. During fiscal 2000, Firstgold executed a contract to sell the Relief Canyon Mine to A. Scott Dockter, Chairman of Firstgold; however the sale was never completed and the asset remains the property of Firstgold. It is now Firstgold’s intention to resume mining at the Relief Canyon Mine. See “Business” below for further detail.

Firstgold’s independent accountants have included a “going concern” explanatory paragraph in their report dated May 16, 2007 on Firstgold’s financial statements for the fiscal year ended January 31, 2007, indicating substantial doubt about Firstgold’s ability to continue as a going concern (See Note 2 of Financial Footnotes). If Firstgold’s exploration program is not successful or if insufficient funds are available to carry out Firstgold’s development plans, then Firstgold will not be able to execute its business plan.

For financial information regarding Firstgold, see “Financial Statements.”

## **Business**

Firstgold is an “exploration stage” company engaged in the search and/or verification of ore deposits (reserves) in its property. Our business will be to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada. We plan to carryout comprehensive exploration and development programs on our properties. While we currently plan to fund and conduct these activities ourselves, we may in the future outsource some of these activities through the use of various joint venture, royalty or partnership arrangements pursuant to which other companies would agree to finance and carryout the exploration and development programs on our mining properties. Our current plan will require the hiring of various mining employees to perform exploration and mining activities for our various mining properties.

## **Properties**

### Relief Canyon Mine

The Relief Canyon Mine is an open-pit, heap leaching operation located approximately 110 miles northeast of Reno, Nevada. Firstgold held 50 unpatented mining claims covering approximately 1000 acres until October 2004 at which time Firstgold completed re-staking the Relief Canyon mill site and lode claims. Firstgold currently holds a total of 146 claims including 120 mill site claims and 26 unpatented mining claims. The annual payments to maintain these claims are approximately \$15,600. The mine is readily accessible by improved roads. Water for mining and processing operations is provided by two wells located on the property in close proximity to the mine and processing facilities. Power is provided by a local rural electric association and phone lines are present at the mine site. Relief Canyon is located in the Humboldt Range, a mining district in Pershing County, Nevada.

### Background and History

On January 10, 1995, Firstgold purchased the Relief Canyon mine from J.D. Welsh & Associates for \$500,000. The mine at that time consisted of 39 unpatented lode mining claims covering approximately 780 acres and a lease for access to an additional 800 acres contiguous to the 39 claims located on Firstgold’s property. Located on the property are, a building containing five carbon tanks and a boiler for carbon strip solution, four detoxified leach pads, a preg pond for gold bearing solution, a barren pond for solution from which gold had been removed, water rights, and various permits. From acquisition through November 1997, Firstgold refurbished the processing facilities by the purchase and installation of all equipment required to process the gold bearing leach solution when the mine was returned to production in 1997. During 1997, Firstgold staked an additional 402 claims. However, subsequent to January 31, 1998, Firstgold reduced the total claims to 50 (covering approximately 1,000 acres). In 1999 Firstgold placed the mine in a care and maintenance status.

If mining operations are not resumed at the Relief Canyon mine, it is possible Firstgold may be required to reclaim the mine. Reclamation consists of recontouring the four heaps to a 3:1 slope, sale and removal of the building and its contents, evaporation of all water in both ponds and burial of the building foundation and floor within the ponds' liners under the soil contained in the pond berms. Finally, native vegetation must be re-established in all areas of disturbance.

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.

### Plan for Relief Canyon

Based on past exploration by us and work done by others, we believe the Relief Canyon Mine presents the potential for gold bearing ore deposits which will hopefully be validated through further exploration of additional mining claims.

The Relief Canyon properties include 146 millsite claims and unpatented mining claims contained in about 1,000 acres.

Firstgold's operating plan is to place the most promising mining targets into production during the 2007 calendar year, and use the net proceeds from these operations, if any, to fund expanded exploration and development of its entire property holdings. By this means, Firstgold intends to progressively enlarge the scope and scale of the mining and processing operations, thereby increasing Firstgold's annual revenues and eventually its net profits.

Firstgold's goals for environmental protection and reclamation are for minimal environmental disturbance during mining, and reclamation and/or restoration of the disturbed area after mining ceases. The economics of Firstgold's operations will permit this environmentally responsible plan of operations.

We will initially focus on exploring the North Relief Canyon mining property. We recently posted a \$613,500 reclamation bond with the Nevada Bureau of Mining Regulations and Reclamation ("BMRR") which allows us to apply for new permits for mining and processing on the property. Posting the reclamation bond, completes the Activities of Compliance mandated by the Bureau of Land Management ("BLM") and Nevada Department of Environmental Protection ("NDEP") before any work can commence. We have completed approximately 75% of all the environmental work required by NDEP in the Administrative Order of Consent issued May 2005 (the AOC). The purpose of the AOC is to bring the Relief Canyon mine up to current environmental compliance.

In September 2006, we submitted our “Application for Water Pollution Control Permit and Design Report” with the NDEP. This document provides the BLM and NDEP with information regarding the characteristics of the site, proposed management of process fluids, monitoring and tentative plans for the eventual closure of operations. In addition, this fulfills Nevada state requirements and illustrates the plan to prevent undue degradation of public lands while the Relief Canyon Mining Project is in operation.

On September 25, 2006 we submitted our “Plan of Operations” for the Relief Canyon Mining Project to the NDEP. The Plan contains extensive details on how the mine will operate once in production. The Plan includes an intention to reprocess the existing heaps containing approximately 8 million tons of ore and the construction of a new heap leach pad. The Plan also includes facilities and processes which are compliant with our “Green Initiative” to construct and operate an environmentally conscience project.

On October 19, 2006 we received notice from the NDEP that we would be allowed to attach our current Plan of Operations as an amendment to a previous Plan of Operations submitted in 1996. This consolidation of Plans is expected to significantly reduce the processing time and documentation necessary to secure our production permit from the NDEP which will allow us to commence processing ore at the Relief Canyon Mining Project. On April 9, 2007 we received notice from the NDEP that Firstgold’s Plan of Operation had been reinstated. With this approval, Firstgold is allowed to proceed at Relief Canyon with onsite construction, drilling, operations and, if deemed appropriate, production, subject to final determination and posting of reclamation bonds.

To assist us in this effort, we have retained Dyer Engineering Consultants, Inc. as our lead engineering firm for the permitting and compliance engineering work at the Relief Canyon, Crescent Valley and Red Caps exploration projects in Nevada.

Once we have achieved environmental compliance, we can proceed with the permits to commence full scale exploration and mining activities. The estimated time for completing the permitting process is between six months to nine months. However, upon posting the reclamation bond, we are able to carry on limited operations pending full permitting for full mining operations.

#### Description of Past Exploration and Existing Exploration Efforts

Over 400 reverse circulation holes have been drilled at the Relief Canyon project. Of the 400 holes drilled, 106 had intercepts of gold bearing ore structures of 0.1 gold/ton content. Additionally there are numerous holes with several feet of 0.09 - 0.099 gold/ton content.

The mineral zone of Relief Canyon is open ended on three sides. It is projected that additional drilling will increase the size of possible reserves. Most of the drilling to date was targeted for open pit mining, resulting in shallow holes which did not test for possible deeper ore deposits. A significant number of deep holes with 0.3 gold/ton and better were drilled on the North end of the property. This area is targeted for initial underground mining development. Additional exploration holes will be drilled when underground mining commences throughout the various ore zones to determine future development. Firstgold has acquired one mobile drilling rig to conduct this drilling program and is seeking to acquire or rent a second drilling rig.



Typically, grade values of the Relief Canyon drill holes are reduced as a result of finds being lost down the hole or vented out as dust. Actual mining and recovery of gold in the milling process will determine the loss if any which could be as much as 30%.

#### Possible Underground Mining Efforts

We will pursue exploration drilling to further identify areas of possible gold-bearing ore deposits. Results of this additional drilling will allow us to better evaluate whether eventual underground mining efforts may be justified. Future development of our underground mining activity will also be dependent on the availability of adequate capital to initiate and sustain this effort. Underground mining is very expensive costing in the range of \$600 to \$1,000 per linear foot of underground development.

#### Ore Processing Facilities

In October 2006, we commenced revitalization of our process solution ponds. The existing Pregnant and Barren ponds, which manage the process solutions, are being cleaned and relined with the latest technology of fluid containment. In keeping with our "Green Initiative," this will include new leak detection equipment and protocols. In addition, a new solution transmission channel will be constructed between the site of the proposed heap leach pad and the existing solution ponds. Upon completion, we plan to process approximately 8 million metric tons of existing lower grade oxide ores by heap leaching. Heap leaching consists of stacking crushed or run-of-mine ore in impermeable ponds, where a weak cyanide solution is applied to the top surface of the heaps to dissolve the gold.

Higher-grade oxide ores are processed through mills, where the ore is ground into a fine powder and mixed with water in slurry, which then passes through a cyanide leaching circuit. In both cases, the gold-bearing solution is then collected and pumped to facilities to remove the gold by collection on carbon or by zinc precipitation directly from leach solutions.

Some gold-bearing sulfide ores may be processed through a flotation plant. In flotation, ore is finely ground, turned into slurry, then placed in a tank known as a flotation cell. Chemicals are added to the slurry causing the gold-containing sulfides to float in air bubbles to the top of the tank, where they can be separated from waste particles that sink to the bottom. The sulfides are removed from the cell and converted into a concentrate that can then be processed in an autoclave or roaster to recover the gold. The ore is then processed through an oxide mill.

## **Crescent Valley and Red Caps Mine**

### **Overview**

The Crescent Valley and Red Caps properties consist of two leases of unpatented mining claims for which ASDi LLC is the lessee. ASDi LLC and Firstgold are the only parties to an Operating Agreement for and the only members of the Crescent Red Caps LLC, a Nevada limited liability company (“Crescent Red Caps LLC”). The terms of the Operating Agreement for Crescent Red Caps LLC provided for the assignment of the two leases by ASDi LLC to Crescent Red Caps LLC. and provided for Firstgold to own a 22.22% interest and be the Manager and the remaining 77.78% interest to be held by ASDi LLC, a California limited liability company owned by A. Scott Dockter, Chairman and CEO of Firstgold. Additionally, by the terms of the Operating Agreement, Firstgold, by making expenditures over three years (January 2006 - January 2009) aggregating \$2,700,000, can acquire a 66.66% overall interest in the Crescent Red Caps LLC. Firstgold would then have the opportunity to purchase the remaining Crescent Red Caps LLC interest held by ASDi LLC based on the results of the exploration work contemplated by these additional expenditures.

The properties are subject to two leases held by individuals and trusts affiliated with Sam Bida and Leon Belaustegui. The leases were entered into on May 16, 2003 with regard to the Red Caps property and September 3, 2003 with regard to the Crescent Valley property between the lessors and ASDi, LLC as lessee. The two leases include approximately 135 unpatented mining claims and cover approximately 2700 acres. All gold, silver and other mineral production by Crescent Red Caps LLC is subject to a 3% net smelter return (“NSR”) royalty payable to the lessors except for barite which is subject to a 10% royalty on ore produced from claims covered by the leases.

On October 13, 2006 and November 1, 2006 the lessors gave notices of termination of the Crescent Valley and Red Caps leases, respectively. The lessors are claiming that the assignment of the leases by ASDi LLC to Crescent Red Caps LLC was either ineffective or in breach of the leases. While ASDi LLC disputes the lease terminations, the matter has yet to be resolved. On February 8, 2007, the lessors filed a lawsuit seeking to terminate the leases (see the section “Legal Proceedings” below). Firstgold will expend only limited funds on its exploration program on the properties until this lease dispute is resolved.

### **Property**

The Crescent Valley and Red Caps properties are located in northeastern Nevada, approximately 60 miles southwest of Elko, Nevada in Lander County. The properties are accessed via Nevada State Highway 306, which extends southward from U.S. Interstate 80, both of which are paved roads.

The Cortez area of interest comprises approximately 640,000 acres along the Cortez/Battle Mountain trend. The two leases controlled by Crescent Red Caps LLC include approximately 135 unpatented mining claims and cover approximately 2700 acres located along the Cortez/Battle Mountain trend. Currently no exploration, development or mining permits have been granted for the areas covered by the leases.

### Geology and Mineralization

The Crescent Red Caps properties are situated along the Cortez/Battle Mountain trend in north-central Nevada. The principal exploration sites are located on the southwest and south sides of Crescent Valley, which was formed by basin and range extensional tectonism. Mineralization is sedimentary rock-hosted and consists of micron-sized free gold particles that are disseminated throughout the host rock, commonly in association with secondary silica, iron oxides or pyrite.

### Exploration and Development

Approximately 17,000 feet of exploration drilling has been completed in two different drill programs conducted by prior owners in 1991 and 1996. Gold mineralization encountered both in drilling and in surface sampling is tightly structurally controlled and is confined to narrow shears and fractures developed mainly in the non-reactive cherts and argillites. Future drill programs will test for more extensive bodies of mineralization. Upward migration of gold mineralization from a stockwork system or replacement mineralization of a more reactive host rock at depth could produce the type of anomalous gold concentrations found at the prior drill sites.

The exploration potential in the immediate project areas remains positive. The exploration plan will be to conduct 40,000 feet of additional exploration drilling at the Red Caps property adjoining Barrick Gold's Pipeline projects in the Eureka-Cortez-Battle Mountain Trend, to better delineate the extent of mineralization at the Red Caps area. The deep hole drilling program involves drilling exploratory holes to a depth of between 1000 ft. and 3000 ft. However, only a limited exploration program will be commenced unless and until the leasehold interest of Crescent Red Caps LLC is confirmed.

### Antelope Peak

On October 24, 2006, we entered into a Mineral Lease Agreement with the owners of approximately 35,000 acres of property located in Elko County, Nevada (the "Antelope Peak" property). The Lease allows Firstgold the exclusive right to explore for and, if warranted, develop gold, silver and barite minerals on the leased property. The Lease has an initial term of five (5) years; however the term can be automatically extended thereafter for so long as Firstgold is engaged in mining operations.

### **Industry Overview**

The gold mining and exploration industry has experienced several factors recently that are favorable to Firstgold as described below.

The spot market price of an ounce of gold has increased from a low of \$253 in February 2001 to a high of \$730 in May 2006. The price was \$679 as of April 30, 2007. This current price level has made it economically more feasible to produce gold as well as made gold a more attractive investment for many. Firstgold is projecting a cash cost per ounce of gold produced in a range of \$170 to \$225. Accordingly, the gross margin per ounce of gold produced per the historical spot market price range above provides significant profit potential if we are successful in identifying and mining gold at Relief Canyon mine.

By industry standards, there are generally four types of mining companies. Firstgold is considered an “exploration stage” company. Typically, an exploration stage mining company is focused on exploration to identify new, commercially viable gold deposits. “Junior mining companies” typically have proven and probable reserves of less than one million ounces of gold, generally produces less than 100,000 ounces of gold annually and / or are in the process of trying to raise enough capital to fund the remainder of the steps required to move from a staked claim to production. “Mid-tier” and large mining (“senior”) companies may have several projects in production plus several million ounces of gold in reserve.

Generally gold reserves have been declining for a number of years for the following reasons:

- The extended period of low gold prices from 1996 to 2001 made it economically unfeasible to explore for new deposits for most mining companies.
- The demand for and production of gold products have exceeded the amount of new reserves added over the last several consecutive years.

Reversing the decline in lower gold reserves is a long term process. Due to the extended time frame it takes to explore, develop and bring new production on line, the large mining companies are facing an extended period of lower gold reserves. Accordingly, junior companies that are able to increase their gold reserves more quickly should directly benefit with an increased valuation.

Additional factors causing higher gold prices over the past two years have come from a weakened United States dollar. Reasons for the lower dollar compared to other currencies include the historically low US interest rates, the increasing US budget and trade deficits and the general worldwide political instability caused by the war on terrorism.

### **Competition**

Of the four types of mining companies, we believe junior companies represent the largest group of gold companies in the public stock market. All four types of mining companies may have projects located in any of the gold producing continents of the world and many have projects located near the Relief Canyon, Red Caps and Crescent Valley mines in Nevada. Many of our competitors have greater exploration, production, and capital resources than we do, and may be able to compete more effectively in any of these areas. Firstgold’s inability to secure capital to fund exploration and possible future production capacity, would establish a competitive cost disadvantage in the marketplace which would have a material adverse effect on its operations and potential profitability.

We also compete in the hiring and retention of experienced employees. Consequently, we may not be able to hire qualified miners or operators in the numbers or at the times desired.

## **Employees**

As of January 31, 2007, we had eight full-time employees and one part-time employee. We anticipate hiring additional employees during the current year to work on the mining sites in Nevada as our exploration program is initiated. While skilled equipment and operations personnel are in demand, we believe we will be able to hire the necessary workers to implement our exploration program. Our employees are not expected to be subject to a labor contract or collective bargaining agreement. We consider our employee relations to be good.

Consulting services, relating primarily to geologic and geophysical interpretations, and relating to such metallurgical, engineering, and other technical matters as may be deemed useful in the operation of our exploration activities, will be provided by independent contractors.

## **Government Controls And Regulations**

Our exploration, mining and processing operations are subject to various federal, state and local laws and regulations governing prospecting, exploration, development, production, labor standards, occupational health, mine safety, control of toxic substances, and other matters involving environmental protection and employment. United States environmental protection laws address the maintenance of air and water quality standards, the preservation of threatened and endangered species of wildlife and vegetation, the preservation of certain archaeological sites, reclamation, and limitations on the generation, transportation, storage and disposal of solid and hazardous wastes, among other things. There can be no assurance that all the required permits and governmental approvals necessary for any mining project with which we may be associated can be obtained on a timely basis, or maintained. Delays in obtaining or failure to obtain government permits and approvals may adversely impact our operations. The regulatory environment in which we operate could change in ways that would substantially increase costs to achieve compliance. In addition, significant changes in regulation could have a material adverse effect on our operations or financial position.

Outlined below are some of the more significant aspects of governmental controls and regulations which materially affect our interests in the Relief Canyon, Red Caps and Crescent Valley mines.

### Regulation of Mining Activity

Firstgold's mining properties, including care and maintenance, exploration, development and possible future production activities, is subject to environmental laws, policies and regulations. These laws, policies and regulations regulate, among other matters, emissions to the air, discharges to water, management of waste, management of hazardous substances, protection of natural resources, protection of endangered species, protection of antiquities and reclamation of land. The mines are also subject to numerous other federal, state and local laws and regulations. At the federal level, the mines are subject to inspection and regulation by the Division of Mine Safety and Health Administration of the Department of Labor ("MSHA") under provisions of the Federal Mine Safety and Health Act of 1977. The Occupation and Safety Health Administration ("OSHA") also has jurisdiction over certain safety and health standards not covered by MSHA.

Mining operations and all future exploration and development will require a variety of permits. Although we believe the permits can be obtained in a timely fashion, permitting procedures are complex, costly, time consuming and subject to potential regulatory delay. We do not believe that existing permitting requirements or other environmental protection laws and regulations would have a material adverse effect on our ability to explore and eventually operate the mines. However, we cannot be certain that future changes in laws and regulations would not result in significant additional expenses, capital expenditures, restrictions or delays associated with the operation of our properties. We cannot predict whether we will be able to obtain new permits or whether material changes in permit conditions will be imposed. Granting new permits or the imposition of additional conditions could have a material adverse effect on our ability to explore and operate the mining properties in which we have an interest.

On June 9, 2005, we received permission from the NDEP to commence designated environmental activities previously requested by us. In January 2006, we made a cash deposit of \$243,204 to cover future reclamation costs as required by the NDEP for the Relief Canyon Mine. As indicated previously, in September 2006 we submitted our Application for Water Pollution Control Permit and Design Report for the Relief Canyon project. We are now moving forward with the permitting process that will allow us to perform additional exploration, development and mining operations. The Red Caps and Crescent Valley properties currently are not part of any permitting process. During fiscal 2007 we filed the necessary permit applications to allow initial exploration activities to begin at both properties.

On October 19, 2006 we received notice from the NDEP that we would be allowed to attach our current Plan of Operations for Relief Canyon submitted on September 15, 2006 as an amendment to the previous Plan of Operations submitted in 1996. This consolidation of Plans is expected to significantly reduce the processing time and documentation necessary to secure our production permit from the NDEP for the Relief Canyon project. We are also required to increase the reclamation cost deposit from \$243,204 to \$613,500 which will be placed in a blocked account with our bank in Sacramento, California. The increased deposit was made in March 2007. On April 9, 2007 we received notice from the NDEP that Firstgold's Plan of Operation has been reinstated. With this approval, Firstgold is allowed to commence onsite operations subject to final determination and posting of reclamation bonds.

On November 16, 2006, the NDEP notified Firstgold of certain violations that had occurred pertaining to the unauthorized release of water from one of the preg ponds at the Relief Canyon mining site in early November 2006. While such violation is not expected to affect the permitting process or exploration program at the Relief Canyon Mine site, a monetary fine is anticipated which is not expected to have a material adverse effect on Firstgold's business.

Legislation has been introduced in prior sessions of the U.S. Congress to make significant revisions to the U.S. General Mining Law of 1872 that would affect our unpatented mining claims on federal lands, including a royalty on gold production. It cannot be predicted whether any of these proposals will become law. Any levy of the type proposed would only apply to unpatented federal lands and accordingly could adversely affect the profitability of portions of any future gold production from the Relief Canyon mine.

The State of Nevada, where our mine properties are located, adopted the Mined Land Reclamation Act (the "Nevada Act") in 1989 which established design, operation, monitoring and closure requirements for all mining facilities. The Nevada Act has increased the cost of designing, operating, monitoring and closing mining facilities and could affect the cost of operating, monitoring and closing existing mine facilities. The State of Nevada also has adopted reclamation regulations pursuant to which reclamation plans must be prepared and financial assurances established for existing facilities. The financial assurances can be in the form of cash placed on deposit with the State or reclamation bonds underwritten by insurance companies. The State of Nevada has requested financial assurances from or a posting of a bond by us in the amount of \$464,000. We developed a specific reclamation plan of the Relief Canyon Mine and began implementation of the plan in April 2005. This work was completed in the summer of 2005. As a result of completing the work, the State of Nevada reduced the financial assurance amount to \$243,204 which we have deposited in a blocked account with our bank in Sacramento, California. In March 2007, we increased the reclamation cost deposit to \$613,500. We have now completed the Activities of Compliance required by BLM and NDEP which was a prerequisite to the issuance of mining permits. Our ability to commence full mining operations at the Relief Canyon Mine is subject to our obtaining all necessary mining permits.

### Environmental Regulations

Legislation and implementation of regulations adopted or proposed by the United States Environmental Protection Agency ("EPA"), the BLM and by comparable agencies in various states directly and indirectly affect the mining industry in the United States. These laws and regulations address the environmental impact of mining and mineral processing, including potential contamination of soil and water from tailings discharges and other wastes generated by mining companies. In particular, legislation such as the Clean Water Act, the Clean Air Act, the Federal Resource Conservation and Recovery Act ("RCRA"), the Environmental Response, Compensation and Liability Act and the National Environmental Policy Act require analysis and/or impose effluent standards, new source performance standards, air quality standards and other design or operational requirements for various components of mining and mineral processing, including gold-ore mining and processing. Such statutes also may impose liability on us for remediation of waste we have created.

Gold mining and processing operations by an entity would generate large quantities of solid waste which is subject to regulation under the RCRA and similar state laws. The majority of the waste which is produced by such operations is "extraction" waste that EPA has determined not to regulate under RCRA's "hazardous waste" program. Instead, the EPA is developing a solid waste regulatory program specific to mining operations under the RCRA. Of particular concern to the mining industry is a proposal by the EPA entitled "Recommendation for a Regulatory Program for Mining Waste and Materials Under Subtitle D of the Resource Conservation and Recovery Act" ("Strawman II") which, if implemented, would create a system of comprehensive Federal regulation of the entire mine site. Many of these requirements would be duplicates of existing state regulations. Strawman II as currently proposed would regulate not only mine and mill wastes but also numerous production facilities and processes which could limit internal flexibility in operating a mine. To implement Strawman II the EPA must seek additional statutory authority, which is expected to be requested in connection with Congress' reauthorization of RCRA.

We also are subject to regulations under (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA” or “Superfund”) which regulates and establishes liability for the release of hazardous substances and (ii) the Endangered Species Act (“ESA”) which identifies endangered species of plants and animals and regulates activities to protect these species and their habitats. Revisions to “CERCLA” and “ESA” are being considered by Congress; however, the impact of these potential revisions on us is not clear at this time.

The Clean Air Act, as amended, mandates the establishment of a Federal air permitting program, identifies a list of hazardous air pollutants, including various metals and cyanide, and establishes new enforcement authority. The EPA has published final regulations establishing the minimum elements of state operating permit programs. Firstgold will be required to comply with these EPA standards to extent adopted by the State of Nevada.

In addition, we are required to mitigate long-term environmental impacts by stabilizing, contouring, resloping, and revegetating various portions of a site. While a portion of the required work was performed concurrently with prior operations, completion of the environmental mitigation occurs once removal of all facilities has been completed. These reclamation efforts are conducted in accordance with detailed plans which have been reviewed and approved by the appropriate regulatory agencies. We have made the necessary cash deposits and we made provision to cover the estimated costs of such reclamation as required by permit.

We believe that our care and maintenance operation at the Relief Canyon Mine, as it exists today, is in substantial compliance with federal and state regulations and is consistent with our Green Initiative approach to environmental impact and that no further significant capital expenditures for environmental control facilities will be required unless and until production resumes at the site. We also believe we are in substantial compliance with the same federal and state regulations at the Red Caps and Crescent Valley properties as no exploration, development or mining activities have yet commenced there.

### **Factors Affecting Firstgold's Business**

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, for a full description of our business. 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 a development stage company with an unproven business strategy, we may not be able to achieve positive cash flows and our limited history of operations makes evaluation of our future business and prospects difficult. We have been relatively inactive since April 2001. Consequently, we have only recently reactivated our business operations and we have not generated any revenues, other than dividend income, 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 new companies which have not yet established their business operations.

We will need additional funds to finance our mining and exploration activities as well as fund our current operations. We currently have limited cash reserves and a working capital deficit of \$1,514,459 as of January 31, 2007. Consequently, our ability to 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 increasing cash flow from operations, enter into joint ventures or other arrangements with capital sources, or secure other sources of financing to fund operations.

Our prior and current independent certified public accountants have expanded their opinion contained in our financial statements as of and for the years ended January 31, 1997, through 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 16, 2007, that “the Company has incurred a net loss of \$4,728,073 and had negative cash flow from operations of \$2,655,050. In addition, the Company had an accumulated deficit of \$23,758,605 and a shareholders’ deficit of \$4,245,793 at January 31, 2007.” These factors, among others, as discussed in “Note 2- Going Concern” to the financial statements, raise substantial doubt about the Company’s 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 definitely a consequence of our negative cash flows from operations that we continually need additional cash. 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. All of these things are possibilities. 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; and a slow recovery from prior global economic slumps. 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.

Our disclosures of our mineral resources are only estimates. 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 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 expertise 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 78 mill site and unpatented mining claims at the Relief Canyon Mine, our interest in the Crescent Red Caps LLC and our leasehold interest in the Antelope Peak property. 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. In addition, the validity of the lease assignments pertaining to the Crescent Valley and Red Caps properties are currently being contested by the lessors. 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 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 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. Prior to suspending operations, we carried insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While we 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. We have not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. We currently carry no insurance on any of our properties due to the current status of the our mining properties and our current financial condition.

We are substantially dependent upon the continued services of A. Scott Dockter, our President. While we have an employment agreement with Mr. Dockter, there is no key person life insurance or disability insurance on Mr. Dockter. While Mr. Dockter expects to spend the majority of his time assisting Firstgold, there can be no assurance that Mr. Dockter's services will remain available to Firstgold. If Mr. Dockter's services are not available to us, we would be materially and adversely affected. However, Mr. Dockter has been a significant shareholder of Firstgold since its inception and considers his investment of time and money in Firstgold of significant personal value.

We have entered into a joint venture agreement to pursue the exploration of two mining properties leased by ASDi LLC whose sole manager and majority member is A. Scott Dockter, President and CEO of Firstgold. Consequently, Mr. Dockter has a conflict of interest in this joint venture. Furthermore, ASDi LLC will initially hold a 77.78% interest in a Nevada limited liability company called Crescent Red Caps LLC through which the joint venture will be operated. While Firstgold will be the sole manager of the Crescent Red Caps LLC, Mr. Dockter will be able to control the joint venture activities through his position with the Manager (Firstgold) and through his ownership and control of the majority member (ASDi LLC). While Mr. Dockter will endeavor to always act in the best interest of Firstgold and its stockholders, stockholders will have only limited ability to influence or object to actions taken by the Crescent Red Caps LLC in exploring, developing and capital spending on the joint venture properties.

As of January 31, 2007, Firstgold had approximately 77,839,601 shares of Common Stock outstanding and convertible debentures which are convertible into up to 6,057,143 shares of our Common Stock. Additionally, warrants to purchase a total of 26,592,866 shares of our Common Stock were outstanding as of January 31, 2007. Furthermore, up to an additional 10,000,000 shares of Common Stock could become issuable to the convertible debenture holders if a default were to occur. 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

At the time of entering into the \$3,000,000 Secured Convertible Debentures ("Convertible Debentures") with Cornell Capital Partners, the Fixed Conversion Price was \$0.4735 per share which would equal approximately 6,335,797 shares if the entire principal were converted into Firstgold Common Stock. This represents the minimum number of shares issuable upon the conversion of the Convertible Debenture. However, if the market price for Firstgold Common Stock should remain below \$0.4735 per share, we would be required to issue substantially more shares of Common Stock upon the conversion of the Convertible Debentures. The issuance of significantly more shares at a lower conversion price would have a dilutive effect to our current stockholders.

## ITEM 2. DESCRIPTION OF PROPERTY

Firstgold's executive office is located at 3108 Gabbert Drive, Suite 210, Cameron Park, California 95672. Firstgold also owns and maintains an office at 1055 Cornell Avenue, Lovelock, Nevada 89419.

### **Mining Property Rights**

#### Relief Canyon Property

Our mining property rights are represented by 146 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 January 31, 2007, we were current in the payment of such maintenance fees.

In connection with the Securities Purchase Agreement dated September 26, 2006, we executed a Security Agreement in favor of Cornell Capital Partners granting them a first priority security interest in all of our leasehold interests and mining rights to the Relief Canyon property as well as any equipment or improvements located in such property. Cornell Capital Partners also holds a security interest in all of Firstgold's other assets. The Security Agreement and UCC filing state that if an event of default occurs under the Securities Purchase Agreement, Secured Convertible Debentures or Security Agreement, Cornell Capital Partners have the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements.

#### Red Caps Property

The Red Caps property consist of 96 unpatented mining lode claims. 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 January 31, 2007, Crescent Red Caps LLC was current in the payment of such maintenance fees. ASDi LLC received notice on November 1, 2006 that the lease pertaining to this property was being terminated due to an alleged breach of the lease caused by ASDi LLC's contribution of the lease to the Crescent Red Caps LLC of which we are a member. While ASDi LLC disputes the breach and the termination, the matter has not yet been resolved. See Item 3 - Legal Proceedings.

#### Crescent Valley Property

The Crescent Valley property consist of 39 unpatented mining lode claims. 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 January 31, 2007, Crescent Red Caps LLC was current in the payment of such maintenance fees. ASDi LLC received notice on October 13, 2006 that the lease pertaining to this property was being terminated due to an alleged breach of the lease caused by ASDi LLC's contribution of the lease to the Crescent Red Caps LLC of which we are a member. While ASDi LLC disputes the breach and the termination, the matter has not yet been resolved. See Item 3 - Legal Proceedings.

Dalton Livestock and Winchell Ranch Mineral Lease

On October 24, 2006, we entered into a Mineral Lease Agreement with the owners of approximately 35,000 acres of property located in Elko County, Nevada (the "Antelope Peak" property). The Lease allows Firstgold the exclusive right to explore for and, if warranted, develop gold, silver and barite minerals on the leased property. The Lease includes exploration, mining and access rights, deposit of waste material, mineral processing and water rights. The Lease has an initial term of five (5) years; however the term can be automatically extended thereafter for so long as Firstgold is engaged in mining operations.

Firstgold paid \$20,000 upon the signing of the Lease and is required to pay rent of \$50,000 per year. Firstgold is required to expend the following sums for exploration work on the premises: first year - \$150,000; second year - \$450,000; third year - \$1,000,000; fourth year - \$1,500,000; and fifth year - \$2,000,000. In addition, should mining operations be commenced, the Lessors would be entitled to a percentage of net smelter returns ranging from 2% to 5% depending on the price of gold. A finder's fee of 2,000,000 common shares and 2,000,000 warrants to purchase common shares at a price of \$0.50 per common share were issued to an unrelated third party at the date of signing the Lease. The warrants have a term of three years.

Upon conclusion of all mineral exploration and mining operations, if any, Firstgold is required to restore the property.

**ITEM 3. LEGAL PROCEEDINGS**

On February 4, 2000, a complaint was filed against Firstgold by Sun G. Wong in the Superior Court of Sacramento County, California (Case No. 00AS00690). In the complaint, Mr. Wong claimed that he was held liable as a guarantor of Firstgold in a claim brought by Don Christianson in a breach of contract action against Firstgold. Despite the fact that Firstgold settled the action with Mr. Christianson through the issuance of 350,000 shares of Firstgold Common Stock, Mr. Wong, nevertheless, paid \$60,000 to a third party claiming to hold Mr. Christianson's judgment pursuant to Mr. Wong's guaranty agreement. Similarly, Mr. Wong alleged that he was held liable as a guarantor for a debt of \$200,000 owed by Firstgold to Roger Primm with regard to money borrowed by Firstgold. Mr. Primm filed suit against Firstgold which was settled through the issuance of 300,000 shares of Firstgold Common Stock. Nevertheless, Mr. Wong alleges that he remains liable to a third party claiming to hold Mr. Primm's judgment for approximately \$200,000 pursuant to his guaranty of such debt of Mr. Primm. On December 29, 2000, the superior court entered a default judgment against Firstgold in the amount of \$400,553 with regard to the Christianson judgment and an additional \$212,500 in regard to the Primm judgment against Mr. Wong. Firstgold believed that Mr. Wong was not obligated to pay any sums pursuant to his guarantees with regard to the Christianson and Primm judgments against Firstgold. On September 26, 2006, the parties signed a Settlement Agreement to resolve this lawsuit. Pursuant to the Settlement Agreement, Firstgold paid Mr. Wong \$125,000 and issued him 100,000 shares of restricted common stock on October 4, 2006. Firstgold also made a final payment of \$50,000 to Mr. Wong on January 3, 2007. An Acknowledgment of Satisfaction of Judgment was filed by Mr. Wong on January 9, 2007.

On May 18, 2004 Paul Ngoyi filed a petition for involuntary bankruptcy against Firstgold (Case No. BK-N-0451511). Mr. Ngoyi claimed to be the holder of both the Christiansen and Primm judgments against Firstgold and claimed that Firstgold cannot pay such judgments because it is insolvent. Firstgold maintained that Mr. Ngoyi's claims were invalid as the two judgments were previously satisfied and that Firstgold was not insolvent. A pre-trial hearing was held on April 4, 2005 at which time Firstgold prevailed in having Mr. Ngoyi's petition dismissed. An order of dismissal was issued May 10, 2005.

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). The complaint seeks the termination of the leasehold rights granted to ASDi, LLC and quiet title and damages. The complaint also seeks an order against Firstgold restricting public claims of ownership or control of the mining properties. ASDi, LLC and Firstgold do not believe the lease assignments were wrongful or even required the Lessors' consent. Consequently, ASDi, LLC and Firstgold plan to vigorously defend this action. On April 3, 2007, a preliminary hearing was held in which the defendants sought a Summary Judgment to have the leasehold termination notices declared void. The Court did not grant the defendants' motions thus requiring the matter to proceed to trial on the merits. In addition, the Court will enter an injunction against public claims of ownership of the mining property by defendants. Until this matter is resolved, Crescent Red Caps LLC and/or Firstgold will make limited expenditures on exploration expenses on the leased properties.

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

We held our Annual Meeting of Stockholders on October 20, 2006. However, due to the lack of a quorum, the Annual Meeting was adjourned to November 17, 2006. At the reconvened Annual Meeting of Stockholders, 72,644,240 shares of common stock were entitled to vote at such meeting, of which there were present in person or by proxy 52,961,529 shares of common stock. At the reconvened Annual Meeting, the holders of our common stock elected the following nominees to our Board of Directors: A. Scott Dockter, James W. Kluber, Terrence Lynch and Stephen Akerfeldt. All of the Directors nominated were duly elected by a vote of 51,987,735 shares voting for the nominees, 960,959 shares voting against the nominees and 75,000 shares abstaining.

Our stockholders approved the proposal to approve the terms of our 2006 Stock Option Plan with 32,807,342 votes cast for and 2,348,865 votes against, with 152,808 votes abstaining and broker non-votes.

Our stockholders also approved amending our Certificate of Incorporation to change our name to Firstgold Corp. with 52,887,525 votes cast for and 133,548 votes against with 2,621 votes abstaining.

## PART II

**ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES.****Market for Our Common Stock**

In July 1997, our Common Stock was approved for quotation on the National Association of Securities Dealers' Over-the-Counter ("OTC") Bulletin Board where it traded under the symbol "NGLD" until June 2001. In June 2001, our Common Stock was moved to the "Pink Sheets" published by the Pink Sheets LLC (previously National Quotation Bureau, LLC). On June 7, 2005, our Common Stock was again approved for quotation on the OTC Bulletin Board with its symbol of "NGLD." Due to our name change to Firstgold Corp., effective December 1, 2006 our trading symbol was changed to "FGOC." As of April 30, 2007 the closing price of our Common Stock was \$0.65 per share.

**Price Range of Our Common Stock**

A public trading market having the characteristics of depth, liquidity and orderliness depends upon the existence of market makers as well as the presence of willing buyers and sellers, which are circumstances over which we do not have control. The following table sets forth the high and low sales prices reported by the OTC Bulletin Board for our Common Stock in the periods indicated. The quotations below reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

**FIRSTGOLD CORP. COMMON STOCK**

	<b>Low</b>	<b>High</b>
<b>Year Ending January 31, 2007</b>		
Fourth Quarter (November-January)	\$ 0.255	\$ 0.39
Third Quarter (August-October)	\$ 0.30	\$ 0.47
Second Quarter (May-July)	\$ 0.19	\$ 0.53
First Quarter (February-April)	\$ 0.14	\$ 0.245
<b>Year Ending January 31, 2006</b>		
Fourth Quarter (November-January)	\$ 0.12	\$ 0.225
Third Quarter (August-October)	\$ 0.10	\$ 0.29
Second Quarter (May-July)	\$ 0.20	\$ 0.34
First Quarter (February-April)	\$ 0.15	\$ 0.33



## **Stockholders**

As of January 31, 2007, there were approximately 1,074 holders of record of our Common Stock. This amount does not include stockholders whose shares are held in street name.

## **Dividend Policy**

We have never declared or paid any cash dividends on our Common Stock. We currently anticipate that we will retain all future earnings for the expansion and operation of our business and do not anticipate paying cash dividends in the foreseeable future.

## **Securities Authorized For Issuance Under Equity Compensation Plans**

On July 26, 2006, our Board of Directors adopted the 2006 Stock Option Plan which was submitted to and approved by stockholders at the 2006 annual stockholders meeting held on November 17, 2006. Under the terms of the 2006 Plan, we may grant options to purchase up to 5,000,000 shares of our common stock which can include Incentive Stock Options issued to employees and Nonstatutory Stock Options issuable to employees or consultants providing services to Firstgold on such terms as are determined by our board of directors. Our Board administers the 2006 Plan. Under the 2006 Plan, options vest not less than 20% per year and have 10-year terms (except with respect to 10% stockholders which have five-year terms). If an option holder terminates his/her employment with us or becomes disabled or dies, the option holder or his/her representative will have a certain number of months to exercise any outstanding options. If we sell substantially all of our assets or are a party to a merger or consolidation in which we are not the surviving corporation, then we have the right to accelerate unvested options and will give the option holder written notice of the exercisability and specify a time period in which the option may be exercised. All options will terminate in their entirety to the extent not exercised on or prior to the date specified in the written notice unless an agreement governing any change of control provides otherwise. As of January 31, 2007, options to purchase 2,350,000 shares of common stock had been issued as follows: 500,000 options issued to A. Scott Dockter; 400,000 options issued to James Kluber; 500,000 options issued to Terrence Lynch; 250,000 options issued to Stephen Akerfeldt and Donald Heimler; and 450,000 options issued to other employees for the purchase of Firstgold restricted common stock.

## **Shares Issuable Upon Conversion of Convertible Debentures**

The \$3,000,000 principal amount of Convertible Debentures held by Cornell Capital are convertible into shares of our Common Stock at a per share conversion rate at the time of conversion which will be the lower of \$0.4735 per share or 95% of the lowest Volume Weighted Average Price of Firstgold's common stock during the 30 trading days immediately preceding the Conversion Date as quoted by Bloomberg, LP (the "Market Conversion Price").

The following table sets forth the number of shares which would be issued to Cornell Capital upon the conversion of the \$3,000,000 aggregate principal amount of the Debentures at various assumed Market Conversion Prices:

Assumed Market Conversion Price Per Share	Total Shares Issued to Cornell Capital Under the Debenture if Full Conversion <sup>(1)</sup>
\$ 0.4735 or higher	6,335,797
\$ 0.40	7,500,000
\$ 0.30	10,000,000
\$ 0.20	15,000,000
\$ 0.10	30,000,000

<sup>(1)</sup> Does not include conversion of accrued but unpaid interest on the Debenture

### Repurchase of Equity Securities

None

### Recent Sales of Unregistered Securities

On October 10, 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 \$0.4735 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 with 426,767 warrants exercisable at \$0.45 per share and 320,076 warrants exercisable at \$0.60 per share. The warrants expire four years from the date of issuance. The shares were offered and sold exclusively to individuals residing or entities formed outside the United States and are not deemed to be "U.S. persons" as that term is defined under Regulation S. Each investor represented that it is purchasing such shares for its own account. Both the offer and the sale of the Firstgold shares were made outside the United States and are deemed to be "offshore transactions" as that term is defined under Regulation S. The share certificates contain a legend indicating that such shares can only be transferred in compliance with the provisions of Regulation S. In light of the foregoing, such sales were deemed exempt from registration pursuant to Regulation S of the 1933 Act. The shares are deemed to be "restricted securities" as defined in Rule 144 under the 1933 Act.

The following issuances of stock, warrants, and other equity securities were made without any public solicitation to a limited number of investors or related individuals or entities in separately negotiated transactions. 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 stock, warrants and other securities were issued pursuant to the private placement exemption provided by Section 4(2) or Section 4(6) of the Securities Act or Regulation S under the Securities Act. These are deemed to be "restricted securities" as defined in Rule 144 under the Securities Act and the warrant certificates and the stock certificates bear a legend limiting the resale thereof.

During Firstgold's most recent fiscal year ending January 31, 2007, it issued the following securities pursuant to exemptions from registration under the Securities Act:

On January 31, 2007, James W. Kluber, Executive Vice President and Chief Financial Officer of Firstgold, converted \$209,251 of convertible debt and interest thereon into 1,630,918 shares of our common stock. The conversion price was \$0.15 per share. The issuance of shares upon the conversion of debt was made pursuant to the private placement exemption provided by Section 4(2) of the Securities Act. All shares issued are deemed to be "restricted securities" as defined in Rule 144 under the Securities Act and the stock certificate bears a legend restricting the resale thereof.

On January 9, 2007, we issued options to purchase an aggregate of 250,000 shares of our common stock to a new director from our newly adopted 2006 Stock Option Plan. The options are exercisable at \$0.50 per share. The options fully vest after one year and expire in ten years.

On October 26, 2006 Firstgold issued 2,000,000 shares of restricted common stock and warrants to purchase 2,000,000 shares of restricted common stock immediately exercisable at a price of \$0.50 per share. The shares and warrants were issued to one investor as a finder's fee related to the Antelope Peak Lease.

On October 4, 2006 Firstgold issued 100,000 shares of restricted common stock to one person in partial settlement of an existing litigation matter.

On September 26, 2006, Firstgold entered into a Securities Purchase Agreement (the "Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement"), as amended on November 1, 2006, in connection with a private placement of convertible debentures, in the aggregate principal amount of \$3,000,000 and bearing interest of 8% per annum (the "Debentures"). The Debentures were funded \$1,000,000 on September 26, 2006, \$1,000,000 on December 1, 2006 and \$1,000,000 March 16, 2007. 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, pursuant to the Purchase Agreement, the investor was issued warrants (the "Warrants") to purchase an aggregate of 3,500,000 shares of Firstgold common stock exercisable at \$0.45. The Warrants have a term of four years and are immediately exercisable.

On September 15, 2006, Firstgold issued 1,523,229 shares of restricted common stock in conversion of the remaining \$400,000 in principal of outstanding Secured Convertible Debentures held by Cornell Capital Partners from a prior financing transaction. An additional 117,852 shares of restricted common stock was issued in conversion of \$30,948 of accrued interest on the Secured Convertible Debentures.

In September 2006, we issued options to purchase an aggregate of 250,000 shares of our common stock to one director from our newly adopted 2006 Stock Option Plan. The options are exercisable at \$0.50 per share. The options expire in ten years.

In July 2006, we issued options to purchase an aggregate of 1,350,000 shares of our common stock to three employees and one director from our newly adopted 2006 Stock Option Plan. The options are exercisable at between \$0.32 and \$0.50 per share. 500,000 of these options expire in five years while the balance of options expire in ten years.

In June 2006, Firstgold issued 2,399,087 shares of restricted common stock in conversion of \$600,000 in principal of outstanding Secured Convertible Debentures held by Cornell Capital Partners from a prior financing transaction.

In March 2006 Firstgold issued 500,000 shares of restricted common stock at a price of \$0.20 per share to an investor for total proceeds of \$100,000. Additionally, 500,000 warrants to purchase common stock at a price of \$0.40 per share were issued to the investor. The warrants expire three years from the date of issuance.

In March 2006 \$200,000 was funded per the terms of the Debenture referred to in paragraph (i) below. Of the \$200,000 funded \$20,000 was paid for various loan fees and closing costs. All of the original terms and conditions of the Debenture and related documents remain unchanged.

During Firstgold's fiscal year ended January 31, 2006, it issued the following securities pursuant to exemptions from registration under the Securities Act:

On January 27, 2006, Firstgold entered into a Securities Purchase Agreement (the "Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") in connection with a private placement of a convertible debenture, in the principal amount of \$1,000,000 and bearing interest of 8% per annum (the "Debenture"). The Debenture will be funded \$600,000 at the closing, \$200,000 upon the filing of a resale registration statement with the Securities and Exchange Commission and \$200,000 upon the registration statement being declared effective. The Debenture is due and payable on January 27, 2009 unless it is converted into shares of the Company's common stock or is repaid prior to its expiration date. Additionally, pursuant to the Purchase Agreement, the investor was issued warrants (the "Warrants") to purchase an aggregate of 2,500,000 shares of Firstgold common stock with 1,250,000 warrants exercisable at \$0.20 per share and 1,250,000 warrants exercisable at \$0.30 per share. The Warrants have a term of four years and are immediately exercisable.

On January 27, 2006 Firstgold issued 2,500,000 shares of commons stock at a price of \$0.20 per share to an investor for total proceeds of \$500,000. Additionally, 2,500,000 warrants to purchase common stock at a price of \$0.40 per share were issued to the investor. The warrants expire three years from the date of issuance. The shares were offered and sold exclusively to individuals residing or entities formed outside the United States and are not deemed to be "U.S. persons" as that term is defined under Regulation S. Each investor represented that it is purchasing such shares for its own account. Both the offer and the sale of the Firstgold shares were made outside the United States and are deemed to be "offshore transactions" as that term is defined under Regulation S. The share certificate contains a legend indicating that such shares can only be transferred in compliance with the provisions of Regulation S. In light of the foregoing, such sales were deemed exempt from registration pursuant to Regulation S of the 1933 Act. The shares are deemed to be "restricted securities" as defined in Rule 144 under the 1933 Act.

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On January 25, 2006, Firstgold entered into a joint venture with ASDi, LLC to develop two Nevada mining properties known as the Red Caps Project (“Red Caps”) and Crescent Valley Project (“Crescent Valley”). ASDi, LLC, which is owned and managed by A. Scott Dockter, Chairman and CEO of Firstgold, held leases to the Red Caps and Crescent Valley properties. The terms of the joint venture provide for ASDi to contribute the Red Caps and Crescent Valley mining leases to Crescent Red Caps LLC in exchange for Firstgold issuing 2.5 million shares of its common stock and warrants to purchase 2.5 million shares of Firstgold Common Stock at an exercise price of \$0.40 per share for a term of three years to ASDi, LLC.

In July 2005, Firstgold issued 12,326,231 shares of common stock at a price of \$0.15 per share to the Chief Executive Officer according to the terms of existing notes payable to the officer. The issuance resulted in the repayment of principal and interest totaling \$1,848,935.

In April 2005, Firstgold issued 2,000,000 shares of common stock at a price of \$0.25 per share to investors for total proceeds of \$500,000. Additionally, 1,000,000 warrants to purchase common stock at a price of \$0.50 per share were issued to the investors. The warrants expire three years from the date of issuance.

In February 2005, Firstgold issued 500,000 shares of common stock at a price of \$0.15 per share to an investor for total proceeds of \$75,000. Additionally, 500,000 warrants to purchase common stock at a price of \$0.30 per share were issued to the investor. The warrants expire three years from the date of issuance.

During Firstgold’s fiscal year ended January 31, 2005, it issued the following equity securities pursuant to exemptions from registration under the Securities Act:

In January 2005, Firstgold issued 671,667 shares of common stock at a price of \$0.15 per share to four investors for total proceeds of \$100,750. Additionally, 671,667 warrants to purchase common stock at a price of \$0.30 per share were issued to the investors. The warrants expire three years from the date of issuance.

In April 2004, Firstgold borrowed \$9,650 from its President, Scott Dockter. The promissory note is not convertible into stock, is due on April 30, 2005, and bears interest at 8% per year. In connection with the loans, warrants to purchase 64,333 shares of Firstgold common stock have been issued. The warrants have been valued using the Black-Scholes option pricing model. The warrants were issued at \$0.15 per share and expire in five years from the date of issuance.

In July 2004, Firstgold borrowed \$8,500 from its President, Scott Dockter. The promissory note is not convertible into stock, is due on July 31, 2005, and bears interest at 8% per year. In connection with the loans, warrants to purchase 56,667 shares of Firstgold common stock have been issued. The warrants have been valued using the Black-Scholes option pricing model. The warrants were issued at \$0.15 per share and expire in five years from the date of issuance.

In October 2004, Firstgold borrowed \$3,081 from its President, Scott Dockter. The promissory note is not convertible into stock, is due on in one year and bears interest at 8% per year. In conjunction with this loan, the President was issued warrants to purchase 20,540 shares of Firstgold’s common stock of \$0.15 per share. In addition, new convertible promissory notes were issued to Scott Dockter, Firstgold’s CEO and James Kluber, Firstgold’s CFO in the principal amounts of \$1,402,742 and \$209,251, respectively. The notes bear interest at 8% per annum and are due September 30, 2005. In connection with the issuance of these notes, Firstgold issued warrants to purchase 5,798,140 and 1,395,007 shares of common stock to its Chief Executive Officer and Chief Financial Officer, respectively.

### **ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

For more detailed financial information, please refer to the audited January 31, 2007 Financial Statements included in this Form 10-KSB.



### **Caution about forward-looking statements**

This Form 10-KSB includes “forward-looking” statements about future financial results, future business changes and other events that haven’t yet occurred. For example, statements like we “expect,” we “anticipate” or we “believe” are forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. We do not undertake to update the information in this Form 10-KSB if any forward-looking statement later turns out to be inaccurate. Details about risks affecting various aspects of Firstgold’s business are discussed throughout this Form 10-KSB and should be considered carefully.

### **Plan of Operation for the Next Twelve Months**

Certain key factors that have affected our financial and operating results in the past 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;
- Current mineralization at the Relief Canyon Mine are estimated by us (based on past exploration by Firstgold and work done by others).
- Our proposed exploration of properties now include 146 millsite and unpatented mining claims contained in about 1000 acres of the Relief Canyon Property; and may eventually include the 96 unpatented mining claims contained in about 1900 acres of the Red Caps Property; the 39 unpatented mining claims contained in about 750 acres of the Crescent Valley Property; and the 35,000 acre Antelope Peak property.
- Our operating plan is to commence exploration work on the Relief Canyon mining property during 2007. We expect this exploration program to continue through the end of 2007. During 2007, we plan to resume heap leaching at the Relief Canyon mine and we anticipate realizing production revenue from 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 exploration, mining and processing operations, thereby potentially increasing our chances of locating 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 2007, 2008 and 2009 of between \$10 million and \$15 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 resumption 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 Red Caps, Crescent Valley and Antelope Peak 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.

## **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 joint venture intended to allow exploration of additional mining properties located in Lander County, Nevada (and currently subject to litigation) and (ii) a mineral lease to explore approximately 35,000 acres of property located in Elko County, Nevada.

### Operating Results for the Fiscal Years Ended January 31, 2007 and 2006

Although we commenced efforts to re-establish our mining business early in fiscal year 2004, no mining operations have commenced and no revenues have been recognized during the fiscal years 2005, 2006 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 fiscal year ended January 31, 2007 we spent \$1,591,497 on exploration, reclamation and maintenance expenses related to our mining properties. Exploration, reclamation and maintenance expenses expended during the year ended January 31, 2006 were \$132,166. These expenses relate primarily to maintenance and retention costs required to maintain our mining claims. We incurred operating expenses of \$1,955,816 during the year ended January 31, 2007. Of this amount, \$850,869 reflects director, officer and staff compensation and related payroll taxes during the year, \$445,940 reflect fees for outside professional services, and \$396,361 for promotional expense. 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 preparation of two SB-2 registration statements occurring in fiscal year 2007. During the year ended January 31, 2006 we incurred operating expenses of \$674,778 of which \$374,000 represents officer compensation and related payroll taxes, and \$157,446 reflect fees for outside professional services. It is anticipated that both mining costs and operating expenses will increase significantly as we resume our exploration program and mining operations.

We incurred interest expense of \$596,975 during the year ended January 31, 2007 which compares to interest expenses of \$941,347 incurred during the year ended January 31, 2006. The amount of loans outstanding during fiscal year 2007 increased by \$1,722,615 compared to fiscal year 2006, which was primarily the result of the increase in convertible debentures of \$2,050,000 during fiscal 2007. The higher interest expense during fiscal year 2006 was primarily due to the increase in accretion of warrants issued in October 2004 as a debt discount.



In conjunction with the Convertible Debentures issued during fiscal 2007, we allocated the proceeds received between convertible debt and the detachable warrants based upon the relative fair market values on the date the proceeds were received. Subsequent to the initial recording, the change in the fair value of the detachable warrants, determined under the Black-Scholes option pricing formula, and the change in the fair value of the embedded derivative in the conversion feature of the convertible debentures are recorded as adjustments to the liabilities at January 31, 2007 and 2006. This resulted in \$616,493 of expense relating to the change in the fair value of Firstgold's stock reflected in the change in the fair value of the warrants and derivatives (noted above) and is included as other income (expense). This expense was \$37,418 for the fiscal year ending January 31, 2006.

Due to the fact that the joint venture with ASDi LLC was a related party transaction with no independent appraisal as to value, the joint venture was assigned a zero value for accounting purposes and the \$859,522 of securities paid by Firstgold during fiscal year 2006 was recorded as a loss for accounting purposes.

Our total net loss for the year ended January 31, 2007 increased to \$4,728,070 compared to a net loss of \$2,645,231 incurred for the fiscal year ended January 31, 2006. The larger net loss in fiscal year 2007 reflects the substantial increase in operating expenses as we reactivate our mining activities, the increase in operating expense from additional staffing levels as well as costs associated with capital raising activities, and a continued lack of revenues recognized during fiscal year 2007.

### **Liquidity and Capital Resources**

We have incurred significant operating losses since inception which has resulted in an accumulated deficit of \$23,758,605 as of January 31, 2007. At January 31, 2007, we had cash and other current assets of \$412,752 compared to \$701,546 at January 31, 2006 and a net working capital deficit of \$1,514,459. 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 January 31, 2007, we had outstanding debentures and notes payable in the gross principal amount of \$2,780,249 (net balance of \$3,642,727 after \$1,382,643 of note payable discount and \$2,245,121 of derivative liabilities) which reflects an increase of \$1,722,615 compared to notes payable in the gross principal amount of \$1,057,634, (net balance of \$1,020,291 after \$597,260 of note payable discount and \$637,417 of derivative liabilities) as of January 31, 2006.

In January 2006 we made a cash deposit of \$243,204 in a blocked account to cover future reclamation costs as required by the Nevada Division of Environmental Protection for the Relief Canyon Mine. On March 28, 2007 we provided the United States Department of the Interior, Bureau of Land Management with a letter of credit which is secured by a certificate of deposit in the amount of \$613,500. On April 12, 2007 the Nevada Division of Environmental Protection returned the \$243,204 previously held in the blocked account.

On January 25, 2006, Firstgold entered into a joint venture with ASDi, LLC to develop two Nevada mining properties known as the Red Caps Project (“Red Caps”) and Crescent Valley Project (“Crescent Valley”). Pursuant to the Operating Agreement for the Crescent Red Caps LLC, ASDi LLC was to contribute the Red Caps and Crescent Valley mining leases to the Crescent Red Caps LLC in exchange for Firstgold issuing 2.5 million shares of its common stock and warrants to purchase 2.5 million shares of Firstgold common stock at an exercise price of \$0.40 per share for a term of three years to ASDi LLC. Pursuant to the joint venture, Firstgold will initially own a 22.22% interest in the Crescent Red Caps LLC, a Nevada limited liability company and ASDi LLC will hold a 77.78% interest. By expending up to \$1,350,000 on each project over the next three years, Firstgold can increase its interest in the Crescent Red Caps LLC to 66.66%. Thereafter, Firstgold has the right to purchase the remaining interest in the Crescent Red Caps LLC held by ASDi LLC at a price to be determined by the results of the exploration work conducted.

On January 27, 2006, we entered into a Securities Purchase Agreement and Convertible Debentures in the principal amount of \$1,000,000 and bearing interest at 8% per annum. The Debentures were funded \$600,000 on January 27, 2006, \$200,000 on March 2, 2006 upon the filing of a resale registration statement with the SEC and a final \$200,000 on July 18, 2006. On June 29, 2006 \$500,000 of the Debenture dated January 27, 2006 was converted into 1,904,037 shares of Firstgold restricted Common Stock and \$100,000 of the Debenture dated March 9, 2006 was converted into 495,050 shares of Firstgold restricted Common Stock. On September 15, 2006, the remaining \$400,000 of principal Debentures were converted into 1,523,229 shares of Firstgold restricted Common Stock and accrued interest of \$30,948 was converted into 117,852 shares of Firstgold restricted Common Stock.

By attempting to resume mining operations, we will require approximately \$10 million to \$15 million in additional working capital above the amounts realized from the convertible debentures to bring the Relief Canyon Mine into full production. It is our intention 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 16, 2007, 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 January 31, 2007, Firstgold’s principal commitments included its obligation to pay ongoing maintenance fees on 146 unpatented mining claims, the funding arrangement pursuant to the joint venture with ASDi, LLC and the annual minimum rent due on the Winchell Ranch mineral lease.

Our management believes that it will need to raise additional capital to continue to develop, promote and conduct 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, we are dependent on continuous cash infusions from our major stockholders or other outside sources in order to fund our current operations. Prior to the transactions with Cornell Capital Partners, Firstgold’s president had paid a substantial portion of Firstgold’s expenses since restarting its business in February 2003. Although we believe that our creditors and investors will continue to fund Firstgold’s expenses based upon their significant debt and/or equity interest in Firstgold, there is no assurance that such investors will continue to pay our expenses. If adequate funds are not otherwise available, through public or private financing as well as borrowing from other sources, Firstgold would not be able to establish or sustain its mineral exploration program.

Recent Financing Transaction

On September 26, 2006, we entered into a Securities Purchase Agreement (the “Purchase Agreement”) and other agreements, which were amended on November 1, 2006, with Cornell Capital Partners LP 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 “Debentures”). The Debentures were issued for \$1,000,000 on September 26, 2006, \$1,000,000 on December 1, 2006 and \$1,000,000 on March 16, 2007. Each Debenture has a three (3) year term from the date of issue unless they are converted into shares of Firstgold Common Stock or are repaid prior to the expiration dates. The conversion rate is adjustable and at any conversion date, will be the lower of \$0.4735 per share or 95% of the Market Conversion Price. Consequently, the number of shares of Firstgold Common Stock into which the Debentures may be converted will never be less than 6,335,797 shares but could be substantially more if the average market price of Firstgold’s Common Stock falls below \$0.4735.

Firstgold paid a Commitment Fee to Cornell Capital Partners, LP of 9% of gross proceeds or a total of \$270,000. Firstgold also paid Yorkshire Advisors, LLC (an affiliate of Cornell Capital Partners) a due diligence fee of \$5,000 and a Structuring Fee of \$20,000. Net proceeds to Firstgold from this financing was approximately \$2,705,000.

In conjunction with the Purchase Agreement, we entered into an Investor Registration Rights Agreement (the “Registration Rights Agreement”). The Registration Rights Agreement requires us to register at least 18,750,000 shares of our Common Stock to cover the conversion of the Debentures (assuming conversion prices substantially below \$0.4735) and 3,500,000 shares of our Common Stock issuable upon conversion of warrants (the “Warrants”) granted to the Debenture holder. We are required to keep this Registration Statement effective until the Debentures have been fully converted, repaid, or becomes due and the Warrants have been fully exercised or expire. Both the Debentures and the Warrants are currently convertible or exercisable, respectively.

In conjunction with the Purchase Agreement, we entered into a Security Agreement (the “Security Agreement”). The Security Agreement creates a secured interest in favor of the Debenture holder in our mining interest and assets in the Relief Canyon Mine property. This security interest was created by recordation of an Amended Memorandum of Security Agreement filed in Pershing County, Nevada on November 15, 2006. Consequently, should a default occur under the Debenture, the Debenture holder could take over or sell all of our interests, business and assets associated with the Relief Canyon Mine.

In conjunction with the Purchase Agreement, we granted warrants to purchase 2,000,000 shares of Firstgold Common Stock exercisable at \$0.45 per share and 1,500,000 shares exercisable at \$0.60 per share. However, on March 16, 2007, the exercise price of the \$0.60 per share warrants was changed to an exercise price of \$0.45 per share. The Warrants have a term of four years. The exercise price may be reduced if shares of Firstgold’s Common Stock are sold at a price below the Warrant exercise price.

Lastly, in conjunction with the Purchase Agreement, we entered into a Pledge and Escrow Agreement whereby up to an additional 10,000,000 shares of Firstgold Common Stock could be issued to the Debenture holder in the event of a default relating to the Debenture. The precise amount of shares that would be required to be issued to the Debenture holder would depend on the amount of principal and interest outstanding under the Debentures at the time a default was declared.

Pursuant to the Purchase Agreement, for so long as at least \$200,000 of principal remains outstanding under the Debentures, the Debenture holder will have approval rights over any major transaction (i.e., merger, stock splits, sale of assets) or any issuance of common or preferred stock by Firstgold with certain exceptions. The Debenture holder will also have a right for a period of 18 months to participate in any additional capital sought to be raised by Firstgold.

On October 10, 2006 we received \$650,000 upon the issuance of Convertible Debentures with certain investors which bear interest at 8% per annum and are convertible into shares of Firstgold common stock at the Fixed Conversion Price of \$0.4735 per share which would equal approximately 1,372,756 if the entire principal were converted into Firstgold common stock. In conjunction with the Convertible Debentures, we granted 746,843 warrants to purchase shares of Firstgold Common Stock, 426,767 exercisable at \$0.45 per share and 320,076 exercisable at \$0.60 per share. The Warrants have a term of four years.

Subsequent to the fiscal year end, on April 12, 2007 we received net proceeds of \$2,374,200 upon the issuance of Units consisting of 5,673,110 shares of our common stock and warrants to purchase 2,836,555 shares of our common stock at an exercise price of \$0.65 per share.

#### Off-Balance Sheet Arrangements

During the fiscal year ended January 31, 2007, Firstgold did not engage in any off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.

#### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operation 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 affect our more significant judgments and estimates in the preparation of our financial statements.

Exploration Stage Company

Effective January 1, 1995 (date of inception), Firstgold is considered an exploration stage company as defined in SFAS No. 7. Firstgold's exploration stage activities consist of the development of several mining properties located in Nevada. Sources of financing for these exploration stage activities have been primarily debt and equity financing. Firstgold 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 Firstgold and other relevant factors.

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 our use of the acquired assets or the strategy of our 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 our current business model.

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 units of production 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.

#### 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.

#### 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.

### Stock-Based Compensation

We currently account for the issuance of stock options to employees using the fair market value method according to SFAS No. 123R, Share-Based Payment.

### Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 155 amends SFAS No. 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principle cash flows. SFAS No. 155 also amends SFAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative instrument. Firstgold is currently evaluating the impact of this new Standard but believes that it will not have a material impact on Firstgold's financial position, results of operations, or cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets" which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This Statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; (2) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; (3) permits an entity to choose either the amortization method or the fair value method for subsequent measurement for each class of separately recognized servicing assets or servicing liabilities; (4) permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by an entity with recognized servicing rights, provided the securities reclassified offset the entity's exposure to changes in the fair value of the servicing assets or liabilities; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the balance sheet and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. The Statement also describes the manner in which it should be initially applied. Firstgold does not believe that SFAS No. 156 will have a material impact on its financial position, results of operations or cash flows.

In July 2006, the FASB released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. This statement is effective for fiscal years beginning after December 15, 2006. The Company is currently in the process of evaluating the expected effect of FIN 48 on its results of operations and financial position.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Issues No. 157, "Fair Value Measurements" ("SFAS 157"), which defines the fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is encouraged, provided that the Company has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The Company is currently evaluating the impact SFAS 157 may have on its financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Post Retirement Plans." SFAS No. 158 requires employers to recognize in its statement of financial position an asset or liability based on the retirement plans over or under funded status. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company is currently evaluating the effect that the application of SFAS No. 158 will have on its results of operations and financial condition.

In September 2006, the United States Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of the company's balance sheets, statements of operations and related financial statement disclosures. The SAB permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The Company is currently evaluating the impact SAB 108 may have on its results of operations and financial condition.

In October 2006, the Emerging Issues Task Force ("EITF") issued EITF 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)" to clarify diversity in practice on the presentation of different types of taxes in the financial statements. The Task Force concluded that, for taxes within the scope of the issue, a company may adopt a policy of presenting taxes either gross within revenue or net. That is, it may include charges to customers for taxes within revenues and the charge for the taxes from the taxing authority within cost of sales, or, alternatively, it may net the charge to the customer and the charge from the taxing authority. If taxes subject to EITF 06-3 are significant, a company is required to disclose its accounting policy for presenting taxes and the amounts of such taxes that are recognized on a gross basis. The guidance in this consensus is effective for the first interim reporting period beginning after December 15, 2006 (the first quarter of our fiscal year 2007). We do not expect the adoption of EITF 06-3 will have a material impact on our results of operations, financial position or cash flow.



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. Firstgold is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. Firstgold is currently assessing the impact of the adoption of SFAS 159.

**ITEM 7. FINANCIAL STATEMENTS**

**FIRSTGOLD CORP.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JANUARY 31, 2007 AND 2006**

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-1
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-2
Balance Sheet	F-3
Statements of Operations	F-4
Statements of Shareholders' Deficit	F-6
Statements of Cash Flows	F-10
Notes to Financial Statements	F-14

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
Firstgold Corp.

We have audited the balance sheet of Firstgold Corp. (a development stage company) (the "Company") as of January 31, 2007, and the related statements of operations, comprehensive loss, shareholders' deficit, and cash flows for each of the two years in the period ended January 31, 2007 and the period from January 1, 1995 to January 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Firstgold Corp. as of January 31, 2007, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2007, and the period from January 1, 1995 to January 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred a net loss of \$4,728,073 and had negative cash flow from operations of \$2,655,050. In addition, the Company had an accumulated deficit of \$23,758,605 and a shareholders' deficit of \$4,245,793 at January 31, 2007. These factors, among others, as discussed in Note 2 to the financial statements, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

HUNTER, FLEMMER, RENFRO & WHITAKER, LLP

Sacramento, California  
May 16, 2007

**F-1**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
Newgold, Inc.

We have audited the balance sheet of Newgold, Inc. (a development stage company) (the "Company") as of January 31, 2006, and the related statements of operations, comprehensive loss, shareholders' deficit, and cash flows for each of the two years in the period ended January 31, 2006 and the period from January 1, 1995 to January 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newgold, Inc. as of January 31, 2006, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2006, and the period from January 1, 1995 to January 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred a net loss of \$2,645,231 and had negative cash flow from operations of \$899,807. In addition, the Company had an accumulated deficit of \$19,030,535 and a shareholders' deficit of \$2,960,365 at January 31, 2006. These factors, among others, as discussed in Note 2 to the financial statements, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Los Angeles, California  
April 26, 2006

**F-2**

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**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**BALANCE SHEET**

	January 31,	
	2007	2006
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 150,647	\$ 700,224
Travel advance	114,737	1,322
Deposits	7,368	-
Prepaid expense	140,000	-
<b>Total current assets</b>	<b>412,752</b>	<b>701,546</b>
<b>Property, plant and equipment</b> , net of accumulated depreciation of \$20,850 and \$0 at January 31, 2007 and 2006, respectively	928,029	19,199
<b>Other Assets</b>		
Restricted cash	250,981	243,204
Deferred reclamation costs	641,026	270,736
<b>Total other assets</b>	<b>892,007</b>	<b>513,940</b>
<b>Total assets</b>	<b>\$ 2,232,788</b>	<b>\$ 1,234,685</b>

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

<b>Current liabilities</b>		
Accounts payable	\$ 598,788	\$ 798,233
Accrued expenses	1,198,174	1,305,790
Notes payable	130,249	457,634
<b>Total current liabilities</b>	<b>1,927,211</b>	<b>2,561,657</b>
<b>Long-term liabilities</b>		
Convertible debenture and related derivative liabilities net of unamortized discount of \$402,135 and \$597,260 and deferred financing costs of \$1,382,642 and \$77,500 at January 31, 2007 and 2006, respectively	3,110,344	562,657
Accrued reclamation costs	641,026	270,236
Deferred revenue	800,000	800,000
<b>Total long-term liabilities</b>	<b>4,551,370</b>	<b>1,632,893</b>

Total liabilities	6,478,581	4,195,050
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**F-3**

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

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**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**BALANCE SHEET**

	2007	January 31,	2006
<b>Commitments and contingencies</b>			
<b>Shareholders' deficit</b>			
Common stock, \$0.001 par value			
250,000,000 shares authorized at January 31, 2007 and 2006			
77,839,601 and 68,104,072 shares issued and outstanding at			
January 31, 2007 and 2006, respectively	77,839		68,104
Additional paid in capital	19,434,973		16,002,066
Deficit accumulated during the development stage	(23,758,605)		(19,030,535)
<b>Total shareholders' deficit</b>	<b>(4,245,793)</b>		<b>(2,960,365)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 2,232,788</b>	<b>\$</b>	<b>1,234,685</b>

F-4

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

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**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF OPERATIONS**  
**For the Years Ended January 31, 2007 and 2006**  
**and for the Period from January 1, 1995 to January 31, 2007**

	For the Years Ended January 31,		For the Period From January 1, 1995 to January 31, 2007
	2007	2006	
<b>Net Sales</b>	\$ -	\$ -	\$ -
<b>Exploration and maintenance costs</b>	1,591,497	132,166	1,894,328
<b>Gross loss</b>	(1,591,497)	(132,166)	(1,894,328)
<b>Operating expenses</b>	(1,955,816)	(674,778)	(15,867,824)
<b>Loss from operations</b>	(3,547,316)	(806,944)	(17,762,155)
<b>Other (expense)</b>			
Interest income	14,065		86,752
Settlement of liabilities	18,649		18,649
Dividend income			30,188
Other income			6,565
Adjustments to fair value of derivatives	(616,493)	(37,418)	(653,911)
Interest expense	(596,975)	(941,347)	(3,006,012)
Loss from joint venture		(859,522)	(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)
<b>Total other income (expense)</b>	(1,180,754)	(1,838,287)	(5,054,655)
<b>Net loss</b>	(4,728,070)	(2,645,231)	(22,816,810)
<b>Basic and diluted loss per share</b>	(\$0.07)	(\$0.05)	
<b>Basic and diluted weighted-average shares outstanding</b>	71,416,951	56,755,520	

F-5

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



**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**For the Years Ended January 31, 2007 and 2006**  
**and for the Period from January 1, 1995 to January 31, 2007**

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Other Com- prehensive (Loss)	Deficit	Accumulated Total
Balance December 31, 1994	6,768,358	\$ 6,768	-	-	\$ (636,084)	\$ (629,316)
Net loss					(233,877)	(233,877)
Balance December 31, 1995	6,768,358	6,768	-	-	(869,961)	(863,193)
Shares issued to creditors and shareholders of Warehouse Auto Centers, Inc.	305,709	306	305,403	-	(305,709)	-
Shares issued to investors and underwriters	5,135,130	5,135	4,701,835			4,706,970
Shares issued to purchase Washington Gulch	3,800,000	3,800	177,200			181,000
Shares issued in exchange for net profits interest	1,431,642	1,432	440,605			442,067
Shares issued to others	21,000	221	220,779			221,000
Shares issued to Repadre	100,000	100	99,900			100,000
Shares issued to repurchase 50% interest in Relief Canyon	1,000,000	1,000	999,000			1,000,000
Net loss for the period January 1, 1996 to January 31, 1997					(1,803,784)	(1,803,784)
Balance January 31, 1997	18,761,839	18,762	6,944,722	-	(2,979,454)	3,984,030
Shares issued to Warehouse Auto						

Centers, Inc.

shareholders

subsequently cancelled	(25,242)	(25)	(25,217)	(25,242)
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Shares issued to others	12,500	13	4,987	5,000
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Additional shares

issued to investors and

underwriters for delay

in share trading	513,514	513	204,487	205,000
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**F-6**

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

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**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**For the Years Ended January 31, 2007 and 2006**  
**and for the Period from January 1, 1995 to January 31, 2007**

Shares issued to Repadre	200,000	200	199,800		200,000
Net loss				(5,883,309)	(5,883,309)
Balance January 31, 1998	19,462,611	19,463	7,328,779	-	(8,862,763) (1,514,521)
Shares issued in exchange for rent	15,000	15	5,985		6,000
Shares issued to IBK	5,616,977	5,617	542,383		548,000
Shares issued in exchange for property	150,000	150	55,350		55,000
Net loss				(753,219)	(753,219)
Balance January 31, 1999	25,244,588	25,245	7,932,497	-	(9,615,982) (1,658,240)
Three-for-two stock split	12,672,441	12,671	(12,671)		-
Shares issued in exchange for debt conversion	3,205,674	3,206	1,279,065		1,282,271
Net loss				(919,735)	(919,735)
Balance January 31, 2000	41,122,703	41,122	9,198,891	-	(10,535,717) (1,295,704)
Shares issued for cash	1,796,000	1,796	663,204		665,000
Additional shares issued for delay in registration	239,200	239	(239)		-
Shares issued for offering costs	120,000	120	(60,120)		(60,000)
Shares issued for legal settlement	1,000,000	1,000	649,000		650,000
Shares issued for services	78,271	78	69,922		70,000
Net loss				(2,382,723)	(2,382,723)
Balance January 31, 2001	44,356,174	44,356	10,520,657	-	(12,918,440) (2,353,427)
Shares issued for cash	2,500,000	2,500	147,500		150,000
Warrants issued with debt			20,000		20,000

**F-7**

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

**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**For the Years Ended January 31, 2007 and 2006**  
**and for the Period from January 1, 1995 to January 31, 2007**

Net loss					(1,502,366)	(1,502,366)
Balance January 31, 2002	46,856,174	46,856	10,688,157	-	(14,420,806)	(3,685,793)
Shares issued upon exercise of warrants	550,000	550	54,450			55,000
Offering costs			(1,467)			(1,467)
Warrants issued with debt			13,574			13,574
Net loss					(215,533)	(215,533)
Balance January 31, 2003	47,406,174	47,406	10,754,714	-	(14,636,339)	(3,834,219)
Shares issued upon exercise of warrants	200,000	200	19,800			20,000
Warrants issued with debt			63,918			63,918
Other comprehensive loss				(204,820)		(204,820)
Net loss					(470,823)	(470,823)
Balance January 31, 2004	47,606,174	47,606	10,838,432	(204,820)	(15,107,162)	(4,425,944)
Shares issued for cash	671,667	672	100,078			100,750
Offering costs			(124,337)			(124,337)
Warrants issued with common stock			124,337			124,337
Warrants issued with debt			1,284,234			1,284,234
Sale of marketable securities				204,820		204,820
Net loss					(1,278,140)	(1,278,140)
Balance January 31, 2005	48,277,841	48,278	12,222,744	-	(16,385,302)	(4,114,280)

**F-8**

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

**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**For the Years Ended January 31, 2007 and 2006**  
**and for the Period from January 1, 1995 to January 31, 2007**

Shares issued for cash	5,000,000	5,000	1,070,000		1,075,000
Shares issued in exchange for debt conversion	12,326,231	12,326	1,836,609		1,848,935
Shares issued to purchase 22% interest in Crescent Red Caps LLC	2,500,000	2,500	497,500		500,000
Warrants issued with investment in joint venture			359,523		359,523
Warrants issued for services			15,690		15,690
Net loss for the period February 1, 2005 to January 31, 2006				(2,645,231)	(2,645,231)
Balance January 31, 2006	68,104,072	68,104	16,002,066	-	(19,030,535)
Shares issued for cash	1,428,500	1,428	237,846		239,275
Shares issued in exchange for debt conversion	6,207,029	6,207	1,550,263		1,556,263
Stock issued for services	2,000,000	2,000	738,000		740,000
Warrants issued for services			373,905		373,905
Stock issued in settlement of litigation	100,000	100	38,900		39,000
Warrants issued with debt			173,114		173,114
Stock options issued			322,879		322,879
Net loss for the period February 1, 2006 to January 31, 2007				(4,728,070)	(4,728,070)

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Balance, January 31, 2007	77,839,601	\$	77,839	\$	19,434,973	-	\$	(23,758,605)	\$	(4,245,793)
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**F-9**

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

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**FIRSTGOLD CORP.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended January 31, 2007 and 2006 and for the Period**  
**from January 1, 1995 to January 31, 2007**

	<b>For the Years Ended January 31, 2007</b>	<b>2006</b>	<b>For the Period From January 1, 1995 to January 31, 2007</b>
<b>Cash flows from operating activities</b>			
Net loss	(\$4,728,070)	(\$2,645,231)	(\$22,816,810)
Adjustments to reconcile net loss to net cash used in operating activities			
Accretion of warrants issued as a debt discount	13,512	777,642	1,287,775
Accretion of beneficial conversion	-	71,645	107,468
Accretion of debt discount	248,962	2,740	251,672
Adjustments to fair value of derivatives	616,493	37,417	653,912
Loss from joint venture	-	859,522	859,522
Loss on sale of marketable securities	-	-	281,063
Depreciation and amortization	64,728	-	188,885
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

**F-10**

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

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Bad debt	-	-	40,374
Assigned value of stock and warrants exchanged for services	1,387,073	15,690	1,940,021
Assigned value of stock options issue for compensation	49,711	-	49,711
Gain on write off of note payable	-	-	(7,000)
Judgment loss accrued	-	-	250,000
(Increase) decrease in			
Restricted cash	(7,777)	(243,204)	(250,981)
Travel advance	(113,415)	678	(110,737)
Deposits	(7,368)		(2,868)
Deferred reclamation costs	370,290	243,210	175,548
Prepaid expenses	(140,000)	-	(142,900)
Reclamation bonds	-	-	185,000
Other assets	-	-	(1,600)
Increase (decrease) in			
Accounts payable	(199,445)	229,955	317,828
Accrued expenses	(209,744)	(249,871)	1,753,830
Net cash used by operating activities	(2,655,050)	(899,807)	(10,025,394)
<b>Cash flows from investing activities</b>			
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)

**F-11**

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



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Capital expenditures	(929,681)	(19,199)	(3,900,387)
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	(929,681)	(19,199)	(4,510,232)
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of common stock	651,288	1,075,000	8,210,541
Proceeds from notes payable	2,841,500	527,500	8,396,048
Principal repayments of notes payable	(457,634)	-	(2,495,340)
Repayment of advances to affiliate	-	-	(231,663)
Deferred revenue	-	-	800,000
Net cash provided by financing activities	3,035,154	1,602,500	14,679,586
Net (decrease) increase in cash	(549,577)	683,494	143,960
<b>Cash, beginning of year</b>	700,224	16,730	<b>6,687</b>
<b>Cash, end of year</b>	<b>\$ 150,647</b>	<b>\$ 700,224</b>	<b>\$ 150,647</b>

**F-12**

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

**Supplemental cash flow information for the years ended January 31, 2007 and 2006 and January 1, 1995 through January 31, 2007 as follows:**

	For the Years Ended January 31,		For the Period
	2007	2006	From January 1, 1995 to January 31, 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	\$ 244,638	\$ 1,848,935	\$ 2,093,573
Conversion of convertible debenture to common stock, including interest payable of \$30,948	\$ 1,173,406	\$ -	\$ 1,173,406
Issuance of warrants as financing costs in connection with convertible debt	\$ 173,114	\$ -	\$ 173,114
Issuance of common stock as payment for settlement of liabilities	\$ 206,375	\$ -	\$ 206,375

**F-13**

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

## **NOTE 1 - ORGANIZATION AND LINE OF BUSINESS**

Prior to February 2000 Firstgold Corp. ("the Company") was in the business of acquiring, exploring, developing, and producing gold properties. The Company 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, the Company placed the Relief Canyon Mine on care and maintenance status. The Company also conducted exploration at its Washington Gulch Mine property in Montana.

In February 2000 the Company began to implement an entirely new business model of investing in Internet companies. Due to the deterioration of the investment market for these types of companies in late 2000, the Company abandoned this investment strategy. From mid-2001 until the beginning of 2003 Firstgold was essentially inactive, continuing only with some of the care and maintenance at Relief Canyon, as provided for by a non-affiliate company owned by the Chairman and CEO of Firstgold .

The Company has now embarked on a business strategy whereby it invests in and/or manages gold mining and other mineral producing properties. Currently, the Company'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 as well as a 22% interest in a joint venture covering two separate leasehold interests covering over 2700 acres in Lander County, Nevada; and a leasehold interest covering over 35,000 acres in Elko, County, Nevada. The Company's business is to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada. The Company plans to carry out comprehensive exploration and development programs and when appropriate, begin mining activities on its properties. The Company may fund and conduct these activities itself, or it may outsource some of these activities through the use of various joint venture, royalty or partnership arrangements pursuant to which other companies would agree to finance, carryout the exploration and development programs, or perform mining operations on Firstgold's mining properties. The Company's current plan may not require the hiring of significant amounts of mining employees depending upon the level, if any, of the mining and exploration activities outsourced to other entities.

### Merger

In November 1996, Newgold, Inc. of Nevada (Old Newgold) was merged into Warehouse Auto Centers, Inc. (WAC), a public company, which had previously filed an involuntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. Pursuant to the plan of reorganization and merger (the Plan), (i) WAC which was the surviving corporation for legal purposes, changed its name to Newgold Inc. (the Company), (ii) the outstanding shares of Old Newgold were converted into the right to receive an aggregate of 12,000,000 shares or approximately 69% of the post merger outstanding common stock of the Company, (iii) each outstanding share of WAC was converted into the right to receive 1/65 share of the common stock of the Company, for an aggregate of 51,034 shares or less than 1% of the post merger outstanding common stock, (iv) unsecured trade debts and other unsecured pre-petition liabilities were paid in full via the issuance of one share of the Company's stock, for each \$42 of debt, for an aggregate of 63,374 shares or less than 1% of the post merger outstanding common stock, and (v) post petition creditors received 1 share of stock for each \$1 of debt, for an aggregate of 191,301 shares or approximately 1% of the post merger outstanding common stock.

The Plan also required an amendment to the Company's capital structure to increase the number of shares authorized to 50,000,000 and to reduce the corresponding par value to \$.001.

In connection with the Plan, the Company raised \$4,707,000 of cash through the issuance of convertible debtor certificates. Shortly after confirmation of the Plan, the debtor certificates were exchanged for 5,135,130 shares of common stock (including 428,130 shares issued in lieu of paying cash for underwriter's fees) representing approximately 29% of the post merger outstanding common stock. An additional bonus of 513,514 shares was issued to investors and underwriters during the year ended January 31, 1998 for delay in the effective date of the Company's stock trading.

For accounting purposes, Old Newgold has been treated as the acquirer (reverse acquisition). Accordingly, the historical financial statements prior to November 21, 1996 are those of Old Newgold. There were no assets or liabilities acquired in this transaction and there is no impact on the statement of operations.

#### **NOTE 2 - GOING CONCERN**

These financial statements have been prepared on a going concern basis. During the years ended January 31, 2007 and 2006 and the period from January 1, 1995 to January 31, 2007, Firstgold incurred net losses of approximately \$4,728,070, \$2,645,231 and \$22,816,813, respectively. In addition, Firstgold had a total shareholders' deficit of \$4,245,793 and was in the development stage since inception and through January 31, 2007. 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 securities.

Management plans to continue to provide for its capital needs during the year ended January 31, 2008 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 the Company be unable to continue as a going concern.

#### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Development 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, the Company 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 Wells Fargo Bank to serve as collateral for a reclamation bond with the Nevada Department of Environmental Protection at the Relief Canyon Mine.

### Marketable Securities Available for Sale

Investments in equity securities are classified as available-for-sale. Securities classified as available for sale are marked to market at each period end. Changes in value on such securities are recorded as a component of *Other comprehensive income (loss)*. If declines in value are deemed other than temporary, losses are reflected in *Net income (loss)*.

### Property and Equipment

Depreciation, depletion and amortization of mining properties, mine development costs and major plant facilities will be computed principally by the units-of-production method based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of ore which can be economically recovered in the future from known mineral deposits. Such estimates are based on current and projected costs and prices. Other equipment is depreciated using the straight-line method principally over the estimated useful life of the respective asset.

### 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 Units Of Production 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.

### Exploration Costs

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