VISTA GOLD CORP
Form 10-Q/A
August 12, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended March 31, 2005

OR

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

Commission File Number 1-9025

VISTA GOLD CORP.

(Exact name of registrant as specified in its charter)

Continued under the laws of the Yukon Territory, Canada	**None**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
7961 Shaffer Parkway Suite 5 Littleton, Colorado	**80127**
(Address of principal executive offices)	(Zip Code)

(720) 981-1185
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes o No ý

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

18,218,022

Common Shares, without par value, outstanding at May 13, 2005

VISTA GOLD CORP.

(An Exploration Stage Enterprise)

FORM 10-Q/A

(Amendment No. 1)

For the Quarter Ended March 31, 2005

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In this Report, unless otherwise indicated, all dollar amounts are expressed in United States dollars.

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EXPLANATORY NOTE

Vista Gold Corp. (the Corporation) is filing this Amendment No. 1 on Form 10-Q/A (this Amendment) to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, originally filed with the Securities and Exchange Commission (the Commission) on May 16, 2005 (the Original Form 10-Q). This Amendment reflects modifications that the Corporation has made in light of comments from the Staff of the Commission in connection with its review of the Corporation s Annual Report on Form 10-K for the year ended December 31, 2004, and the Original Form 10-Q.

Notes 1 and 2 to the Financial Statements which appear as part of Item 1 in Part I, are amended hereby. In addition, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 filed as exhibits to the Original Form 10-Q, have been re-executed as of the date of, and are refilled as part of, this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except for the items described above or contained in the Amendment, this Amendment continues to speak as of the date of the Original Form 10-Q, and does not modify, amend or update in any way the financial statements or any other item or disclosures in the Original Form 10-Q.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED BALANCE SHEETS - UNAUDITED

(U.S. dollars in thousands)	March 31, 2005		December 31, 2004	
Assets:				
Cash and cash equivalents	**$**	**5,358**	$	5,916
Marketable securities		**136**		140
Accounts receivable - Note 12		**58**		345
Supplies inventory, prepaids and other		**517**		425
Current assets		**6,069**		6,826
Restricted cash - Note 3		**4,991**		4,961
Mineral properties - Note 4		**18,360**		18,109
Plant and equipment - Note 5		**1,303**		1,351
Hycroft reclamation premium costs		**1,511**		1,541
		21,174		21,001
Total assets	**$**	**32,234**	$	32,788
Liabilities and Shareholders Equity:				
Accounts payable	**$**	**32**	$	130
Accrued liabilities and other		**146**		126
Current liabilities		**178**		256
Accrued reclamation and closure costs - Note 9		**4,190**		4,188
Total liabilities		**4,368**		4,444
Capital stock, no par value: - Note 6				
Preferred - unlimited shares authorized; no shares outstanding				
Common - unlimited shares authorized; shares outstanding:				
2005 - 18,218,022 and 2004 - 17,961,590		**150,145**		149,747
Warrants - Note 7		**111**		111
Options - Note 8		**1,613**		1,538
Contributed surplus		**115**		108
Deficit		**(124,118)**		(123,160)
Total shareholders equity		**27,866**		28,344
Total liabilities and shareholders equity	**$**	**32,234**	$	32,788

Nature of operations - Note 2

Commitments and contingencies - Note 9

Subsequent events - Note 13

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

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VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF LOSS - UNAUDITED

(U.S. dollars in thousands, except share data)	Three Months Ended March 31, 2005	2004	Cumulative during Exploration Stage
Costs and expenses:			
Exploration, property evaluation and holding costs	**$ 458**	$ 484	$ 3,797
Corporate administration and investor relations	**440**	522	5,414
Depreciation, depletion and amortization	**52**	52	545
Provision for reclamation and closure costs			1,048
Cost recoveries related to USF&G lawsuit			(240)
Interest (income)/expense	**(57)**	(17)	(163)
Gain on disposal of assets	**(6)**	(8)	(97)
Other (income)/expense	**(1)**	(43)	(65)
Stock-based compensation	**82**	156	1,155
Loss on currency translation			44
Gain on disposal of marketable securities	**(11)**		(155)
Write-down of marketable securities			118
Total costs and expenses	**958**	1,146	11,402
Net loss	**$ (958)**	$ (1,146)	$ (11,402)
Weighted average number of shares outstanding	**18,122,816**	14,728,665	
Basic and diluted loss per share	**$ (0.05)**	$ (0.08)	

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF DEFICIT - UNAUDITED

(U.S. dollars in thousands)	Three Months Ended March 31, 2005	2004
Deficit, beginning of period, as previously reported	**$ (123,160)**	$ (117,265)
Stock-based compensation		(971)
Deficit, beginning of period, as restated	**(123,160)**	(118,236)
Net loss	**(958)**	(1,146)
Deficit, end of period	**$ (124,118)**	$ (119,382)

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

VISTA GOLD CORP. (An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(U.S. dollars in thousands)	Three Months Ended March 31, 2005	2004	Cumulative during Exploration Stage
Cash flows from operating activities:			
Loss for the period	**$ (958)**	$ (1,146)	$ (11,402)
Adjustments to reconcile loss for the period to cash provided by / (used in) operations:			
Depreciation, depletion and amortization	**52**	52	545
Amortization of reclmatation costs	**30**		149
Provision for reclamation and closure costs			1,048
Reclamation and closure costs accrued/(paid), net	**2**	2	8
Stock based compensation	**82**	156	1,155
Gain on disposal of assets	**(6)**	(8)	(97)
Cost recoveries related to USF&G lawsuit			(240)
Write-down of marketable securities			118
Gain on sale of marketable securities	**(11)**		(155)
Loss on currency translation			44
Other non-cash items			120
Change in operating assets and liabilities:			
Accounts receivable	**287**	456	122
Supplies inventory and prepaid expenses	**(92)**	9	(216)
Accounts payable and accrued liabilities	**(78)**	31	(1,097)
Net cash used in operating activities	**(692)**	(448)	(9,898)
Cash flows from investing activities:			
Restricted cash - Note 3	**(30)**	(2,287)	(4,991)
Acquisition of marketable securities		(15)	(93)
Proceeds from sale of marketable securities	**15**		283
Additions to mineral properties, net	**(251)**	(113)	(4,266)
Additions/Subtractions to plant and equipment	**(4)**	(30)	(1,770)
Proceeds on disposal of fixed assets and supplies	**6**	8	260
Net cash used in investing activities	**(264)**	(2,437)	(10,577)
Cash flows from financing activities:			
Net proceeds from private placements			14,679
Proceeds from exercise of warrants - Note 6	**373**	2,186	9,348
Proceeds from exercise of stock options - Note 6	**25**	17	1,132
Net cash provided by financing activities	**398**	2,203	25,159
Net increase/(decrease) in cash and cash equivalents	**(558)**	(682)	4,684
Cash and cash equivalents, beginning of period	**5,916**	5,520	674
Cash and cash equivalents, end of period	**$ 5,358**	4,838	$ 5,358

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(U.S. dollars unless specified otherwise)

1. *General*

The consolidated interim financial statements of Vista Gold Corp. (an Exploration Stage Enterprise) (the Corporation), as of March 31, 2005, and for the three month period ended March 31, 2005, have been prepared by the Corporation without audit and do not include all of the disclosures required by generally accepted accounting principles in Canada for annual financial statements. As described in Note 11, generally accepted accounting principles in Canada differ in certain material respects from generally accepted accounting principles in the United States. In the opinion of management, all of the adjustments necessary to fairly present the interim financial information set forth herein have been made. These adjustments are of a normal and recurring nature. The results of operations for interim periods are not necessarily indicative of the operating results of a full year or of future years. These interim financial statements should be read in conjunction with the financial statements and related footnotes included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2004, as amended by Amendment No. 1 thereto filed concurrently herewith.

2. *Nature of operations*

The Corporation evaluates, acquires and explores gold exploration and potential development projects. As such, the Corporation is considered an Exploration Stage Enterprise. The Corporation s approach to acquisitions of gold projects has generally been to seek projects within political jurisdictions with well established mining, land ownership and tax laws, which have adequate drilling and geological data to support the completion of a third-party review of the geological data and to complete an estimate of the gold mineralization. In addition, the Corporation looks for opportunities to improve the value of its gold projects through exploration drilling, and/or reengineering the operating assumptions underlying previous engineering work.

Gold production has gradually declined since mining activities were suspended at the Hycroft mine in 1998. Effective January 1, 2002, gold production is considered incidental and the Corporation stopped reporting the associated sales proceeds as revenue. Based on that, management of the Corporation decided during 2003 that the Corporation was an exploration-stage enterprise. For financial reporting purposes, commencing with the Corporation s audited financial statements for the year ended December 31, 2003, the Corporation was characterized as an exploration-stage enterprise and its consolidated statements of loss, deficit and cash flows include columns showing cumulative amounts during the exploration stage (i.e., from January 1, 2002, the effective date when gold production was considered incidental).

Although the Corporation has reviewed and is satisfied with the title for all mineral properties in which it has a material interest, there is no guarantee that title to such concessions will not be challenged or impugned.

3. *Restricted cash*

The Corporation has pledged cash as collateral totaling $5.0 million to the U.S. Bureau of Land Management, Nevada State Office, to cover increased reclamation cost estimates at the Hycroft mine (Note 9).

4. *Mineral properties*

($ 000 s)	2004 December 31, net balance	Acquisition costs	Option payments	2005 Exploration & land costs	Cost recovery	Year to date activity	March 31, Ending Balance
Maverick Springs, United States	$ 1,143	$	$	$ 10	$ (10)	$	$ 1,143
Mountain View, United States	751			9		9	760
Long Valley, United States	305	100				100	405
Wildcat, United States	981						981
Hasbrouck and Three Hills, United States	364						364
Yellow Pine, United States	293						293
Paredones Amarillos, Mexico	2,576			142		142	2,718
Guadalupe de los Reyes, Mexico	1,021			5		5	1,026
Amayapampa, Bolivia	10,561						10,561
Other	114			(5)		(5)	109
	$ 18,109	$ 100	$	$ 161	$ (10)	$ 251	$ 18,360

The recoverability of the carrying values of the Corporation s mineral properties is dependent upon the successful start-up and commercial production from, or sale, or lease, of these properties and upon economic reserves being discovered or developed on the properties. Development and/or start-up of any of these projects will depend, among other things, on management s ability to raise additional capital for these purposes. Although the Corporation has been successful in raising such capital in the past, there can be no assurance that it will be able to do so in the future.

5. *Plant and equipment*

($ 000 s)	March 31, 2005 Cost	March 31, 2005 Accumulated Depreciation and Write-downs	March 31, 2005 Net	December 31, 2004 Cost	December 31, 2004 Accumulated Depreciation and Write-downs	December 31, 2004 Net
Hycroft mine, United States	$ 11,914	$ 10,653	$ 1,261	$ 12,031	$ 10,720	$ 1,311
Corporate, United States	394	352	42	388	348	40
	$ 12,308	$ 11,005	$ 1,303	$ 12,419	$ 11,068	$ 1,351

6. *Capital stock*

Common Shares issued and outstanding

	Number of shares issued		Capital stock ($ 000 s)
As of December 31, 2004	17,961,590	$	149,747
Warrants exercised, for cash - Note 7	248,574		373
Stock options exercised, for cash - Note 8	7,858		25
Issued during the three months ended March 31, 2005	256,432		398
As of March 31, 2005	**18,218,022**	**$**	**150,145**

7. *Warrants*

Warrants granted, exercised and outstanding during the period are summarized in the following table:

	Warrants granted(1)	Valuation (000 s)	Warrants exercised	Warrants expired	Warrants outstanding	Weighted average exercise prices (U.S. $)	Expiry date	Weighted average remaining life (yrs)
As of December 31, 2004	8,990,135	$ 111	(3,775,919)	(197,740)	5,016,477	$ 3.28		
Private placement February-March 2002			(248,574)		(248,574)	1.50	Feb - Mar-07	2.0
As of March 31, 2005	8,990,135	$ 111	(4,024,493)	(197,740)	4,767,903	$ 3.37		

(1) Each warrant entitles the holder to purchase one common share.

8. *Options to purchase Common Shares*

The total number of options outstanding at the end of the quarter is 875,625 with exercise prices ranging from approximately $3.86 to $4.76 and remaining lives of 0.9 to 6.1 years. The total number of options outstanding represents 5.0% of issued capital.

There were no stock options issued by the Corporation during the quarter ended March 31, 2005. Compensation expense of $82,357 was recognized during the three months ended March 31, 2005, for options previously granted and vesting over time.

	Number of Shares	Value
Outstanding - December 31, 2004	883,483	$ 1,538
Granted		
Exercised	(7,858)	
Vested, Fair Value		75
Outstanding - March 31, 2005	875,625	$ 1,613

The fair value of stock options granted to employees and directors was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	March 2005	March 2004
Expected volatility	N/A	80.0%
Risk-free interest rate	N/A	2.74%
Expected lives (years)	N/A	5
Dividend yield	N/A	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Corporation s stock options.

9. Commitments and contingencies

The U. S. Bureau of Land Management, Nevada State Office (BLM) has required the Corporation to provide a total surety amount of $6.8 million for the approved Hycroft mine reclamation plan. The Corporation has pledged cash as collateral totaling $5.0 million to the BLM (Note 3).

The Corporation estimates that the related asset retirement expenditures will commence approximately five years after the start-up of the Hycroft mine (an event not scheduled) and continue for several years after that time. Using a credit-adjusted rate of 7.75%, the fair value of the estimated $6.8 million obligation is $4.2 million, as accrued in these financial statements.

10. Geographic and segment information

The Corporation evaluates, acquires and explores gold exploration and potential development projects. These activities are focused principally in North America and South America. On April 15, 2005 the Corporation s Board of Directors approved the Corporation s exercise of its purchase option for the Awak Mas gold deposit located in Sulawesi, Indonesia (Note 13). Substantially all related costs are incurred in the United States. The Corporation reported no revenues in the three-month period ended March 31, 2005, or for the same period in 2004. Geographic segmentation of capital assets is provided in Notes 4 and 5.

11. Differences between Canadian and United States generally accepted accounting principles

The Corporation prepares its financial statements in accordance with accounting principles generally accepted in Canada, which differ in some respects from those in the United States. The significant differences between generally accepted accounting principles (GAAP) in Canada and in the United States, as they relate to these financial statements, are as follows:

(a) In accordance with U.S. GAAP, exploration, mineral property evaluation, holding costs, option payments and related acquisition costs for mineral properties acquired under an option agreement are expensed as incurred. When proven and probable reserves are determined for a property and a bankable feasibility study is completed, then subsequent exploration and development costs on the property would be capitalized. Total capitalized cost of such properties is measured periodically for recoverability of carrying value under SFAS No. 144.

(b) In accordance with U.S. GAAP, items such as marketable securities are to be measured at fair value at the balance sheet date and related unrealized gains and losses are required to be shown separately in the derivation of comprehensive income.

(c) Under Canadian corporate law, the Corporation underwent a capital reduction in connection with the amalgamation of Granges, Inc. (Granges) and Hycroft Resources & Development, Inc. whereby share capital and contributed surplus were reduced to eliminate the consolidated accumulated deficit of Granges as of December 31, 1994, after giving effect to the estimated costs of amalgamation. Under U.S. corporate law, no such transaction is available and accordingly is not allowed under U.S. GAAP.

(d) In accordance with U.S. GAAP, only those options granted to non-employees of the Corporation are recorded for financial statement purposes using the fair value on the date of grant.

The significant differences in the consolidated statements of loss relative to U.S. GAAP were:

CONSOLIDATED STATEMENTS OF LOSS - UNAUDITED

(U.S. dollars in thousands, except share data)	Three Months Ended March 31, 2005	2004	Cumulative during Exploration Stage
Net loss Canadian GAAP	$ (958)	$ (1,146)	$ (11,402)
Realized loss on marketable securities			(85)
Unrealized gain/(loss) on marketable securities			85
Exploration, property evaluation and holding costs *(a)*	(251)	(133)	(2,551)
Financing costs			(222)
Stock-based compensation expense *(d)*	82		772
Beneficial conversion feature			(2,774)
Net loss U.S. GAAP	(1,127)	(1,279)	(16,177)
Unrealized gain/(loss) on marketable securities *(b)*	(9)	(52)	65
Comprehensive loss U.S. GAAP	$ (1,136)	$ (1,331)	$ (16,112)
Basic and diluted loss per share U.S. GAAP	$ (0.06)	$ (0.09)	

The significant differences in the consolidated statements of cash flows relative to U.S. GAAP were:

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(U.S. dollars in thousands)	Three Months Ended March 31, 2005	2004	Cumulative during Exploration Stage
Cash flows from operating activities:			
Loss for the period	$ (958)	$ (1,146)	$ (11,402)
Adjustments to reconcile loss for the period to cash used in operations:			
Non-cash items	149	203	2,695

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Sales of a substantial number of shares of our common stock in the public market by our existing stockholders could cause our stock price to fall.*

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. Certain lock-up agreements pertaining to our July 2013 public offering expired on October 14, 2013 and certain lock-up agreements pertaining to our initial public offering expired on October 4, 2013. Upon the expiration of these lock-up agreements, a substantial number of shares of common stock became eligible for sale in the public market, subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, with respect to any of these shares held by directors, executive officers and other affiliates. In connection with our private placement of 1,303,780 shares to Aventis Holdings Inc., or Aventis, an entity affiliated with Sanofi, in February 2014, Aventis has agreed that for a period of 12 months after the date on which the shares were issued, subject to specified exceptions, Aventis will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of the shares of our common stock issued to Aventis in the private placement. Subject to certain limitations, all of the shares issued to Aventis in the private placement will become eligible for sale upon expiration of the lock-up period. In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our employee benefit plans are or may become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Certain holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act, subject to the applicable lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates as defined in Rule 144 under the Securities Act. We filed a registration statement that became effective on April 16, 2014, which provides for the sale of up to 8,600,000 shares of common stock by the selling stockholders named therein. In addition, we may file additional registration statements in the future to provide for the further sale of shares of common stock by our stockholders. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.*

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. We have filed a registration statement that provides for the sale of up to $100 million of common stock or warrants by us from time to time in one or more public offerings. The registration statement became effective on April 16, 2014. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. In addition, we may file additional registration statements in the future to provide for the further sale of shares of common stock by us or by selling stockholders.

Pursuant to our 2012 Plan, our management is authorized to grant stock options and other equity-based awards to our employees, directors and consultants. The number of shares available for future grant under the 2012 Plan will automatically increase each year by up to 4% of all shares of our capital stock outstanding as of December 31 of the prior calendar year, subject to the ability of our board of directors to take action to reduce the size of the increase in any given year. Currently, we plan to register the increased number of shares available for issuance under the 2012 Plan each year.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management s attention and resources, which could harm our business.

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Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an ownership change, generally defined as a greater than 50% change (by value) in its equity ownership over a three year period, the corporation s ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We believe that, with our initial public offering and other transactions that have occurred over the past three years, we may have triggered an ownership change limitation. We may also experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

Provisions in our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders or remove our current management.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders and may prevent attempts by our stockholders to replace or remove our current management. These provisions include:

- authorizing the issuance of blank check preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- limiting the removal of directors by the stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. This provision could have the effect of delaying or preventing a change in control, whether or not it is desired by or beneficial to our stockholders. Further, other provisions of Delaware law may also discourage, delay or prevent someone from acquiring us or merging with us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Use of Proceeds

On October 4, 2012, we commenced our initial public offering pursuant to a registration statement on Form S-1 (File No. 333-183384) that was declared effective by the SEC on October 4, 2012 and that registered an aggregate of 12,937,500 shares of our common stock for sale to the public at a price of $4.00 per share and an aggregate offering price of $51.8 million. On October 10, 2012 and October 23, 2012, we sold 11,250,000 shares and 1,480,982 shares of our common stock, respectively, to the public at a price of $4.00 per share for an aggregate gross offering price of $50.9 million.

Lazard Capital Markets, Cowen and Company and BMO Capital Markets acted as joint book-running managers for the offering, and Needham & Company and Wedbush PacGrow Life Sciences served as co-managers for the offering.

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The underwriting discounts and commissions in connection with the offering totaled approximately $3.4 million. We incurred additional costs of approximately $2.6 million in offering expenses, which when added to the underwriting discounts and commissions paid by us, amounts to total fees and costs of approximately $6.0 million. Thus, the net offering proceeds to us, after deducting underwriting discounts, commissions and offering costs, were approximately $44.9 million. No offering costs were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

As of September 30, 2014, we have used approximately $38.0 million of the net proceeds from our initial public offering for preclinical and clinical development of our *micro*RNA development candidates, for the identification and validation of additional *micro*RNA targets, and for capital expenditures, working capital and other general corporate purposes, including costs and expenses associated with being a public company. We intend to use some or all of the remaining proceeds for similar uses, and we may also use a portion of the remaining net proceeds to in-license, acquire or invest in complementary *micro*RNA businesses, technologies, products or assets. We cannot specify with certainty all of the particular uses for the remaining net proceeds from our initial public offering. Accordingly, our management will continue to have broad discretion in the application of the remaining net proceeds.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

For a list of exhibits filed with this quarterly report on Form 10-Q, refer to the exhibit index.

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SIGNATURES

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

	Regulus Therapeutics Inc.	
Date: November 5, 2014	By:	/s/ Kleanthis G. Xanthopoulos
		Kleanthis G. Xanthopoulos, Ph.D.
		President and Chief Executive Officer
		(Principal Executive Officer and Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K, filed with the SEC on October 11, 2012).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant s Current Report on Form 8-K, filed with the SEC on October 11, 2012).
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Form of Common Stock Certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant s Registration Statement on Form S-1, as amended (File No. 333-183384), originally filed with the SEC on August 17, 2012).
10.1+	Amended and Restated Employment Agreement by and between the Registrant and Kleanthis G. Xanthopoulos, Ph.D. dated September 19, 2014 (incorporated by reference to Exhibit 99.1 to the Registrant s Current Report on Form 8-K, filed with the SEC on September 19, 2014).
10.2+	Amended and Restated Employment Agreement by and between the Registrant and Neil W. Gibson, Ph.D. dated September 19, 2014 (incorporated by reference to Exhibit 99.2 to the Registrant s Current Report on Form 8-K, filed with the SEC on September 19, 2014).
10.3+	Amended and Restated Employment Agreement by and between the Registrant and Paul C. Grint, M.D. dated September 19, 2014 (incorporated by reference to Exhibit 99.3 to the Registrant s Current Report on Form 8-K, filed with the SEC on September 19, 2014).
10.4+	Amended and Restated Employment Agreement by and between the Registrant and

	David L. Szekeres dated September 19, 2014 (incorporated by reference to Exhibit 99.4 to the Registrant s Current Report on Form 8-K, filed with the SEC on September 19, 2014).
31.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

+ Indicates management contract.
* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.