

FIRSTGOLD CORP.  
Form 10KSB  
May 15, 2008

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

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FORM 10-KSB

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

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For the Fiscal Year Ended  
January 31, 2008

Commission File Number  
0-20722

FIRSTGOLD CORP.

Delaware  
(State of Incorporation)

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

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

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---------------------|---|
| None                | None                                      |

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

| Title of Each Class |                   |
|---------------------|-------------------|
| 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 \$551,279.

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As of May 1, 2008 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 \$59,417,972 based upon the closing price of \$0.49 per share.

As of May 1, 2008, the Registrant had outstanding 130,717,460 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.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

Firstgold Corp. (“we,” “us,” “our” or “Firstgold”) has 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 acquisition and exploration 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 secured rights to explore approximately 25,000 acres of property located in Elko County, Nevada, and has staked claims on approximately 4,200 acres of land at the Horse Creek exploration project near Winnemucca, NV, claims on approximately 3,300 acres of land located at it Honorine Gold exploration project near Winnemucca, NV, and claims on approximately 2,300 acres of land at its Fairview-Hunter exploration project, near Fairview, NV.

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. With the fall of the precious metal markets, Firstgold attempted to redevelop its business strategy, and from approximately July 2001 until February 2003 Firstgold discontinued all business activity. During the period of inactivity, ASDi LLC, an entity controlled by A. Scott Dockter who is also the Chief Operating Officer of Firstgold, 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 Ponte Morino 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 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, then 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 15, 2008 on Firstgold’s financial statements for the fiscal year ended January 31, 2008, 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 business 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, if warranted, development programs on our properties. While we currently plan to fund and conduct these activities ourselves, in the future we may engage in joint venture, royalty or partnership arrangements pursuant to which other companies would agree to finance and carryout the exploration and possible future 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. When first acquired, the property included 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. A cash bond has been posted which will cover the cost of these reclamation activities.

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 2008 calendar year, and use the net proceeds from these operations, if any, to fund expanded exploration and, if warranted, 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 all of 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.

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 if and when production is achieved. 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 1996 Plan of Operation had been reinstated, and that the NDEP was processing the amendment. 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 and other exploration projects in Nevada.

Currently, 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 historic 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.

The mineral zone of Relief Canyon is open ended on three sides. It is projected that ongoing 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 were drilled on the North end of the property.

In late May 2007 we completed 57 drill holes on existing heaps at Relief Canyon using sonic drilling. The patented sonic drill head works by sending high frequency resonant vibrations down the drill string of the drill bit while the operator controls the frequencies to suit the specific conditions of the soil/rock geology. This round of drilling was intended to improve our understanding of the mineral content in the existing heap leach pads. We have also completed 83 reverse circulation drill holes in the existing pit area. Fire assays have been returned on the first 174 of these holes which are designed to evaluate three specific exploration target areas.

We have retained SRK Engineering to perform a resource evaluation of the Relief Canyon Property.





Firstgold owns 3 reverse circulation drill rigs and two diamond core drill rigs. In addition to providing exploration drilling to Firstgold, these drilling rigs, along with operating crews, have been contracted out from time to time to other nearby mining operations. This rental activity produced \$551,279 of revenue during fiscal 2008.

#### Ore Processing Facilities

In October 2006, we commenced revitalization of our process solution ponds. The existing Pregnant and Barren ponds, which were converted to secondary overflow containment, have been 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 enclosed solution transmission system 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 absorb the gold.

An ore processing facility, with capacity to process up to 20,000 tons of material per day, is presently under construction at the property site. A new jaw crushing unit is also currently being erected. Planned construction will commence on the new heap leach pad, pending approval and issuance of the proper permit from NDEP. This permit is in the final stages of evaluation, having completed its public commentary period.

#### Antelope Peak

On October 24, 2006, we entered into a Mineral Lease Agreement with the owners of approximately 25,000 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.

To date we have performed an Aerial Ground Magnetic Survey which allows our geologists to identify targets for more detailed exploration. We have also conducted extensive ground sampling on the property.

#### Horse Creek

On July 9, 2007, we completed staking claims on approximately 4,200 acres of potentially mineralized ground Humboldt County, Nevada. We have conducted preliminary sampling of the area. During the course of the property evaluation, rock chip samples were collected. This sampling has shown the potential presence of intrusion-related gold systems. The next phase of this project will be to conduct extensive mapping of the area's bedrock geology. Additionally, we plan to conduct an airborne geophysical survey to map the magnetic character of the rocks. Geochemical exploration efforts will continue with more rock chip sampling as well as an in-depth soil sampling survey.

#### Fairview-Hunter

On January 11, 2008 we secured claims on approximately 2,300 acres of potentially mineralized ground near Fairview, Nevada. We are conducting preliminary sampling of the area. During the course of the property evaluation, rock chip samples were collected. The next phase of this project will be to conduct extensive mapping of the area's bedrock geology. Additionally, we plan to conduct an airborne geophysical survey to map the magnetic character of the rocks. Geochemical exploration efforts will continue with more rock chip sampling as well as an in-depth soil sampling survey.

#### Honorine Gold

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

#### Crescent Red Caps LLC

In early 2005 we entered into a Letter of Intent to form a joint venture to acquire the exploration rights to certain properties which consisted of two leases of unpatented mining claims located in northeastern Nevada, approximately 60 miles southwest of Elko, Nevada in Lander County for which ASDi LLC was the lessee. In furtherance of this intended joint venture on January 25, 2006 ASDi LLC and Firstgold entered into an Operating Agreement for the Crescent Red Caps LLC, a Nevada limited liability company ("Crescent Red Caps LLC") formed for the intended purpose of exploring the properties. The terms of the Operating Agreement for Crescent Red Caps LLC provided for Firstgold to own an initial 22.22% interest in the LLC 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, COO 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, could 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.

On October 13, 2006 and November 1, 2006 the lessors gave notices of termination of the two leases. The lessors claimed that the proposed assignment of the leases by ASDi LLC to Crescent Red Caps LLC was either ineffective or in breach of the leases. ASDi LLC disputed the lease terminations and on February 8, 2007, the lessors filed a lawsuit seeking to terminate the leases (see the section "Legal Proceedings" below). As a result of the recent settlement of this litigation ASDi LLC, Firstgold and Crescent Red Caps LLC relinquished all rights to any interest in the above leases or properties. Firstgold had not yet expended any significant amounts on its exploration program on the properties prior to this lease dispute.



## 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 \$1,011 in March 2008. The price was \$923 as of January 31, 2008 and \$853 as of May 1, 2008. This current price level has made it economically more feasible to produce gold as well as made gold a more attractive investment for many. 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 the 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 mine 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 current 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, though unlikely, it is possible that we may not be able to hire or retain qualified miners or operators in the numbers or at the times desired.

## Employees

As of January 31, 2008, we had 61 full-time employees. Employees include a Mine Manager, Chief Geologist and Senior Geologist, a Lead Driller and a Plant Metallurgist. We anticipate hiring additional employees during the current year to work on the mining sites in Nevada as our exploration program continues. While skilled equipment and operations personnel are in demand, we believe we will be able to hire the necessary workers to sustain 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, Horse Creek and Antelope Peak properties.

#### Regulation of Mining Activity

Firstgold's mining activities, including exploration, and possible future development and production activities are subject to environmental laws, policies and regulations. These laws, policies and regulations affect, 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 Occupational 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.

In September 2006, we submitted our "Application for Water Pollution Control Permit and Design Report" for the Relief Canyon project 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 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 were also required to increase the reclamation cost deposit from \$243,204 to \$613,500 which was placed in a blocked account with our bank in Sacramento, California in March 2007.



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 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 overflow containment ponds at the Relief Canyon mining site in early November 2006. On August 14, 2007, Firstgold was notified that a fine of \$9,000 had been assessed for these violations. Firstgold paid the fine in full on August 21, 2007. Such violation and fine is not expected to affect the permitting process or exploration program at the Relief Canyon Mine site.

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. We prepared 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 process. In particular, legislation such as the Clean Water Act, the Clean Air Act, the Federal Resource Conservation and Recovery Act ("RCRA"), 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 the 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 current exploration activities at the Relief Canyon Mine, are 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.



## Factors Affecting Firstgold's Business

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 actively pursuing our business strategy only since February 2003. Consequently, we have only recently reactivated our business operations and we have not generated substantial revenues, other than drilling revenue, interest income, and 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. 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, entering 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, 2008 to include an explanatory paragraph related to our ability to continue as a going concern, stating, in the audit report dated May 15, 2008, that “the Company has incurred a net loss of \$7,632,537 and had negative cash flow from operations of \$4,832,217. In addition, the Company had an accumulated deficit of \$31,391,140 and a shareholders’ surplus of \$5,174,290 at January 31, 2008.” These factors, among others, as discussed in “Note 2- Going Concern” to the financial statements, raise substantial doubt about 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 reserves 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 several years, generally reflecting among other things relatively low interest rates in the United States; worldwide instability due to terrorism; and a continuing global economic slump. Any significant drop in the price of gold may have a materially adverse affect on the results of our operations unless we are able to offset such a price drop by substantially increased production.



The 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 supplemented by our current exploration data. Therefore we are unable to determine the quantity of gold we may be able to recover. We can only estimate a potential mineral resource which is a subjective process which depends in part on the quality of available data and the assumptions used and judgments made in interpreting such data. There is significant uncertainty in any resource estimate such that the actual deposits encountered or reserves validated and the economic viability of mining the deposits may differ materially from our expectations.

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

Our mining property rights consist of 146 mill site and unpatented mining claims at the Relief Canyon Mine, our staked claims at the Horse Creek exploration property, the Honorine Gold exploration property, the Fairview-Hunter exploration property, and our leasehold interest in the Antelope Peak property. The validity of unpatented or staked mining claims is often uncertain and is always subject to contest. Unpatented mining and staked claims are generally considered subject to greater title risk than patented mining claims, or real property interests that are owned in fee simple. If title to a particular property is successfully challenged, we may not be able to carry out 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 effect 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 maintain insurance consistent with industry practice, it is not possible to insure against all risks associated with the mining business, or prudent to assume that insurance will continue to be available at a reasonable cost.





We have not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. We currently carry insurance on all of our properties.

We are substantially dependent upon the continued services of A. Scott Dockter, our COO. 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 stockholder of Firstgold since its inception and considers his investment of time and money in Firstgold of significant personal value.

As of January 31, 2008, Firstgold had approximately 117,432,317 shares of Common Stock outstanding and convertible debentures which are convertible into up to 1,444,444 shares of our Common Stock. Additionally, warrants to purchase a total of 39,257,146 shares of our Common Stock and options to purchase 4,650,000 shares of our Common Stock were outstanding as of January 31, 2008. The possibility that substantial amounts of our outstanding Common Stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future

## ITEM 2. DESCRIPTION OF PROPERTY

Firstgold's executive office is located at 3108 Ponte Morino Drive, Suite 210, Cameron Park, California 95682. 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, 2008, we were current in the payment of such maintenance fees.

#### Dalton Livestock and Winchell Ranch Mineral Lease

On October 24, 2006, we entered into a Mineral Lease Agreement with the owners of approximately 25,000 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.

#### Horse Creek Property

On July 9, 2007, we completed staking claims on approximately 4,200 acres of ground in the Horse Creek area located approximately 100 miles Northeast of Reno, Nevada. These claims are staked claims on property owned by the U.S. Bureau of Land Management ("BLM"). Such staking of claims is permitted on U.S. Government property; however such claims must be filed with the BLM and any significant drilling or development activity will be subject to the review and approval of the BLM and NDEP.

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

#### Fairview-Hunter

On January 11, 2008 we entered into a Mineral Lease Agreement with the Randall Stoeberl, dba RSGold. of approximately 2,300 acres of potentially mineralized ground near Fairview, Nevada ("Fairview-Hunter" 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 ten (10) years; however the term can be automatically extended thereafter for so long as Firstgold is engaged in mining operations.

Firstgold paid \$25,000 upon the signing of the Lease and is required to pay rent of \$25,000 the first year, with payments increasing each subsequent year by \$5,000, with a maximum annual payment of \$50,000. Firstgold is required to complete an initial 2000 feet of drilling in the first year, with no specified obligations thereafter. In addition, should mining operations be commenced, the Lessors would be entitled to 3% of net smelter returns.



These claims are staked claims on property owned by the U.S. Bureau of Land Management (“BLM”), and controlled by Randall Stoeberl. Such staking of claims is permitted on U.S. Government property; however such claims must be filed with the BLM and any significant drilling or development activity will be subject to the review and approval of the BLM and NDEP.

#### Honorine Gold

On February 22, 2008, we entered into a Mineral Lease Agreement with the Randall Stoeberl, dba RSgold. of approximately 3,300 acres of property located in Humboldt County, Nevada (the “Honorine Gold” 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, and mineral processing. The Lease has an initial term of ten (10) years; however the term can be automatically extended thereafter for so long as Firstgold is engaged in mining operations.

Firstgold paid \$15,000 upon the signing of the Lease and is required to pay rent of \$15,000 the first year, with payments increasing each subsequent year by \$15,000, with a maximum annual payment of \$50,000. Firstgold is required to complete an initial 2000 feet of drilling in the first year, with no specified obligations thereafter. In addition, should mining operations be commenced, the Lessors would be entitled to 5% of net smelter returns.

These claims are staked claims on property owned by the U.S. Bureau of Land Management (“BLM”), and controlled by Randall Stoeberl. Such staking of claims is permitted on U.S. Government property; however such claims must be filed with the BLM and any significant drilling or development activity will be subject to the review and approval of the BLM and NDEP.

#### ITEM 3. LEGAL PROCEEDINGS

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 sought the termination of the leasehold rights granted to ASDi, LLC and quiet title and punitive damages. The complaint also sought an order against Firstgold restricting public claims of ownership or control of the mining properties. ASDi, LLC and Firstgold believed the leases were not assigned and that any transfer of the leases or mining claims was not wrongful nor required the Lessors’ consent. Consequently, ASDi, LLC and Firstgold pursued a vigorous defense of 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’ motion thus requiring the matter to proceed to trial on the merits. In addition, on May 11, 2007, the Court entered a preliminary injunction against public claims of ownership of any interest in the leases or the mining property by defendants.



On June 7, 2007, the plaintiffs filed a Motion For Order to Show Cause claiming that defendants had violated the injunction based upon certain statements made on Firstgold's website and certain disclosures made in Firstgold's annual report on Form 10-KSB and should be found in contempt of the injunction. A hearing on the Motion to Show Cause was held on November 20, 2007 and on January 4, 2008 the Court ruled in Defendant's favor finding no contempt of the injunction. In late March, 2008 the parties reached a settlement agreement and the case was dismissed by the Court on April 4, 2008. As a result of the Settlement, Firstgold paid \$150,000 to Plaintiffs and Firstgold, ASDi LLC and Crescent Red Caps LLC relinquished all right, title and interest in the Red Caps and Crescent Valley leases to the Plaintiffs. Consequently, Firstgold no longer has any interest in these leases and will not pursue any further exploration activity on such leased property.

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

On January 30, 2008, a complaint was served on Firstgold by Park Avenue Consulting Group, Inc. The complaint was filed in the Supreme Court of the State of New York but was subsequently removed to the Federal District Court for the Southern District of New York (Case No. 08CV01850). In the complaint, plaintiff alleges that pursuant to a Retainer Agreement entered into on September 1, 2000 and an Addendum thereto entered into on September 7, 2000, it is entitled to the issuance of warrants to purchase 1,000,000 shares of Firstgold stock, a monthly retainer fee of 50,000 shares of Firstgold stock and a monthly cash retainer fee, a \$50,000 finder's fee, and other damages to be proven at trial. Firstgold filed an Answer on April 15, 2008 and on May 5, 2008 filed a Counterclaim seeking reimbursement of all costs of this lawsuit. Firstgold expects to vigorously defend this action.

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

None

## 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 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 May 1, 2008 the closing bid price of our Common Stock was \$0.49 per share.

In January 2008, Firstgold filed an application to become listed on the Toronto Stock Exchange (“TSX”). This application had been pending with the TSX while Firstgold satisfied various listing requirements including securing additional capital. On May 12, 2008 the TSX approved Firstgold’s application for listing its common shares and effective May 14, 2008 Firstgold’s shares became listed for trading under the symbol “FGD”.

## 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      | Low      | High    |
|-----------------------------------|----------|---------|
| Year Ending January 31, 2008      |          |         |
| Fourth Quarter (November-January) | \$ 0.625 | \$ 0.97 |
| Third Quarter (August-October)    | \$ 0.52  | \$ 0.69 |
| Second Quarter (May-July)         | \$ 0.56  | \$ 0.72 |
| First Quarter (February-April)    | \$ 0.33  | \$ 0.73 |
| Year Ending January 31, 2007      |          |         |
| Fourth Quarter (November-January) | \$ 0.255 | \$ 0.39 |
| Third Quarter (August-October)    | \$ 0.30  | \$ 0.47 |

| FIRSTGOLD CORP. COMMON STOCK   | Low     | High     |
|--------------------------------|---------|----------|
| Second Quarter (May-July)      | \$ 0.19 | \$ 0.53  |
| First Quarter (February-April) | \$ 0.14 | \$ 0.245 |

#### Stockholders

As of January 31, 2008, there were approximately 1,145 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, 2008, options to purchase 4,650,000 shares of common stock had been issued as follows: 750,000 options issued to A. Scott Dockter; 400,000 options issued to James Kluber; 750,000 options issued to Terrence Lynch; 1,000,000 options issued to Stephen Akerfeldt; 500,000 options issued to each of Donald Heimler, Fraser Berrill and Kevin Bullock; and 250,000 options issued to an employee for the purchase of Firstgold restricted common stock. At the 2007 Annual Stockholders Meeting held on September 20, 2007, stockholders approved an increase in the shares issuable under the 2006 Plan to 10,000,000 shares.



## Equity Compensation Plan Information

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights as of January 31, 2008 | Weighted-average exercise price of outstanding options, warrants and right | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|--|--|---|
|  | (a)  | (b)  | (c)   |
| Equity compensation plans to be approved by security holders | 4,650,000  | \$ 0.62  | 5,350,000   |
| Equity compensation plans not approved by security holders   | N/A  |  |   |
| <b>TOTAL</b>   | <b>4,650,000</b>   | <b>\$ 0.62</b>   | <b>5,350,000</b>  |

## Shares Issuable Upon Conversion of Convertible Debentures

The \$650,000 principal balance of Convertible Debentures are convertible into shares of our Common Stock at a per share conversion rate of \$0.45.

## Repurchase of Equity Securities

None

## Recent Sales of Unregistered Securities

During Firstgold's most recent fiscal year ending January 31, 2008, it issued the following securities pursuant to exemptions from registration under the Securities Act.

On June 22, 2007, Firstgold issued 18,843,421 units at a price of \$0.45 per unit. Each unit consisted of one share of Firstgold common stock and ½ warrant to purchase a share of Firstgold common stock at an exercise price of \$0.65 per share. Firstgold raised gross proceeds of \$8,479,539.45 from the sale of the units. From this amount, Firstgold paid a Selling Agent Fee of \$593,568 and issued 1,866,667 units to the Selling Agent as compensation units. The warrants expire eighteen (18) months from the date of issuance.

On April 12, 2007, Firstgold issued 5,673,110 Units at a price of \$0.45 per Unit. Each Unit consisted of one share of Firstgold common stock and ½ warrant to purchase a share of Firstgold common stock at an exercise price of \$0.65 per share. The warrants expire eighteen (18) months from the date of issuance. Firstgold raised net proceeds of \$2,374,200 from the sale of the Units after paying a selling agent commission of \$178,703.

The units referred to above 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. 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.

On May 18, 2007, Firstgold issued 749,998 Units at a price of \$0.45 per Unit. Each Unit consisted of one share of Firstgold common stock and ½ Warrant to purchase a share of Firstgold common stock at an exercise price of \$0.65 per share. The warrants expire eighteen (18) months from the date of issuance. Firstgold raised gross proceeds of \$337,500 from the sale of the Units.

On March 23, 2007, we issued options to purchase an aggregate of 250,000 shares of our common stock to each of our three independent Directors from the 2006 Stock Option Plan. The options are exercisable at \$0.65 per share and vest 50% at the time of issue, and 50% on the first anniversary of the issue date. The options expire in 10 years.

During Firstgold's 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.

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

For more detailed financial information, please refer to the audited January 31, 2008 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; the 25,000 acre Antelope Peak property; and approximately 4,200 acres in the Horse Creek area of Nevada.

Our operating plan is to continue exploration work on the Relief Canyon mining property during calendar 2008. During 2008, we plan to resume heap leaching at the Relief Canyon mine and we anticipate 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 2008 and 2009 of between \$10 million and \$20 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 Horse Creek and Antelope Peak properties when and if such activity is commenced at these properties. In the past we have been dependent on funding from the private placement of our securities as well as loans from related and third parties as the sole sources of capital to fund operations.

## 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 acquisition and exploration 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 a mineral lease to explore approximately 25,000 acres of property located in Elko County, Nevada.

## Operating Results for the Fiscal Years Ended January 31, 2008 and 2007

Although we commenced efforts to re-establish our mining business early in fiscal year 2004, no mining operations have commenced and no revenue from mining production has been recognized during the fiscal years 2007 and 2008, respectively. However, we recognized \$551,279 of revenue from the leasing of some of our drilling rigs and crew to other nearby mining operations. 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, 2008 we spent \$2,195,024 on exploration, reclamation and maintenance expenses related to our mining properties. Exploration, reclamation and maintenance expenses expended during the year ended January 31, 2007 were \$132,166. These expenses relate primarily to exploration costs and property improvements at our Relief Canyon mining claims. We expended \$2,261,816 on retro fitting the on-site mill facility and \$2,098,686 for acquisition of mining equipment. We incurred operating expenses of \$5,715,150 during the year ended January 31, 2008. Of this amount, \$2,065,464 reflects director, officer and staff compensation and related payroll taxes during the year, \$1,651,672 reflect fees for outside professional services, and \$645,509 for promotional expense. A large portion of the outside professional services reflects legal and accounting work pertaining to our annual and quarterly SEC reporting, preparation of two SB-2 registration statements occurring in fiscal year 2008 and litigation expenses related to the Red Caps and Crescent Valley leases. During the year ended January 31, 2007 we incurred operating expenses of \$1,955,816 of which \$850,869 represents 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 expenses.





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 \$869,444 during the year ended January 31, 2008 which compares to interest expenses of \$596,975 incurred during the year ended January 31, 2007. The amount of loans outstanding on average was higher during fiscal year 2008 compared to fiscal year 2007, which was primarily the result of the increase in convertible debentures on average during fiscal 2008. The higher interest expense during fiscal year 2008 was primarily due to the increase in accretion of warrants issued in fiscal years 2007 and 2008 as a debt discount as well as the write-off of balances of derivative liabilities upon conversion of convertible debt in fiscal 2008.

In conjunction with the Convertible Debentures issued during fiscal years 2007 and 2008, 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, 2008 and 2007. This resulted in \$703,992 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 \$616,493 for the fiscal year ending January 31, 2007.

Our total net loss for the year ended January 31, 2008 increased to \$7,632,537 compared to a net loss of \$4,728,070 incurred for the fiscal year ended January 31, 2007. The larger net loss in fiscal year 2008 reflects the substantial increase in operating expenses as we pursue our exploration programs and reactivate our mining activities, the increase in operating expense from additional staffing levels as well as costs associated with capital raising activities and litigation, coupled with the limited revenues recognized during fiscal year 2008.

## Liquidity and Capital Resources

We have incurred significant operating losses since inception which has resulted in an accumulated deficit of \$31,391,140 as of January 31, 2008. At January 31, 2008, we had cash and other current assets of \$1,125,613 compared to \$412,752 at January 31, 2007 and net working capital deficit of \$2,500,387. 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, 2008, we had outstanding debentures and notes payable in the gross principal amount of \$1,006,417 (net balance of \$857,937 after \$148,480 of note payable discount and \$0 of derivative liabilities) which reflects a decrease of \$1,922,312 compared to 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) as of January 31, 2007.

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 and a term of three years to ASDi LLC. Pursuant to the joint venture, Firstgold initially owned a 22.22% interest in the Crescent Red Caps LLC, a Nevada limited liability company and ASDi LLC held a 77.78% interest. Firstgold was to expend up to \$1,350,000 on each project over the next three years. Due to the settlement of litigation relating to these mining leases, the joint venture has been terminated prior to Firstgold having spent any significant amounts for exploration expenses relating to these properties. However, Firstgold incurred approximately \$1,100,000 in legal expenses relating to this litigation.

Our primary sources of operating capital have been debt and equity financings. In January, 2006 we entered into a Securities Purchase Agreement which resulted in proceeds from the issuance of convertible debentures as follows: \$600,000 on January 27, 2006; \$200,000 on March 12, 2006; and \$200,000 on July 18, 2006.

On September 26, 2006 we entered into another Securities Purchase Agreement which resulted in proceeds from the issuance of convertible debentures as follows: \$1,000,000 on September 26, 2006; \$1,000,000 on December 1, 2006; and \$1,000,000 on March 16, 2007.

On October 10, 2006 we issued convertible debentures raising proceeds of \$650,000.

On April 12, 2007 we received net proceeds of \$2,374,200 from the sale of Units in Canada.



On May 18, 2007 we received gross proceeds of \$337,500 upon the issuance of units consisting of Firstgold common stock and warrants.

On June 22, 2007 we received net proceeds of \$7,885,972 upon the issuance of units consisting for Firstgold common stock and warrants sold in Canada.

Subsequent to the fiscal year ended January 31, 2008, we received net proceeds of \$7,791,398 from the sale of Units in Canada.

By attempting to resume mining operations, we will require approximately \$10 million to \$20 million in working capital above the amounts realized during calendar year 2008 to bring the Relief Canyon Mine into full production and carry out planned exploration on our other properties. We believe we have sufficient working capital to fund our current business plan for Relief Canyon. However, should additional funds become necessary, our intention would be to pursue several possible funding opportunities including the sale of additional securities, entering into joint venture arrangements, or incurring additional debt.

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

It is likely that we will need to raise additional capital to fund the long-term or expanded development, promotion and conduct of our mineral exploration. Due to our limited cash flow, operating losses and limited assets, it is unlikely that we could obtain financing through commercial or banking sources. Consequently, any future capital requirements will be dependent on cash infusions from our major stockholders or other outside sources in order to fund our future operations. 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 would continue to fund Firstgold's expenses if such became necessary based upon their significant debt and/or equity interest in Firstgold, there is no assurance that such investors would continue to pay our expenses in the future. If adequate funds are not available in the future, through public or private financing as well as borrowing from other sources, Firstgold might not be able to establish or sustain its mineral exploration or mining 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 had a three (3) year term from the date of issue unless they were converted into shares of Firstgold Common Stock or were repaid prior to the expiration dates. The conversion rate was adjustable and at any conversion date, would be the lower of \$0.4735 per share (and subsequently reduced to \$0.45 per share) or 95% of the Market Conversion Price. Consequently, the number of shares of Firstgold Common Stock into which the Debentures could have been converted would never be less than 6,666,666 shares but could have been substantially more if the average market price of Firstgold's Common Stock fell below \$0.45. On July 13, 2007, Cornell Capital converted \$450,000 principal amount of the third Debenture at the Fixed Conversion Rate of \$0.45 per share into 1,000,000 shares of Firstgold common stock. On September 13, 2007, Cornell Capital converted the first \$1,000,000 Debenture at the Fixed Conversion Rate of \$0.45 per share into 2,222,222 shares of Firstgold common stock. As of October 31, 2007, Cornell Capital had converted the balance of its Debentures with accrued interest at the Fixed Conversion Rate of \$0.45 per share into 3,858,228 shares of Firstgold Common Stock.

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 were 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, if a default would 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.



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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 (and subsequently reduced to \$0.45 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.

On April 12, 2007 we received gross proceeds of \$2,552,900 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. The warrants have a term of 18 months. Due to the fact that these Units were not registered in an effective resale prospectus by October 15, 2007, an additional 542,310 "penalty shares" and 271,156 "penalty warrants" were issued to these investors and included in this prospectus.

On May 18, 2007 we received gross proceeds of \$337,500 upon the issuance of Units consisting of 749,998 shares of our common stock and warrants to purchase 375,002 shares of our common stock at an exercise price of \$0.65 per share. The warrants have a term of 18 months.

On June 22, 2007, we received gross proceeds of \$8,479,539.45 upon the issuance of Units at \$0.45 per Unit consisting of 18,843,421 shares of our common stock and Warrants to purchase 9,421,711 shares of our common stock at an exercise price of \$0.65 per share. The warrants have a term of 18 months. Due to the fact that these Units were not registered in an effective resale prospectus by November 15, 2007, an additional 1,884,342 "penalty shares" and 942,171 "penalty warrants" were issued to these investors.

Subsequent to the fiscal year ended January 31, 2007, we received gross proceeds of \$8,342,843 upon the issuance of Units at \$0.65 per Unit consisting of 12,835,143 shares of our common stock and warrants to purchase 6,417,572 shares of our common stock at an exercise price of \$0.80 per share. The warrants have a term of 18 months.

Subsequent to the fiscal year ended January 31, 2008, we issued a Convertible Debenture in the principal amount of \$1,100,000 and bearing interest or 10% per annum. The transaction included the issuance of warrants to purchase 1,100,000 shares of Firstgold common stock at an exercise price of \$1.00 per share.

### Off-Balance Sheet Arrangements

During the fiscal year ended January 31, 2008, 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, 2008 AND 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Firstgold Corp.

We have audited the balance sheets of Firstgold Corp. (a development stage company) (the "Company") as of January 31, 2008 and 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, 2008 and the period from January 1, 1995 to January 31, 2008. 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 Firstgold Corp. as of January 31, 2008, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2008, and the period from January 1, 1995 to January 31, 2008 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 \$7,632,537 and had negative cash flow from operations of \$4,832,217. In addition, the Company had an accumulated deficit of \$31,391,142 and a shareholders' surplus of \$5,174,290 at January 31, 2008. These factors, among others, as discussed in Note 2 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 & RENFRO LLP

Sacramento, California

May 15, 2008

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FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

|   | January 31,<br>2008  | January 31,<br>2007 |
|---|----------------------|---------------------|
| <b>ASSETS</b>   |                      |                     |
| <b>Current assets:</b>  |                      |                     |
| Cash  | \$ 383,223           | \$ 150,647          |
| Receivables   | 196,811              | 114,737             |
| Deposits  | 295,281              | 7,368               |
| Prepaid expense   | 250,298              | 140,000             |
| <b>Total current assets</b>   | <b>1,125,613</b>     | <b>412,752</b>      |
| Property, plant and equipment, net of accumulated depreciation of \$205,084 and \$20,850 at January 31, 2008 and 2007, respectively | 8,438,997            | 928,029             |
| <b>Other Assets</b>   |                      |                     |
| Restricted cash   | 674,850              | 250,981             |
| Deferred reclamation costs  | 680,326              | 641,026             |
| <b>Total other assets</b>   | <b>1,355,176</b>     | <b>892,007</b>      |
| <b>Total assets</b>   | <b>\$ 10,919,786</b> | <b>\$ 2,232,788</b> |

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

|   |                  |                  |
|---|------------------|------------------|
| <b>Current liabilities</b>  |                  |                  |
| Accounts payable  | \$ 2,730,596     | \$ 598,788       |
| Accrued expenses  | 538,987          | 1,198,174        |
| Notes payable   | 356,417          | 130,249          |
| <b>Total current liabilities</b>  | <b>3,626,000</b> | <b>1,927,211</b> |
| <b>Long-term liabilities</b>  |                  |                  |
| <b>Convertible debenture and related derivative liabilities</b>   |                  |                  |
| net of unamortized discount of \$0 and \$402,135 and deferred financing costs of \$148,480 and \$1,382,642 at January 31, 2008 and 2007, respectively | 501,520          | 3,110,344        |
| Accrued reclamation costs   | 680,326          | 641,026          |
| Deferred revenue  | 937,650          | 800,000          |
| <b>Total long-term liabilities</b>  | <b>2,119,496</b> | <b>4,551,370</b> |
| <b>Total liabilities</b>  | <b>5,745,496</b> | <b>6,478,581</b> |

The accompanying notes are an integral part of these financial statements

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FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

|  | January 31,<br>2008 | January 31,<br>2007 |
|--|---------------------|---------------------|
| Commitments and contingencies  |                     |                     |
| Shareholders' surplus (deficit)  |                     |                     |
| Common stock, \$0.001 par value  |                     |                     |
| 250,000,000 shares authorized at January 31, 2008 and 2007, respectively |                     |                     |
| 117,432,317 and 77,839,601 shares issued and outstanding at              |                     |                     |
| January 31, 2008 and 2007, respectively                                  | 117,432             | 77,839              |
| Additional paid in capital   | 36,447,996          | 19,434,973          |
| Deficit accumulated during the exploration stage                         | (31,391,142)        | (23,758,605)        |
| Total shareholders' surplus (deficit)                                    | 5,174,290           | (4,245,793)         |
| Total liabilities and shareholders' surplus (deficit)                    | \$ 10,919,786       | \$ 2,232,788        |

The accompanying notes are an integral part of these financial statements

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FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF OPERATIONS  
For the Years Ended January 31, 2008 and 2007

|  | For the Years Ended<br>January 31, |                | For the Period<br>From January 1,<br>1995 to January<br>31, 2008 |
|--|------------------------------------|----------------|--|
|  | 2008                               | 2007           |  |
| Net Sales  | \$ 551,279                         | \$ -           | \$ 551,279   |
| Exploration and maintenance costs                        | (2,195,024)                        | (1,591,497)    | (4,089,352)  |
| Gross loss   | (1,643,745)                        | (1,591,497)    | (3,538,073)  |
| Operating expenses                                       | (5,715,150)                        | (1,955,816)    | (21,582,974)   |
| Loss from operations                                     | (7,358,895)                        | (3,547,316)    | (25,121,050)   |
| Other income (expense)                                   |                                    |                |  |
| Interest income  | 191,919                            | 14,065         | 278,671  |
| Dividend income  |                                    |                | 30,188   |
| Other income   |                                    |                | 6,565  |
| Gain on settlement of obligations                        | 1,107,875                          | 18,649         | 1,126,524  |
| Adjustments to fair value of derivatives                 | (703,992)                          | (616,493)      | (1,357,903)  |
| Interest expense   | (869,444)                          | (596,975)      | (3,875,456)  |
| Loss from joint venture                                  |                                    |                | (859,522)  |
| Loss on sale of marketable securities                    |                                    |                | (281,063)  |
| Bad debt expense   |                                    |                | (40,374)   |
| Loss on disposal of plant, property<br>and equipment     |                                    |                | (334,927)  |
| Loss on disposal of bond                                 |                                    |                | (21,000)   |
| Total other income (expense)                             | (273,642)                          | (1,180,754)    | (5,328,297)  |
| Net loss   | (7,632,537)                        | \$ (4,728,070) | \$ (30,449,347)  |
| Basic and diluted loss per share                         | \$ (0.07)                          | \$ (0.07)      |  |
| Basic and diluted weighted-average<br>shares outstanding | 100,162,546                        | 71,416,951     |  |

The accompanying notes are an integral part of these financial statements

FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF SHAREHOLDERS' DEFICIT  
For the Years Ended January 31, 2008 and 2007  
and for the Period from January 1, 1995 to January 31, 2008

|  | Common<br>Shares | Stock<br>Amount | Additional<br>Paid in<br>Capital | Other<br>Com-<br>prehensive<br>(Loss) | Deficit      | Accumulated<br>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<br>shareholders<br>of Warehouse Auto Centers,<br>Inc.       | 305,709          | 306             | 305,403                          | -                                     | (305,709)    | -                    |
| Shares issued to investors and<br>underwriters   | 5,135,130        | 5,135           | 4,701,835                        |                                       |              | 4,706,970            |
| Shares issued to purchase<br>Washington Gulch  | 3,800,000        | 3,800           | 177,200                          |                                       |              | 181,000              |
| Shares issued in exchange for<br>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<br>50% interest<br>in Relief Canyon                            | 1,000,000        | 1,000           | 999,000                          |                                       |              | 1,000,000            |
| Net loss for the period January<br>1, 1996<br>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<br>Auto Centers, Inc.<br>shareholders subsequently<br>cancelled | (25,242)         | (25)            | (25,217)                         |                                       |              | (25,242)             |
| Shares issued to others  | 12,500           | 13              | 4,987                            |                                       |              | 5,000                |
| Additional shares issued to<br>investors and<br>underwriters for delay in<br>share trading | 513,514          | 513             | 204,487                          |                                       |              | 205,000              |

The accompanying notes are an integral part of these financial statements





FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF SHAREHOLDERS' DEFICIT  
For the Years Ended January 31, 2008 and 2007  
and for the Period from January 1, 1995 to January 31, 2008

|  |            |        |            |             |              |             |
|--|------------|--------|------------|-------------|--------------|-------------|
| 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      |

The accompanying notes are an integral part of these financial statements

FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF SHAREHOLDERS' DEFICIT  
For the Years Ended January 31, 2008 and 2007  
and for the Period from January 1, 1995 to January 31, 2008

|   |            |        |            |           |              |             |
|---|------------|--------|------------|-----------|--------------|-------------|
| 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) |

The accompanying notes are an integral part of these financial statements

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FIRSTGOLD CORP.  
 (A DEVELOPMENT STAGE COMPANY)  
 STATEMENTS OF SHAREHOLDERS' DEFICIT  
 For the Years Ended January 31, 2008 and 2007  
 and for the Period from January 1, 1995 to January 31, 2008

|   |            |        |            |                |             |
|---|------------|--------|------------|----------------|-------------|
| 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%<br>interest in Crescent Red Caps<br>LLC | 2,500,000  | 2,500  | 497,500    |                | 500,000     |
| Warrants issued with<br>investment in joint venture                   |            |        | 359,523    |                | 359,523     |
| Warrants issued for services  |            |        | 15,690     |                | 15,690      |
| Net loss for the period<br>February<br>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) | (2,960,365) |