

GOLD RESOURCE CORP  
Form 10-Q/A  
December 14, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q/A**  
**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended June 30, 2012

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

For the transition period from            to

Commission File Number: 001-34857

**GOLD RESOURCE CORPORATION**

(Exact Name of Registrant as Specified in its charter)

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**Colorado**  
(State or other jurisdiction of  
incorporation or organization)  
**2886 Carriage Manor Point, Colorado Springs, Colorado 80906**

**84-1473173**  
(I.R.S. Employer  
Identification No.)

(Address of Principal Executive Offices) (Zip Code)  
**(303) 320-7708**

(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to post such files). Yes  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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Larger accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 52,828,776 shares of common stock outstanding as of August 8, 2012.

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**EXPLANATORY NOTE**

Gold Resource Corporation ( we, us, or the Company ) is filing this Amendment No. 1 on Form 10-Q/A (the Amendment ) to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 filed on August 9, 2012 (the Original Filing ) to restate its consolidated financial statements and related financial information. This Amendment reflects the restatement of the Company's consolidated financial statements and amendment of related disclosures as of June 30, 2012 and for the three and six months ended June 30, 2012, and for the period from Inception (August 24, 1998) to June 30, 2012, as discussed below and in Note 12 to the accompanying restated consolidated financial statements. Other than as set forth herein, this Amendment No. 1 to Form 10-Q does not reflect subsequent events occurring after the filing of the Original Filing.

Management, after consultation with the Board of Directors, Audit Committee and the Company's independent registered public accounting firm, determined that the Company's consolidated financial statements for the first and second quarters of 2012 contained errors relating to the recognition of sales of metal concentrates, and should be restated and, accordingly, that the Original Filing should no longer be relied upon. The Company concluded that there was an internal control deficiency in its concentrate sales process that did not prevent or detect on a timely basis material variances between preliminary assays taken from samples of concentrates at the mine site, with assays taken from samples of concentrates at the buyer's warehouse, prior to final settlement. An assay is a metallurgical process for testing concentrate samples to determine the amount and purity of metals contained within those concentrate samples. The error resulted in a \$0.7 million increase in sales of metal concentrates (including pricing and other settlement adjustments with the buyer) and a \$0.2 million increase to provision for income taxes for the three months ended June 30, 2012, and a decrease in sales of metal concentrates of \$3.3 million (including pricing and other settlement adjustments with the buyer), a decrease in production cost applicable to sales of \$0.2 million and a decrease in provision for income taxes of \$1.0 million for the six months ended June 30, 2012 and for the period from Inception (August 24, 1998) to June 30, 2012. The error also resulted in a decrease in accounts receivable of \$3.3 million, an increase in income tax receivable of \$0.5 million, a \$0.5 million decrease in income taxes payable and a \$0.2 million decrease in accounts payable as of June 30, 2012. Management believes that the material assay variances resulted from concentrate tampering sometime after the concentrates left the mine site, and prior to the concentrates being sampled while at the buyer's warehouse. The Company has implemented new procedures in the third quarter of 2012 to monitor its concentrates from the time they leave the mine site until they are sampled at the buyer's warehouse.

In addition, management concluded that the internal control deficiency in its metal concentrate sales process constituted a material weakness in the design of its internal controls over financial reporting. Accordingly, this Amendment amends the Company's disclosures regarding the effectiveness of our disclosure controls and procedures as of June 30, 2012. Management believes that as of September 30, 2012, the material weakness in its internal controls over the concentrate sales process that existed as of March 31, 2012 and June 30, 2012 has been remediated.

No attempt has been made in this Amendment to modify or update the disclosures in the Original Filing except as required to reflect the effect of the restatement discussed herein. Except as otherwise noted herein, this Amendment continues to describe conditions as of the date of the Original Filing and the disclosures contained herein have not been updated to reflect events, results or developments that occurred after the date of the Original Filing, or to modify or update those disclosures affected by subsequent events. Forward-looking statements relating to production forecasts have been deleted in this amendment. Other forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that occurred or facts that became known to us after the date of the Original Filing, other than the restatement, and such forward-looking statements should be read in conjunction with our filings with the SEC subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Company's other filings with the SEC.

Part I - Item 1 (Financial Statements), Part I - Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations), Part I - Item 3 (Quantitative and Qualitative Disclosures about Market Risk) and Part I - Item 4 (Controls and Procedures) have been amended from the Original Filing as a result of the restatement. Part II - Item 6 (Exhibits) has been amended to, among other things, include currently dated certifications from the Company's principal executive officer and principal financial officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's principal executive officer and principal financial officer are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2. Those items that have been restated are denoted as (restated) throughout this report.

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References in this report to agreements to which Gold Resource Corporation is a party and the definition of certain terms from those agreements are not necessarily complete and are qualified by reference to the agreements. Readers should refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and the exhibits listed therein.

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****GOLD RESOURCE CORPORATION****(An Exploration Stage Company)****CONSOLIDATED BALANCE SHEETS***(U.S. dollars in thousands, except shares)*

	<i>(As Restated, see note 12)</i>	<i>December 31,</i>
	<i>June 30,</i>	<i>2011</i>
	<i>2012</i>	<i>(unaudited)</i>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 44,778	\$ 51,960
Gold and silver bullion	5,517	2,549
Accounts receivable	5,040	14,281
Inventories	5,287	4,243
Income tax receivable	530	
Deferred tax assets	11,118	11,118
Prepaid expenses	869	957
Total current assets	73,139	85,108
Land and mineral rights	227	227
Property and equipment net	12,751	10,318
Deferred tax assets	19,517	19,517
Total assets	\$ 105,634	\$ 115,170
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 434	\$ 1,691
Accrued expenses	4,212	4,879
IVA taxes payable	3,676	559
Income taxes payable		15,987
Dividends payable	3,175	2,645
Total current liabilities	11,497	25,761
Asset retirement obligation	2,405	2,281
Total liabilities	13,902	28,042
Shareholders' equity:		
Preferred stock \$0.001 par value, 5,000,000 shares authorized: no shares issued and outstanding		
Common stock \$0.001 par value, 100,000,000 shares authorized: 53,015,767 and 52,998,303 shares issued and outstanding, respectively	53	53
Additional paid-in capital	119,729	132,529
(Deficit) accumulated during the exploration stage	(21,893)	(39,522)
Treasury stock at cost, 104,251 shares	(1,954)	(1,954)
Other comprehensive income currency translation adjustment	(4,203)	(3,978)

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Total shareholders' equity	91,732	87,128
Total liabilities and shareholders' equity	\$ 105,634	\$ 115,170

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

**Table of Contents****GOLD RESOURCE CORPORATION****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS***for the three and six months ended June 30, 2012 and 2011**and for the period from Inception (August 24, 1998) to June 30, 2012**(U.S. dollars in thousands, except shares and per share amounts)**(Unaudited)*

	<i>(As Restated, see Note 12) Three months ended June 30, 2012</i>	<i>Three months ended June 30, 2011</i>	<i>(As Restated, see Note 12) Six months ended June 30, 2012</i>	<i>Six months ended June 30, 2011</i>	<i>(As Restated, see Note 12) Inception (August 24, 1998) to June 30, 2012</i>
Sales of metal concentrates, net	\$ 30,700	\$ 20,664	\$ 67,364	\$ 31,944	\$ 187,281
Mine cost of sales:					
Production costs applicable to sales	12,603	5,200	19,545	9,277	50,008
Depreciation and amortization	152	79	384	143	1,023
Accretion	19	22	40	43	190
Total mine cost of sales	12,774	5,301	19,969	9,463	51,221
Mine gross profit	17,926	15,363	47,395	22,481	136,060
Costs and expenses:					
General and administrative expenses	3,400	1,591	5,989	2,978	37,350
Exploration expenses	2,231	1,023	3,584	1,535	37,689
Construction and development	4,117	6,025	8,098	9,091	83,013
Production start up expense, net					209
Management contract expense					752
Total costs and expenses	9,748	8,639	17,671	13,604	159,013
Operating income (loss)	8,178	6,724	29,724	8,877	(22,953)
Other income (expense)	692	(23)	(1,297)	(144)	1,578
Income (loss) before income taxes	8,870	6,701	28,427	8,733	(21,375)
Provision for income taxes	4,742	1,806	10,798	1,806	(1,238)
Net income (loss) before extraordinary item	4,128	4,895	17,629	6,927	(20,137)
Extraordinary items:					
Flood loss, net of income tax benefit of \$750		(1,756)		(1,756)	(1,756)
Net income (loss)	\$ 4,128	\$ 3,139	\$ 17,629	\$ 5,171	\$ (21,893)
Other comprehensive income (loss):					

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Currency translation (loss) gain	(1,689)	(80)	(225)	384	(4,203)
Net comprehensive income (loss)	\$ 2,439	\$ 3,059	\$ 17,404	\$ 5,555	\$ (26,096)
Net income per common share:					
Basic:					
Before extraordinary item	\$ 0.08	\$ 0.09	\$ 0.33	\$ 0.13	
Extraordinary item		\$ (0.03)		\$ (0.03)	
Net income	\$ 0.08	\$ 0.06	\$ 0.33	\$ 0.10	
Diluted:					
Before extraordinary item	\$ 0.07	\$ 0.09	\$ 0.31	\$ 0.12	
Extraordinary item		\$ (0.03)		\$ (0.03)	
Net income	\$ 0.07	\$ 0.06	\$ 0.31	\$ 0.09	
Weighted average shares outstanding:					
Basic	52,909,756	52,998,303	52,904,370	52,998,303	
Diluted	56,443,419	56,545,865	56,400,692	56,530,421	

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

**Table of Contents****GOLD RESOURCE CORPORATION****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS***for the six months ended June 30, 2012 and 2011**and for the period from Inception (August 24, 1998) to June 30, 2012**(U.S. dollars in thousands)**(Unaudited)*

	<i>(As Restated, see Note 12) Six Months ended June 30, 2012</i>	<i>Six Months ended June 30, 2011</i>	<i>(As Restated, see Note 12) Inception (August 24, 1998) to June 30, 2012</i>
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 17,629	\$ 5,171	\$ (21,893)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	518	330	2,062
Accretion	40	43	190
Asset retirement obligation			2,307
Stock-based compensation	4,659	2,898	20,710
Management fee paid in stock			392
Related party payable paid in stock			320
Currency translation gain (loss)	(225)	384	(4,203)
Unrealized loss from gold and silver bullion held	329		758
Realized loss from gold and silver bullion converted	90		90
Deferred tax assets			(30,635)
Other			29
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	9,241	(1,411)	(5,040)
Inventories	(1,044)	(2,511)	(5,287)
Income tax receivable	(530)	0	(530)
Prepaid expenses	88	(385)	(871)
Accounts payable	(1,257)	1,201	434
Accrued expenses	(667)	(521)	4,212
IVA taxes payable	3,117	1,830	3,676
Income taxes payable	(15,987)	1,056	
Dividends payable	530	530	3,175
<b>Total adjustments</b>	<b>(1,098)</b>	<b>3,444</b>	<b>(8,211)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>16,531</b>	<b>8,615</b>	<b>(30,104)</b>
<b>Cash flows from investing activities:</b>			

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Capital expenditures	(2,951)	(3,089)	(15,275)
Purchases of gold and silver bullion	(4,183)		(7,160)
Conversion of gold and silver bullion	796		796
<b>Net Cash (used in) investing activities</b>	<b>(6,338)</b>	<b>(3,089)</b>	<b>(21,639)</b>
Cash flows from financing activities:			
Proceeds from sales of common stock			150,633
Proceeds from exercise of stock options			428
Proceeds from debentures founders			50
Dividends paid	(17,459)	(11,130)	(53,273)
Treasury stock purchases			(1,954)
Proceeds from exploration funding agreement			500
<b>Net cash provided by (used in) financing activities</b>	<b>(17,459)</b>	<b>(11,130)</b>	<b>96,384</b>
Effect of exchange rates on cash and equivalents	84	120	137
<b>Net increase (decrease) in cash and equivalents</b>	<b>(7,182)</b>	<b>(5,484)</b>	<b>44,778</b>
Cash and equivalents at beginning of period	51,960	47,582	
<b>Cash and equivalents at end of period</b>	<b>\$ 44,778</b>	<b>\$ 42,098</b>	<b>\$ 44,778</b>
Supplemental Cash Flow Information			
Income taxes paid	\$ 28,392	\$	\$ 28,392
Non-cash investing and financing activities:			
Conversion of funding into common stock	\$	\$	\$ 500
Conversion of founders debentures into common stock	\$	\$	\$ 50

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

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**GOLD RESOURCE CORPORATION**

**(An Exploration Stage Company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2012**

**(Unaudited)**

**1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Gold Resource Corporation (the Company) was organized under the laws of the State of Colorado on August 24, 1998. The Company is a producer of metal concentrates that contain gold, silver, copper, lead and zinc at its *El Aguila* Project in Southern Mexico. The Company is also performing exploration and evaluation work on its portfolio of base and precious metal exploration properties in Mexico and is evaluating other properties for possible acquisition worldwide.

**Significant Accounting Policies**

**Exploration Stage Company** : Despite the fact that the Company commenced production in 2010, it is still considered an exploration stage company under the criteria set forth by the Securities and Exchange Commission ( SEC ) since it has not yet demonstrated the existence of proven or probable reserves, as defined by the SEC in *Industry Guide 7* , at its *El Aguila* Project in Oaxaca, Mexico or any of its other properties. As a result, and in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ) for exploration stage companies, all expenditures for exploration and evaluation of the Company's properties are expensed as incurred until mineralized material is classified as proven or probable reserves. Accordingly, substantially all expenditures for mine development and mill construction have been expensed as incurred. Certain expenditures, such as for rolling stock or other general-purpose equipment, may be capitalized, subject to evaluation for possible impairment of the asset. As of June 30, 2012, none of the mineralized material at the Company's *El Aguila* Project or any of its other properties met the SEC's definition of proven or probable reserves. The Company expects to remain an exploration stage company for the foreseeable future, even though it has reached commercial production. The Company will not exit the exploration stage unless and until it demonstrates the existence of proven or probable reserves that meet SEC guidelines.

**Basis of Presentation** : The consolidated balance sheet as of December 31, 2011 was derived from audited financial statements at that date, but this report does not include all information and footnotes required by U.S. GAAP for complete audited financial statements. The interim consolidated financial statements included herein have been prepared by the Company, without audit, in accordance with the rules and regulations of the SEC pursuant to Item 210 of Regulation S-X promulgated by the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations, although the Company believes that the disclosures included are adequate to make the information presented not misleading.

In management's opinion, the unaudited consolidated financial statements contained herein reflect all adjustments, that are necessary for the fair presentation of the Company's financial position, results of operations, and cash flows on a basis consistent with that of its prior audited consolidated financial statements. However, the results of operations for interim periods may not be indicative of results to be expected for the full fiscal year. Therefore, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, including the summary of significant accounting policies, included in the Company's Form 10-K for the year ended December 31, 2011. Unless otherwise noted, there have been no material changes in the footnotes from those accompanying the audited consolidated financial statements contained in the Company's Form 10-K.

**Use of Estimates** : The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain and bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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**Reclassifications** : Certain amounts previously presented for prior periods have been reclassified to conform to the current presentation. The reclassifications had no effect on the Company's net earnings.

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**Concentration of Credit Risk:** During the three and six months ended June 30, 2012, 100% of the Company's revenues and accounts receivable resulted from sales to Consorcio Minero de Mexico Cormin Mex. S.A. de C.V. ( Consorcio ), a subsidiary of the Trafigura Group Company. For the three months ended June 30, 2011, 100% of the Company's revenues and accounts receivables resulted from sales to Consorcio. For the six months ended June 30, 2011, 95.2% of the Company's revenues and accounts receivables resulted from sales to Consorcio and the remaining 4.8% to Trafigura Beheer, B.V. ( Beheer ) of Lucerne Switzerland, also a subsidiary of the Trafigura Group Company.

Sales to Consorcio and Beheer are made under separate contracts with different contract terms. The Company has carefully considered and assessed the credit risk resulting from its concentrate sales arrangements with Consorcio and Beheer and believes it is not exposed to significant credit risk in relation to the counterparty meeting its contractual obligations as it pertains to its trade receivables during the ordinary course of business. In the event that the Company's relationship with Consorcio or Beheer is interrupted for any reason, it believes that it would be able to locate another entity to purchase its metals concentrates. However, any interruption could temporarily disrupt the Company's sale of its principal products and adversely affect operating results.

The Company's *El Aguila* Project, which is located in the state of Oaxaca, Mexico, accounted for 100% of the Company's total sales of metals concentrate for the six months ended June 30, 2012 and 2011.

**Net Income (Loss) Per Share :** Diluted income per share reflects the potential dilution that could occur if potentially dilutive securities, as determined using the treasury stock method, are converted into common stock. Potentially dilutive securities, such as stock options and warrants, are excluded from the calculation when their inclusion would be anti-dilutive, such as periods when a net loss is reported or when the exercise price of the instrument exceeds the fair market value. For the three and six month periods ended June 30, 2012 and 2011, potentially dilutive securities included 3.5 million shares for exercisable stock options during each respective period.

**Fair Value of Financial Instruments :** The Company's financial instruments consist of cash and cash equivalents, investments in gold and silver bullion, accounts receivable and accounts payable as of June 30, 2012 and December 31, 2011. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values at June 30, 2012 and December 31, 2011 due to their short maturities. See also Note 2, Gold and Silver Bullion.

**Recently Adopted Accounting Standards :** The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ( FASB ), the SEC, and the Emerging Issues Task Force ( EITF ), to determine the impact of new pronouncements on U.S. GAAP on the Company. The following are recent accounting pronouncements adopted by the Company:

In May 2011, the FASB issued Accounting Standards Update ( ASU ) No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ( ASU 2011-04 ). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. On January 1, 2012, the Company adopted ASU 2011-04 and does not anticipate that it will materially expand its consolidated financial statement footnote disclosures or have an impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income ( ASC Topic 220 ): Presentation of Comprehensive Income* ( ASU 2011-05 ), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011, with early adoption permitted. On January 1, 2012, the Company adopted ASU 2011-05 and does not anticipate that it will have an impact on the Company's consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

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The Company continues to invest a portion of its treasury in physical gold and silver bullion. The bullion was purchased to diversify the Company's treasury and is being used in conjunction with a recently adopted program offering shareholders the ability to convert their cash dividend into gold and silver bullion. The table below shows the balance of the Company's holdings as of June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	Gold (in thousands, except ounces and per ounce)	Silver	Gold (in thousands, except ounces and per ounce)	Silver
Ounces	1,808	96,685	868	41,728
Average cost per ounce	\$ 1,670.43	\$ 33.66	\$ 1,720.93	\$ 35.55
Fair value per ounce	\$ 1,600.78	\$ 27.12	\$ 1,574.50	\$ 28.32
Total cost	\$ 3,020	\$ 3,255	\$ 1,494	\$ 1,484
Total fair value	\$ 2,894	\$ 2,623	\$ 1,367	\$ 1,182

ASC 820: Fair Value Measurement (ASC 820) establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value measurement of each class of assets and liabilities is dependent upon its categorization within the fair value hierarchy, based upon the lowest level of input that is significant to the fair value measurement of each class of asset and liability. Pursuant to the fair value hierarchy established in ASC 820, the fair value of the Company's gold and silver bullion is established based on quoted prices in active markets for identical assets or liabilities (Level 1); specifically, the fair value is based on the daily London P.M. fix as of June 30, 2012. The unrealized losses of \$0.5 million and \$0.3 million were included in the Company's other income (expense) for the three and six months ended June 30, 2012, respectively. There were no unrealized gains or losses recognized for the three and six months ended June 30, 2011 since the Company did not hold an investment in gold and silver bullion during that time. The Company incurred a realized loss of \$0.1 million from the conversion of its gold and silver bullion for the three months ended June 30, 2012.

**3. Inventories**

Inventories at June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012	December 31, 2011
	<i>(in thousands)</i>	
Ore stockpiles	\$ 2,239	\$ 1,629
Concentrates	497	663
Materials and supplies	2,551	1,951
Total inventories	\$ 5,287	\$ 4,243

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Other income (expense) for the three and six months ended June 30, 2012 and 2011 consisted of the following:

	<b>Three Months ended June 30,</b>		<b>Six Months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Currency exchange gain (loss)	\$ 1,287	\$ (32)	\$ (938)	\$ (184)
Unrealized (loss) from gold and silver bullion held	(528)		(329)	
Realized (loss) from gold and silver bullion converted	(90)		(90)	
Interest income	(5)	18	(2)	44
Other income (expense)	28	(9)	62	(4)
<b>Total other income (expense)</b>	<b>\$ 692</b>	<b>\$ (23)</b>	<b>\$ (1,297)</b>	<b>\$ (144)</b>

**5. Property and Equipment**

At June 30, 2012 and December 31, 2011, property and equipment consisted of the following:

	<b>June 30,</b>	<b>December 31,</b>
	<b>2012</b>	<b>2011</b>
	<i>(in thousands)</i>	
Trucks and autos	\$ 1,337	\$ 1,095
Building	1,737	1,737
Office furniture and equipment	2,001	1,768
Machinery and equipment	9,721	7,245
<b>Subtotal</b>	<b>14,796</b>	<b>11,845</b>
Accumulated depreciation	(2,045)	(1,527)
<b>Total property and equipment, net</b>	<b>\$ 12,751</b>	<b>\$ 10,318</b>

Depreciation expense for the three months ended June 30, 2012 and 2011 was \$0.2 million. Depreciation expense for the six months ended June 30, 2012 and 2011 was \$0.5 million and \$0.3 million, respectively.

**6. Income Taxes (restated)**

The Company recorded an income tax expense of \$4.7 million (restated) and \$10.8 million (restated), a 53.5% (restated) effective tax rate and a 38% (restated) effective tax rate, for the three and six months ending June 30, 2012, respectively. The Company had no comparable income tax expense for the three and six months ending June 30, 2011. The income tax expense recognized for the three and six months ending June 30, 2012 was primarily the result of increased production of metal products resulting in income tax expense recognized in Mexico as well as a taxable dividend paid from the Mexican entity to the U.S. entity that resulted in taxable U.S. income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment. As of June 30, 2012, the Company believes it has sufficient positive evidence to conclude that realization of its federal, state and the foreign deferred tax assets of Gold Resource Corporation and Golden Trump Resources, S.A. de C.V. are more likely than not to be realized.

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During the second quarter ending June 30, 2012, the Company is estimating an annual taxable dividend of \$17.5 million to be received from its Mexican operations. In prior years, there was an intercompany debt that allowed funds to be transferred from Mexico to the U.S. without triggering U.S. tax. The company has historically asserted permanent reinvestment of all Mexico earnings. During 2012, the Company plans to partially repatriate the current year Mexico earnings and the Company will now accrue US tax on the portion of the cash that is repatriated to the U.S. The impact of this change in repatriation is included in the Company's annualized effective tax rate, resulting in an increase to the effective tax rate through the quarter of 9.6% (restated), net of foreign tax credits.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2012, the Company made no provision for interest or penalties related to uncertain tax positions. The Company files income tax returns in U.S. and Mexico federal jurisdiction and various states. There are currently no Mexican or U.S. federal or state income tax examinations underway for these jurisdictions. Furthermore, the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service or by state and local tax authorities for tax years ended on or before December 31, 2009 or Mexican tax examinations for tax years ended on or before December 31, 2006. Although certain tax years are closed under the statute of limitations, tax authorities can still adjust tax losses being carried forward to open tax years.

**Table of Contents****7. Asset Retirement Obligation**

The Company's asset retirement obligation ( ARO ) relates to the estimated reclamation, remediation, and closure costs for its *El Aguila* Project. Changes in the Company's asset retirement obligation for the six months ended June 30, 2012 and year ended December 31, 2011 are as follows:

	Six months ended June 30, 2012	Year ended December 31, 2011
	<i>(in thousands)</i>	
Asset retirement obligation opening balance	\$ 2,281	\$ 2,495
Foreign currency translation	84	(296)
Accretion	40	82
Asset retirement obligation ending balance	\$ 2,405	\$ 2,281

**8. Shareholders Equity**

The Company declared dividends of \$17.5 million and paid dividends of \$16.9 million during the six months ended June 30, 2012. During the six months ended June 30, 2011, the Company declared dividends of \$11.1 million and paid dividends of \$10.6 million. The Board of Directors has authorized the Company's dividends to be charged to paid-in capital until such time as the Company has retained earnings, at which time any subsequent dividends will be charged to retained earnings. Subsequent to June 30, 2012, the Company declared a regular monthly cash dividend of \$0.06 per common share as described in Note 12.

On September 23, 2011, the Board of Directors approved a share repurchase program pursuant to which the Company may repurchase up to \$20 million of its common stock from time to time in market transactions. There is no pre-determined end date associated with the share repurchase program. As of June 30, 2012, the Company had repurchased 104,251 shares of common stock for \$2 million. Subsequent to June 30, 2012, the Company purchased an additional 82,740 shares of common stock for \$1.5 million as described in Note 12.

**9. Concentrate Sales Settlements (restated)**

The Company records adjustments to sales of metals concentrate that result from final settlement of provisional invoices in the period that the final invoice settlement occurs. The Company also reviews assays taken at the mine site on its concentrate shipments, upon which its provisional invoices are based, to assays obtained from samples taken at the buyer's warehouse prior to final settlement, upon which final invoices are in part based, to assess whether an adjustment to sales is required prior to final settlement. These adjustments resulted in an increase to sales of \$0.7 million (restated) and a decrease to sales of \$2.2 million (restated) for the three and six months ended June 30, 2012, respectively, and a decrease to sales of \$0.1 million and \$0.1 million for the three and six months ended June 30, 2011, respectively.

In addition to the final settlement adjustments on provisional invoices, the Company records a sales adjustment to mark-to-market outstanding provisional invoices at the end of each reporting period. These adjustments resulted in a decrease to sales of \$0.0 million (restated) and \$0.0 million (restated) for the three and six months ended June 30, 2012, respectively, and an increase to sales of \$0.7 million and \$0.7 million for the three and six months ended June 30, 2011, respectively.

Smelter refining fees, treatment charges and penalties are netted against sales of metal concentrates in the consolidated statement of operations. Total charges for these items totaled \$3.8 million and \$8.5 million (restated) for the three and six months ended June 30, 2012, respectively, and \$2.4 million and \$3.1 million for the three and six months ended June 30, 2011, respectively.

**10. Stock Options**

The fair value of stock option grants is amortized over the respective vesting period. Total stock-based compensation expense related to stock options allocated among production costs and general and administrative expense for the three months ended June 30, 2012 and 2011 was \$2.6 million and \$1.5 million, respectively. Total stock-based compensation expense related to stock options allocated among production costs and

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general and administrative expense for the six months ended June 30, 2012 and 2011 was \$4.7 million and \$2.9 million, respectively. Below is a table of stock-based compensation expense allocated between production and general and administrative expense for the three and six months ended 2012 and 2011.

	<b>Three Months ended June 30,</b>		<b>Six Months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Production costs applicable to sales	1,094	1,052	2,188	2,075
General and administrative expenses	1,509	469	2,471	823
<b>Total stock-based compensation</b>	<b>\$ 2,603</b>	<b>\$ 1,521</b>	<b>\$ 4,659</b>	<b>\$ 2,898</b>

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The estimated unrecognized stock-based compensation expense from unvested options as of June 30, 2012 was approximately \$18.3 million, which is expected to be recognized over the remaining vesting periods of up to 3.0 years.

### **11. Extraordinary Item Flood**

On April 20, 2011, the *El Aquila* Project experienced a rain and hail storm that was unusual and infrequent to the area which flooded the *La Arista* underground mine, damaging roads, buildings and equipment. The Company experienced resultant property damage of approximately \$2.5 million for which it recorded an extraordinary loss of \$1.8 million, net of a \$0.8 million income tax benefit, for the three and six months ended June 30, 2011. The Company has filed an insurance claim to recover property damages and losses resulting from business interruption. It is unknown how much, if anything, the Company will recover.

### **12. Restatement of Consolidated Financial Statements (restated)**

Management, after consultation with the Board of Directors, Audit Committee and the Company's independent registered public accounting firm, determined that the Company's financial statements for the first and second quarters of 2012 contained errors relating to the recognition of sales of metal concentrates, and should be restated and no longer be relied upon. Management made this determination following an assessment of material differences between preliminary assays taken from samples of concentrates at the mine site, with assays taken from samples of concentrates at the buyer's warehouse, prior to final settlement. An assay is a metallurgical process for testing concentrate samples to determine the amount and purity of metals contained within those concentrate samples. Management believes that the material assay variances resulted from concentrate tampering sometime after the concentrates left the mine site, and prior to the concentrates being sampled at while the buyer's warehouse. Management concluded that sales of metal concentrates should have been adjusted at the time the material assay differences were known.

#### **Financial statement effect of the restatement:**

The error resulted in a \$0.7 million increase in sales of metal concentrates (including pricing and other settlement adjustments with the buyer) and a \$0.2 million increase to provision for income taxes for the three months ended June 30, 2012, and a decrease in sales of metal concentrates of \$3.3 million (including pricing and other settlement adjustments with the buyer), a \$0.2 million reduction to production cost applicable to sales and a decrease in provision for income taxes of \$1.0 million for the six months ended June 30, 2012 and for the period from Inception (August 24, 1998) to June 30, 2012. The error also resulted in a decrease in accounts receivable of \$3.3 million, an increase in income tax receivable of \$0.5 million, a \$0.5 million decrease in income taxes payable and a \$0.2 million decrease in accounts payable as of June 30, 2012.

The tables below shows the effects of the restatement on the consolidated balance sheet as of June 30, 2012, and the consolidated statements of operations for the three and six months ended June 30, 2012, and for the period from Inception (August 24, 1998) to June 30, 2012, and the consolidated statements of cash flows for the six months ended June 30, 2012, and for the period from Inception (August 24, 1998) to June 30, 2012. The Company also amended its Quarterly Report on Form 10-Q for the three months ended March 31, 2012.

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The following tables summarize the effects of the restatement:

	<i>As Previously Reported June 30, 2012</i>	<i>As Restated June 30, 2012</i>	<i>Restatement Adjustments June 30, 2012</i>
	<i>(U.S. dollars in thousands, except shares)</i>		
<i>(unaudited)</i>			
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 44,778	\$ 44,778	\$
Gold and silver bullion	5,517	5,517	
Accounts receivable	8,307	5,040	(3,267)
Inventories	5,287	5,287	
Income tax receivable		530	530
Deferred tax assets	11,118	11,118	
Prepaid expenses	869	869	
Total current assets	75,876	73,139	(2,737)
Land and mineral rights	227	227	
Property and equipment net	12,751	12,751	
Deferred tax asset	19,517	19,517	
Total assets	\$ 108,371	\$ 105,634	\$ (2,737)
<b><u>LIABILITIES AND SHAREHOLDERS EQUITY</u></b>			
Current liabilities:			
Accounts payable	\$ 586	\$ 434	\$ (152)
Accrued expenses	4,212	4,212	
IVA taxes payable	3,676	3,676	
Income taxes payable	490		(490)
Dividends payable	3,175	3,175	
Total current liabilities	12,139	11,497	(642)
Asset retirement obligation	2,405	2,405	
Total liabilities	14,544	13,902	(642)
Shareholders' equity:			
Preferred stock \$0.001 par value, 5,000,000 shares authorized: no shares issued and outstanding			
Common stock \$0.001 par value, 100,000,000 shares authorized: 53,015,767 and 52,998,303 shares issued and outstanding, respectively	53	53	
Additional paid-in capital	119,729	119,729	
(Deficit) accumulated during the exploration stage	(19,798)	(21,893)	(2,095)
Treasury stock at cost, 104,251 shares	(1,954)	(1,954)	
Other comprehensive income currency translation adjustment	(4,203)	(4,203)	
Total shareholders' equity	93,827	91,732	(2,095)
Total liabilities and shareholders' equity	\$ 108,371	\$ 105,634	\$ (2,737)



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	<i>As Previously Reported</i>			<i>As Previously Reported</i>		
	<i>Reported</i>	<i>As Restated</i>		<i>Reported</i>	<i>As Restated</i>	
	<i>Three months</i>	<i>Three months</i>	<i>Restatement</i>	<i>Six months</i>	<i>Six months</i>	<i>Restatement</i>
	<i>ended June 30,</i>	<i>ended June 30,</i>	<i>Adjustments</i>	<i>ended</i>	<i>ended</i>	<i>Adjustments</i>
	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>June 30,</i>	<i>June 30,</i>	<i>2012</i>
	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>
Sales of metals concentrate, net	\$ 30,010	\$ 30,700	\$ 690	\$ 70,631	\$ 67,364	\$ (3,267)
Mine cost of sales:						
Production costs applicable to sales	12,603	12,603		19,697	19,545	(152)
Depreciation and amortization	152	152		384	384	
Accretion	19	19		40	40	
Total mine cost of sales	12,774	12,774		20,121	19,969	(152)
Mine gross profit	17,236	17,926	690	50,510	47,395	(3,115)
Costs and expenses:						
General and administrative expenses	3,400	3,400		5,989	5,989	
Exploration expenses	2,231	2,231		3,584	3,584	
Construction and development	4,117	4,117		8,098	8,098	
Total costs and expenses	9,748	9,748		17,671	17,671	