

FIRSTGOLD CORP.  
Form 10-Q  
June 23, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2008

Commission File Number 0-20722

FIRSTGOLD CORP.  
(Exact name of small business issuer as specified in its charter)

DELAWARE  
(State of other jurisdiction of  
incorporation or organization)

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

3108 Ponte Morino Drive, Suite 210  
Cameron Park, CA  
(Address of Principal Executive Offices)

95682  
Zip Code

Issuer's telephone number: (530) 677-5974

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES X NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company X

Indicate by checkmark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act)

YES NO X

Common stock, \$0.001 par value, 130,845,543 issued and outstanding as of May 30, 2008.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRSTGOLD CORP.  
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FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

|  | April 30,<br>2008<br>(unaudited) | January 31,<br>2008  |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>  |                                  |                      |
| <b>Current assets:</b>   |                                  |                      |
| Cash   | \$ 1,168,620                     | \$ 383,223           |
| Receivables  | 58,383                           | 196,811              |
| Deposits   | 98,968                           | 295,281              |
| Prepaid expense  | 282,009                          | 242,577              |
| Inventory  | 289,362                          | 7,721                |
| <b>Total current assets</b>  | <b>1,897,342</b>                 | <b>1,125,613</b>     |
| Property, plant and equipment, net of accumulated depreciation of \$310,271 and \$205,084 at April 30 and January 31, 2008, respectively | 10,704,704                       | 8,438,997            |
| <b>Other Assets</b>  |                                  |                      |
| Restricted cash  | 674,850                          | 674,850              |
| Deferred reclamation costs   | 680,326                          | 680,326              |
| <b>Total other assets</b>  | <b>1,355,176</b>                 | <b>1,355,176</b>     |
| <b>Total assets</b>  | <b>\$ 13,957,222</b>             | <b>\$ 10,919,786</b> |

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

|   |                  |                  |
|---|------------------|------------------|
| <b>Current liabilities</b>  |                  |                  |
| Accounts payable  | \$ 798,622       | \$ 2,730,596     |
| Accrued expenses  | 570,310          | 538,987          |
| Notes payable   | 116,264          | 163,726          |
| <b>Total current liabilities</b>  | <b>1,485,196</b> | <b>3,433,309</b> |
| <b>Long-term liabilities</b>  |                  |                  |
| Convertible debenture net of deferred financing costs of \$133,172 and \$148,480 at April 30 and January 31, 2008, respectively | 701,360          | 694,211          |
| Accrued reclamation costs   | 680,326          | 680,326          |
| Deferred revenue  | 800,000          | 937,650          |
| <b>Total long-term liabilities</b>  | <b>2,181,686</b> | <b>2,312,187</b> |
| <b>Total liabilities</b>  | <b>3,666,882</b> | <b>5,745,496</b> |



FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

|   | April 30,<br>2008<br>(unaudited) | January 31,<br>2008 |
|---|----------------------------------|---------------------|
| Commitments and contingencies   |                                  |                     |
| Shareholders' surplus (deficit)   |                                  |                     |
| Common stock, \$0.001 par value   |                                  |                     |
| 250,000,000 shares authorized at April 30 and January 31, 2008, respectively                                |                                  |                     |
| 130,256,006 and 117,432,317 shares issued and outstanding at<br>April 30 and January 31, 2008, respectively | 130,256                          | 117,432             |
| Additional paid in capital  | 44,146,538                       | 36,447,996          |
| Deficit accumulated during the exploration stage  | (33,986,454)                     | (31,391,142)        |
| Total shareholders' surplus (deficit)   | 10,290,340                       | 5,174,290           |
| Total liabilities and shareholders' surplus   | \$ 13,957,222                    | \$ 10,919,786       |

## FIRSTGOLD CORP.

(A DEVELOPMENT STAGE COMPANY)

## STATEMENTS OF OPERATIONS

For the Three Months Ended April 30, 2008 and 2007

and for the Period from January 1, 1995 to April 30, 2008

|  | For the Three Months Ended |                | For the<br>Period<br>From<br>January 1,<br>1995 to April<br>30,<br>2008 |
|--|----------------------------|----------------|---|
|  | April 30,<br>2008          | 2007           |   |
| Net sales  | \$ 275,793                 | \$ -           | \$ 827,072  |
| Exploration and maintenance costs                        | (1,391,411)                | (126,681)      | (5,480,763)   |
| Gross loss   | (1,115,618)                | (126,681)      | (4,653,691)   |
| Operating expenses                                       | (1,466,154)                | (985,685)      | (23,049,128)  |
| Loss from operations                                     | (2,581,772)                | (1,112,366)    | (27,702,822)  |
| Other income (expense)                                   |                            |                |   |
| Interest income  | 21,063                     | 5,966          | 299,734   |
| Dividend income  | -                          | -              | 30,188  |
| Other income   | -                          | -              | 6,565   |
| Adjustments to fair value of derivatives                 | -                          | (1,623,255)    | (2,277,166)   |
| Interest expense   | (34,605)                   | (247,959)      | (3,910,061)   |
| 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)                             | (8,795)                    | (1,865,248)    | (5,341,839)   |
| Net loss   | \$ (2,595,314)             | \$ (2,977,614) | \$ (33,044,661)   |
| Basic and diluted loss per share                         | \$ (0.02)                  | \$ (0.04)      |   |
| Basic and diluted weighted-average<br>shares outstanding | 125,370,254                | 80,160,412     |   |

## FIRSTGOLD CORP.

(A DEVELOPMENT STAGE COMPANY)

## STATEMENTS OF CASH FLOWS

For the Three Months Ended April 30, 2008 and 2007

and for the Period from January 1, 1995 to January 31, 2008

|  | For the Three Months<br>Ended April 30, |                | For the<br>Period<br>From<br>January 1,<br>1995<br>to April 30,<br>2008 |
|--|---|----------------|---|
|  | 2008                                    | 2007           |   |
| Cash flows from operating activities   |   |                |   |
| Net loss   | \$ (2,595,314)                          | \$ (2,977,614) | \$ (33,044,661)   |
| Adjustments to reconcile net loss to net cash<br>used in operating activities: |   |                |   |
| Accretion of warrants issued as a debt discount                                | 10,553                                  | 10,533         | 1,341,606   |
| Accretion of beneficial conversion   | -                                       | -              | 107,468   |
| Accretion of debt discount   | -                                       | 150,931        | 531,110   |
| Adjustments to fair value of derivatives                                       | -                                       | 1,623,255      | 1,357,904   |
| Loss from joint venture  | -                                       | -              | 859,522   |
| Loss on sale of marketable securities  | -                                       | -              | 281,063   |
| Depreciation and amortization  | 109,942                                 | 39,649         | 509,399   |
| Loss on disposal of property, plant and equipment                              | -                                       | -              | 334,927   |
| Impairment in value of property, plant and equipment                           | -                                       | -              | 807,266   |
| Loss on disposal of bond   | -                                       | -              | 21,000  |
| Impairment in value of Relief Canyon Mine                                      | -                                       | -              | 3,311,672   |
| Impairment in value of joint investments                                       | -                                       | -              | 490,000   |
| Bad debt   | -                                       | -              | 40,374  |
| Assigned value of stock and warrants exchanged for services                    | -                                       | 183,933        | 2,108,452   |
| Assigned value of stock options issue for compensation                         | 59,311                                  | 27,063         | 895,864   |
| Gain on write off of note payable  | -                                       | -              | (7,000)   |
| Judgment loss accrued  | -                                       | -              | 250,000   |
| (Increase) decrease in:  |   |                |   |
| Restricted cash  | -                                       | (423,869)      | (674,850)   |
| Receivables  | 138,428                                 | 100,000        | (54,383)  |
| Deposits   | 196,313                                 | -              | (94,468)  |
| Deferred reclamation costs   | -                                       | -              | 214,848   |
| Prepaid expenses   | (39,432)                                | 12,481         | (284,909)   |
| Inventory  | (281,641)                               | (7,721)        | (289,362)   |
| Reclamation bonds  | -                                       | -              | 185,000   |
| Other assets   | -                                       | -              | (1,600)   |
| Increase (decrease) in:  |   |                |   |
| Accounts payable   | (1,931,974)                             | 75,800         | 517,662   |
| Accrued expenses   | (31,323)                                | 55,220         | 1,063,320   |
| Net cash used by operating activities  | (4,302,491)                             | (1,130,319)    | (19,160,132)  |





## FIRSTGOLD CORP.

(A DEVELOPMENT STAGE COMPANY)

## STATEMENTS OF CASH FLOWS

For the Three Months Ended April 30, 2008 and 2007

and for the Period from January 1, 1995 to January 31, 2008

|   |              |              |              |
|---|--------------|--------------|--------------|
| Cash flows from investing activities                    |              |              |              |
| Proceeds from sale of marketable securities             | -            | -            | 34,124       |
| Investment in marketable securities                     | -            | -            | (315,188)    |
| Advances from shareholder                               | -            | -            | 7,436        |
| Contribution from joint venture partner                 | -            | -            | 775,000      |
| Purchase of joint venture partner interest              | -            | -            | (900,000)    |
| Capital expenditures                                    | (2,370,894)  | (357,035)    | (13,966,483) |
| Proceeds from disposal of property, plant and equipment | -            | -            | 278,783      |
| Investments in joint ventures                           | -            | -            | (490,000)    |
| Note receivable   | -            | -            | (268,333)    |
| Repayment of note receivable                            | -            | -            | 268,333      |
| Net cash used by investing activities                   | (2,370,894)  | (357,035)    | (14,576,328) |
| Cash flows from financing activities                    |              |              |              |
| Proceeds from the issuance of common stock              | 7,652,064    | 2,908,349    | 28,258,782   |
| Proceeds from notes payable                             | -            | 910,000      | 8,646,733    |
| Principal repayments of notes payable                   | (111,586)    | (1,843)      | (2,631,443)  |
| Repayment of advances to affiliate                      | -            | -            | (231,663)    |
| Deferred revenue  | (137,650)    | -            | 800,000      |
| Net cash provided by financing activities               | 7,402,828    | 3,816,506    | 34,842,409   |
| Net increase in cash                                    | 785,397      | 2,329,152    | 1,175,307    |
| Cash, beginning of year                                 | 383,223      | 150,647      | 6,687        |
| Cash, end of year                                       | \$ 1,168,620 | \$ 2,479,799 | \$ 1,168,620 |

FIRSTGOLD CORP.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
For the Three Months Ended April 30, 2008 and 2007  
and for the Period from January 1, 1995 to April 30, 2008

Supplemental cash flow information for the three months ended April 30, 2008 and 2007 and January 1, 1995 through April 30, 2008 as follows:

|   | For the Three Months<br>Ended April 30, |              | For the<br>Period<br>From<br>January 1,<br>1995 to<br>April<br>30, 2008 |
|---|---|--------------|---|
|   | 2008                                    | 2007         |   |
| Cash paid for interest  | \$ -                                    | \$ -         | \$ 161,107  |
| Cash paid for income taxes  | \$ -                                    | \$ -         | \$ -  |
| <b>Non Cash Investing and Financing Activities:</b>   |   |              |   |
| Conversion of related party note payable to common stock, including interest payable of \$446,193 | \$ -                                    | \$ 244,678   | \$ 2,093,573  |
| Conversion of convertible debentures to common stock, including interest of \$217,151             | \$ 3,186,203                            | \$ 1,173,406 | \$ 4,359,609  |
| Issuance of warrants as financing costs in connection with convertible debt                       | \$ -                                    | \$ 173,114   | \$ 2,093,573  |
| Issuance of common stock as payment for settlement of liabilities                                 | \$ -                                    | \$ 206,375   | \$ 2,093,573  |

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

Firstgold Corp. has been in the business of acquiring, exploring, developing, and producing gold properties. Firstgold had rights to mine properties in Nevada and Montana. Its primary focus was on the Relief Canyon mine located near Lovelock, Nevada, where it has performed development and exploratory drilling and was in the process of obtaining permits to allow operation of the Relief Canyon Mine. In December 1997, Firstgold placed the Relief Canyon Mine on care and maintenance status. From mid-2001 until the beginning of 2003 Firstgold was essentially inactive, only continuing with some of the care and maintenance at Relief Canyon, as provided for by a non-affiliate company owned by the Chief Operating Officer of Firstgold.

Firstgold has embarked on a business strategy whereby it will invest in and/or manage the exploration of gold and other mineral producing properties. Currently, Firstgold's principal assets include various mineral leases associated with the Relief Canyon mine located near Lovelock, Nevada along with various items of mining equipment located at that site. Firstgold's business will be to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada. Firstgold plans to carryout comprehensive exploration and development programs on its properties. Firstgold plans to conduct these activities itself, although some activities may be outsourced. Consequently, Firstgold's current plan will require the hiring of significant amounts of mining employees to carry out its future mining and current exploration activities.

#### NOTE 2 - GOING CONCERN

These financial statements have been prepared on a going concern basis. During the years ended January 31, 2008 and 2007 and the period from January 1, 1995 to January 31, 2008, Firstgold incurred net losses of approximately \$7,632,537, \$4,728,070, and \$30,449,347, respectively. In addition, Firstgold has been in the exploration stage since inception and through April 30, 2008. Information for the three months ended April 30, 2008 include a net loss of \$2,595,314 negative cash flows from operations of \$4,302,491 and an accumulated shareholders' surplus of \$10,290,340. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, the Company has satisfied its capital needs by issuing equity and debt securities.

Management plans to continue to provide for its capital needs during the year ending January 31, 2009 by issuing equity securities or incurring additional debt financing, with the proceeds to be used to re-establish mining operations at Relief Canyon as well as improve its working capital position. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should Firstgold be unable to continue as a going concern.

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

##### Basis of Presentation

These financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or

omitted pursuant to these rules and regulations. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Firstgold's Form 10-KSB, as filed with the SEC for the year ended January 31, 2008.

#### Exploration Stage Company

Effective January 1, 1995 (date of inception), the Company is considered a development stage Company as defined in SFAS No. 7. The Company's development stage activities consist of the development of several mining properties located in Nevada. Sources of financing for these development stage activities have been primarily debt and equity financing. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, Firstgold considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

#### Restricted Cash

Restricted cash represents a certificate of deposit with Umpqua Bank to serve as collateral for a reclamation bond with the Nevada Department of Environmental Protection at the Relief Canyon Mine.

#### Deferred Reclamation Costs

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was adopted February 1, 2003. The reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the UOP method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines were reflected in earnings in the period an estimate was revised.

#### Valuation of Derivative Instruments

FAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" requires bifurcation of embedded derivative instruments and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black Scholes model as a valuation technique. Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as Adjustments to Fair Value of Derivatives. In addition, the fair values of freestanding derivative instruments such as warrants are valued using Black Scholes models.

#### Revenue Recognition

Revenues will be recognized when deliveries of gold are made, title and risk of loss passes to the buyer and collectibility is reasonably assured. Deferred revenue represents non-refundable cash received in exchange for royalties on net smelter returns on the Relief Canyon Mine. Deferred revenue will be amortized to earnings based on estimated production in accordance with the royalty agreement.

#### Risks Associated with Gold Mining

The business of gold mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. Prior to suspending operations, Firstgold carried insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While Firstgold maintained insurance consistent with industry practice, it is not possible to insure against all risks associated with the mining business, or prudent to assume that insurance will continue to be available at a reasonable cost. Firstgold has not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. Firstgold currently carries no insurance on any of its properties due to the current status of the mine and Firstgold's current financial condition.

#### Comprehensive Income

Firstgold utilizes SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on available-for-sale marketable securities. Comprehensive income is presented in Firstgold's financial statements since Firstgold did have unrealized gain (loss) from changes in equity from available-for-sale marketable securities.

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Loss Per Share

Firstgold utilizes SFAS No. 128, "Earnings per Share." Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

The following common stock equivalents were excluded from the calculation of diluted loss per share since their effect would have been anti-dilutive:

|               | 2008       | 2007       |
|---------------|------------|------------|
| Warrants      | 47,455,918 | 39,500,976 |
| Stock options | 5,421,038  | 3,750,000  |

#### Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). Under the provisions of SFAS 159, Companies may choose to account for eligible financial instruments, warranties and insurance contracts at fair value on a contract-by-contract basis. Changes in fair value will be recognized in earnings each reporting period. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. The Company is currently assessing the impact of the adoption of SFAS 159.

#### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment was recorded at \$11,014,975 and \$1,305,914 at April 30, 2008 and 2007, respectively. Depreciation expense was \$105,187 and \$24,789 for the three months ended April 30, 2008 and 2007, respectively

#### NOTE 5 - NOTES PAYABLE

Notes payable consist of the following at April 30, 2008:

|  |            |
|--|------------|
| Equipment notes payable  | \$ 60,298  |
| The first note does not bear any interest and is due in December 2010. The second note bears interest at 8.6% and is due June 2011. The loans are secured by a Caterpillar loader and backhoe. |            |
| Insurance premium note payable   | 55,966     |
| The note bears interest at 5.6%, is payable in monthly installments of \$6,218 and is due February 2009.   |            |
| Total notes payable  | \$ 116,264 |

Firstgold recorded interest expense of \$34,605 and \$247,959 for the three months ended April 30, 2008 and 2007, respectively.

#### NOTE 6 – CONVERTIBLE DEBENTURES

##### September 26, 2006 Convertible Debenture

On September 26, 2006, Firstgold entered into a Securities Purchase Agreement (the "Purchase Agreement") and other agreements, as amended on November 1, 2006, in connection with the private placement of convertible debentures, in the aggregate principal amount of \$3,000,000 and bearing interest at 8% per annum (the "Debenture"). The Debentures were funded \$1,000,000 on September 26, 2006, \$1,000,000 upon the filing of a resale registration statement with the SEC on December 1, 2006 and \$1,000,000 on March 15, 2007. Of the \$1,000,000 funded on September 26, 2006, \$120,000 was paid for various loan fees and closing costs; of the \$1,000,000 funded December 1, 2006, \$90,000 was paid for various loan fees and closing costs; and of the \$1,000,000 funded March 19, 2007, \$90,000 was paid for various loan fees and closing costs.



The Debentures are due and payable three years after the issue date unless it is converted into shares of common stock or is repaid prior to its expiration date. The conversion rate is adjustable and at any conversion date, will be the lower of \$0.45 per share or 95% of the Market Conversion Price. On July 13, 2007 \$450,000 of the Debenture dated March 15, 2007 was converted into 1,000,000 shares of common stock. On September 13, 2007 the \$1,000,000 Debenture dated September 26, 2006 was converted into 2,222,222 shares of common stock. On October 12, 2007 \$450,000 of the Debenture dated December 1, 2006 was converted into 1,000,000 shares of common stock. On October 16, 2007 \$450,000 of the Debenture dated December 1, 2006 was converted into 1,000,000 shares of common stock. On October 30, 2007 1,444,444 shares of common stock were issued in conversion of the remaining \$650,000 in principal of outstanding Secured Convertible Debentures. An additional 413,784 shares of common stock was issued in conversion of \$186,203 of accrued interest on the Secured Convertible Debentures.

#### October 10, 2006 Convertible Debentures

On October 10, 2006, Firstgold issued convertible debentures in the aggregate principal amount of \$650,000 and bearing interest of 8% per annum. The Debentures and accrued interest are convertible into shares of Firstgold common stock at a conversion rate of \$0.405 per share. The Debentures are due and payable three years from the date of issue unless they are converted into shares of the Company's common stock or are repaid prior to their expiration date. Additionally, the investors were issued warrants to purchase an aggregate of 746,843 shares of Firstgold common stock exercisable at \$0.45 per warrant. The warrants were issued as financing costs and total deferred financing cost of \$173,114 was recorded in relation to this debt.

#### NOTE 7 - COMMITMENTS AND CONTINGENCIES

Except for the advance royalty and rent payments noted below, Firstgold is not obligated under any capital leases or non-cancelable operating lease with initial or remaining lease terms in excess of one year as of April 30, 2008. However, minimum annual royalty payments are required to retain the lease rights to Firstgold's properties.

#### Relief Canyon Mine

Our mining property rights are represented by 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 April 30, 2008, we were current in the payment of such maintenance fees.

During 1996, Repadre Capital Corporation ("Repadre") purchased for \$500,000 a net smelter return royalty (Repadre Royalty). Repadre was to receive a 1.5% royalty from production at each of the Relief Canyon Mine and Mission Mines. In July 1997, an additional \$300,000 was paid by Repadre for an additional 1% royalty from the Relief Canyon Mine. In October, 1997, when the Mission Mine lease was terminated, Repadre exercised its option to transfer the Repadre Royalty solely to the Relief Canyon Mine resulting in a total 4% royalty. The total amount received of \$800,000 has been recorded as deferred revenue in the accompanying financial statements.

On February 8, 2007, a complaint was filed against ASDi, LLC, Crescent Red Caps LLC, Firstgold, and Scott Dockter by the Lessors of the Crescent Valley and Red Caps mining properties. The complaint was filed in the Sixth Judicial District Court of Lander County, Nevada (Case No. 9661). In the complaint the plaintiffs allege that ASDi, LLC wrongfully assigned its lessee rights in the Crescent Valley and Red Caps mining properties to Crescent Red Caps LLC (of which Firstgold is the Managing Member).

In late March, 2008 the parties reached a settlement agreement and the case was dismissed by the Court on April 4, 2008. As a result of the Settlement, Firstgold paid \$150,000 to Plaintiffs and Firstgold, ASDi LLC and Crescent Red Caps LLC relinquished all right, title and interest in the Red Caps and Crescent Valley leases to the Plaintiffs. Consequently, Firstgold no longer has any interest in these leases and will not pursue any further exploration activity on such leased property.

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

On January 30, 2008, a complaint was served on Firstgold by Park Avenue Consulting Group, Inc. The complaint was filed in the Supreme Court of the State of New York but was subsequently removed to the Federal District Court for the Southern District of New York (Case No. 08CV01850). In the complaint, plaintiff alleges that pursuant to a Retainer Agreement entered into on September 1, 2000, it is entitled to \$100,000 in retainer fees, \$43,874 in expenses, and 850,000 shares of common stock during the term of the agreement. Firstgold is currently evaluating this lawsuit and expects to vigorously defend this action.

Firstgold is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate dispositions of these matters will not have a material adverse effect on Firstgold's financial position, results of operations or liquidity.

#### NOTE 8 - SHAREHOLDERS' SURPLUS

##### Common Stock

In February 2008 warrants to purchase 250,000 shares of common stock were exercised at an average exercise price of \$0.25 per share.

In February 2008 Firstgold received proceeds of \$3,450,975 upon the issuance of Units consisting of 5,309,193 shares of common stock and warrants to purchase 2,654,460 shares of common stock at an exercise price of \$0.80 per share. The warrants have a term of 18 months.

In March 2008 Firstgold received proceeds of \$4,261,822 upon the issuance of Units consisting of 6,556,650 shares of common stock and warrants to purchase 3,278,325 shares of common stock at an exercise price of \$0.80 per share. The warrants have a term of 18 months.

In April 2008 Firstgold received proceeds of \$330,100 upon the issuance of Units consisting of 507,846 shares of common stock and warrants to purchase 253,923 shares of common stock at an exercise price of \$0.80 per share. The warrants have a term of 18 months.

In April 2008 warrants to purchase 200,000 shares of common stock were exercised at an exercise price of \$0.50 per share.

## Warrants

The fair market value of warrants issued during the three months ended April 30, 2008 in conjunction with the issuance of common stock was determined to be \$1,498,387 and was calculated under the Black-Scholes option pricing model with the following assumptions used:

|                         |                |
|-------------------------|----------------|
| Expected life           | 1.5 years      |
| Risk free interest rate | 1.53% to 2.19% |
| Volatility              | 63.39%         |
| Expected dividend yield | None           |

The fair value of these warrants has been recorded as both a debit and credit to additional paid in capital.

The following table presents warrant activity from January 31, 2008 through April 30, 2008:

|                               | Number<br>of Shares | Weighted-<br>Average<br>Exercise<br>Price |
|-------------------------------|---------------------|---|
| Outstanding, January 31, 2008 | 39,507,146          | \$ 0.47                                   |
| Exercised                     | (450,000)           | \$ (0.36)                                 |
| Granted                       | 8,398,772           | \$ 0.80                                   |
| Outstanding, April 30, 2008   | 47,455,918          | \$ 0.53                                   |
| Exercisable, April 30, 2008   | 47,455,918          | \$ 0.53                                   |

## Stock options

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

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

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

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

For the three months ended April 30, 2008 the Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life, 36 months following the grant date; stock volatility, 63.4%; risk-free interest rates of 1.77% to 2.19%; and no dividends during the expected term. As stock-based compensation expense recognized in the consolidated statement of operations pursuant to SFAS No. 123(R) is based on awards ultimately expected to vest, expense for grants beginning upon adoption of SFAS No. 123(R) on February 1, 2006 will be reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

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

|                                    | # of Shares | Weighted Ave.<br>Exercise Price | Aggregate<br>Intrinsic Value |
|------------------------------------|-------------|---------------------------------|------------------------------|
| Outstanding as of January 31, 2008 | 4,650,000   | \$0.61                          | \$ 0                         |
| Granted                            | 771,038     | \$0.68                          | \$ 0                         |
| Exercised                          | 0           | \$0.00                          |                              |
| Cancelled                          | 0           | \$0.00                          |                              |
| Outstanding as of April 30, 2008   | 5,421,038   | \$0.62                          | \$ 0                         |
| Exercisable as of April 30, 2008   | 2,137,500   | \$0.55                          | \$ 0                         |

Additional information regarding options outstanding as of April 30, 2008 is as follows:

| Range of exercise prices | Options outstanding |   | Options exercisable |                                 |
|--------------------------|---------------------|---|---------------------|---------------------------------|
|                          | Number outstanding  | Weighted average contractual life (years) | Number exercisable  | Weighted average exercise price |
| \$0.35                   | 250,000             | 8.75                                      | 125,000             | \$ 0.35                         |
| \$0.50                   | 2,150,000           | 8.40                                      | 1,700,000           | \$ 0.50                         |
| \$0.65-\$0.70            | 2,021,038           | 9.15                                      | 1,317,760           | \$ 0.66                         |
| \$0.85                   | 750,000             | 9.50                                      | 375,000             | \$ 0.85                         |
| \$0.94                   | 250,000             | 9.50                                      | 62,500              | \$ 0.94                         |
|                          | 5,421,038           | 8.9                                       | 3,580,260           | \$ 0.60                         |

The weighted-average grant-date fair value of options granted during the three months ended April 30, 2008 was \$0.68. At April 30, 2008 there was \$418,447 of total unrecognized compensation costs related to non-vested stock options granted under the Plan, which will be recognized over a period not to exceed three years. At April 30, 2008, 4,578,962 shares were available for future grants under the Stock Option Plan.

#### NOTE 9 – SUBSEQUENT EVENT

In May 2008, Firstgold issued a convertible debenture in the principal amount of \$1,000,000 and bearing interest of 10% per annum. The Debenture and accrued interest are convertible into shares of Firstgold common stock at a conversion rate of \$0.80 per share. The Debentures are due and payable 20 months from the date of issue unless they are converted into shares of the Company's common stock or are repaid prior to their expiration date. Additionally, the investors were issued warrants to purchase an aggregate of 1,100,000 shares of Firstgold common stock exercisable at \$0.80 per warrant.

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

Caution About Forward-Looking Statements

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

Overview

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

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

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

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

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

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

#### Plan of Operations for the Next Twelve Months

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

Gold prices, and to a lesser extent, silver prices;

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 mill site and unpatented mining claims contained in about 1,000 acres of the Relief Canyon Property; the 25,000 acre Antelope Peak property; and approximately 4,200 acres in the Horse Creek area of Nevada.

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 \$5 million and \$10 million, including costs related to the exploration, development and operation of the Relief Canyon mining property. We will have to raise additional outside capital to pay for these activities and the 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, Antelope Peak, Fairview-Hunter and Honorine Gold properties when and if such activity is commenced at these properties. In the past we have been dependent on funding from the private placement of our securities as well as loans from related and third parties as the sole sources of capital to fund operations.

Completion of the ore processing facility at the Relief Canyon site and installation of a new jaw crushing unit.

Completion of a state-of-the-art mineral assay laboratory being installed in 10,000 square feet of leased space outside of Lovelock, Nevada.

## Results of Operation

Our current business strategy is to invest in, explore and if warranted, conduct mining operations of our current mining properties and other mineral producing properties. Firstgold is a public company that in the past has been engaged in the exploration, acquisition and development of gold-bearing properties in the continental United States. Currently, our principal assets include various mineral leases associated with the Relief Canyon Mine located near Lovelock, Nevada along with various items of mining equipment and improvements located at that site. We have also entered into (i) a mineral lease to explore approximately 25,000 acres of property located in Elko County, Nevada; ii) the staking of approximately 4200 acres of property located in Humboldt County, Nevada; (iii) claims to explore 2300 acres of property located near Fairview, Nevada; and (iv) mineral leases on 3300 acres of property located near Winnemucca, Nevada.

## Operating Results for the Fiscal Quarters Ended April 30, 2008 and 2007

Although we commenced efforts to re-establish our mining business early in fiscal year 2004, no mining operations have commenced and no revenues from mining operations have been recognized during the quarters ended April 30, 2008 and 2007, respectively. We have granted a 4% net smelting return royalty to a third party related to the Relief Canyon mining property which has been recorded as an \$800,000 deferred option income. During the first quarter of fiscal year 2009 we recognized revenue of \$275,793 from the leasing of drill rigs and crew to other nearby mining operations.

During the quarter ended April 30, 2008 we spent \$1,391,411 for exploration, reclamation and maintenance expenses related to our mining properties. Reclamation and maintenance expenses expended during the same quarter ended April 30, 2007 were \$126,681. These expenses relate primarily to exploration, maintenance and retention costs required to maintain our mining claims. The increase in costs was due to extensive building and facility expansion at the Relief Canyon mine and significant exploration drilling. During the quarter ended April 30, 2008 we expended approximately \$56,250 on preliminary exploration activities at the Antelope Peak, Horse Creek, Fairview-Hunter and Honorine Gold properties. We incurred operating expenses of \$1,466,154 during the quarter ended April 30, 2008. Of this amount, \$78,299 reflects promotion expense, \$228,460 reflects officer and director compensation during the quarter and \$394,378 reflect fees for outside professional services. \$259,798 of the outside professional services reflects legal costs associated with the litigation involving the Crescent Red Caps LLC. We incurred operating expenses of \$985,685 during the quarter ended April 30, 2007. Of this amount, \$222,933 reflects outside director compensation expense, \$188,769 reflects promotion expense, \$93,500 reflects officer compensation and related payroll taxes during the quarter and \$124,533 reflect fees for outside professional services.



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

We incurred interest expense of \$34,606 during the quarter ended April 30, 2008 which compares to interest expenses of \$247,959 incurred during the same quarter of 2007. The principal balance of loans outstanding during the first quarter of fiscal year 2009 decreased by \$2,827,609 to \$950,797 compared to a principal balance of \$3,778,406 outstanding at the end of the first quarter of fiscal year 2008, which was primarily the result of a decrease in convertible debentures. The decrease in interest expense during the quarter ended April 30, 2008 was primarily due to the decrease in the principal balance of loans outstanding during the period offset by the write-off of unamortized debt costs related to convertible debt which was converted in full during the period.

Our total net loss for the quarter ended April 30, 2008 decreased to \$2,595,314 compared to a net loss of \$2,977,614 incurred for the same quarter ended April 30, 2007. The larger net loss in the first quarter of fiscal 2008 reflects the increase in the adjustment to fair value of derivatives of \$1,623,255. In addition, the decrease in net loss for the quarter ended April 30, 2008 reflects the net sales revenue recognized during the quarter compared to no revenues recorded in the same quarter of 2007.

#### Liquidity and Capital Resources

We have incurred significant operating losses since inception and during the three months ended April 30, 2008 which has resulted in an accumulated deficit of \$33,986,454 as of April 30, 2008. At April 30, 2008, we had cash and other current assets of \$1,897,342 compared to \$1,125,613 at January 31, 2008 and net working capital of \$---412,145 as of April 30, 2008. Since the resumption of our business in February 2003, we have been dependent on borrowed or invested funds in order to finance our ongoing operations. As of April 30, 2008, we had outstanding debentures and notes payable in the gross principal amount of \$950,797 (net balance of \$817,624 after \$(148,480) of deferred financing costs) which reflects a decrease in the gross principal balance of \$2,827,609 compared to notes payable in the gross principal amount of \$3,778,406, (net balance of \$5,958,845 after \$(2,365,659) of note payable discount and deferred financing costs and \$4,546,098 of derivative liabilities) as of April 30, 2007.

By attempting to resume mining operations, we will require approximately \$5 million to \$10 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 April 30, 2008, Firstgold's principal commitments included its obligation to pay ongoing maintenance fees on 146 unpatented mining claims, the annual minimum rent due on the Winchell Ranch mineral lease and mortgage payments relating to its offices in Lovelock, Nevada.

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

#### Recent financing Transactions

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

On May 1, 2008, we issued a Convertible Debenture in the principal amount of \$1,100,000 and bearing interest 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 quarter ended April 30, 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

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

## Valuation of long-lived assets

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

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

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

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

## Exploration Costs

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

## Mine Development Costs

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

## Reclamation Costs

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

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

## ITEM 4T. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures.

Firstgold maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer (CEO) and the chief financial officer (CFO), allowing timely decisions regarding required disclosure. As discussed in Firstgold's Annual Report on Form 10-KSB for the year ended January 31, 2008, based on evaluation carried out by the CEO and CFO, of the effectiveness of our disclosure controls and procedures, the CEO and CFO have concluded that Firstgold's disclosure controls and procedures are ineffective.

### Changes in Internal Control Over Financial Reporting.

Firstgold is in the process of developing and implementing remediation plans to address our material weaknesses. Management has taken the following actions described below to improve the internal controls over financial reporting.

- Improve period-end closing procedures by ensuring that account reconciliations and analyses for significant financial statement accounts are prepared on a timely basis and reviewed for completeness and accuracy by qualified accounting personnel.
- Hire additional qualified accounting personnel to create an improved segregation of duties environment.
- Implement a new mining industry based accounting and financial reporting software system to address the expansion of Firstgold's business.

## PART II - OTHER INFORMATION

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

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

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

We will need additional funds to finance our future mining and exploration activities. We currently have cash reserves and a working capital surplus of \$412,146 as of April 30, 2008. However, our ability to fully implement our business plan and meet our long-term obligations in the ordinary course of business is dependent upon our ability to raise additional capital through public or private equity financings, establish cash flows from operations, enter into joint ventures or other arrangements with capital sources, or secure other sources of financing to fund operations. Our continuing reliance on outside capital is a consequence of our negative cash flows from operations.



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

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

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

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

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





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

Mining is subject to extensive regulation by state and federal regulatory authorities. State and federal statutes regulate environmental quality, safety, exploration procedures, reclamation, employees' health and safety, use of explosives, air quality standards, pollution of stream and fresh water sources, noxious odors, noise, dust, and other environmental protection controls as well as the rights of adjoining property owners. We believe that we are currently operating in substantial compliance with all known safety and environmental standards and regulations applicable to our Nevada property. However, there can be no assurance that our compliance could not be challenged or that future changes in federal or Nevada laws, regulations or interpretations thereof will not have a material adverse 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. We carry insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While we maintain insurance consistent with industry practice, it is not possible to insure against all risks associated with the mining business, or prudent to assume that insurance will continue to be available at a reasonable cost. We have not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. We currently carry insurance on our property, plant and equipment as well as comprehensive general liability insurance.

As of May 1, 2008, Firstgold had approximately 130,717,460 shares of Common Stock outstanding and options and warrants to purchase a total of 52,195,756 shares of our Common Stock were outstanding as of May 1, 2008. The possibility that substantial amounts of our outstanding Common Stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

During February, and March of 2008, Firstgold issued a total of 12,019,843 units at a price of \$0.65 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 \$0.80 per share. Firstgold raised gross proceeds of \$7,712,797 from the same of the units. From this amount, Firstgold paid a Selling Agent Fee of \$539,896 and issued 1,201,984 broker warrants to the Selling Agent as compensation units. The warrants expire eighteen (18) months from the date of issuance. These units were offered and sold exclusively to individuals residing or entities formed outside the United States and were not deemed to be "U.S. persons" as that term is defined under Regulation S. Each investor represented that it was purchasing such shares for its own account. Both the offer and the sale of the Firstgold shares were made outside the United States and were deemed to be "offshore transactions" as that term is defined under Regulation S under the Securities Act of 1933 (the "Securities Act"). 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 Securities Act. The shares were deemed to be "restricted shares" as defined in Rule 144 under the Securities Act.

In April 2008, Firstgold issued 707,846 units at a price of \$0.65 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 \$0.80 per share. The warrants expire (18) months from the date of issuance. Firstgold raised gross proceeds of \$460,100 from

the sale of the units and paid a finder's fee of \$32,207. The issuance of stock and warrants were made without any public solicitation to a limited number of investors or related individuals or entities. Each investor represented to us that the securities were being acquired for investment purposes only and not with an intention to resell or distribute such securities. Each of the individuals or entities had access to information about our business and financial condition and was deemed capable of protecting their own interests. The stock and warrants were issued pursuant to the private placement exemption provided by Section 4(2) and Regulation D there under or Section 4(6) of the Securities Act. These are deemed to be "restricted securities" as defined in Rule 144 under the Securities Act and the warrant certificates and stock certificates bear a legend limiting the resale thereof.

ITEM 5. OTHER INFORMATION

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

During the quarter ended April 30, 2008, Firstgold adopted a 401k retirement savings plan. The Plan is available to all Firstgold employees and is voluntary. The Plan does not provide for any matching or other contributory obligation by Firstgold. Firstgold will pay the administrative costs of implementing and operating the Plan.

ITEM 6. EXHIBITS

|       |   |
|-------|---|
| 10.22 | <u>Employment Agreement for Stephen Akerfeldt.</u>  |
| 10.23 | <u>Revised Employment Agreement for A. Scott Dockter.</u>                                     |
| 10.24 | <u>Voting Trust and Escrow Agreement for A. Scott Dockter.</u>                                |
| 10.25 | <u>Form of Subscription Agreement for Regulation S offering in February 2008.</u>             |
| 10.26 | <u>Convertible Debenture Dated May 1, 2008</u>  |
| 31.1  | <u>Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>        |
| 31.2  | <u>Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>        |
| 32.   | <u>Certification by CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |

SIGNATURES

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

FIRSTGOLD CORP.

Dated: June 23, 2008

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

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