

GOLD RESOURCE CORP
Form 10-K
March 18, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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)

Colorado 84-1473173
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
2886 Carriage Manor Point, Colorado Springs, Colorado 80906

(Address of Principal Executive Offices) (Zip Code)

(303) 320-7708

(Registrant's telephone number including area code)

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

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value NYSE MKT

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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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 ☒

The aggregate market value of the common stock of Gold Resource Corporation held by non-affiliates as of June 29, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was \$851,551,524 based on the closing price of the common stock of \$25.99 as reported on the NYSE MKT, LLC.

As of March 15, 2013 there were 52,679,369 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Definitive Proxy Statement to be filed pursuant to Regulation 14A for the registrant's 2013 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

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Descriptions of agreements or other documents contained in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see the exhibit index at the end of this report for a complete list of those exhibits.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words “plan,” “target,” “anticipate,” “believe,” “estimate,” “intend” and “expect” and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding Gold Resource Corporation’s strategy, future plans for production, future expenses and costs, future liquidity and capital resources, future dividends and estimates of mineralized material. All forward-looking statements in this report are based upon information available to Gold Resource Corporation on the date of filing this report, and the company assumes no obligation to update any such forward-looking statements. Forward looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Gold Resource Corporation’s actual results could differ materially from those discussed in this report. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the “Item 1A. Risk Factors” section of this Form 10-K.

In addition to the specific factors identified under “Item 1A. Risk Factors” in this report, other uncertainties that could affect the accuracy of forward-looking statements include:

- Decisions of foreign countries and banks within those countries;
- Unexpected changes in business and economic conditions, including the rate of inflation;
- Changes in interest rates and currency exchange rates;
- Timing and amount of production, if any;
- Technological changes in the mining industry;
- Our costs;
- Changes in exploration and overhead costs;
- Access and availability of materials, equipment, supplies, labor and supervision, power and water;
- Results of current and future feasibility studies;
- The level of demand for our products;
- Changes in our business strategy, plans and goals;
- Interpretation of drill hole results and the geology, grade and continuity of mineralization;
- Rock formations, faults and fractures, water flow and possible CO₂ gas exhalation or other unanticipated geological situations,
- Acts of God such as floods, earthquakes and any other natural disasters.
- The uncertainty of mineralized material estimates and timing of development expenditures; and
- Commodity price fluctuations.

This list, together with the factors identified under “Item 1A. Risk Factors,” is not exhaustive of the factors that may affect any of our forward-looking statements. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our beliefs, expectations and opinions only as of the date of filing this report. We do not intend to update these forward looking statements except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

PART I

ITEM 1. BUSINESS

History and Organization

We are currently engaged in the exploration for and production of gold and silver in Mexico. We were organized under the laws of the State of Colorado in 1998. We pursue exploration of gold and silver projects, both in and outside of Mexico, that we believe feature low operating costs and have the potential to produce a high return on the capital invested. We hold a 100% interest in six properties in Mexico's southern State of Oaxaca which we refer to as our Oaxaca Mining Unit. See "Item 2. Properties" for more information about our properties.

We completed our initial public offering ("IPO") in August 2006. Since that time, we have raised additional capital pursuant to several private placements of our common stock. We used the proceeds of our IPO and additional private placements to conduct exploration activities at the El Aguila property (part of the Oaxaca Mining Unit). Based on our successful exploration efforts, we decided on April 11, 2007 to move forward to construct a mill and a mine at the El Aguila Project. We used the funds from subsequent private placements to build the Project. We declared commercial production at the El Aguila Project on July 1, 2010. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation" for more information. The El Aguila Project includes approximately 20,055 hectares of mining concessions, an access road from a major highway, haul roads, a mill facility and adjoining buildings, including an assay lab, an open pit and underground mine, tailings pond and other infrastructure. See "Item 2. Properties" for additional information.

Our principal executive offices are located 2886 Carriage Manor Point, Colorado Springs, Colorado 80906, and our telephone number is (303) 320-7708. Our operations in Mexico are conducted through our wholly-owned Mexican subsidiaries, Don David Gold Mexico S.A.de C.V. and Golden Trump Mexico S.A. de C.V. We established a wholly-owned Turkish subsidiary corporation named Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi in 2012. We maintain a website at www.goldresourcecorp.com and through a link on our website you can view the periodic filings that we make with the Securities and Exchange Commission ("SEC").

Please refer to page 21 of this report for a glossary of certain terms used in this report.

Developments During 2012

We completed our second full year of commercial production of gold and silver in 2012. Two mines are located at our El Aguila Project; the El Aguila open pit mine and the La Arista underground mine. Mining at the El Aguila open pit mine was essentially completed in 2010 and we transitioned to processing ore from the La Arista underground mine in March 2011. We produced metal concentrates from the La Arista underground mine with gold and silver as our primary metal products and copper, lead and zinc as by-products.

During 2012, we continued to develop the decline ramp for the underground mine and reached Level 14 by the end of the year. We have developed stopes and faces for mining from level 6.5 to level 11. Underground infrastructure and mine development completed in 2012 included additional ventilation fans, ground water pumping stations and electrical infrastructure expansion. Various ore stopes were developed and mining methods of long-hole stoping and cut-and-fill were utilized. The management team was strengthened with the addition of our Chief Operating Officer and on-site managerial changes included our new project manager, mine superintendent, mill superintendent and maintenance manager.

We established a new wholly-owned Turkish subsidiary corporation named Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi in the event we decide to expand our exploration property portfolio outside of Mexico. We are in the early stages of identifying potential properties for acquisition in Turkey and do not have significant operations

at this time.

Production Summary

During 2012, we produced from the mill a total of 90,432 ounces of gold equivalent from the El Aguila Project, which was a 36.5% increase in mill production over 2011. We processed an aggregate of 282,120 tonnes of ore with an average grade of 4.3 grams per tonne gold and 355 grams per tonne silver. See the table titled “Production and Sales Statistics—El Aguila Project” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation for detailed information regarding our production statistics.

Exploration

Exploration during 2012 continued to focus primarily on the El Aguila Project with infill and step out drilling at the La Arista vein system. We also performed exploration at several of our other properties, including commencing a surface drill program on portions of the Las Margaritas property and completing a limited drilling campaign at Alta Gracia and El Chamizo focusing on previously identified drill targets. Please see the map of our properties on page 15 for more information regarding our exploration properties. We conducted limited underground exploration and testing at the Alta Gracia property

by driving drifts and crosscuts into surface exposed veins. To date, we have not established proven or probable reserves as defined in the SEC's Industry Guide 7 ("Guide 7") at our El Aguila Project or any of our other properties. See "Item 2. Properties" for additional information regarding our exploration activities.

Dividends

We declared an aggregate of \$0.69 per share in dividends in 2012. In April 2012, we commenced a physical dividend program pursuant to which our shareholders have the option to convert the cash dividends we pay into physical gold and silver bullion and take delivery of their metal. See, "Item 5. Market For Common Equity, Related Stockholder Matters and Purchase of Equity Securities," and "Item 7. Management's Discussion and Analysis" for additional information.

No Proven or Probable Reserves

We have not yet demonstrated the existence of proven or probable reserves at our El Aguila Project in Oaxaca, Mexico or any of our other properties. In Guide 7, the SEC defines a "reserve" as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven or probable reserves are those reserves for which (a) quantity is computed and (b) the sites for inspection, sampling, and measurement are spaced so closely that the geologic character is defined and size, shape and depth of mineral content can be established (proven) or the sites are farther apart or are otherwise less adequately spaced but high enough to assume continuity between observation points (probable). Reserves cannot be considered proven or probable unless and until they are supported by a feasibility study, indicating that the reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable.

We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Any mineralized material discovered or produced by us should not be considered proven or probable reserves. As of December 31, 2012, none of our mineralized material met the definition of proven or probable reserves.

Competitive Business Conditions

The exploration for, and the acquisition of gold and silver properties, are subject to intense competition. Identifying and evaluating potential mining prospects is a costly and time-consuming endeavor. Due to our limited capital and personnel, we are at a competitive disadvantage compared to many other companies with regard to exploration and, if warranted, development of mining properties. Our present limited capital means that our ability to compete for properties to be explored and developed is limited. We believe that competition for acquiring mineral prospects will continue to be intense in the future.

Government Regulations and Permits

In connection with mining, milling and exploration activities, we are subject to extensive Mexican federal, state and local laws and regulations governing the protection of the environment, including laws and regulations relating to protection of air and water quality, hazardous waste management and mine reclamation as well as the protection of endangered or threatened species. The department responsible for environmental protection in Mexico is SEMARNAT, which is similar to the United States Environmental Protection Agency. SEMARNAT has broad authority to shut down and/or levy fines against facilities that do not comply with its environmental regulations or standards. Potential areas of environmental consideration for mining companies, including ours, include but are not limited to, acid rock drainage, cyanide containment and handling, contamination of water courses, dust and noise.

In connection with our mill and mining operations at the El Aguila Project, we have and will continue to secure various regulatory permits from federal, state and local agencies. These governmental and regulatory permits generally govern the processes being used to operate, the stipulations concerning air quality and water issues, and the

plans and obligations for reclamation of the properties at the conclusion of operations. Regulations require that an environmental impact statement, known in Mexico as a Manifiestacion de Impacto Ambiental (“MIA”), be prepared by a third-party contractor for submission to SEMARNAT. We have submitted our MIA to SEMARNAT for their review and it has been approved. Studies required to support the MIA include a detailed analysis of these areas, among others: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. Although the regulatory process in Mexico has a public review component, proof of local community support for a project is required to gain final MIA approval. We have received the required local community support for the El Aguila area where we are currently producing from.

We received a federal permit granting permission to begin open pit mining at the El Aguila Project from SEMARNAT in August 2009 and commenced mining operations soon thereafter. In December 2009, we also received a permit allowing us to begin developing our underground mine. We purchased a permitted water well for the mill site at the El Aguila Project. We believe the water provided by this well will normally be adequate to meet the needs for any mining activity for the foreseeable future, but any extreme seasonal changes may limit our water supply, which could adversely affect our mining operations.

We have obtained, and plan to obtain at the appropriate time, environmental permits, licenses or approvals required for operations. We are not aware of any material violations of environmental permits, licenses or approvals issued with respect to our operations.

Customers

During the year ended December 31, 2012, 100% of our total sales of metals concentrate were made to Consorcio Minero de Mexico Cormin Mex. S.A. de C.V., a Trafigura Group Company. In the event that our relationship with Trafigura is interrupted for any reason, we believe that we would be able to locate another entity to purchase our metals concentrate and by-product metals. However, any interruption could temporarily disrupt the sale of our principal products and adversely affect our operating results. We are reviewing our options of alternative sales outlets to mitigate the concentration of risk with one concentrate buyer in case of any unforeseen disruptions.

Employees

We currently have nine full-time employees, five of which serve as our executive officers. These individuals devote all of their business time to our affairs.

In Mexico, through our wholly-owned Mexican subsidiaries, we employ approximately 350 Mexican nationals, including our El Aguila Project Manager. We also use various independent contractors for developing our underground mine, surface exploration drilling and trucking.

In Turkey, we employ four Turkish nationals through our wholly-owned Turkish subsidiary.

ITEM 1A. RISK FACTORS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operation, contains forward-looking statements that may be materially affected by several risk factors, including those summarized below:

Risks Relating to Our Company

We have incurred substantial losses in the past and may not continue to be profitable. During the fiscal years ended December 31, 2012 and 2011, we reported net income of \$33.7 million and \$60.1 million, respectively, and for the fiscal year ended December 31, 2010, we reported net loss of approximately \$23.1 million. We had an accumulated deficit of approximately \$5.9 million as of December 31, 2012. While we were profitable in 2012, there is no assurance that we will continue to be profitable in the future. Unexpected interruptions in our mining business may cause us to incur losses or the revenue we generate from production may not be sufficient to fund continuing operations including exploration and development costs. Our failure to report future profits may adversely affect the price of our common stock and you may lose all or part of your investment.

Our existing production is limited to a single mine and any interruptions or stoppages in our mining activities would adversely affect our revenue. We are presently relying on a single mine to provide ore for processing at our mill facility which contains the mineralized material we sell to fund our operations. Any interruption in our ability to mine this location, such as a labor strike, natural disaster, or loss of permits would negatively impact our ability to collect revenue in the foreseeable future. Additionally, if we are unable to economically develop additional mines, we will eventually deplete the ore body and will no longer generate revenue sufficient to fund our operations. A decrease in or cessation of our mining operations would adversely affect our financial performance and may eventually cause us to cease operations.

If we are unable to achieve gold and silver production levels anticipated from our El Aguila Project, our financial condition and results of operation will be adversely affected. We have proceeded with the processing of the El Aguila open-pit area ore and the development of the La Arista mine at the El Aguila Project based on estimates of mineralized material identified in our drilling program and estimates of gold and silver recovery based on test work developed during our scoping study. However, risks related to metallurgy are inherent when working with extractable minerals. Sales of gold and silver that we realize from future mining activity will be less than anticipated if the mined material does not contain the concentration of gold and silver predicted by our geological exploration. This risk may be increased since we have not sought or obtained a feasibility study or reserve report with regard to any of our properties. If sales of gold and silver are less than anticipated, we may not be able to recover our investment in our property and our operations may be adversely affected. Our inability to realize production based on quarterly or annual projections may also adversely affect the price of our common stock and you may lose all or part of your investment.

We have no proven or probable reserves and our decision to commence commercial production is not based on a study demonstrating economic recovery of any mineral reserves and is therefore inherently risky. Any funds spent by us on exploration or development could be lost. We have not established the presence of any proven or probable mineral reserves, as defined by the SEC, at any of our properties. Under Guide 7, the SEC has defined a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Any mineralized material discovered or produced by us should not be considered proven or probable reserves.

In order to demonstrate the existence of proven or probable reserves, it would be necessary for us to perform additional exploration to demonstrate the existence of sufficient mineralized material with satisfactory continuity and obtain a positive feasibility study which demonstrates with reasonable certainty that the deposit can be economically and legally extracted and produced. We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Since we commenced commercial production of mineralized material at the El Aguila Project without a feasibility study, there is inherent uncertainty as to whether the mineralized material can be economically produced or if so, for what period of time. The absence of proven or probable reserves makes it more likely that our properties may cease to be profitable and that the money we spend on exploration and development may never be recovered.

Since we have no proven or probable reserves, our investment in mineral properties is not reported as an asset in our financial statements which may cause volatility in our net earnings and have a negative impact on the price of our stock. We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America and report substantially all exploration and construction expenditures as expenses until such time, if ever, we are able to establish proven or probable reserves. Since it is uncertain when, if ever, we will establish proven or probable reserves, it is uncertain whether we will ever report these types of future capital expenditures as an asset. Accordingly, our financial statements report fewer assets and greater expenses than would be the case if we had proven or probable reserves, which could produce volatility in our earnings and have a negative impact on our stock price.

Estimates of mineralized material are based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated. When making determinations about whether to advance any of our projects to development, such as the El Aguila Project, we rely upon estimated calculations as to the mineralized material on our properties. Since we have not conducted a feasibility study demonstrating proven or probable reserves, estimates of mineralized material presented in our press releases and regulatory filings contain less certainty than would be the case if the estimates were made in accordance with the SEC-recognized definition of proven or probable reserves. Until mineralized material is actually mined and processed, it must be considered an estimate only. These estimates are imprecise and depend on geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot assure you that these mineralized material estimates will be accurate or that this mineralized material can be mined or processed profitably and any decision to move forward with development is inherently risky. Any material changes in estimates of mineralized material will affect the economic viability of placing a property into production and such property’s return on capital. This risk is increased since we have not received a feasibility study on any of our properties. There can be no assurance that minerals recovered in small scale metallurgical tests will be recovered at production scale. These in-place mineralized material estimates will be diluted in the mining process.

Revenue from the sale of our metals concentrates may be adversely affected by loss or damage to the concentrate during shipment and storage at our buyer’s facilities. We rely on third party transportation companies to transport the concentrate to our buyer’s facilities for processing and further refining. The terms of our sales contract with the buyer require us to rely on assay results from samples of our concentrate that are obtained at the buyer’s warehouse to determine the final sales value for our concentrates. Once the concentrate leaves our mill facility, we no longer have direct custody and control of these products. Theft or loss in transit or improper storage, fire, natural disasters, tampering or other unexpected events while at the buyer’s location may lead to the loss of all or a portion of our

concentrate products. Such losses may not be covered by insurance and may lead to a delay or interruption in our revenue and our operating results may be adversely affected. Tampering, theft or environmental factors may impact the metal content of our concentrates between the time they are sampled at our mill site for provisional price purposes and the time they are sampled at the buyer's warehouse for final price purposes and significant variances in these measurements may negatively impact our revenue.

The volatility of the price of gold and silver could adversely affect our future operations and, if warranted, our ability to develop our properties. The profitability of our operations, the value of our properties and our ability to raise funding to conduct continued exploration and development, if warranted, are directly related to the market price of gold, silver and other metals. The price of gold may also have a significant influence on the market price of our common stock. Our decision to put a mine into production and to commit the funds necessary for that purpose must be made long before the first revenue from production would be received. A decrease in the price of gold and silver may prevent our properties from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold or silver prices.

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The volatility in gold and silver prices is illustrated by the following table, which sets forth for each of the past five calendar years, the average annual market prices in U.S. dollars per ounce of gold and silver based on the daily London P.M. fix:

Mineral	2008	2009	2010	2011	2012
Gold	\$ 872.00	\$ 972.00	\$ 1,225.00	\$ 1,572.00	\$ 1,689.00
Silver	\$ 14.99	\$ 14.67	\$ 20.19	\$ 35.12	\$ 31.96

The price of gold and silver is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the sale of gold and silver by central banks, and the political and economic conditions of major gold and silver producing countries throughout the world and accordingly no amount of planning or technical expertise can fully eliminate these risks. In the event gold prices decline or remain low for prolonged periods of time, we might be unable to develop our properties, which may adversely affect our results of operations, financial performance and cash flows.

We currently do not enter into forward sales, commodity, derivatives or hedging arrangements with respect to our gold and silver production and, as a result, we are exposed to the impact of any significant decrease in the price of gold or silver. We sell the gold and silver we are producing at the prevailing market price. Currently, we do not enter into forward sales, commodity, derivative or hedging arrangements to establish a price in advance for the sale of future gold or silver production, although we may do so in the future. As a result, we may realize the benefit of any short-term increase in the gold or silver price, but we are not protected against decreases in the gold or silver price. If the gold or silver price decreases significantly, our revenues may be materially adversely affected.

Our current property portfolio is limited to a single producing property and our ability to remain profitable over the long term will depend on our ability to expand the known deposits like Arista and / or identify, explore and develop additional properties. Gold and silver properties are wasting assets. They eventually become depleted or uneconomical to continue mining. The acquisition of gold and silver properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staff, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. If we are unable to find, develop, and economically mine new properties, we most likely will not be profitable on a long term basis and the price of our common stock may suffer.

Our producing property is subject to a lease in favor of a third party which provides for royalties on production. We lease a portion of our El Aguila property from a third party. The leased portion of the property provides for a net smelter return royalty of 4% where production is sold in the form of gold/silver dorè and 5% where production is sold in concentrate form. All of our production to date has been from the leased property and processed and sold as concentrate. The requirement to pay royalties to the owner of the concessions at our El Aguila property, which includes the open pit mine and underground mine, will reduce our profitability from production of gold or other precious metals.

The construction and development of our underground mine and optimization and continued expansion and operation of our mill are subject to all of the risks inherent in construction development, and operations. These risks include potential delays, cost overruns, shortages of material or labor, construction defects, breakdowns and injuries to persons and property. We expect to engage a combination of American and Mexican subcontractors and material suppliers in connection with the continued development of the El Aguila Project. While we anticipate taking all measures which we deem reasonable and prudent in connection with construction and development of the

underground mine and the operation of the mill, there is no assurance that the risks described above will not cause delays or cost overruns in connection with such construction or operation. Any delays would postpone our anticipated receipt of revenue and adversely affect our operations, which in turn may adversely affect the price of our stock.

Our underground mining operations are subject to unique risks. The exploration for minerals and the development and production of mining operations from an underground mine involve a high level of risk and are often affected by hazards outside of our control. Some of these risks include, but are not limited to, underground fires or floods, fall-of-ground accidents, seismic activity and unexpected geological formations or conditions including noxious fumes or gases. The occurrence of one or more of these events in connection with our exploration, development, or production activities may result in the death of, or personal injury to, our employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, environmental damage and potential legal liabilities, all of which may adversely affect our reputation, business, prospects, results of operations and financial position.

Our operations are subject to permitting requirements which could require us to delay, suspend or terminate our operations. Our operations, including our ongoing exploration drilling program and production at the El Aguila Project,

require permits from the Mexican government. If we cannot obtain or maintain the necessary permits, or if there is a delay in receiving future permits, our timetable and business plan will be adversely affected.

We have been named as a defendant in securities class action and shareholder lawsuits which could result in substantial damages and may divert management's time and attention from our business. We and certain of our officers and directors are named as defendants in a purported securities class action lawsuit, and in a shareholder derivative lawsuit, each filed in the U.S. District Court for the District of Colorado and described in more detail in "Item 3. Legal Proceedings." These lawsuits and any other related lawsuits are subject to inherent uncertainties, and the actual costs to be incurred relating to these lawsuits will depend upon many unknown factors. The outcome of the litigation is necessarily uncertain, and we could be forced to expend significant resources in the defense of these suits, and we may not prevail. Monitoring and defending against legal actions is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, we may incur substantial legal fees and costs in connection with the litigation. We are not currently able to estimate the possible cost to us from these matters, and we cannot be certain how long it may take to resolve the litigation or the possible amount of any damages that we may be required to pay. We have not established any reserves for any potential liability relating to these lawsuits. It is possible that we could, in the future, incur judgments or enter into settlements of claims for monetary damages. A decision adverse to our interests on these actions could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations, financial position and stock price.

Our properties are located in Mexico and are subject to changes in political or economic conditions and regulations in that country. All of our existing properties are located in Mexico. The risks with respect to Mexico or other developing countries include, but are not limited to: nationalization of properties, military repression, extreme fluctuations in currency exchange rates, criminal activity, lack of personal safety or ability to safeguard property, labor instability or militancy, mineral title irregularities and high rates of inflation. In addition, changes in mining or investment policies or shifts in political attitude in Mexico may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, opposition from non-governmental organizations, water use and mine safety. The effect of these factors cannot be accurately predicted but may adversely impact our proposed operations in any foreign jurisdiction.

Changes in legislation affecting the mining industry could significantly affect our operations. As in other countries, legislation has been introduced in Mexico which would impose a royalty on production from mineral properties. In the event any such legislation was successfully passed and signed into law, it could significantly and adversely affect our results of operations. Legislation relating to employee profit sharing in Mexico was recently passed that could effectively increase mandated profit sharing distributions to our mine employees. This legislation may have a material adverse effect on our cash flows, results of operations and financial condition.

We do not insure against all of the risks to which we may be subject in our operations. While we currently maintain insurance against general commercial liability claims and the physical assets at our El Aguila Project, we do not maintain insurance to cover all of the potential risks associated with our operations. We might be subject to liability for environmental, pollution or other hazards associated with mineral exploration and development, which risks may not be insured against, which may exceed the limits of our insurance coverage, or which we may elect not to insure against because of premium costs or other reasons. We may also not be insured against interruptions to our operations. Losses from these or other events may cause us to incur significant costs which could materially adversely affect our financial condition and our ability to fund activities on our property. A significant loss could force us to reduce or terminate our operations.

Our ability to develop our property is subject to the rights of the Ejido (local inhabitants) to use the surface for agricultural purposes. Our ability to mine minerals is subject to maintaining satisfactory arrangements with the Ejido for access and surface disturbances. Ejidos are groups of local inhabitants who were granted rights to conduct

agricultural activities on the property. We must negotiate and maintain a satisfactory arrangement with these residents in order to disturb or discontinue their rights to farm. While we have successfully negotiated and signed such agreements related to the El Aguila Project, our inability to maintain these agreements or consummate similar agreements for new projects could impair or impede our ability to successfully mine the properties.

Competition in the mining industry is intense, and we have limited financial and personnel resources with which to compete. Competition in the mining industry for desirable properties, investment capital and personnel is intense. Numerous companies headquartered in the United States, Canada and elsewhere throughout the world compete for properties on a global basis. We are an insignificant participant in the gold mining industry due to our limited financial and personnel resources. We presently operate with a limited number of personnel and we anticipate that we will compete with other companies in our industry to hire additional qualified personnel which will be required to successfully operate our mine and mill site. We may be unable to attract the necessary investment capital or personnel to fully explore and if warranted, develop our properties and be unable to acquire other desirable properties.

We may require significant additional capital to fund our business plan. We will be required to expend significant funds to determine if proven or probable mineral reserves exist at any of our properties, to continue exploration and if warranted, develop our existing properties and to identify and acquire additional properties to diversify our property portfolio. We have spent and will be required to continue to expend significant amounts of capital for drilling, geological and geochemical analysis, assaying and feasibility studies with regard to the results of our exploration. We may not benefit from these investments if we are unable to identify commercially exploitable mineralized material. If we do locate commercially mineable material or decide to put additional properties into production, we may be required to upgrade our milling facility at the El Aguila Project or construct new facilities.

Our ability to obtain necessary funding for these purposes, in turn, depends upon a number of factors, including the status of the national and worldwide economy and the price of gold and other precious metals. Capital markets worldwide have been adversely affected by substantial losses by financial institutions, in turn caused by investments in asset-backed securities. We may not be successful in obtaining the required financing, or if we can obtain such financing, such financing may not be on terms that are favorable to us. Failure to obtain such additional financing could result in delay or indefinite postponement of further mining operations or exploration and development and the possible partial or total loss of our potential interest in our properties.

Since most of our expenses are paid in Mexican pesos, and we sell our production in United States dollars, we are subject to adverse changes in currency values that may adversely affect our results of operation. Our operations in the future could be affected by changes in the value of the Mexican peso against the United States dollar. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms. The value of cash and cash equivalents, and other monetary assets and liabilities, denominated in foreign currencies also fluctuate with changes in currency exchange rates.

Our activities are subject to significant environmental regulations, which could raise the cost of doing business or adversely affect our ability to develop our properties. Our mining operations are subject to environmental regulation by SEMARNAT, the environmental protection agency of Mexico. Regulations governing development of new projects or significant changes to existing projects require that an environmental impact statement, known in Mexico as a Manifiestacion de Impacto Ambiental, be prepared by a third party contractor for submission to SEMARNAT. Studies required to support this impact statement include a detailed analysis of many subject areas, including soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. We may also be required to submit proof of local community support for a project to obtain final approval. If an environmental impact statement is adverse or if we cannot obtain community support, our ability to develop our properties could be adversely affected. Significant environmental legislation exists in Mexico, including fines and penalties for spills, release of emissions into the air, seepage and other environmental damage, which fines or penalties could adversely affect our financial condition or results of operation.

Our continuing reclamation obligations at the El Aguila Project and our other properties could require significant additional expenditures. We are responsible for the reclamation obligations related to disturbances located on all of our properties, including the El Aguila Project. We have reserved a liability on our balance sheet to cover the estimated amount of our reclamation obligation. However, there is a risk that any reserve could be inadequate to cover the actual costs of reclamation when carried out. Continuing reclamation obligations will require a significant amount of capital. There is a risk that we will be unable to fund these additional obligations, and further, that the regulatory authorities may increase reclamation requirements to such a degree that it would not be commercially reasonable to continue exploration activities, which may adversely affect our results of operations, financial performance and cash flows.

The nature of mineral exploration and production activities involves a high degree of risk and the possibility of uninsured losses. Exploration for and the production of minerals is highly speculative and involves greater risk than

many other businesses. Many exploration programs do not result in the discovery of mineralization, and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Our operations are, and any future development or mining operations we may conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and development of mineral properties, such as, but not limited to:

- Economically insufficient mineralized material;
- Fluctuation in production costs that make mining uneconomical;
- Labor disputes;
- Unanticipated variations in grade and other geologic problems;
- Environmental hazards;
- Water conditions;

- Difficult surface or underground conditions;
- Industrial accidents;
- Metallurgic and other processing problems;
- Mechanical and equipment performance problems;
- Failure of pit walls or dams;
- Unusual or unexpected rock formations;
- Personal injury, fire, flooding, cave-ins and landslides; and
- Decrease in the value of mineralized material due to lower gold and silver prices.

Any of these risks can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, potential revenues and production dates. We currently have limited insurance to guard against some of these risks. If we determine that capitalized costs associated with any of our mineral interests are not likely to be recovered, we would incur a write down of our investment in these interests. All of these factors may result in losses in relation to amounts spent which are not recoverable, or result in additional expenses.

We depend upon a limited number of personnel and the loss of any of these individuals could adversely affect our business. Due to the relatively limited number of personnel that we employ and our status as an exploration stage company, we are dependent on a limited number of individuals to run our business. These individuals include our executive officers, including William and Jason Reid and Brad Blacketer, and to a lesser extent, our employees Rick Irvine and Barry Devlin. If any of these individuals were to die, become disabled or leave our company, we would be forced to identify and retain individuals to replace them. There is no assurance that we can find suitable individuals to replace them or to add to our employee base if that becomes necessary. We have no life insurance on any individual, and we may be unable to hire a suitable replacement for them on favorable terms, should that become necessary.

In the event of a dispute regarding title to our property or any facet of our operations, it will likely be necessary for us to resolve the dispute in Mexico, where we would be faced with unfamiliar laws and procedures. The resolution of disputes in foreign countries can be costly and time consuming, similar to the situation in the United States. However, in a foreign country, we face the additional burden of understanding unfamiliar laws and procedures. We may not be entitled to a jury trial, as we might be in the United States. Further, to litigate in any foreign country, we would be faced with the necessity of hiring lawyers and other professionals who are familiar with the foreign laws. For these reasons, we may incur unforeseen losses if we are forced to resolve a dispute in Mexico or any other foreign country.

We have identified a material weakness in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, investors could lose confidence in our financial statements and our company, which could have a material adverse effect on our business and stock price. In order to provide reliable financial reports and operate successfully as a publicly traded company, we must maintain effective control over our financial reporting. In connection with the restatement of certain interim financial statements during 2012, we determined and reported to our external auditors there was an internal control deficiency in our concentrate sales process at March 31, 2012 and June 30, 2012 that did not prevent or detect on a timely basis the potential impact to concentrate sales that results from material variances between assays from concentrate samples taken at the mine site, and assays from samples taken at the buyer's warehouse, prior to final settlement with the buyer.

Management concluded that concentrate sales should have been adjusted at the time the material assay differences were known, even though final settlement had not yet occurred.

We believe that this material weakness does not exist as of December 31, 2012. However, we can make no assurances that additional material weaknesses or significant deficiencies may not subsequently arise. If we fail to achieve and maintain effective internal control over financial reporting and disclosure controls and procedures, it could result in additional significant deficiencies or material weaknesses, cause us to fail to meet our periodic reporting obligations, result in material misstatements in our financial statements, restatement of financial statements, sanctions or investigations by regulatory authorities, or loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our stock.

Compliance with changing regulation of corporate governance, public disclosure and financial accounting standards may result in additional expenses and affect our reported results of operations. Keeping informed of, and in compliance with, changing laws, regulations and standards relating to corporate governance, public disclosure and accounting standards, including the Sarbanes-Oxley Act of 2002 and Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as new and proposed SEC regulations and accounting standards, has required an increased amount of management attention and external resources. Compliance with such requirements may result in increased general and administrative expenses and an increased allocation of management time and attention to compliance activities.

The laws of the State of Colorado and our Articles of Incorporation may protect our directors from certain types of lawsuits. The laws of the State of Colorado provide that our directors will not be liable to us or our shareholders for monetary damages for all but certain types of conduct as directors of the company. Our Articles of Incorporation permit us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

Risks Related to Our Common Stock

Our stock price may be volatile and as a result you could lose all or part of your investment. In addition to volatility associated with equity securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock:

- Changes in the worldwide price for gold;
- Disappointing results from our exploration or production efforts;
- Producing at rates lower than those targeted;
- Weather conditions, including unusually heavy rains;
- Failure to meet our revenue or profit goals or operating budget;
- Decline in demand for our common stock;
- Downward revisions in securities analysts' estimates or changes in general market conditions;
- Technological innovations by competitors or in competing technologies;
- Investor perception of our industry or our prospects; and
- General economic trends.

In the last 12 months, the price of our stock has ranged from a low of \$12.31 to a high of \$28.37. In addition, stock markets in general have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, you may be unable to resell your shares at a desired price.

Past payments of dividends on our common stock are not indicators of future payments of dividends. As of March 15, 2013, we have declared an instituted cash dividend on our common stock of \$0.06 per share per month. However, our ability to pay dividends in the future will depend on a number of factors, including cash flow, development requirements and strategies, construction projects, spot gold and silver prices and taxation and general market conditions. Further, a portion of our cash flow will likely be retained to finance our operations. Any material change in our operations may affect future dividends which may be modified at the discretion of our Board of Directors. Any decrease in our monthly dividend would likely have an adverse impact on the price of our common stock.

The sale of common stock by certain of our shareholders may depress the price of our common stock due to the limited trading market which exists. Due to a number of factors, including our stage of development and the past history of our common stock trading in the over the counter securities market prior to becoming listed on a national

securities exchange, the trading volume in our common stock has been limited. Trading over the last 90 days has averaged approximately 400,000 shares per day. The sale of a significant amount of common stock by our principal shareholders, including Hochschild Mining Holdings Limited, may depress the price of our common stock. As a result, you may lose all or a part of your investment.

A small number of existing shareholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any shareholder vote. Our executive officers and directors beneficially own approximately 10% of our common stock and our largest shareholder owns approximately 28% of our common stock as of March 15, 2013. Under our Articles of Incorporation and Colorado law, the vote of a majority of the shares outstanding is generally required to approve most shareholder action. As a result, this group may be able to influence the outcome of shareholder votes for the foreseeable future, including votes concerning the election of directors, amendments to our Articles of Incorporation or proposed mergers or other significant corporate transactions. We have no existing agreements or plans for mergers or other corporate transactions that would require a shareholder vote at this time. However, you should be aware that you may have limited ability to influence the outcome of any vote in the future.

We are subject to the Continued Listing Criteria of the NYSE MKT and our failure to satisfy these criteria may result in delisting of our common stock. Our common stock is currently listed on the NYSE MKT. In order to maintain the listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum

amount of shareholders' equity and a minimum number of public shareholders. In addition to objective standards, the NYSE MKT may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE MKT inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE MKT's listing requirements; if an issuer's common stock sells at what the NYSE MKT considers a "low selling price" and the issuer fails to correct this via a reverse split of shares after notification by the NYSE MKT; or if any other event occurs or any condition exists which makes continued listing on the NYSE MKT, in its opinion, inadvisable.

If the NYSE MKT delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our securities, reduced liquidity, decreased analyst coverage of our securities, and an inability for us to obtain additional financing to fund our operations.

Issuances of our stock in the future could dilute existing shareholders and adversely affect the market price of our common stock. We have the authority to issue up to 100,000,000 shares of common stock, 5,000,000 shares of preferred stock, and also to issue options and warrants to purchase shares of our common stock without stockholder approval. As of March 15, 2013, there were 52,679,369 shares of common stock outstanding. Future issuances of our securities could be at prices substantially below the price paid for our common stock by our current shareholders. In addition, we can issue blocks of our common stock in amounts up to 20% of the then outstanding shares without further shareholder approval. Because we experience lower trading volume in our common stock than many of our larger peers, the issuance of a significant amount of our common stock may have a disproportionately large impact on our share price compared to larger companies.

Our awards of stock options to employees may not have their intended effect. A portion of our total compensation program for our executive officers and key personnel has historically included the award of options to buy our common stock. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could affect our ability to retain and motivate existing personnel and recruit new personnel.

ITEM 1B.UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We classify our mineral properties into two categories: “Operating Properties” and “Exploration Properties”. Operating Properties are properties on which we operate a producing mine and are what we consider a “material” property in accordance with Guide 7. We currently have an interest in six properties, including one Operating Property and five Exploration Properties, in the southern state of Oaxaca, Mexico. All of the properties are located in what is known as the San Jose structural corridor, which runs north 70 west. Our properties comprise 48 continuous kilometers of this structural corridor, which spans three historic mining districts in Oaxaca.

The map below shows the general location of our six properties:

Operating Properties

The El Aguila Project

Background

The El Aguila Project currently comprises 10 mining concessions aggregating 20,055 hectares as described in the table below:

Acquisition Date	Concession Names	Hectares	Acquisition
2002	El Aguila and El Aire	971	Lease, subject to royalty
2010	El Chacal and El Pilon,	1,445	Lease, subject to royalty
2010	El Pitayo, El Talaje, El Coyote, El Zarrito, San Luis and La Curva	17,639	Concession holder

Effective October 14, 2002, we leased El Aguila, El Aire and La Tehuana, from a former consultant to our company. The El Aguila and El Aire concessions are part of the El Aguila Project and the La Tehuana concession comprises the Las Margaritas property.

The El Aguila lease agreement is subject to a 4% net smelter return royalty where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Subject to meeting minimum exploration requirements,

there is no expiration term for the lease. We may terminate it at any time upon written notice to the lessor and the lessor may terminate it if we fail to fulfill any of our obligations, which primarily consists of paying the appropriate royalty to the lessor.

In 2010, we subsequently acquired from our former consultant, at no additional cost, the El Chacal and El Pilon concessions, which are subject to a 2% royalty, but are not subject to the El Aguila lease agreement. We filed for and received additional concessions from the Mexican government which are also not part of the concessions leased or acquired from our former consultant. The mineral concessions making up the El Aguila Project are located within the San Pedro Totolapam Ejido. As described in more detail in “Mining Concessions and Regulations” below, we are required to pay concession fees to the Mexican government to maintain our interest in these concessions, including the concessions which are subject to the lease agreement with our former consultant. We paid approximately \$68,000 during 2012 in maintenance fees to the Mexican government for the concessions comprising El Aguila Project.

Location and Access

The El Aguila Project is located in the Sierra Madre del Sur mountains of southern Mexico, in the central part of the State of Oaxaca. The property is located along a major paved highway approximately 120 kilometers (75 miles) southeast of Oaxaca City, the state’s capital city. At the village of San Jose de Gracia, the property is approximately four kilometers due northwest from the village. We have constructed gravel and paved road from the village to the mine and mill sites which supports adequate access to the property by small and large vehicles.

The climate of the El Aguila Project area is dry and warm to very warm with most rainfall occurring in the summer and annual precipitation averaging only 423.7 mm (17 inches). The average yearly temperature is 26.6 degrees centigrade (80° F). The area is very rocky with scarce vegetation. Subsistence farming occurs and the main agricultural crop is agave cactus that is cultivated for the production of mescal.

Geology and Mineralization

The El Aguila Project is located in the San Jose de Gracia Mining District in Oaxaca. Multiple volcanic domes of various scales, and probably non-vented intrusive domes, dominate the district geology. These volcanogenic features are imposed on a pre-volcanic basement of sedimentary rocks. Gold and silver mineralization in this district is related to the manifestations of this classic volcanogenic system and is considered epithermal in character.

There are no known reserves at El Aguila, within the definition of the SEC Guide 7, and we have proceeded to commercially mine the property absent a feasibility study that would indicate any proven or probable reserves. As discussed in more detail below, we have produced metal concentrates from two locations on the El Aguila property, the open pit mine (“El Aguila open pit”) and the underground mine at the La Arista vein system. The El Aguila open pit mineralization is considered low sulfidation, epithermal mineralization of gold and silver with no base metals. The La Arista vein system is considered intermediate epithermal mineralization of gold, silver, copper, lead, and zinc. The host rock at the La Arista vein system is primarily andesite.

Facilities

We constructed a mill facility and infrastructure at the El Aguila Project for approximately \$35 million, which was completed in 2010. The mill is flexible in its ability to process several types of mineralization. It has a differential flotation section capable of processing polymetallic ores and producing up to three separate concentrate products for sale, and an agitated leach circuit capable of producing gold and silver dore for sale. Depending on the specific ore type and characteristics, the mill, as it is presently configured, can process a nominal 440,000 tonnes of ore per year. Power is provided by diesel generators at the site. We obtained water rights from the Mexican government for an amount of water we believe is sufficient to meet our operating requirements and pump it approximately five kilometers to the site from a permitted well located near the Totolapam River .

Additional improvements we have made at the site include an access road from the major highway, a water line and pumping station, haul roads from the mine site to the mill, constructing buildings adjacent to the mill facility for office space and an assay lab and a tailings impoundment and other infrastructure.

In October 2007, we acquired an additional parcel of land which is approximately five hectares in size and adjacent to the community of San Jose de Gracia. The land cost us \$153,000. We have completed construction of an employee housing facility on this parcel for approximately \$1.9 million that includes 10 buildings and houses approximately 50 people.

Exploration Activities

The early history of activity at the El Aguila Project property, as known by us, is prospecting and limited mining for gold and silver from the early 1900's to the mid 1960's. In 1998, the concessions were leased to Apex Silver Corporation of Denver, Colorado. Apex carried out an exploration program involving geologic mapping, surface sampling and an 11-hole

drilling program (1,242 meters, or 4,074 feet). The results did not meet Apex's expectations so it cancelled its lease on the property in 2002. We leased the property from our former consultant in October 2002.

In August 2003, we commenced an initial drilling and exploration program. Through 2012, we have drilled a total of 359 core holes equaling 114,936 meters and 177 reverse circulation holes equaling 15,609 meters for a total of 536 holes totaling 130,545 meters (428,292 feet).

Exploration at the El Aguila Project includes drilling the El Aguila open pit mineralization and drilling the El Aire vein system mineralization and the discovery and subsequent detailed drilling of the La Arista vein system. The La Arista vein system is made up of two primary veins, the Baja vein and the Arista vein which are approximately 30 meters apart but also include multiple near parallel veins of varying length. The drilling of the La Arista vein system has shown mineralized material over 500 meters of strike length and 500 meters of depth. Both veins are open along strike and depth.

Surface drilling at El Aguila in 2012 was mainly a continuation of the previous year's activities of infill and step out drilling from the mine. In 2012, 52 surface diamond drill holes totaling 31,763 meters (104,209 feet) were completed on the El Aguila Project. New significant high-grade mineralization was encountered in 17 holes with drill intercepts including 3.83 grams per tonne gold and 985 grams per tonne silver over a core length of 4.21 meters and 9.23 grams per tonne gold and 1,040 grams per tonne silver over a core length of 2.93 meters. Other surface prospecting work consisted of field geological, structural and alteration mapping, geochemical sampling and a ground geophysical survey. The ground geophysical survey was carried out over the area of the mine and the area to the west and southwest. This survey generated a number of target areas that are marked for future drilling.

In 2013, we anticipate spending approximately \$7.4 million for exploration at El Aguila, consisting of approximately \$5.1 million for drilling, \$414,000 for geochemical surveys and \$400,000 for geophysical exploration, including an airborne magnetic and radiometric survey of all of our properties which was delayed from 2012. We anticipate that all exploration activities will be funded from working capital.

Operating Activities

We declared commercial production at the El Aguila Project July 1, 2010. Mineral production during 2010 consisted of processing ore from the El Aguila open pit located approximately 0.5 kilometers from the mill. Mining of the open pit ore was essentially completed in 2010 and there remained a lower-grade stockpile of open pit ore approximating 78,000 tonnes for future processing at the end of 2012.

During 2010, we began developing an underground mine to access two veins we named the La Arista and Baja veins, which we refer to as the "La Arista vein system". The underground mine is approximately two kilometers from the mill. We have constructed a primary decline ramp and that reached Level 14, approximately 262 meters below the portal, at December 31, 2012. We have also constructed a safety/ventilation decline ramp in conjunction with the primary decline ramp along with various drifts and stopes.

During 2012, we continued underground mining of the La Arista ore at our El Aguila Project and the main production areas were from level 8 to 10. Mine development and preparation occurred on Levels 11 to 13. Several factors contributed to the challenges we encountered with production from La Arista during 2012, including higher than planned dilution in our long-hole stopes, mining of lower grade vein margins and splays and continued development and infrastructure needs in the mine related to abatement of water inflow at lower levels along with required ventilation upgrades to reduce carbon dioxide levels associated with the increased water flows. To remediate these issues we installed additional water pumping stations and upgraded the underground mine ventilation system with several new vent fans.

We began transitioning from processing the open pit ore to the underground ore at our mill facilities in March 2011. In 2012, we processed underground ore through the mill at an average of 773 tonnes of ore per day and totaled 282,120 tonnes for the year, with an average grade of 4.3 grams per tonne gold and 355 grams per tonne silver. All of our processing is taking place using the mill's flotation circuit, as we have not yet utilized the mill's agitated leach circuit. We anticipate we would use the agitated leach circuit if ever we are able to mine sufficient ore from either the El Rey or Las Margaritas properties or any other property with potential oxide ore.

Please see the table titled "Production and Sales Statistics—El Aguila Project" in Item 7. Management's Discussion and Analysis for additional details concerning our mineral production statistics for 2012 and 2011.

Exploration Properties

We currently hold an interest in five additional properties in Oaxaca, which we classify as exploration properties. We do not currently consider any of these properties to be a "material" property for purposes of Guide 7 and none of these properties has any known reserves. We anticipate all exploration activities at these properties will be funded through our working capital.

The El Rey Property

The El Rey property consists of concessions in another area in the state of Oaxaca known as El Rey, El Virrey, La Reyna and El Marquez. We acquired the El Rey concession from our former consultant and it is subject to a 2% net smelter return royalty payable to him on a portion of the claims. We obtained the remaining concessions by staking claims and filing for concessions with the Mexican government. These concessions total 2,773 hectares and we are required to pay concession maintenance fees semi-annually to the Mexican government to maintain the claims. We paid \$7,300 in maintenance fees for the concessions comprising El Rey property in 2012.

The El Rey property is approximately 64.4 kilometers (40 miles) from the El Aguila Project. There is no plant or equipment on the El Rey property. If exploration is successful, any mining would probably require an underground mine but any mineralized material could be trucked to the El Aguila Project mill for processing. Limited drilling at El Rey has encountered gold and silver mineralization up to 1 meter of 132.5 grams per tonne gold (4.25 ounces per tonne) and 1.5 meters of 958 grams per tonne silver. The mineralized material has been located within 100 meters from the surface. To date, we have drilled 48 core holes for a total of 5,278 meters (17,316 feet) at the El Rey property. Early in 2012, we completed a small amount of work to finish refurbishing and extending an existing shaft on the property to permit underground exploratory drilling. We ceased work at El Rey during 2012 following a request to obtain additional approvals from local community agencies. We continue to work with the local agencies and anticipate resolving the matter, but we have no assurance we will be able to resume our exploration activities in the near term. If the matter is resolved, we will conduct follow-up drilling and exploration based on the drilling done in 2008, and have budgeted \$1.5 million for that purpose in that event. It is anticipated that El Rey will be included in our anticipated airborne geophysical survey.

The Las Margaritas Property

The Las Margaritas property is made up of the La Tehuana concession. We leased this concession in October 2002 from our former consultant along with two of the concessions comprising the El Aguila property and the terms of this agreement are discussed under "The El Aguila Project" above. It is comprised of approximately 925 hectares located adjacent to the El Aguila Project. We are also required to pay concession maintenance fees semi-annually to the Mexican government to maintain this claim and we paid \$17,500 in maintenance fees during 2012.

In 2012, we conducted a geochemical stream sediment sampling program on Las Margaritas. A total of 300 samples were collected. Six rock samples were also collected from this property and submitted for fluid inclusion study. The result of this survey indicated a number of areas were appropriate for further investigation by diamond drilling from surface. We completed a series of access roads after consultation with the local community to help facilitate the drill program. In 2012, fifteen surface diamond drill holes totaling 5,002 meters (16,410 feet) were completed on the Las Margaritas property. High-grade mineralization was encountered with drill intercepts including 27.90 grams per tonne gold and 2,600 grams per tonne silver over a core length of 2.85 meters. In 2013, drilling will continue at Las Margaritas to test various structural and mineralized exploration targets and we have budgeted approximately \$500,000 for this purpose.

The Alta Gracia Property

In August 2009, we acquired claims adjacent to the Las Margaritas property in the Alta Gracia Mining District by filing concessions known as the David 1, the David 2 and La Hurradura, totaling 5,175 hectares. We refer to this property as the Alta Gracia property. We are required to pay concession maintenance fees to the Mexican government semi-annually in order to maintain these claims and we paid \$14,000 in annual fees during 2012.

During 2010, we conducted surface sampling and geologic mapping at Alta Gracia. Our rock chip samples and other geologic field work have identified several structural targets containing gold and silver mineralization, including three high-grade polymetallic veins that outcrop on the surface near some historic workings. During 2010 and 2011, we

identified multiple drill targets. We also conducted a small amount of underground exploration by driving drifts and crosscuts into exposed veins. In 2012, we completed a preliminary drill program consisting of twelve surface diamond drill holes totaling 3,262 meters (10,702 feet). Drill results were encouraging and will be assessed in 2013 to help plan further drilling campaigns. In addition, detailed mapping and sampling will be required to assess the resource potential of Alta Gracia to determine if mine development is warranted. We will also conduct additional metallurgical test work to determine the amenability of the ore at our El Aguila processing facility.

We have no established timetable for our exploration activities at Alta Gracia and any additional exploration activities conducted in 2013 will be included as part of the exploration budget for El Aguila.

The El Chamizo Property

In June 2011, we staked mineral claims between the El Rey property and Alta Gracia property and acquired an exploration concession from the Mexican government of approximately 26,386 hectares (101 square miles) referred to as El

Chamizo. We are required to pay maintenance fees to the Mexican government semi-annually to maintain these claims and we paid approximately \$24,000 in maintenance fees during 2012. In March 2013, we acquired a concession known as Cerro Colorado from Almaden Minerals, Ltd. consisting of approximately 1,860 hectares. The Cerro Colorado concession is surrounded by our El Chamizo concession and we include it as part of the El Chamizo property. Any future production from the Cerro Colorado concession is subject to a 2% net smelter return royalty in favor of Almaden.

Because of the close proximity of El Chamizo to Alta Gracia, exploration activity began on this property during late 2011 and to date has been limited to geochemical sampling and drilling of eight shallow core holes for a total of 1,327 meters (4,353 feet). No significant work was conducted at El Chamizo during 2012. In 2013, exploration on the property will include the property-wide airborne geophysical survey and additional geochemical sampling, which is included in the exploration budget for El Aguila.

El Fuego Property

In March 2013, we acquired two concessions from Almaden Minerals Ltd. for \$100,000 cash subject to a 2% net smelter return royalty. The Cerro Colorado concession is surrounded by our El Chamizo property and included as part of this property as discussed above. The El Fuego concession consists of approximately 2,554 hectares and is located south of our Alta Gracia and El Chamizo property along the San Jose structural corridor. We will be required to pay maintenance fees to the Mexican government semi-annually to maintain this claim during 2013. We currently do not anticipate conducting exploration activities on El Fuego during 2013, however, it will be included in the property-wide airborne geophysical survey.

The Solaga Property

We leased a 100% interest in a property we refer to as the Solaga property, which is comprised of two mining concessions totaling 618 hectares known as Solaga I and Solaga II in February 2007 located approximately 120 kilometers (75 miles) northeast of the El Aguila Project. In early 2013, we terminated our interest in this lease, which was subject to a 4% net smelter return royalty on any production and required an annual minimum advance royalty payment of \$10,000 if production had not commenced by 2010. We paid the minimum advance royalty to the lessor in 2012, 2011 and 2010 in accordance with the lease. We also paid \$5,500 in maintenance fees for Solaga during 2012.

Mining Concessions and Regulations

Mineral rights in Mexico belong to the Mexican federal government and are administered pursuant to Article 27 of the Mexican Constitution. All of our mining concessions are exploitation concessions, which may be granted or transferred to Mexican citizens and corporations. Our leases or concessions are held by our Mexican subsidiaries. Exploitation concessions have a term of 50 years and can be renewed for another 50 years. Concessions grant us the right to explore and exploit all minerals found in the ground. Maintenance of concessions requires the semi-annual payment of mining duties (due in January and July) and the performance of assessment work, on a calendar year basis, with assessment work reports required to be filed in the month of May for the preceding calendar year. The amount of mining duties and annual assessment are set by regulation and may increase over the life of the concession and include periodic adjustments for inflation. Mining concessions are registered at the Public Registry of Mining in Mexico City and in regional offices in Mexico.

Mexican mining law does not require payment of finder's fees or royalties to the government, except for a discovery premium in connection with national mineral reserves, concessions and claims or allotments contracted directly from the Mexican Geological Survey. None of the claims held by any of our subsidiaries are under such a discovery premium regime.

Ejido Lands and Surface Right Acquisitions

Surface lands at our Oaxaca mining properties are Ejido lands (agrarian cooperative lands granted by the federal government to groups of Campesinos pursuant to Article 27 of the Mexican Constitution of 1917). Prior to January 1, 1994, Ejidos could not transfer Ejido lands into private ownership. Amendments to Article 27 of the Mexican Constitution in 1994 now allow individual property ownership within Ejidos and allow Ejidos to enter into commercial ventures with individuals or entities, including foreign corporations. We have an agreement with the local San Pedro Totolapam Ejido allowing exploration and exploitation of mineralization at the El Aguila Project and our surrounding properties.

Mexican law recognizes mining as a land use generally superior to agricultural. However, the law also recognizes the rights of the Ejidos to compensation in the event mining activity interrupts or discontinues their use of the agricultural lands. Compensation is typically made in the form of a cash payment to the holder of the agricultural rights. The amount of such compensation is generally related to the perceived value of the agricultural rights as negotiated in the first instance between the Ejidos and the owner of the mineral rights. If the parties are unable to reach agreement on the amount of the compensation, the decision will be referred to the government.

We have established surface rights agreements with the San Pedro Totolapam Ejido and the individuals impacted by our proposed operations which allow disturbance of the surface where necessary for our exploration activities and mining operations.

Office Facilities

We maintain offices in Oaxaca and in Colorado. We constructed an administrative office building adjacent to the mill site as part of the facilities at the El Aguila Project. We also lease office space in Oaxaca City, Oaxaca consisting of approximately 3,000 square feet. The lease commenced in 2012 for ten years at approximately \$6,000 per month. In 2010, we purchased a building in Colorado Springs, Colorado, containing approximately 4,500 square feet which serves as our executive and administrative headquarters. We also established a small satellite office in Denver, Colorado in 2012 consisting of approximately 2,500 square feet, which we leased for three years at approximately \$5,000 per month.

Glossary

The following terms used in this report shall have the following meanings:

Adit:	A more or less horizontal drive (walk-in mine) into a hill that is usually driven for the purpose of intersecting or mining an ore body. An adit may also be driven into a hill to intersect or connect a shaft for the purpose of dewatering. Adits were commonly driven on a slight incline to enable loaded mine trucks to have the advantage of a downhill run out, while the empty (lighter) truck was pushed uphill back into the hill. The incline also allows water to drain out of the adit. An adit only becomes a tunnel if it comes out again on the hill somewhere, like a train tunnel.
Andesite:	An extrusive igneous, volcanic rock, of intermediate composition, with aphanitic to porphyritic texture characteristic of subduction zones, such as the western margin of South America. Along with basalts they are a major component of the martian crust.
Doré:	Unrefined gold and silver bars usually containing more than 90% precious metal.
Epithermal:	Used to describe gold deposits found on or just below the surface close to vents or volcanoes, formed at low temperature and pressure.
Gram:	A metric unit of weight and mass, equal to 1/1000th of a kilogram. One gram equals .035 ounces. One ounce equals 31.103 grams.
Hectare:	Another metric unit of measurement, for surface area. One hectare equals 1/200th of a square kilometer, 10,000 square meters, or 2.47 acres. A hectare is approximately the size of a soccer field.
Kilometer:	Another metric unit of measurement, for distance. The prefix “kilo” means 1000, so one kilometer equals 1,000 meters, one kilometer equals 3,280.84 feet, which equals 1,093.6 yards, which equals 0.6214 miles.
Manto:	A mineralogy term meaning a layer or stratum.
Mineralized Material:	Minerals or any mass of host rock in which minerals of potential commercial value occur.
Net Smelter Return Royalty:	A share of the net revenue generated from the sale of metal produced by the mine.
Ore or Ore Deposit:	Rocks that contain economic amounts of minerals in them and that are expected to be profitably mined.
Portal:	The entrance to the mine at the surface.
Silicified:	Is combined or impregnated with silicon or silica.
Tonne:	A metric ton. One tonne equals 1000 kg. It is approximately equal to 2,204.62 pounds.

Volcanogenic: Of volcanic origin.

Volcanic domes: These are mounds that form when viscous lava is erupted slowly and piles up over the vent, rather than moving away as lava flow. The sides of most domes are very steep and typically are mantled with unstable rock debris formed during or shortly after dome emplacement. Most domes are composed of silica-rich lava which may contain enough pressurized gas to cause explosions during dome extrusion.

Conversion Table

Metric System	Imperial System
1 metre (m)	3.2808 feet (ft)
1 kilometer (km)	0.6214 mile (mi)
1 square kilometer (km ²)	0.3861 square mile (mi ²)
1 square kilometer (km ²)	100 hectares (has)
1 hectare (ha)	2.471 acres (ac)
1 gram (g)	0.0322 troy ounce (oz)
1 kilogram (kg)	2.2046 pounds (lbs)
1 tonne (t)	1.1023 tons (t)
1 gram/tonne (g/t)	0.0292 ounce/ton (oz/t)

ITEM 3. LEGAL PROCEEDINGS

On October 25, 2012, a purported securities class action lawsuit captioned Scott Cantor, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation, et al., was filed in the U.S. District Court for the District of Colorado and on November 13, 2012, a similar case captioned Robert Rhodes, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation, et al., was filed in the same court. The cases were subsequently consolidated into In re Gold Resource Corp. Securities Litigation, No.1:12-cv-02832. This federal court action names the company and certain of its executive officers individually as defendants and alleges, among other things, that we and those officers violated Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 in connection with statements and/or omissions relating to our annual production targets, mine operations and financial reporting for the period between January 30, 2012 and November 8, 2012. The plaintiffs seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incur in the lawsuit. We believe the allegations are without merit and that we have valid defenses to such allegations. We intend to defend this action vigorously.

On February 8, 2013, a shareholder's derivative lawsuit entitled City of Bristol Pension Fund v. Reid et al., No. 1:13-CV-00348 was filed in the U.S. District Court for the District of Colorado naming us as a nominal defendant, and naming seven of our current and former officers and directors as defendants. The lawsuit alleges breach of fiduciary duty, gross mismanagement and unjust enrichment and seeks to recover, for Gold Resource Corporation's benefit, unspecified damages purportedly sustained by us in connection with the alleged misconduct identified in the class action lawsuit discussed above and an award of attorney's fees and costs. Pursuant to our articles of incorporation, we are obligated to indemnify our officers and directors with respect to this litigation and our company will bear the cost associated with defense of these claims. We are investigating the claims alleged in the derivative lawsuit and will respond appropriately.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NYSE MKT LLC stock exchange, which we refer to as the NYSE MKT, under the symbol “GORO”. The table below sets forth the high and low bid prices for our common stock on the NYSE MKT for the last two fiscal years (previously known as NYSE Amex).

Year Ending	High	Low
December 31, 2012		
First Quarter	\$ 27.74	\$ 21.65
Second Quarter	28.37	21.03
Third Quarter	26.96	16.54
Fourth Quarter	21.98	12.13
December 31, 2011		
First Quarter	\$ 29.90	\$ 21.16
Second Quarter	31.38	21.76
Third Quarter	28.74	16.65
Fourth Quarter	24.19	15.06

On March 15, 2013, the high and low sales price of our common stock on the NYSE MKT stock exchange were \$13.27 and \$12.67, respectively, and we had approximately 115 holders of record of our common stock. The approximate number of beneficial shareholders is 23,000.

Securities authorized for issuance under equity compensation plans

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2012.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average Exercise price of Outstanding options, warrants and rights (b)	Number of securities Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by	6,020,000	\$ 8.55	1,578,000

security holders:

Equity compensation
plans not approved by

security holders:

	-	-	-
Total	6,020,000	\$ 8.55	1,578,000

Purchases of Equity Securities by the Company and Affiliated Purchasers

In September 2011, our Board of Directors authorized a share repurchase program to purchase up to \$20.0 million of our common stock with no pre-established end date.

Issuer Purchases of Equity Securities

Registered Pursuant to Section 12 of the Exchange Act

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in thousands)
July 1-September 30, 2011	51,000	\$ 19.01	51,000	\$ 19,030
October 1-December 31, 2011	53,251	18.39	53,251	18,046
Total 2011	104,251	18.69	104,251	18,046
January 1-March 31, 2012	-			18,046
April 1-June 30, 2012	-			18,046
July 1-September 30, 2012	82,740	18.07	82,740	16,551
October 1-December 31, 2012	149,407	16.30	149,407	14,116
Total 2012	232,147	16.93	232,147	14,116
Total	336,398	\$ 17.49	336,398	\$ 14,116

(1) The total number of shares purchased as part of publicly announced plans or programs includes shares purchased under the Board's authorizations described above.

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference in such filing.

The following graph compares the performance of Gold Resource Corporation common stock with the performance of the NYSE MKT Composite Index and the S&P TSX Global Gold Fund, assuming reinvestment of dividends on December 31 of each year indicated. The graph assumes \$100 invested at the per share closing price in Gold Resource Corporation and each of the indices on December 31, 2007.

	12/07	12/08	12/09	12/10	12/11	12/12
Gold Resource Corp.	100.00	78.65	252.81	665.55	490.96	367.38
NYSE Composite	100.00	60.74	77.92	88.36	84.96	98.55
S&P/TSX Global Gold	100.00	81.17	102.84	137.44	115.88	101.10

Transfer Agent

Computershare Investor Services is the transfer agent for our common stock. The principal office of Computershare is located at 350 Indiana Street, Suite 750, Golden, CO 80401 and its telephone number is (303) 262-0600.

Dividend Policy

Since we have declared commercial production at our El Aguila Project, one of our primary goals is to make a cash or in-kind distribution to shareholders. As described in more detail below in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we use Cash Flow from Mine Site Operations as a metric to determine whether to declare and pay dividends to shareholders. Our long-term goal is to distribute one-third of Cash Flow from Mine Site Operations back to shareholders. In keeping with this policy, and beginning July 2010, we determined on a monthly basis to declare a special dividend every month until August 2011 ranging from \$0.03 to \$0.04 per share. In August 2011, we increased the dividend to \$0.05 per share and instituted a regular monthly dividend policy at that time. In April 2012, we increased the dividend to \$0.06 per share. Special and regular dividends should not be considered a prediction or guarantee of future dividends. Our instituted dividend may be modified or discontinued at the discretion of our Board of Directors, depending on variables such as, but not limited to, operating cash flow, development requirements and strategies, construction projects, spot gold and silver prices, taxation and general market conditions. At the present time, we are not a party to any agreement that would limit our ability to pay dividends. All dividends have been declared and charged against additional paid in capital.

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The table below sets forth the frequency and amounts of cash dividends declared on our common stock for the fiscal years ended December 31, 2011 and 2012, respectively.

Date Declared	Per Share Amount
2011	
January 26, 2011	\$ 0.03
February 23, 2011	0.03
March 29, 2011	0.03
April 28, 2011	0.04
May 26, 2011	0.04
June 27, 2011	0.04
July 25, 2011	0.04
August 23, 2011	0.05
October 5, 2011	0.05
October 27, 2011	0.05
November 29, 2011	0.05
December 28, 2011	0.05
Total 2011:	\$ 0.50
2012	
January 26, 2012	\$ 0.05
February 24, 2012	0.05
March 27, 2012	0.05
April 30, 2012	0.06
May 29, 2012	0.06
June 28, 2012	0.06
July 24, 2012	0.06
August 28, 2012	0.06
September 27, 2012	0.06
October 31, 2012	0.06
November 27, 2012	0.06
December 31, 2012	0.06
Total 2012:	\$ 0.69

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data sets forth our summary historical financial data as of and for the years ended December 31, 2012, 2011, 2010, 2009, and 2008. This information was derived from our audited consolidated financial statements for each period. Our selected historical financial data is qualified in its entirety by, and should be read in conjunction with, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the notes thereto included elsewhere in this report. For additional information relating to our operations, see “Item 1. Business” and “Item 2. Properties.”

Operating Data (in thousands, except share data)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Sales of metals concentrate	\$ 131,794	\$ 105,163	\$ 14,754	\$ -	\$ -
Mine gross profit	87,773	80,521	7,971	-	-
Operating Income (loss)	49,704	45,674	(22,839)	(34,184)	(26,349)
Other (expense) income	(2,736)	2,414	(235)	55	334
Income (loss) before income taxes	46,968	48,088	(23,074)	(34,129)	(26,015)
Provision for income taxes	13,297	(12,037)	-	-	-
Net income (loss) before extraordinary item	33,671	60,125	(23,074)	(34,129)	(26,015)
Extraordinary item	-	(1,756)	-	-	-
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (34,129)	\$ (26,015)
Net income per common share:					
Basic:					
Before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)	\$ (0.78)	(0.76)
Extraordinary item	-	(0.03)	-	-	-
Net income	\$ 0.64	\$ 1.10	\$ (0.46)	\$ (0.78)	(0.76)
Diluted:					
Before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)	\$ (0.78)	(0.76)
Extraordinary item	-	(0.03)	-	-	-
Net income	\$ 0.60	\$ 1.03	\$ (0.46)	\$ (0.78)	(0.76)
Weighted average shares outstanding:					
Basic	52,846,163	52,979,481	50,042,471	43,764,703	34,393,854
Diluted	56,315,885	56,414,654	50,042,471	43,764,703	34,393,854
Balance Sheet Data (in thousands)	As of December 31,				
	2012	2011	2010	2009	2008
Cash and cash equivalents	\$ 35,780	\$ 51,960	\$ 47,582	\$ 6,752	\$ 3,535
Total current assets	58,984	85,108	57,687	20,701	3,737
Land and mineral rights	227	227	227	227	227
Property and equipment, net	14,050	10,318	4,849	1,726	812
Deferred tax asset	31,559	19,517	-	-	-
Total assets	105,629	115,170	62,797	22,665	4,781
Current liabilities	13,025	25,761	6,456	725	1,753
Long-term obligations	2,790	2,281	2,495	1,992	-
Shareholders’ equity	89,814	87,128	53,846	19,948	3,028

See the consolidated financial statements attached hereto under Item 8 for additional information

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Except for the historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. Our actual future results or actions may differ materially from these forward-looking statements for many reasons, including the risks described in "Risk Factors" and elsewhere in this annual report. Our discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and related notes included in this report and with the understanding that our actual future results may be materially different from what we currently expect.

Introduction

The following discussion summarizes our results of operations for three fiscal years ended December 31, 2012 and our financial condition at December 31, 2012 and 2011, with a particular emphasis on the year ended December 31, 2012. The discussion also presents certain Non-GAAP financial measures that are important to management in its evaluation of our operating results and which are used by management to compare our performance with what we perceive to be peer group mining companies and relied on as part of management's decision-making process. Management believes these measures may also be important to investors in evaluating our performance. For a detailed description of each of the Non-GAAP financial measures, please see the discussion under "Non-GAAP Measures" below.

Overview

Business

We are a mining company that pursues gold and silver projects that are expected to have low operating costs and high returns on capital. We are presently focused on mineral production at the El Aguila Project in Oaxaca, Mexico. We achieved commercial production in July 2010 at our El Aguila open pit mine with a metal concentrate containing our primary product of gold and a silver by-product. Operations at the El Aguila open pit mine ceased in February 2011 with the start-up of mine operations at the La Arista underground mine in March 2011. Our La Arista underground mine produces metal concentrates that contain our primary metal products of gold and silver, and by-products of copper, lead and zinc.

The mill located at our El Aguila Project produced a total of 90,432 precious metal gold equivalent ounces for the year ended December 31, 2012, which was within our revised 2012 target mill production of 85,000 to 100,000 precious metal gold equivalent ounces. During this period, we sold 72,399 of precious metal gold equivalent ounces at a total cash cost (including royalties) of \$419 per precious metal gold equivalent ounce sold. Precious metal gold equivalent is determined by taking the silver ounces produced or sold and converting them to precious metal gold equivalent ounces using the gold to silver average price ratio. The gold and silver average prices used are the actual metal prices realized from the sales of our metals concentrate. (Please see the section titled "Non-GAAP Measures" below for additional information concerning the cash cost per ounce measure.) For the year ended December 31, 2012, we recorded revenues of \$131.8 million, mine gross profit of \$87.8 million and net income of \$33.7 million.

Although our annual mill production increased 36.5% over the prior year, we encountered several challenges with production at La Arista during 2012, including higher than planned mining dilution in our long-hole stopes, mining of lower grade vein margins and splays, continued development and infrastructure needs in the mine related to abatement of water inflow at lower levels and ventilation upgrades to reduce carbon dioxide levels. In order to adequately address these issues in 2013, our new on-site management team has taken a more proactive development approach to mitigate effects of water and carbon dioxide gas including some off vein development, construction of additional ventilation fans providing fresh air to the mine and additional water pumping stations.

Exploration Stage Company

We are considered an exploration stage company under the SEC criteria since we have not demonstrated the existence of proven or probable reserves at our El Aguila Project in Oaxaca, Mexico or any of our other properties. Accordingly, as required by the SEC guidelines (see Note 1 to the Consolidated Financial Statements) and U.S. GAAP for companies in the exploratory stage, substantially all of our investment in mining properties to date, including construction of the mill, mine facilities and mine development expenditures, have been expensed and therefore do not appear as assets on our balance sheet. Certain expenditures, such as expenses for rolling stock or other general purpose equipment, may be capitalized, subject to our evaluation of the possible impairment of the asset.

Our characterization as an exploration stage company regarding the treatment of construction and development expenditures as an operating expense rather than as a capital expenditure, has caused us to report larger losses in 2010 and lower net income in 2011 and 2012 than if we had capitalized the expenditures. Additionally, we will not have a corresponding depreciation or amortization expense for these costs going forward since they are expensed as incurred rather

than capitalized. Although the majority of the capital expenditures for the El Aguila Project were completed between 2007 and 2010, we expect underground mine construction to continue in future years and we will be completing additional capital improvements at our El Aguila mill during 2013 and future years. In comparison to other mining companies that capitalize development expenditures because they have exited the exploration stage, we may report larger losses or lesser profits as a result of this ongoing construction, which will be expensed instead of capitalized for accounting purposes. We expect to remain as an exploration stage company for the foreseeable future, even though we have reached commercial production. We will not exit the exploration stage until such time, if ever, that we demonstrate the existence of proven or probable reserves that meet the SEC guidelines. Likewise, unless mineralized material is classified as proven or probable reserves, substantially all expenditures for mine and mill construction have been or will be expensed as incurred.

Exploration Activities

During 2012, we continued to focus primarily on infill and step out drilling at the La Arista underground mine, located at the El Aguila Project. Because this drilling is used to define the mineralization and to assist in mining of the ore at the underground mine, these expenses are considered development and delineation of the ore body (not exploration), and these costs are classified as construction and development in the consolidated statements of operations.

Exploration activities that are classified as exploration expenses in the consolidated statements of operations include, but are not limited to, drilling on other areas of the El Aguila property to test new geologic targets and exploration work on our other properties. Exploration during 2012 included commencing a surface drill program on portions of the Las Margaritas property, we also are completing a limited drilling campaign at Alta Gracia and El Chamizo focusing on previously identified drill targets.

Physical Dividend Program

In April 2012, we launched a physical dividend program pursuant to which our shareholders have the option to convert the cash dividends we pay into physical gold and silver bullion. As part of our overall strategy to diversify our treasury and to facilitate this program, we purchase gold and silver bullion. In order for a shareholder to convert their cash dividend into physical gold and/or silver, the shareholder must opt-in to the physical dividend program and request the conversion of their cash dividend, or any portion thereof, into physical gold and/or silver. For those shareholders who elect to convert their cash dividend into gold and/or silver bullion, the gold and silver will be delivered in the form of gold/silver one ounce bullion rounds. No action is required by any shareholder who elects not to participate in the physical metals program. For those shareholders who wish to convert any portion of their cash dividend into gold and/or silver bullion, the process is summarized as follows:

- Shareholders must register and hold their Gold Resource Corporation common shares in their name directly with our transfer agent, Computershare Investor Services, and not through a brokerage house or other intermediary. This is a requirement so that we can locate and validate the shareholder's position in our common stock.
- Shareholders must set up an individual account with Gold Bullion International ("GBI"), 225 Liberty Street New York, NY 10006. GBI facilitates the cash to gold and silver conversion.
- Shareholders then direct their cash dividend check issued by Computershare to be electronically sent to that shareholder's GBI account for the option to have it, or any portion thereof that denominates into a one ounce gold or

silver bullion round. The election to convert all or any portion of the shareholder's cash dividend into bullion is governed by an agreement between the shareholder and GBI.

- Shareholders with accounts at GBI who wish to change their current gold, silver or cash allocations for their cash dividend must do so by midnight EDT on the date preceding the monthly dividend record date. (We issue a press release with details of each dividend declaration, and the dividend record and payment dates.)
- On the dividend record date, the number of bullion ounces to be converted and distributed to the shareholder's individual account on the dividend payment date is calculated as the dollar value of that portion of the cash dividend the shareholder elected to convert to bullion, divided by the London Bullion Market PM gold fix on the record date or the London Bullion Market silver fix on the record date.

- Only whole ounces of gold and silver bullion are credited to a shareholder's individual account on the dividend payment date. The cash value attributable to fractional ounces will remain in the shareholder's individual account as cash until such time as future dividends provide the shareholder with sufficient cash to convert to whole ounces of gold or silver based on the London PM gold fix and silver fix on a future dividend record date, and based on the shareholder's self-directed gold, silver or cash allocations in effect at that time. The shareholder may also choose to move their cash out of their GBI account. Shareholders cannot move cash into their GBI account for conversion into gold and silver. Only the shareholder's cash dividend sent from Computershare is eligible for conversion.

During the year ended December 31, 2012, we purchased approximately 1,974 ounces of gold and 59,001 ounces of silver at market prices for a total cost of \$5.2 million. During the year ended December 31, 2011, we purchased approximately 868 ounces of gold and 41,728 ounces of silver at market prices for a total cost of \$3.0 million.

Settlement with Concentrate Buyer

On November 5, 2012, we entered into a settlement agreement with our concentrate buyer as a result of the dispute over the metallurgical content of the concentrates sampled at buyer's facility after discovering issues related to the transportation, handling, control and sampling of those concentrates, and the resulting assays that were obtained from those samples. We believe the concentrates had been tampered with and compromised sometime after the shipments left the mine site and until the concentrates were sampled at the buyer's warehouse. The settlement agreement required the buyer to pay us \$1.5 million, representing the amount by which our provisional invoices for April, May and June 2012 exceeded the tentative settlement value, based on assays taken at the buyer's warehouse. In addition, the settlement agreement required us to accept the final settlement value, based on assays taken at the buyer's warehouse, for shipments made in February and March 2012. The settlement resulted in a reduction to precious metal gold equivalent sold of approximately 1,400 ounces and a net reduction to sales of metal concentrates of \$3.3 million, which included assay, pricing and other settlement adjustments with the buyer, for the six months ended June 30, 2012. These adjustments were recorded in the restated first and second quarter 2012 financial statements.

Other Events

In April 2012, the Board of Directors increased the instituted monthly dividend payment from \$0.05 per share to \$0.06 per share. Prior to instituting a regular monthly dividend in August 2011, the dividends were characterized as special dividends. Our long-term goal is to distribute approximately one-third of our Cash Flow from Mine Site Operations (See Non-GAAP Measures) as dividends to shareholders. In 2011, we distributed approximately 29.8% of Cash Flow from Mine Site Operations in shareholder dividends. In 2012, we distributed approximately 39.5% of Cash Flow from Mine Site Operations to our shareholders as dividends. Our dividends should not be considered a prediction or guarantee of future dividends. Our instituted dividend may be modified or discontinued at the discretion of our Board of Directors, depending on variables such as, but not limited to, operating cash flow, development requirements and strategies, construction projects, spot gold and silver prices, taxation and general market conditions.

Results of Operations—Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Sales of metals concentrate, net

During the year ended December 31, 2012, we generated sales of \$131.8 million, net of treatment charges, compared to sales of \$105.2 million during the same period of 2011, an increase of 25.3%. The significant increase in sales for the year ended December 31, 2012 resulted from an increase in payable metals sold due to an increase in tonnes

milled in 2012 at the La Arista underground mine. Fewer ore tonnes were milled and payable metals sold in 2011, principally due to operations at La Arista not commencing until March 2011. Revenue generated from sale of base metals contained in our concentrates is considered a by-product of our gold and silver production. (See Production and Sales Statistics tables titled “La Arista Underground Mine” and “El Aguila Open Pit Mine” below for additional information regarding the three months and years ended December 31, 2012 and 2011). The year ended 2012 was our second full year of commercial production. Metals prices realized in 2012 were mixed over the prior year, with average per ounce gold prices increasing to \$1,676 from \$1,644 per ounce, a 2% increase, and average per ounce silver prices decreasing to \$31 from \$35 per ounce, a 12% decrease.

Below are certain key operating statistics for our La Arista underground mine for 2012 and 2011 and the El Aguila open pit mine for 2011. Our production for 2012 consisted of ore from our La Arista underground mine. Our production for 2011 consisted of ore from both the La Arista underground mine and the El Aguila open pit mine. Production for the three months ended December 31, 2011 did not include ore from the El Aguila open pit mine, which ceased operations in February 2011, but it did include ore from the La Arista underground mine, which began operations in March 2011. Our production rate at La Arista is directly a result of mine development and the establishment of sufficient stopes and working faces. The number of stopes and working faces has increased as we have gone deeper in the mine, which has resulted in more tonnes of

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ore processed at the mill in 2012 as compared to 2011. We also sustained, at various times, higher than expected mining dilution rates as high as 35% to 40% in the second quarter of 2012 as well as higher than targeted dilution rates at various times in the remaining quarters. This dilution lowers the head grades. We believe this to be an unacceptable dilution percentage and we continue to take steps to lower dilution.

Production and Sales Statistics

	La Arista Underground Mine		La Arista Underground Mine	
	Three Months Ended	Three Months Ended	Year Ended	Year Ended
	December 31,	December 31,	December 31,	December 31,
	2012	2011	2012	2011
Production Summary				
Milled:				
Tonnes Milled	71,541	55,434	282,120	167,806
Tonnes Milled per Day	778	603	773	561
Grade:				
Average Gold Grade (g/t)	4.63	4.20	4.30	3.35
Average Silver Grade (g/t)	314	453	355	424
Average Copper Grade (%)	0.46	0.61	0.45	0.48
Average Lead Grade (%)	1.99	1.73	1.70	1.40
Average Zinc Grade (%)	4.78	3.70	3.98	2.92
Recoveries:				
Average Gold Recovery (%)	89	89	88	89
Average Silver Recovery (%)	94	93	93	93
Average Copper Recovery (%)	85	76	78	77
Average Lead Recovery (%)	73	79	70	78
Average Zinc Recovery (%)	82	79	81	76
Mill production (before payable metal deductions) ⁽¹⁾				
Gold (ozs.)	9,528	6,631	34,417	16,027
Silver (ozs.)	675,607	753,414	2,996,743	2,122,000
Copper (tonnes)	277	258	986	620
Lead (tonnes)	1,037	760	3,374	1,840
Zinc (tonnes)	2,809	1,617	9,115	3,730
Payable metal sold ⁽¹⁾				
Gold (ozs.)	5,774	5,873	26,675	15,700
Silver (ozs.)	417,932	716,221	2,446,232	2,034,187
Copper (tonnes)	162	194	769	464
Lead (tonnes)	953	622	3,187	1,510
Zinc (tonnes)	2,218	1,390	7,222	2,812
Average metal prices realized				
Gold (oz.)	\$ 1,691	\$ 1,691	\$ 1,676	\$ 1,644
Silver (oz.)	\$ 36	\$ 30	\$ 31	\$ 35
Copper (tonne)	\$ 7,942	\$ 7,019	\$ 8,033	\$ 8,095
Lead (tonne)	\$ 2,256	\$ 1,873	\$ 2,110	\$ 2,184

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Zinc (tonne)	\$ 1,952	\$ 1,800	\$ 1,967	\$ 1,995
Gold equivalent ounces produced (mill production) ⁽¹⁾				
Gold Ounces	9,528	6,631	34,417	16,027
Gold Equivalent Ounces from Silver	14,254	13,303	56,015	44,663
Total Gold Equivalent Ounces ⁽³⁾	23,782	19,934	90,432	60,690
Gold equivalent ounces sold ⁽¹⁾				
Gold Ounces	5,774	5,873	26,675	15,699
Gold Equivalent Ounces from Silver	8,818	12,646	45,724	42,815
Total Gold Equivalent Ounces	14,592	18,519	72,399	58,514
Total Cash Cost per Gold Equivalent Ounce ⁽²⁾	\$ 551	\$ 279	\$ 419	\$ -

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- (1) Mill production represents metal contained in concentrates produced at the mill, which is before payable metal deductions are levied by the buyer of our concentrates. In addition, mill production quantities for the year ended December 31, 2012 do not reflect any deduction for 583 gold ounces, respectively, and 45,432 silver ounces, respectively, (approximately 1,400 gold equivalent ounces) resulting from the settlement agreement with the buyer of our concentrates as discussed on page 30 under "Settlement with Concentrate Buyer". Gold equivalent ounces sold for the year ended December 31, 2012 have been reduced by approximately 1,400 gold equivalent ounces as a result of the settlement.
- (2) A reconciliation of this non-GAAP measure to mine cost of sales, the most comparable GAAP measure, can be found below in Non-GAAP Measures. Total cash cost per gold equivalent ounce sold for the combined La Arista underground mine and the El Aguila open pit mine for the for the year ended December 31, 2011, can be found in Non-GAAP Measures below.
- (3) Gold equivalent mill production for 2012 of 90,432 ounces differs from gold equivalent ounces sold for 2012 of 72,399 due principally to buyer (smelter) concentrate processing deductions of approximately 9,078 gold equivalent ounces, a settlement agreement with the buyer of the Company's concentrates of approximately 1,400 gold equivalent ounces and an increase in gold equivalent ounces contained in ending inventory of approximately 7,555 ounces.

Production and Sales Statistics

El Aguila Open Pit Mine
Year Ended December 31,
2011 ⁽¹⁾

Production Summary

Milled:

Tonnes Milled 46,409

Tonnes Milled per Day 829

Grade:

Average Gold Grade (g/t) 4.18

Average Silver Grade (g/t) 53

Recoveries:

Average Gold Recovery (%) 89

Average Silver Recovery (%) 75

Mill production (before payable metal deductions)

Gold (ozs.) 5,559

Silver (ozs.) 58,309

Payable metal sold

Gold (ozs.) 3,917

Silver (ozs.) 43,605

Average metal prices realized

Gold (oz.) \$ 1,383

Silver (oz.) \$ 34

Gold equivalent ounces produced (mill production)

Gold Ounces 5,559

Gold Equivalent Ounces from Silver ⁽²⁾ -

Total Gold Equivalent Ounces 5,559

Gold equivalent ounces sold	
Gold Ounces	3,917
Gold Equivalent Ounces from Silver ⁽²⁾	-
Total Gold Equivalent Ounces	3,917

- (4) Total cash cost per gold equivalent ounce sold for the combined La Arista underground mine and the El Aguila open pit mine for the for the year ended December 31, 2011 can be found in the Non-GAAP Measures.
- (5) Silver ounces were considered a by-product in arriving at the total cash cost per ounce equivalent.

For the year ended December 31, 2012, we sold 26,675 ounces gold and 2,446,232 ounces silver from the La Arista underground mine for at gross sales value of approximately \$44.7 million and \$75.8 million, respectively. This compares to 19,617 ounces gold and 2,077,792 ounces silver during 2011 from both the La Arista underground mine and El Aguila open pit mine, for gross sales value of \$31.3 million and \$72.7 million respectively. From the El Aguila open pit mine, we sold 3,917 ounces gold and 43,605 ounces silver during the first two months of 2011 and from the La Arista underground mine, we sold 15,700 ounces gold and 2,034,187 ounces silver during the last ten months of 2011. The increase in sales in 2012 principally resulted from a full year of operations at La Arista in 2012, versus ten months of operations at La Arista in 2011.

Production

For the year ended December 31, 2012 mill production totaled 90,432 ounces of precious metal gold equivalent compared to 66,249 ounces of precious metal gold equivalent for 2011. See the table titled “Production and Sales Statistics-El Aguila Project” above for additional information regarding our mineral production statistics.

We continue to focus on mining and development activities at the La Arista underground mine. Our production is dependent on the rate of mine development and the establishment of sufficient stopes and working faces. We anticipate the number of stopes and working faces will increase in 2013 and that precious metal mill production may be similar with 2012 mill production. Our 2013 mine plan anticipates that we will be mining areas of the deposit that contain higher levels of base metals, as compared to 2012. We are targeting mill production of 80,000 to 100,000 ounces of precious metal gold equivalent in 2013.

Mine gross profit. For the year ended December, 2012 mine gross profit totaled \$87.8 million compared to \$80.5 million for the year ended December 31, 2011. The increase in mine gross profit from the prior year was primarily due to the increase in sales of metal concentrate due to an increase in the quantities of payable metal sold. Mine gross profit as a percent of sales for the year ended December 31, 2012 decreased to 66.6% from 76.6% during the same period in 2011, principally due to higher labor, contractor services, diesel, concentrate transportation and other operating costs in 2012.

Net income (loss) before extraordinary item. For the year ended December 31, 2012, net income before extraordinary item was \$33.7 million, or \$0.60 per diluted share, as compared to net income before extraordinary item of \$60.1 million or \$1.06 per diluted share, for the comparable period of 2011. The \$26.4 million decrease in net income in 2012 was principally attributable to a \$12.0 million income tax benefit in 2011 resulting from a reduction to the income tax valuation allowance, as compared to \$13.3 million of income tax expense in 2012.

Costs and expenses. Total costs and expenses during the year ended December 31, 2012 were \$38.1 million compared to \$34.9 million during the comparable period of 2011, an increase of \$3.2 million, or 9.2%. The increase resulted from an increase in general and administrative expenses, and exploration expenses, which were partially offset by a decrease in construction and development expenses, as discussed in more detail below.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2012 was \$13.5 million compared to \$8.9 million for the same periods of 2011. The \$4.6 million increase in 2012 principally resulted from higher stock-based compensation expense, investor relations activities, professional services and insurance costs.

Exploration expenses. Property exploration expenses totaled \$8.0 million for the year ended December 31, 2012, compared to \$4.9 million during the same period of 2011. The \$3.1 million increase in exploration expenses results from higher expenditures in 2012 to evaluate and drill new exploration targets on the El Aguila and Alta Gracia properties, and to evaluate other prospects near our La Arista underground mine. We also set up an exploration office in Turkey in September 2012. Exploration costs associated with definition and delineation drilling of the La Arista vein system are reflected in construction and development expenses.

Construction and development expenses. Construction and development expenses during the year ended December 31, 2012 decreased to \$16.6 million from \$21.0 million during 2011. Construction and development includes mine development costs attributable to definition and delineation drilling of the La Arista vein system, and construction related activities at the El Aguila Project. The \$4.4 million decrease when compared to 2011 is due to lower expenditures in 2012 relating to construction of the tailings dam, expansion of the flotation cells in the flotation circuit in the mill, construction of the mine camp and infrastructure construction. We will continue to focus on further mine development of La Arista and construction related activities at the El Aguila Project for the foreseeable future.

Other (expense)income. For the year ended December 31, 2012, we recorded other expense of \$2.7million, compared to other income of \$2.4 million during the same period of 2011. The change in other (expense) income resulted primarily from recognizing a foreign currency loss of \$2.9 million during the year ended December 31, 2012 compared to a foreign currency gain of \$2.7 million in the comparable period in 2011. The current year losses resulted from currency translation adjustments during a period when the dollar was increasing compared to the Mexican peso, and a \$2.0 million reclassification from other comprehensive loss to foreign exchange loss.

Provision for income taxes. For the year ended December 31, 2012, income tax provision was \$13.3 million as compared to an income tax benefit of \$12.0 million for the year ended December 31, 2011. The \$25.3 million increase in income tax provision in 2012 principally resulted from a \$28.3 million reduction to a valuation allowance on deferred tax assets in 2011 as compared to a \$4.6 million reduction to a valuation allowance on deferred tax assets in 2012. There was no corresponding income tax provision or benefit during the 2010 due to start-up of operations in 2010. As of December 31, 2012, there were no remaining valuation allowances on the Company's deferred tax assets. See Note 7 to the Consolidated Financial Statements for additional information.

Extraordinary item. On April 20, 2011, the El Aguila Project suffered severe damage from an anomalous rain and hail storm which flooded the La Arista underground mine and damaged existing roads, buildings and equipment. We experienced a loss of \$2.5 million, for which we recorded an extraordinary loss of \$1.8 million, net of income tax benefit of \$0.8 million, for the year ended December 31, 2011.

Results of Operations – Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

During the year ended December 31, 2011 we sold 19,617 ounces of gold at an average realized price of \$1,596 per ounce for \$31.3 million of gross revenue, and 2,077,792 ounces of silver at an average realized price of \$35 per ounce for approximately \$72.7 million of gross revenue, compared to 10,493 ounces of gold at an average realized price of \$1,201 per ounce for \$12.6 million of gross revenues, and 111,316 ounces of silver at an average realized price of \$20 per ounce for approximately \$2.2 million of gross revenue for 2010. Mine gross profit for the year ended December 31, 2011 was \$80.5 million compared to \$8.0 million in the comparable period of 2010, an increase of \$72.5 million or 906%. The increase was due to a full twelve months of mine operations in 2011 compared to only six months of operations in 2010.

For the year ended December 31, 2011 we reported a net income of \$58.4 million, or \$1.10 per share, compared to a net loss of \$23.1 million, or \$0.46 per share, for the year ended December 31, 2010. Our net income increased in 2011 due to ramp-up of operations in 2010 as compared to a full year of operations in 2011.

Total costs and expenses for the year ended December 31, 2011 were \$34.9 million compared to \$30.8 million in the comparable period of 2010, an increase of \$4.1 million or 13.3%. The increase in costs and expenses was primarily due to our operations transitioning to underground mine development activities and an increase in stock-based compensation.

Exploration expense for the year ended December 31, 2011 of \$4.9 million was consistent with our level of exploration activity in 2010 of \$4.7 million.

Construction and development for the year ended December 31, 2011 of \$21.0 million increased by \$2.6 million or 14.1% when compared to 2010 of \$18.4. The higher cost in 2011 was primarily due to the completion of the second phase of the tailings dam, and expansion of the flotation cells in the mill's flotation circuit during 2011.

General and administrative expenses increased \$1.4 million or 18.7% to \$8.9 million for the year ended December 31, 2011 as compared to \$7.5 million for the comparable period in 2010. The increase was attributable to increases in professional fees, salaries and benefits and stock-based compensation.

For the years ended December 31, 2011 and 2010, we recorded a currency translation adjustment loss of \$3.2 million and a currency translation adjustment gain of \$0.2 million, respectively, resulting from the translation of our subsidiary's Mexican peso denominated functional currency financial statements into the US dollar reporting currency.

Non-GAAP Measures

Throughout this report, we have provided information prepared or calculated according to U.S. GAAP, as well as provided some non-U.S. GAAP ("non-GAAP") performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by U.S. GAAP, they may not be comparable to similar measures presented by other companies. Accordingly, these measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

Total Cash Cost per Gold Equivalent Ounce Sold

We use total cash cost (including royalties) per gold equivalent ounce sold, calculated in accordance with the Gold Institute's Standard, as one indicator for comparative monitoring of our mining operations from period to period and believe that investors also find this information helpful when evaluating our performance. Total cash costs are arrived at by taking mine cost of sales, plus treatment and refining charges (which are netted against revenues), less by-product credits earned from sales of metals we consider by-products (copper, lead and zinc at the La Arista underground mine and silver at the El Aguila open pit mine) less noncash items such as depreciation and amortization, accretion, stock-based compensation, and reclamation costs. Total cash costs are divided by gold equivalent ounces sold (gold ounces sold, plus gold equivalent ounces of silver ounces sold converted to gold ounces using our realized gold price per ounce to silver price per ounce ratio, at the La Arista underground mine; and gold ounces sold at the El Aguila open pit mine) to arrive at total cash cost per gold equivalent ounce sold. There can be no assurance that our reporting of this Non-GAAP measure is similar to that reported by other mining companies.

For reporting periods prior to 2012, we reported cash operating cost per gold equivalent ounce produced (on-site mill production). These amounts have been restated in this Management's Discussion and Analysis to reflect our current reporting method, of total cash cost per gold equivalent ounce sold, which we believe is the most common method used by companies

that apply the Gold Institute Standard. The principal difference between cash operating costs and total cash costs is that cash operating costs exclude royalty costs, whereas total cash costs include royalty costs. Our concentrates are subject to a 5% net smelter returns royalty. The principal difference between gold equivalent ounces produced at the mill and gold equivalent ounces sold, is that gold equivalent ounces produced at the mill do not reflect payable metal deductions levied by smelters, whereas gold equivalent ounces sold are after payable metal deductions levied by smelters.

We have reconciled total cash cost per gold equivalent ounce sold to reported U.S. GAAP measures in the table below. The most comparable financial measures to our total cash cost is mine cost of sales calculated in accordance with U.S. GAAP. Mine cost of sales is obtained from the consolidated statements of operations.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
	(In thousands, except ounces sold and total cash cost per gold equivalent ounce)			
Gold equivalent ounces sold	14,592	18,519	72,399	62,431
Cost of sales - production costs	\$ 11,182	\$ 7,284	\$ 44,021	\$ 24,642
Treatment and refining charges	3,978	4,273	16,680	11,400
By-product credits	(7,609)	(5,027)	(26,837)	(14,357)
Depreciation and amortization	(425)	(146)	(1,366)	(473)
Accretion	(21)	(18)	(81)	(82)
Reclamation costs	(314)	-	(373)	-
Stock-based compensation	1,251	(1,195)	(1,737)	(4,336)
Total cash costs	\$ 8,042	\$ 5,171	\$ 30,307	\$ 16,794
Total cash cost per gold equivalent ounce sold (including royalties)	\$ 551	\$ 279	\$ 419	\$ 269

Cash Flow from Mine Site Operations

Cash flow from mine site operations ("Cash Flow from Mine Site Operations") is furnished to provide additional information and is a Non-GAAP measure. This measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. We believe that certain investors use this measure as a basis to assess mine performance and we use it as a measure on which our planned distributions to shareholders are currently based. The following table provides a reconciliation of Cash Flow from Mine Site Operations to mine gross profit as presented in the consolidated statements of operations.

Three Months	Twelve Months
Ended December	Ended December

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	31, 2012	2011	31, 2012	2011
	(In thousands)			
Mine gross profit	\$ 16,188	\$ 28,154	\$ 87,773	\$ 80,521
Stock-based compensation	(1,251)	1,195	1,737	4,336
Depreciation and amortization	426	146	1,366	473
Accretion	21	19	81	82
Cash flow from mine site operations	\$ 15,384	\$ 29,514	\$ 90,957	\$ 85,412
Liquidity and Capital Resources				

As of December 31, 2012, we had working capital of \$46.0 million, consisting of current assets of \$59.0 million and current liabilities of \$13.0 million. This represents a decrease of \$13.3 million from the working capital balance of \$59.3 million as of December 31, 2011. Our working capital balance fluctuates as we use cash to fund our operations, exploration, and mine development and construction activities, and to pay income taxes and fund our dividends.

Prior to achieving profitable operations in 2011, we relied on equity financings to fund our operating activities. Since achieving profitability in 2011, we have relied on cash flow generated from mining operations to fund our operations, income tax obligations, dividends and other activities. Our mine development, construction activities and equipment purchases at the La Arista mine are, in the aggregate, expected to be higher in 2013 as compared to 2012 or 2011. If our cash flows from

operations is insufficient to cover our anticipated expenses we may be required to secure debt or equity financing, reduce our planned development, construction or other expenditures at the mine, reduce our monthly dividend or implement other measures. There is no assurance that, in the event debt or equity financing is needed, we would be able to secure this financing or that it could be secured under favorable terms.

We target calendar year cash distributions to our shareholders totaling approximately one-third of Cash Flow from Mine Site Operations (See “Non-GAAP Measures” above), subject to the laws of the State of Colorado that govern distributions to shareholders. Our target dividend payment of one-third of Cash Flow from Mine Site Operations may be increased, decreased, suspended or discontinued at any time at the sole discretion of the Board of Directors based on company development requirements and strategies, cash balances, construction projects, spot gold and silver prices, taxation, general market conditions or any other reason. For the year ended December 30, 2012, we declared dividends of \$35.9 million, representing 39.5% of Cash Flow from Mine Site Operations.

Upon declaration of a dividend, each shareholder has the option to subsequently convert that cash dividend into gold and/or silver bullion. To the extent we do not hold sufficient gold and silver bullion by the distribution payment date we must purchase gold and/or silver bullion in the market. We intend to purchase gold and silver bullion in the market at various times throughout the year, and intend to hold quantities of gold and/or silver bullion to enable us to meet, at a minimum, our forecasted physical delivery requirements for the current and following month.

The mineral concessions that comprise our La Arista underground mine are subject to a 4% net smelter returns royalty on sales of any gold and silver dore, and a 5% net smelter returns royalty on sales of any concentrate. We produce copper, lead and zinc concentrates, but no gold and silver dore, at La Arista underground mine. We only produced a gold and silver concentrate at our El Aguila open pit mine. Royalties are considered mine operating costs and are funded from the sale of concentrates. Royalty expense is recorded based on provisional invoices and adjusted based on the final invoice. An initial royalty payment of 50% of the provisional invoice amount is made when the provisional invoice is collected. The remaining royalties owed are paid when we receive full payment for the final invoice. For the years ended December 31, 2012 and 2011, we made royalty payments totaling \$5.8 and \$3.6, respectively. We estimate that approximately \$7 million of royalty payments will be made in 2013, subject to market prices for the metals in our concentrates, mine production and timing of final invoice settlements.

For 2013 we have budgeted approximately \$7.4 million for drilling and other exploration related activities at our El Aguila property. In addition, we intend to spend approximately \$2.2 million for drilling and other exploration activities on our other exploration properties in Mexico. In Turkey, we have budgeted \$2.0 million for exploration and property acquisitions. Our planned exploration expenditures for 2013 are discretionary and could be significantly higher or lower depending on the ongoing results from the exploration programs. Exploration activities to further delineate and define our La Arista vein system are considered mine development costs and classified as development and construction expenses in the consolidated statement of operations.

Our cash and cash equivalents as of December 31, 2012 decreased to \$35.8 million from \$52.0 million as of December 31, 2011, a net decrease in cash of \$16.2 million.

Net cash provided by operating activities for the year ended December 31, 2012 was \$31.2 million compared to \$41.3 million during 2011. The \$10.1 million decrease in net cash provided by operation activities principally results from payment of our 2011 Mexican income tax liability in 2012.

Net cash used in investing activities for the year ended December 31, 2012 was \$7.7 million compared to \$10.4 million for 2011. The \$2.7 million decrease in cash used in investing activities was primarily due to a decrease in capital expenditures and increase in proceeds from conversion of gold and silver bullion related to our physical gold and silver dividend program. Although most of our exploration stage expenditures are recorded as an expense rather than an investment, we capitalize the acquisition cost of land and mineral rights and certain equipment that has alternative future uses or significant salvage value, including rolling stock, furniture, and electronics. The cost of

acquiring these assets is reflected in our investing activities.

Net cash used in financing activities for the year ended December 31, 2012 was \$39.9 million compared to \$27.4, consisting of dividends declared and treasury stock purchases. The \$12.5 million increase in net cash used in financing activities principally results from an increase in dividends paid in 2012. In August 2011, we instituted a regular monthly dividend consisting of \$0.05 per share, which was increased to \$0.06 per share in April 2012, until such time as the Board of Directors determines otherwise.

Off-Balance Sheet Arrangements

As of December 31, 2012, we had no off-balance sheet arrangements.

Contractual Obligations

Our known obligations at fiscal year-end December 31, 2012, are set forth in the table below:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Purchase Obligations(1)	\$ 4,758	\$ 1,915	\$ 2,843	\$ -	\$ -
Operating Leases	821	128	261	144	288
Non-cancellable Purchase Obligations	7,666	7,666	-	-	-
Employee Salary Compensation (2)	1,441	654	787	-	-
Total	\$ 14,686	\$ 10,363	\$ 3,891	\$ 144	\$ 288

(1) Represents amounts due to our executive officers pursuant to their respective employment agreements with our company.

(2) Represents amounts due to non-executive employees pursuant to their respective employment agreements with our company.

Accounting Developments

For a discussion of Recently Adopted Accounting Pronouncements and Recently Issued Accounting Pronouncements, see Note 1 to the Consolidated Financial Statements.

Critical Accounting 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, liabilities and contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. As a result, management is required to routinely make judgments and estimates about the effects of matters that are inherently uncertain. Actual results may differ from these estimates under different conditions or assumptions. The following discussion pertains to accounting estimates management believes are most critical to the portrayal of our financial position and results of operations that require management's most difficult, subjective or complex judgments.

Proven or Probable Reserves

Despite the fact that we commenced production in 2010, as of December 31, 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 under the criteria set forth in SEC Industry Guide 7. As a result, and in accordance with principles generally accepted in the United States ("U.S. GAAP") for exploration stage companies, we do not capitalize exploration, evaluation, mine development and construction costs associated with our properties and, instead, expense these costs as they are incurred.

Revenue

We recognize revenue when an arrangement exists, the price is fixed and determinable, the title and risk of loss have transferred to the buyer (generally at the time shipment is delivered at buyer's port) and collection is reasonably assured. We enter into provisionally priced concentrate sales contracts, whereby the contracts settle at prices to be determined in the future based on quoted prices. Accordingly, due to the time elapsed between shipment and the final settlement with the buyer, the Company must estimate revenue based on assay measurements taken at the time of shipment using quoted metal prices at that time. Changes in the price of the metals concentrates we sell, and differences in assay measurements taken at our facilities at the time of shipment and those taken at the buyer's port, can have a significant effect on our revenues.

Concentrate sales are initially recorded using quoted metal prices at the time of shipment, and contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the quoted metal prices at the time of shipment. The embedded derivative, which does not qualify for hedge accounting, is adjusted to market through earnings each period prior to final settlement. Changes in the

prices of metals we sell, as quoted on the London Bullion Market, between the shipment and final settlement dates will result in adjustments to revenues related to sales of concentrate previously recorded upon shipment.

Sales are recorded net of charges for treatment, refining, smelting losses and other charges negotiated by the Company with the buyer. These charges are estimated upon shipment of concentrates based on contractual terms and adjusted to reflect actual charges at final settlement. Historically, actual charges have not varied materially from our initial estimates.

Changes in the market price of metals significantly affect the Company's revenues, results of operations and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond the Company's control, such as political and economic conditions, demand, forward selling by producers, expectations for inflation, custom smelter activities, the relative exchange rate of the U.S. dollar, investor sentiment, and global mine production levels. The aggregate effect of these factors is impossible to predict. Because the Company's revenue is derived from the sale of gold, silver, copper, lead and zinc metals concentrate, its results of operations are directly related to the prices of these metals.

Depreciation and Amortization

Depreciation and amortization on our property and equipment is calculated on a straight line basis over the estimated useful life of the asset. Significant judgment is involved in the determination of the estimated life of the assets.

Impairment of Assets

Since none of our properties contain proven or probable reserves as defined by the SEC, we do not capitalize exploration, evaluation, mine development or construction costs for any of our projects. Our long-lived assets are principally property and equipment, and are evaluated at least annually for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. When an indication of impairment exists, an estimate of fair value is made for the long-lived asset.

Assessing the fair value of our long-lived assets requires us to make several estimates and assumptions that are subject to risk and uncertainty, changes in these estimates and assumptions could result in the impairment of our long-lived asset carrying values. Events that could result in impairment of our long-lived assets include, but are not limited to, obsolescence, damage, underperformance and assets held for disposal. During the years ended December 31, 2012, 2011 and 2010, no asset impairments were recognized.

Stockpile and Concentrate inventories

Stockpile and concentrate ending inventory tonnages are measured by estimating the number of tonnes added to and removed from beginning inventory. We periodically survey our stockpile and concentrate ending inventory to verify tonnage estimates. There are inherent limitations in the survey estimation process, along with process of estimating the number of tonnes added to and removed from stockpile and concentrate inventory, which includes but is not limited to moisture content, density, scale calibration and physical measurements. Due to these estimates, amounts reported could differ significantly from actual results.

Our stockpile and concentrate inventories are valued at the lower of average cost or net realizable value ("NRV"), with carrying values evaluated at least quarterly. NRV represents the estimated future sales price based on short-term and long-term metals prices, less estimated costs to complete production and bring the product to sale. The primary factors that influence the need to record write-downs of stockpile and concentrate inventory include short-term and long-term metals prices and costs for production inputs such as labor, fuel and energy, materials and supplies, as well as realized ore grades and recovery rates. If short-term and long-term metals prices decrease, the value of stockpile and concentrate inventory also decreases, and it may be necessary to record a write-down of stockpile and concentrate

inventory to NRV. We did not incur any lower-of-cost-or-market write downs during the years ended December 31, 2012, 2011 or 2010.

The allocation of costs to stockpile and concentrate inventory, and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating current and future operating and capital costs, metal recoveries, ore grades, production levels, commodity prices, and other factors. There can be no assurance that actual results will not differ significantly from those estimates and assumptions.

Asset Retirement Obligation

Our mining and exploration activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the property is removed from service. A liability is initially recorded at the estimated present value for an obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred if a reasonable estimate of fair value can be made. Since none of our properties contain proven or probable reserves as defined by the SEC, the costs associated with the obligation are charged to operations. Accounting for reclamation and remediation obligations requires management to make estimates of the future

costs we will incur to complete the work required to comply with existing laws and regulations. Actual costs may differ from the amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required.

Stock-based compensation

We estimate the fair value of our stock option awards using a Black-Scholes model, the inputs of which require various assumptions including the expected rate of future dividends, discount rate, the expected life of the option and the expected volatility of our stock price. The expected rate of future dividends is derived based on the dividends paid during the 3 months immediately preceding the date of grant extrapolated over four quarters (one year); however, the rate at which dividends are paid may change due to various factors, including, but not limited to changes in our operational and strategic cash needs and at the discretion of our Board of Directors. Expected forfeiture rates and expected option life are derived based on historical experience and management's judgment regarding future expectations. However, such historical experience is limited due to a relatively small number of grants and, therefore, may not be indicative of future experience. The expected volatility assumptions are derived using our historical stock price volatility.

These assumptions reflect our best estimates; however, they involve inherent uncertainties based on market conditions generally outside of our control. If factors change and we use a different methodology for deriving the Black Scholes assumptions or if our assumptions and judgments regarding future experience prove to be materially different than actual experience resulting in a change to future assumptions, our share-based compensation expense could be materially impacted.

Deferred income taxes and valuation allowances

In preparing our consolidated financial statements, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of the changes. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Each period, we evaluate the likelihood of whether or not some portion or all of each deferred tax asset will be realized and provide a valuation allowance for those deferred tax assets for which is more likely than not that the related benefits will not be realized. When evaluating our valuation allowance, we consider historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, market gold prices, production costs, quantities of proven or probable gold reserves, interest rates and foreign currency exchange rates. If we determine that all or a portion of the deferred tax assets will not be realized, a valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense.

In addition, the calculation of income tax expense involves significant management estimation and judgment involving a number of assumptions. In determining these amounts, management interprets tax legislation in each of the jurisdictions in which we operate and makes estimates of the expected timing of the reversal of future tax assets and liabilities. We also make assumptions about future earnings, tax planning strategies and the extent to which potential future tax benefits will be used. We are also subject to assessments by various taxation authorities which may interpret tax legislation differently, which could affect the final amount or the timing of tax payments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risks includes, but is not limited to, the following risks: changes in foreign currency exchange rates, changes in interest rates, equity price risks, commodity price fluctuations, and country risk. We do not use derivative financial instruments as part of an overall strategy to manage market risk; however, we may consider such arrangements in the future as we evaluate our business and financial strategy.

Commodity Price Risk

The results of our operations will depend in large part upon the market prices of gold and silver. Gold and silver prices fluctuate widely and are affected by numerous factors beyond our control. The level of interest rates, the rate of inflation, the world supply of gold and silver and the stability of exchange rates, among other factors, can all cause significant fluctuations

in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold and silver has fluctuated widely in recent years, and future price declines could cause a mineral project to become uneconomic, thereby having a material adverse effect on our business and financial condition. We have not entered into derivative contracts to protect the selling price for gold or silver. We may in the future more actively manage our exposure through derivative contracts or other commodity price risk management programs, although we have no intention of doing so in the near-term.

In addition to adversely affecting our mineralized material estimates and our financial condition, declining gold and silver prices could require a reassessment of the feasibility of a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause delays in the implementation of a project.

Foreign Currency Risk

We transact a significant amount of our business in Mexican pesos. As a result, currency exchange fluctuations may impact our operating costs. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, a depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms.

The value of cash and cash equivalents denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-U.S. dollar currencies results in a foreign currency gain on such investments and a decrease in non-U.S. dollar currencies results in a loss. We have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates but may in the future actively manage our exposure to foreign currency exchange rate risk. We also hold portions of our cash reserves in non-U.S. dollar currencies.

Provisional Sales Contract Risk

We enter into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contracts contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement based on a future price, does not qualify for hedge accounting and is marked-to-market through earnings each period prior to final settlement.

At December 31, 2012, we had outstanding provisionally priced sales of \$58.7 million consisting of 12,411 ounces of gold and 959,485 ounces of silver, 351 tons of copper, 1,570 tons of lead and 4,139 tons of zinc which had a fair value of approximately \$59.3 million including the embedded derivative. If the price for each metal were to change by one percent, the change (plus or minus) in the total fair value of the concentrates sold would be approximately \$641,000.

Interest Rate Risk

We have no debt outstanding nor do we have any investment in debt instruments other than highly liquid short-term investments. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

Equity Price Risk

We have in the past sought and may in the future seek to acquire additional funding by sale of common stock and other equity. Movements in the price of our common stock have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell our common stock at an acceptable price should the need for new equity funding arise.

Country Risk

All of our mineral properties are located in Mexico. In the past, that country has been subject to political instability, increasing crime, changes and uncertainties which may cause changes to existing government regulations affecting mineral exploration and mining activities. Civil or political unrest could disrupt our operations at any time. Our exploration and mining activities may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that could increase the costs related to our activities or maintaining our properties. Finally, Mexico's status as a developing country may make it more difficult for us to obtain required financing for our properties.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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GOLD RESOURCE CORPORATION

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting.

The Securities Exchange Act of 1934 defines internal control over financial reporting in Rules 13a-15(f) and 15d-15(f) as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Gold Resource Corporation

Colorado Springs, Colorado

We have audited the accompanying consolidated balance sheets of Gold Resource Corporation as of December 31, 2012 and 2011, and the related consolidated statements of operations, other comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2012, and the period August 24, 1998 (inception) to December 31, 2012. We also have audited Gold Resource Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Gold Resource Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, including in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gold Resource Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2012, and the period August 24,

1998 (inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Gold Resource Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ StarkSchenkein, LLP
StarkSchenkein, LLP

Denver, Colorado

March 18, 2013

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GOLD RESOURCE CORPORATION
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except shares)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,780	\$ 51,960
Gold and silver bullion	5,809	2,549
Accounts receivable	6,349	14,281
Inventories	7,533	4,243
Income tax receivable	419	-
Deferred tax assets	2,121	11,118
Prepaid expenses and other assets	973	957
Total current assets	58,984	85,108
Land and mineral rights	227	227
Property and equipment - net	14,050	10,318
Inventories	809	-
Deferred tax assets	31,559	19,517
Total assets	\$ 105,629	\$ 115,170
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,013	\$ 1,691
Accrued expenses	4,178	4,879
IVA taxes payable	2,673	559
Income taxes payable	-	15,987
Dividends payable	3,161	2,645
Total current liabilities	13,025	25,761
Asset retirement obligation	2,790	2,281
Total liabilities	15,815	28,042
Commitments and contingencies (Note 9)		
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	102,674	132,529
(Deficit) accumulated during the exploration stage	(5,851)	(39,522)
Treasury stock at cost, 336,398 and 104,251 shares, respectively	(5,884)	(1,954)
Accumulated other comprehensive (loss) - currency translation adjustment	(1,178)	(3,978)
Total shareholders' equity	89,814	87,128

Total liabilities and shareholders' equity	\$ 105,629	\$ 115,170
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The accompanying notes are an integral part of these consolidated financial statements.

GOLD RESOURCE CORPORATION

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

for the years ended December 31, 2012, 2011 and 2010

and for the period from Inception (August 24, 1998) to December 31, 2012

(U.S. dollars in thousands, except shares and per share amounts)

	2012	2011	2010	Inception (August 24, 1998) to December 31, 2012
Sales of metals concentrate, net	\$ 131,794	\$ 105,163	\$ 14,754	\$ 251,710
Mine cost of sales:				
Production costs	42,574	24,087	6,549	73,036
Depreciation and amortization	1,366	473	166	2,005
Accretion	81	82	68	231
Total mine cost of sales	44,021	24,642	6,783	75,272
Mine gross profit	87,773	80,521	7,971	176,438
Costs and expenses:				
General and administrative expenses	13,507	8,934	7,474	44,868
Exploration expenses	8,008	4,927	4,692	42,112
Construction and development	16,554	20,986	18,435	91,471
Production start-up expense, net	-	-	209	209
Management contract expense	-	-	-	752
Total costs and expenses	38,069	34,847	30,810	179,412
Operating income (loss)	49,704	45,674	(22,839)	(2,974)
Other (expense) income	(2,736)	2,414	(235)	139
Income (loss) before income taxes	46,968	48,088	(23,074)	(2,835)
Provision for income taxes	13,297	(12,037)	-	1,260
Net income (loss) before extraordinary item	33,671	60,125	(23,074)	(4,095)
Extraordinary items:				
Flood loss, net of income tax benefit of \$750	-	(1,756)	-	(1,756)
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (5,851)
Other comprehensive income (loss):				
Currency translation gain (loss)	2,800	(3,218)	215	(1,178)
Net comprehensive income (loss)	\$ 36,471	\$ 55,151	\$ (22,859)	\$ (7,029)
Net income (loss) per common share:				
Basic:				
Before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)	
Extraordinary item	-	(0.03)	-	
Net income (loss)	\$ 0.64	\$ 1.10	\$ (0.46)	
Diluted:				
Before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)	
Extraordinary item	-	(0.03)	-	
Net income (loss)	\$ 0.60	\$ 1.03	\$ (0.46)	
Weighted average shares outstanding:				
Basic	52,846,163	52,979,481	50,042,471	
Diluted	56,315,885	56,414,654	50,042,471	

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

GOLD RESOURCE CORPORATION

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from Inception (August 24, 1998) to December 31, 2012

(U.S. dollars in thousands, except shares and per share amounts)

	Number of Common Shares	Par Value of Common Shares	Additional Paid-in Capital	Accumulated (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at Inception, August 24, 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued for contributed capital at \$0.005 per share - related parties	2,800,000	3	(1)	-	-	-	2
Net (loss)	-	-	-	(2)	-	-	(2)
Balance, December 31, 1998	2,800,000	3	(1)	(2)	-	-	-
Shares issued for contributed capital at \$0.005 per share - related parties	1,000,000	1	(1)	-	-	-	-
Net (loss)	-	-	-	(1)	-	-	(1)
Balance, December 31, 1999	3,800,000	4	(2)	(3)	-	-	(1)
Shares issued for management contract at \$0.17 per share - related parties	1,226,666	1	203	-	-	-	204
Net (loss)	-	-	-	(205)	-	-	(205)
Balance, December 31, 2000	5,026,666	5	201	(208)	-	-	(2)

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Shares issued for management contract at \$0.17 per share - related parties	1,333,334	1	187	-	-	-	188
Conversion of debentures at \$0.25 per share - related parties	200,000	-	50	-	-	-	50
Shares issued for cash at \$0.25 per share	820,000	1	204	-	-	-	205
Net (loss)	-	-	-	(346)	-	-	(346)
Balance, December 31, 2001	7,380,000	7	642	(554)	-	-	95
Shares issued for cash at \$0.25 per share	392,000	-	98	-	-	-	98
Shares issued for cash at \$0.17 per share	1,351,352	1	223	-	-	-	224
Net (loss)	-	-	-	(789)	-	-	(789)
Balance, December 31, 2002	9,123,352	8	963	(1,343)	-	-	(372)
Shares issued for cash at \$0.25 per share	577,000	1	144	-	-	-	145
Share issuance costs forgiven	-	-	25	-	-	-	25
Net (loss)	-	-	-	(496)	-	-	(496)
Balance, December 31, 2003	9,700,352	9	1,132	(1,839)	-	-	(698)
Shares issued for cash at \$0.25 per share	608,000	1	151	-	-	-	152
Shares issued in repayment of loan related to exploration	1,200,000	1	499	-	-	-	500

agreement at \$0.42 per share							
Shares issued as stock grant at \$0.25 per share	600,000	1	149	-	-	-	150
Net (loss)	-	-	-	(853)	-	-	(853)
Balance, December 31, 2004	12,108,352	12	1,931	(2,692)	-	-	(749)
Stock options exercised, cashless exercise	10,000	-	2	-	-	-	2
Shares issued for cash at \$0.25 per share	276,000	-	69	-	-	-	69
Shares issued for cash at \$0.47 per share	2,728,500	3	1,272	-	-	-	1,275
Shares issued for cash at \$0.50 per share	122,000	-	61	-	-	-	61
Shares issued for cash at \$0.50 per share	30,000	-	15	-	-	-	15
Shares issued for satisfaction of payables at \$0.25 per share	1,280,000	1	319	-	-	-	320
Shares issued as stock grant at \$0.25 per share	1,750,000	2	436	-	-	-	438
Net (loss)	-	-		(1,218)	-	-	(1,218)
Balance, December 31, 2005	18,304,852	18	4,105	(3,910)	-	-	213
Stock options granted	-	-	147	-	-	-	147
Stock options exercised, cashless exercise	240,000	-	60	-	-	-	60

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Shares issued for cash at \$1.00 per share, net of issue costs	4,600,000	5	4,347	-	-	-	4,352
Shares issued for cash at \$1.20 per share, net of issue costs	4,322,000	5	4,924	-	-	-	4,929
Director Stock grant at \$1.00 per share	100,000	-	100	-	-	-	100
Shares issued for investor relation services at \$1.14 per share	280,000	-	319	-	-	-	319
Shares issued for investment banking services at \$1.20 per share	257,700	-	-	-	-	-	-
Shares issued as stock grant at \$1.71 per share	35,000	-	60	-	-	-	60
Currency translation adjustment	-	-	-	-	-	20	20
Net (loss)	-	-	-	(2,687)	-	-	(2,687)
Balance, December 31, 2006	28,139,552	28	14,062	(6,597)	-	20	7,513
Stock options granted	-	-	99	-	-	-	99
Shares issued for cash at \$4.00 per share, net of issue costs	5,558,500	6	21,706	-	-	-	21,712
Shares issued for investor relation services at \$3.39 per share	170,000	-	576	-	-	-	576
Shares issued for investment	263,900	-	-	-	-	-	-

banking services							
Shares issued for consulting services in Mexico at \$3.68 per share	15,000	-	55	-	-	-	55
Currency translation adjustment	-	-	-	-	-	(90)	(90)
Net (loss)	-	-	-	(8,076)	-	-	(8,076)
Balance, December 31, 2007	34,146,952	34	36,498	(14,673)	-	(70)	21,789
Stock options granted	-	-	1,957	-	-	-	1,957
Stock options exercised, cashless exercise	260,604	-	181	-	-	-	181
Shares issued for cash at \$3.00 per share	1,670,000	2	5,009	-	-	-	5,011
Shares issued for investor relation services at \$4.25 per share	10,000	-	42	-	-	-	42
Currency translation adjustment	-	-	-	-	-	63	63
Net (loss)	-	-	-	(26,015)	-	-	(26,015)
Balance, December 31, 2008	36,087,556	36	43,687	(40,688)	-	(7)	3,028
Stock options granted	-	-	2,844	-	-	-	2,844
Stock options exercised, cashless exercise	677,933	1	(1)	-	-	-	-
Shares issued for cash at \$3.00 per share	4,330,000	4	12,986	-	-	-	12,990
Shares issued for cash at \$4.00 per	5,000,000	5	19,995	-	-	-	20,000

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share							
Shares issued							
for cash at							
\$8.185 per							
share	1,954,795	2	15,998	-	-	-	16,000
Stock options							
exercised at							
\$3.68 per							
share	50,000	-	184	-	-	-	184
Currency							
translation							
adjustment	-	-	-	-	-	(968)	(968)
Net (loss)	-	-	-	(34,129)	-	-	(34,129)
Balance,							
December 31,							
2009	48,100,284	48	95,693	(74,817)	-	(975)	19,949
Stock options							
granted	-	-	2,387	-	-	-	2,387
Stock options							
exercised,							
cashless							
exercise	141,440	-	-	-	-	-	-
Shares issued							
for cash at							
\$4.63 per							
share	50,000	-	538	-	-	-	538
Shares issued							
for cash at							
\$8.62 per							
share	600,000	1	5,171	-	-	-	5,172
Shares issued							
for cash at							
\$9.50 per							
share	631,579	1	5,999	-	-	-	6,000
Shares issued							
for cash at							
\$16.00 per							
share	3,475,000	3	51,986	-	-	-	51,989
Return of							
capital							
dividend	-	-	(9,330)	-	-	-	(9,330)
Currency							
translation							
adjustment	-	-	-	-	-	215	215
Net (loss)	-	-	-	(23,074)	-	-	(23,074)
Balance,							
December 31,							
2010	52,998,303	53	152,444	(97,891)	-	(760)	53,846
Stock options							
granted	-	-	6,570	-	-	-	6,570
	-	-	-	-	(1,954)	-	(1,954)

Purchase of treasury stock							
Return of capital dividend	-	-	(26,485)	-	-	-	(26,485)
Currency translation adjustment	-	-	-	-	-	(3,218)	(3,218)
Net income	-	-	-	58,369	-	-	58,369
Balance, December 31, 2011	52,998,303	53	132,529	(39,522)	(1,954)	(3,978)	87,128
Stock options granted	-	-	6,600	-	-	-	6,600
Stock options exercised, cashless exercise	17,464	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(3,930)	-	(3,930)
Return of capital dividend	-	-	(36,455)	-	-	-	(36,455)
Currency translation adjustment	-	-	-	-	-	2,800	2,800
Net income	-	-	-	33,671	-	-	33,671
Balance, December 31, 2012	53,015,767	\$ 53	\$ 102,674	\$ (5,851)	\$ (5,884)	\$ (1,178)	\$ 89,814

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

GOLD RESOURCE CORPORATION

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2012, 2011 and 2010

and for the period from Inception (August 24, 1998) to December 31, 2012

(U.S. dollars in thousands)

	2012	2011	2010	Inception (August 24, 1998) to December 31, 2012
Cash flows from operating activities:				
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (5,851)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,540	953	154	3,011
Accretion	81	82	68	231
Asset retirement obligation	258	-	315	2,565
Stock-based compensation	6,600	6,570	2,694	22,651
Management fee paid in stock	-	-	-	392
Related party payable paid in stock	-	-	-	320
Unrealized currency exchange (gain) loss	1,442	(1,634)	265	(902)
Unrealized (gain) loss from gold and silver bullion held	(58)	429	-	371
Realized loss from gold and silver bullion converted	64	-	-	64
Deferred tax assets	(3,046)	(33,213)	-	(36,259)
Other	6	-	-	31
Changes in operating assets and liabilities:				
Accounts receivable	8,305	(14,265)	(980)	(6,940)
Inventories	(4,098)	(1,601)	(2,731)	(8,655)
Income tax receivable	(419)	-	-	(419)
Prepaid expenses and other assets	(14)	(767)	2	(1,115)
Accounts payable	1,397	(428)	3,378	2,654
Accrued expenses	(653)	2,795	-	2,919
IVA taxes payable/receivable	2,115	6,147	(3,218)	4,722
Income taxes payable	(15,987)	17,883	-	1,896
Total adjustments	(2,467)	(17,049)	(53)	(12,463)
Net cash provided by (used in) operating activities	31,204	41,320	(23,127)	(18,314)
Cash flows from investing activities:				
Capital expenditures	(4,461)	(7,416)	(3,180)	(17,497)
Purchases of gold and silver bullion	(5,164)	(2,977)	-	(8,141)
Proceeds from conversion of gold and silver bullion	1,897	-	-	1,897
Restricted cash	-	-	11,436	-
Net cash (used in) provided by investing activities	(7,728)	(10,393)	8,256	(23,741)
Cash flows from financing activities:				
Proceeds from sales of common stock	-	-	63,393	150,633
Proceeds from exercise of stock options	-	-	-	428
Proceeds from debentures - founders	-	-	-	50
Dividends paid	(35,940)	(25,429)	(7,740)	(69,110)

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Treasury stock purchases	(3,931)	(1,954)	-	(5,885)
Proceeds from exploration funding agreement	-	-	-	500
Net cash (used in) provided by financing activities	(39,871)	(27,383)	55,653	76,616
Effect of exchange rates on cash and equivalents	215	834	48	1,219
Net (decrease) increase in cash and cash equivalents	(16,180)	4,378	40,830	35,780
Cash and equivalents at beginning of period	51,960	47,582	6,752	-
Cash and equivalents at end of period	\$ 35,780	\$ 51,960	\$ 47,582	\$ 35,780
Supplemental Cash Flow Information				
Income taxes paid	\$ 33,020	\$ -	\$ -	\$ 33,020
Interest expense paid	\$ -	\$ -	\$ -	\$ -
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.				

SOURCE CORPORATION

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012, 2011 and 2010

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 in Turkey.

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 December 31, 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.

Proven or Probable Reserves: The definition of proven or probable reserves is set forth in SEC Industry Guide 7. Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. In addition, reserves cannot be considered proven or probable until they are supported by a feasibility study, indicating that the reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable at the time of the reserve determination. As of December 2012, none of the Company’s mineralized material met the definition of proven or probable reserves.

Basis of Presentation: The consolidated financial statements included herein are expressed in United States dollars, the Company’s reporting currency, and conform to accounting principles generally accepted in the United States of

America (“U.S. GAAP”). The consolidated financial statements include the accounts of the Company and its wholly owned Mexican corporation subsidiaries, which are Don David Gold Mexico S.A. de C.V. (“Don David Gold Mexico”) and Golden Trump Mexico S.A. de C.V (“Golden Trump Mexico”) and of Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi, its wholly owned Turkish subsidiary corporation. Significant intercompany accounts and transactions have been eliminated.

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.

Reclassifications: Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. The reclassifications had no effect on the Company’s net income (loss).

Cash and Cash Equivalents: Cash and cash equivalents consist of all cash balances and highly liquid investments with a remaining maturity of three months or less when purchased and are carried at cost.

Fair Value of Financial Instruments: Fair value accounting under ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Gold and Silver Bullion: From time to time, the Company may purchase gold and silver bullion on the open market in order to diversify its treasury and provide for an alternative form of payment for dividends. 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; specifically, the fair value is based on the daily London P.M. fix as of the balance sheet date.

Accounts Receivable: Accounts receivable consists of trade receivables from the sale of metals concentrate.

Inventories: Major types of inventories include ore stockpile inventories, concentrate inventories and materials and supplies, as described below. Inventories are carried at the lower of average cost or net realizable value, in the case of ore stockpile inventories and materials and supplies. The net realizable value of ore stockpile inventories represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Concentrate inventories are carried at the lower of full cost of production or net realizable value based on current metals prices. Write-downs of inventory are reported as a component of production costs applicable to sales.

Ore Stockpile Inventories

Ore stockpile inventories represent mineralized materials that have been mined and are available for further processing. Ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, an estimate of the contained metals (based on assay data) and the estimated metallurgical recovery rates. Costs are allocated to ore stockpile inventories based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation and amortization relating to mining operations. Material is removed from the stockpile at an average cost per tonne. The current portion of ore stockpiles is determined based on the expected amounts to be processed within the next 12 months. Ore stockpile inventories not expected to be processed within the next 12 months, if any, are classified as long-term. As of December 31, 2012, all underground mine ore stockpile inventory was classified as current and all open pit mine ore stockpile inventory was classified as non-current.

Concentrate Inventories

Concentrates inventories include metal concentrates located either at the Company's facilities or in transit to its customer's port. Inventories consist of copper, lead and zinc metal concentrates, which also contain gold and silver mineralization.

Materials and Supplies Inventories

Materials and supplies inventories are carried at cost not in excess of their estimated net realizable value. Cost includes applicable taxes and freight. Inventories consist of chemical reagents, parts, fuels and other materials and supplies.

IVA Taxes Receivable and Payable: In Mexico, value added taxes (IVA) are assessed on purchases of materials and services and sales of products. Businesses are generally entitled to recover the taxes they have paid related to purchases of materials and services, either as a refund or as a credit against future taxes payable. Likewise, businesses owe IVA taxes as the business sells a product and collects IVA taxes from its customers.

Amounts recorded as IVA taxes payable in the consolidated financial statements represent the net estimated IVA tax liability, since there is a legal right of offset of IVA taxes receivable and payable.

Mineral Acquisition Costs: The costs of acquiring land and mineral rights are considered tangible assets. Significant acquisition payments are capitalized. Administrative and holding costs to maintain an exploration property are expensed as incurred. If a mineable ore body is discovered, such capitalized costs are amortized when production begins using the units-of-production method. If no mineable ore body is discovered or such rights are otherwise determined to have diminished value, such costs are expensed in the period in which the determination is made.

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Exploration Costs: Exploration costs are charged to expense as incurred. Costs to identify new mineral resources, to evaluate potential resources, and to convert mineral resources into proven or probable reserves are considered exploration costs.

Design, Construction and Development Costs: Certain costs to design and construct mine and processing facilities may be incurred prior to establishing proven or probable reserves. Under these circumstances, the Company classifies a project as an exploration stage project and expenses substantially all costs, including design, engineering, construction and installation of equipment. Certain types of equipment, which have alternative uses or significant salvage value, may be capitalized. If a project is determined to contain proven or probable reserves, costs incurred in anticipation of production can be capitalized. Such costs include development drilling to further delineate the ore body, removing overburden during the pre-production phase, building access ways, constructing facilities, and installing equipment. Interest costs, if any, incurred during the development phase, would be capitalized until the assets are ready for their intended use. The cost of start-up activities and ongoing costs to maintain production are expensed as incurred. Costs of abandoned projects are charged to operations upon abandonment.

If a project commences commercial production and the project is determined to contain proven or probable reserves, amortization and depletion of capitalized costs is computed on a unit-of-production basis over the expected reserves of the project based on estimated recoverable gold equivalent ounces.

Property and Equipment: All items of property and equipment are carried at cost not in excess of their estimated net realizable value. Normal maintenance and repairs are expensed as incurred while expenditures for major maintenance and betterments are capitalized. Gains or losses on disposition are recognized in operations. Depreciation of property and equipment is computed using straight-line methods over the estimated economic lives, as follows:

Trucks and autos.....	4 to 5 years
Office furniture and equipment.....	3 to 10 years
Machinery & equipment.....	6 to 8 years
Buildings.....	20 to 30 years

Impairment of Long-Lived Assets: The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. Any impairment losses are measured and recorded based on discounted estimated future cash flows and are charged to income on the Company's consolidated statements of operations. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's estimates of future cash flows are based on numerous assumptions, including expected gold and other commodity prices, production levels, capital requirements and estimated salvage values. It is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and costs and capital are each subject to significant risks and uncertainties. As of December 31, 2012, the Company's mineral resources do not meet the definition of proven or probable reserves or value beyond proven or probable reserves and any potential revenue has been excluded from the cash flow assumptions. Accordingly, recoverability of capitalized cost is based primarily on estimated salvage values or alternative future uses.

Asset Retirement Obligations: The Company's mining and exploration activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the property is removed from service. A liability is initially recorded at the estimated present value for an obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred if a reasonable estimate of fair value can be made. For exploration stage properties that do not qualify for asset

capitalization, the costs associated with the obligation are charged to operations. For development and production stage properties that have proven or probable reserves, the costs are added to the capitalized costs of the property and amortized using the units-of-production method.

Treasury Stock: Treasury stock represents shares of the Company's common stock which has been repurchased on the open market at the prevailing market price at the time of purchase. Treasury stock is shown at cost as a separate component of equity as a deduction from total capital stock.

Revenue Recognition: Metals products sold to the Company's metals concentrate buyer, including by-product metals, are recorded as revenue when title and risk of loss transfer to the buyer (generally at the time shipment is delivered at buyer's port) at estimated quoted metal prices at time of shipment. Due to the time elapsed between shipment and the final settlement with the buyer, the Company must estimate the prices at which sales of metals will be settled. These estimates are based on various factors, including assay measurements taken at the time of shipment. At the end of each financial reporting period, previously recorded provisional sales are adjusted to estimated settlement metals prices until final settlement with the buyer.

Sales to the Company's buyer are recorded net of charges for treatment, refining, smelting losses, and other charges negotiated by the Company with the buyer. Charges are estimated upon shipment of concentrates based on contractual terms, and actual charges typically do not vary materially from estimates. Costs charged by smelters include a metals payable fee, fixed treatment and refining costs per ton of concentrate.

Changes in metals prices on the London Bullion Market between shipment and final settlement will result in adjustments to revenues related to sales of concentrate previously recorded upon shipment. Concentrate sales, which are initially recorded based on estimated quoted metal pricing at the time of shipment, contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the quoted metal price at the time of the sale. The embedded derivative, which does not qualify for hedge accounting, is adjusted to market through earnings each period prior to final settlement.

Changes in the market price of metals significantly affect the Company's revenues, results of operations and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond the Company's control, such as political and economic conditions, demand, forward selling by producers, expectations for inflation, custom smelter activities, the relative exchange rate of the U.S. dollar, investor sentiment, and global mine production levels. The aggregate effect of these factors is impossible to predict. Because the Company's revenue is derived from the sale of gold, silver, copper, lead and zinc metals concentrate, its results of operations are directly related to the prices of these metals.

Stock-Based Compensation: The Company records compensation expense for the fair value of stock options that are granted. Expense is recognized on a pro-rata basis over the vesting periods, if any, of the options. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model, which requires the input of subjective assumptions including expected volatility, risk-free interest rates, the expected life of the option dividend yields and expected forfeitures and cancellations. Expected volatility is based on the historical price volatility of the Company's common stock. Risk-free interest rates are based on U.S. government obligations with a term approximating the expected life of the option. The expected life is estimated in accordance with SEC Staff Accounting Bulletin No. 107, "Share-Based Payment". The Company paid dividends beginning in July 2010 and, accordingly, a dividend yield was considered in calculating the grant date fair value of options granted subsequent to that date; however, no dividend yield was considered for options granted prior to July 2010. In addition, we estimate the expected forfeiture rate and only recognize expense for those options expected to vest.

Reclamation and Remediation Costs: Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is expensed as incurred since we do not have proven or probable reserves. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, its reclamation obligations in accordance with ASC guidance for reclamation obligations.

Comprehensive Income (Loss): Total comprehensive income (loss) and the components of accumulated other comprehensive income (loss) are presented in the Consolidated Statement of Changes in Shareholders' Equity. Accumulated other comprehensive income (loss) is composed of foreign currency translation adjustment effects.

Income Taxes: Income taxes are computed using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes.

and the effect of net operating loss and foreign tax credit carry-forwards. Deferred tax assets are evaluated to determine if it is more likely than not that they will be realized.

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 average fair market value.

Foreign Currency: These consolidated financial statements are expressed in United States dollars ("US dollars"), which is the functional currency of the Company and the reporting currency of the consolidated financial statements. The functional currency of all of the Company's subsidiaries is also the US dollar except for Golden Trump Mexico for which the functional currency is the Mexican peso.

Prior to April 2010, the local currency where the Company's properties are located, the Mexican peso, was the functional currency for the Company's subsidiaries. In conjunction with the commencement of production and sales in US dollars at the El Aguila project in April 2010, the economic facts and circumstances changed such that the functional

currency of one of the Mexican subsidiaries was changed to the US dollar. This change in functional currency was identified and corrected in the fourth quarter of 2012 and resulted in out-of-period adjustments of \$0.8 million to property and equipment, net; (\$2.0) million to unrealized (loss)gain on foreign currency exchange and (deficit) accumulated during the exploration stage; and an offsetting amount of \$2.8 million to accumulated other comprehensive income(loss) - currency translation adjustment and currency translation gain in other comprehensive income(loss). Management does not believe that the out-of-period adjustments are material to the consolidated financial statements, herein.

Translation of transactions and balances into the functional currency

Transactions in currencies other than an entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at that date. Foreign currency non-monetary items that are measured in terms of historical cost are not retranslated. Exchange differences are recognized in net earnings in the period in which they arise.

Translation to the reporting currency

At the end of each reporting period, the results and financial position of subsidiaries whose functional currency differs from the reporting currency of the consolidated financial statements are translated into US dollars as follows:

- Assets and liabilities are translated at the rates of exchange at the balance sheet date; and
- Revenues and expenses are translated at the average exchange rates for the period, or at rates that approximate actual exchange rates, with the exception of certain items, such as depreciation and amortization, which are translated at the historical rate applied to the related asset.

Foreign exchange gains and losses resulting from translation from the functional currency to the reporting currency are recognized in other comprehensive income and are recognized in net earnings upon the substantial disposition, liquidation or closure of the subsidiary that gave rise to such amounts.

Concentration of Credit Risk: During the years ended December 31, 2012, 2011 and 2010, all of the Company's revenues and accounts receivable were the result of sales to two subsidiaries of the Trafigura Group Company: Consorcio Minero de Mexico Cormin Mex. S.A. de C.V. ("Consorcio") and Trafigura Beheer, B.V. ("Beheer") of Lucerne Switzerland. 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, the Company 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 years ended December 31, 2012, 2011 and 2010.

Some of the Company's operating cash balances are maintained in accounts that currently exceed federally insured limits. The Company believes that the financial strength of depositing institutions mitigate the underlying risk of loss. To date, these concentrations of credit risk have not had a significant impact on the Company's financial position or results of operations.

Recently Adopted Accounting Standards:

In May 2011, ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The Company's January 1, 2012 adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2011, the ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update required certain disclosure requirements when reporting other comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. The Company adopted the new guidance and

its deferral and opted to present the total of comprehensive income in two separate but consecutive statements effective for its fiscal year beginning January 1, 2011. The early adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Standards Updates:

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," or "ASU 2013-02" which requires disclosure of significant amounts reclassified out of accumulated other comprehensive income by component and their corresponding effect on the respective line items of net income. This guidance is effective for reporting periods beginning after December 15, 2012 and is not expected to have a material impact on our consolidated financial statements or financial statement disclosures.

In February 2013, the FASB issued ASU No. 2013-05 "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This guidance is effective for reporting periods beginning after December 15, 2013 and is not expected to have a material impact on our consolidated financial statements or financial statement disclosures.

2. Fair Value Measurement

The Company's financial instruments consist of cash and cash equivalents, investments in gold and silver bullion, and accounts receivable (which include provisionally priced sales) as of December 31, 2012 and 2011. The following tables summarize the Company's financial instruments required to be measured at fair value on a recurring basis as of December 31, 2012 and 2011. The carrying values of cash and cash equivalents and accounts receivable approximated their fair values at December 31, 2012 and 2011 due to their short maturities.

	Fair Value as of December 31, 2012				Balance Sheet Classification
	Level 1 (in thousands)	Level 2	Level 3	Total	
Gold and silver bullion ⁽¹⁾	\$ 5,809	\$ -	\$ -	\$ 5,809	Gold and silver bullion
Receivables related to unsettled invoices ⁽²⁾	\$ 6,341	\$ -	\$ -	\$ 6,341	Accounts receivable

	Fair Value as of December 31, 2011				Balance Sheet Classification
	Level 1 (in thousands)	Level 2	Level 3	Total	
Gold and silver bullion ⁽¹⁾	\$ 2,549	\$ -	\$ -	\$ 2,549	Gold and silver bullion
Receivables related to unsettled invoices ⁽²⁾	\$ 6,208	\$ -	\$ -	\$ 6,208	Accounts receivable

(1) 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

December 31, 2012 and 2011, respectively.

(2) Certain concentrate sales contracts provide for provisional pricing as specified in such contracts. These sales contain an embedded derivative related to the provisional pricing mechanism which is bifurcated and accounted for as a derivative. At the end of each reporting period, the Company records an adjustment to revenue to mark-to-market outstanding provisional invoices. Because these provisionally priced sales have not yet settled, the mark-to-market adjustment related to these invoices is included in accounts receivable as of each reporting date.

None of the Company's financial instruments were classified as Level 2 or Level 3 financial instruments under ASC 820 as of December 31, 2012 or 2011.

Gains and losses related to changes in the fair value of these financial instruments were included in the Company's Consolidated Statement of Operations.

	Type	Years Ended December 31,			Statement of Operations Classification
		2012	2011	2010	
		(in thousands)			
Change in fair value of bullion held	Unrealized gain (loss)	\$ 58	\$ (429)	\$ -	Other (expense) income
Bullion converted pursuant to dividend program (See Note 3)	Realized gain (loss)	\$ (64)	\$ -	\$ -	Other (expense) income
Receivables related to unsettled invoices Provisionally priced sales ⁽¹⁾	Derivative gain (loss)	\$ 219	\$ (126)	\$ 359	Sales of metals concentrate, net

(1) These sales contain an embedded derivative related to the provisional pricing mechanism which is bifurcated and accounted for as a derivative. At the end of each reporting period, the Company records an adjustment to revenue to mark-to-market outstanding provisional invoices. Because these provisionally priced sales have not yet settled, the mark-to-market adjustment related to these invoices is included in sales of metals concentrate, net as of each reporting date.

3. Gold and Silver Bullion

Beginning in 2011, the Company began to invest a portion of its treasury in physical gold and silver bullion and continues to do so. During the year ended December 31, 2012, the Company purchased approximately 1,974 ounces of gold and 59,001 ounces of silver at market prices for a total cost of \$5.2 million. During the year ended December 31, 2011, we purchased approximately 868 ounces of gold and 41,728 ounces of silver at market prices for a total cost of \$3.0 million. 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. During the year ended December 31, 2012, approximately 1,068 ounces of gold and 5,234 ounces of silver were converted into gold and silver bullion and distributed under this dividend program, resulting in a realized loss of \$0.1 million in that year. No gold or silver bullion was distributed under the dividend program during 2011 or 2010.

The Company values its gold and silver bullion based on guidelines established by ASC 820, as described further in Note 2. The table below shows the balance of the Company's holdings of bullion as of December 31, 2012 and 2011.

	2012		2011	
	Gold	Silver	Gold	Silver
	(in thousands, except ounces and per ounce)		(in thousands, except ounces and per ounce)	
Ounces	1,774	95,495	868	41,728
Average cost per ounce	\$ 1,683.08	\$ 33.45	\$ 1,720.93	\$ 35.55
Fair value per ounce	\$ 1,659.83	\$ 30.00	\$ 1,574.50	\$ 28.32
Total cost	\$ 2,986	\$ 3,194	\$ 1,494	\$ 1,484
Total fair value	\$ 2,945	\$ 2,864	\$ 1,367	\$ 1,182

4. Inventories

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

	2012	2011
	(in thousands)	
Ore stockpiles - underground mine	\$ 1,466	\$ 1,629
Concentrates	3,305	663
Materials and supplies	2,762	1,951
Inventories- current	7,533	4,243
Ore stockpiles - open pit mine	809	-
Inventories- non-current	809	-
Total inventories	\$ 8,342	\$ 4,243

5. Mineral Properties

The Company has an interest in five properties within the State of Oaxaca, Mexico, the El Aguila Project, the El Rey property, the Las Margaritas property, the Alta Gracia property and the El Chamizo property. The El Aguila and El Aire concessions make up the El Aguila Project and the La Tehuana concession makes up the Las Margaritas property. All properties are located within trucking distance to the El Aguila mill.

The El Aguila Project: Effective October 14, 2002, the Company leased three mining concessions, El Aguila, El Aire, and La Tehuana, totaling 1,896 hectares. The lease agreement is subject to a 4% net smelter return royalty where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Subject to minimum exploration requirements, there is no expiration term for the lease. The Company may terminate the lease at any time upon written notice to the lessor and the lessor may terminate the lease if the Company fails to fulfill any of its obligations. The Company subsequently acquired two additional concessions, El Chacal and El Pilon, totaling 1,445 hectares, from the same third party, who is entitled to receive a 2% royalty on future production.

The Company has filed for and received additional concessions for the El Aguila Project that total an additional 17,639 hectares. These additional concessions are not part of the concessions discussed above. The Company's total interest in the El Aguila Project aggregates 20,980 hectares.

The El Rey Property: The El Rey property consists of concessions in another area in the state of Oaxaca known as El Rey, El Virrey, La Reyna and El Marquez. We acquired the El Rey concession from our former consultant and it is subject to a 2% net smelter return royalty payable to him on a portion of the claims. We obtained the remaining concessions by staking claims and filing for concessions with the Mexican government. These concessions total 2,773 hectares.

The El Rey property is an exploration stage property with no known reserves. It is approximately 64 kilometers (40 miles) from the El Aguila Project. There is no plant or equipment on the El Rey property. If exploration is successful, any mining would probably require an underground mine but any mineralized material could be transported by truck and processed at the El Aguila Project mill.

The Las Margaritas Property: The Las Margaritas property is made up of the La Tehuana concession. The Company leased this property in October 2002. It is comprised of approximately 925 hectares located adjacent to the El Aguila property. To date, the Company has conducted limited drilling surface sampling, geologic mapping and continues to define drill targets for future exploration drill programs.

The Solaga Property: In February 2007, the Company leased a 100% interest in a property known as the Solaga property for a primary term of eight years. In early 2013, the Company terminated its interest in this lease.

The Alta Gracia Property: In August 2009, the Company acquired property adjacent to the Las Margaritas property in the Alta Gracia mining district by filing concessions under the Mexican mining laws. The Company refers to this property as the Alta Gracia property. These properties are comprised of three mining concessions, the David 1, the David 2 and La Hurradura. The concessions total 5,175 hectares. The Company has conducted limited surface sampling, geologic mapping and drilling initial targets.

The El Chamizo Property: In June 2011, the Company acquired an additional property between the El Rey property and Alta Gracia property by staking mineral claims consisting of approximately 26,386 hectares (101 square miles) which it refers to as the "El Chamizo" property. With the acquisition of El Chamizo, the Company has extended its land position along what is known as the San Jose structural corridor to 48 kilometers. There has been limited exploration activity at El Chamizo to date.

As of December 31, 2012, none of the mineralized material at the Company's properties met the SEC's definition of proven or probable reserves.

6. Property and Equipment

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

	2012	2011
	(in thousands)	
Trucks and autos	\$ 1,631	\$ 1,095
Building	1,737	1,737
Office furniture and equipment	2,275	1,768
Machinery and equipment	11,474	7,245
Subtotal	17,117	11,845
Accumulated depreciation	(3,067)	(1,527)
Total property and equipment, net	\$ 14,050	\$ 10,318

Depreciation expense for years ended December 31, 2012, 2011 and 2010 was \$1.5 million, \$0.9 million and \$0.3 million, respectively. The Company did not have any significant asset disposals in 2012 and 2011.

7. Income Taxes

The Company files income taxes on an entity basis. Gold Resource Corporation files as a U.S. Corporation ("U.S. Operations") and the Company's subsidiaries file in Mexico and Turkey.

For financial reporting purposes, net income (loss) before income taxes and extraordinary item include the following components:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
U.S. Operations	\$ (13,045)	\$ (11,443)	\$ (7,187)
Foreign Operations	60,013	59,531	(15,887)
Total income(loss) before income taxes and extraordinary item	\$ 46,968	\$ 48,088	\$ (23,074)

The Company's income tax provision consisted of:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Current taxes:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Foreign	22,067	17,827	-
Total current taxes	\$ 22,067	\$ 17,827	\$ -
Deferred taxes:			
Federal	\$ 2,913	\$ (4,005)	\$ -
State	298	(372)	-
Foreign	(11,981)	(25,487)	-
Total deferred taxes	\$ (8,770)	\$ (29,864)	\$ -

Total income provision \$ 13,297 \$ (12,037)\$ -

The provision for income taxes for the years ended December 31, 2012, 2011 and 2010, differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to pre-tax income from operations as a result of the following differences:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Tax at statutory rates	\$ 16,031	\$ 15,987	\$ (8,076)
U.S Operations - state income tax impact	345	(372)	(234)
Mexico Operations - tax rate impact	(2,826)	(2,856)	794
Dividends, net of foreign tax credits	2,050	-	-
Return to provision	1,161	-	-
Change in deferred tax assets	1,400	2,820	-
Change in valuation allowance	(4,644)	(28,574)	7,515
Other	(220)	958	1
Tax provision	\$ 13,297	\$ (12,037)	\$ -

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Undistributed earnings of the Company's foreign subsidiaries were approximately \$58.7 million at December 31, 2012. These earnings are considered to be indefinitely reinvested, and do not include earnings which are considered distributed. According, no provision for U.S. federal and state income taxes has been provided for on those earnings. If the Company were to separate those earnings, in the form of dividends or otherwise, the company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

The Company files income taxes on an entity basis. Gold Resource Corporation files a U.S. tax return and the Company's subsidiaries each file separate tax returns in Mexico and Turkey.

The Company, on an entity-by-entity basis, evaluates the evidence available to determine whether a valuation allowance is required on the deferred tax assets. During 2011, the company determined that deferred tax assets attributable to Gold Resources Corporation and Don David Gold Mexico were "more likely than not" recoverable and recorded a reduction in the valuation allowance of \$28.6 million. During the fourth quarter of 2012, the Company determined that the remaining deferred tax assets of Don David Gold Mexico were "more likely than not" recoverable and recorded a reduction in the valuation allowance of \$4.6 million. Management's assessment was based on the increased Don David Gold Mexico 2012 gross profits and net income, forecasted contributed future profits and the projected 2013 payment of dividends (which is treated as dividend income for income tax purposes) to the U.S. parent.

Deferred tax assets and liabilities are determined on an entity-by-entity basis based on the differences between the U.S. GAAP financial statement and tax basis of assets and liabilities using the U.S. Mexico and Turkey enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets and liabilities are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable or refundable currently, or in future years, related to cumulative temporary differences between the tax bases of assets and liabilities and amounts reported in the Company's balance sheet. These items are generally deductible for tax purposes in different periods and in different amounts than the expense recognized for financial reporting purposes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2012 and 2011 are presented below:

	At December 31,	
	2012	2011
	(in thousands)	
Deferred tax assets:		
Tax loss carryforward		
U.S. Operations	\$ 1,213	\$ 10,187
Mexico Operations	-	3,595
Property and equipment	17,612	15,589
Stock-based compensation	5,187	4,404
Accrued royalties and other liabilities	848	811
Foreign tax credits	7,691	100
Other	1,129	593
Total deferred tax assets	33,680	35,279
Valuation allowance	-	(4,644)
Deferred tax assets after valuation allowance	\$ 33,680	\$ 30,635

Deferred tax liabilities	\$ -	\$ -
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Net deferred tax asset	\$ 33,680	\$ 30,635
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At December 31, 2012, the Company has U.S. tax loss carry-forwards for U. S. tax purposes approximating \$1.2 million, which expire between 2026 and 2029, and foreign tax credits of \$7.7 million that expire between 2023 and 2024.

As of December 31, 2012, the Company believes that it has no liability for uncertain tax provisions. If the Company were to determine there were an uncertain tax provisions, the Company would recognize the liability and related interest and penalties within income tax expense.

Currently the Company is not subject to any income tax examinations in any jurisdiction, however to the extent that net operating losses have been utilized in either the current or preceding years such losses may be subject to future income tax examination.

8. Asset Retirement Obligation

The Company's asset retirement obligation ("ARO") relates to the estimated reclamation, remediation, and closure costs for its El Aguila Project. The following table presents the changes in ARO for the years ended December 31, 2012 and 2011.

	2012	2011
	(in thousands)	
Asset retirement obligation – opening balance	\$ 2,281	\$ 2,495
Additions and changes in estimates	258	-
Foreign currency exchange gain (loss)	170	(296)
Accretion	81	82
Asset retirement obligation – ending balance	\$ 2,790	\$ 2,281

9. Commitments and Contingencies

Operating leases

The Company leased office space in Denver, Colorado under an agreement that expired in February 2011. Rent expense for 2011 and 2010 was \$6,000 and \$30,700, respectively. In November 2012, the Company entered into a three year lease agreement to lease office space in Denver, Colorado commencing January 1, 2013. One of the Company's subsidiaries also leased office space in Oaxaca City, Oaxaca. The subsidiary entered into a ten year lease commencing January 1, 2012. Rent expense for 2012 under this lease was \$72,000.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2012.

Years Ended December 31,	
2013	\$ 128,000
2014	130,000
2015	131,000
2016	72,000
2017	72,000
Thereafter	288,000
Total	\$ 821,000

Employment agreements

The Company has entered into certain employment agreements with senior executive employees and key management employees. Under these agreements, the Company paid employee base salary compensation of \$2.5 million in 2012 and will have a contractual obligation to pay employee salary compensation of \$2.6 million, \$2.4 million and \$1.2 million in 2013, 2014 and 2015, respectively.

10. Shareholders' Equity

All of the financial information in this report has been adjusted to reflect the effect of the two-for-one stock split that was effective February 21, 2005, whereby the Company declared and effected a 100% forward stock split where one additional share of common stock, par value \$0.001, was issued for each common share outstanding as of that date.

The Company was formed August 24, 1998 by William W. Reid and David C. Reid (the "Founders"). During 1998 and 1999, the Founders received 3,800,000 shares of common stock valued at \$2,000 for administrative and organization expenses. The Company remained generally inactive through 1999.

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Commencing July 1, 2000, the Company and US Gold Corporation, a publicly traded Colorado corporation, entered into a management contract whereby US Gold provided general management of the business activities of the Company through December 31, 2001. Under this management contract, US Gold was issued 2,560,000 shares of common stock of the Company. The 2,560,000 shares were valued at \$392,000 or approximately \$0.17 per share. Through this arrangement, the Company benefited from experienced management without the need to raise cash for the related cost of such management and administration. The Company was, however, responsible for all additional funding needed.

During 2001, the Founders made convertible debenture loans in the amount of \$50,000 to the Company and then converted those debentures into 200,000 shares of common stock of the Company at a conversion price of \$0.25 per share.

In September 2001, the Company commenced the sale of its common shares under exemptions offered by federal and state securities regulations. During 2001, the Company sold 820,000 shares at \$0.25 per share (total \$205,000).

During 2002, the Company sold 392,000 shares at \$0.25 per share (\$98,000) to various parties and 1,351,352 shares at approximately \$0.17 per share (\$225,000) to an institutional investor, RMB International (Dublin) Limited (“RMB”).

During 2003, the Company sold 577,000 shares at \$0.25 per share raising net proceeds of \$145,000. Effective September 30, 2003, US Gold acquired the RMB shares in exchange for US Gold shares, and terminated the obligation of the Company to pay RMB approximately \$25,000 in transaction costs, which was added back into paid-in-capital.

During 2004, the Company sold 608,000 shares at \$0.25 per share raising net proceeds of \$152,000. Also during 2004, the Company issued 1,200,000 shares valued at approximately \$0.42 per share to Canyon Resource Corporation for repayment of a loan for funding of exploration cost at the El Aguila property. Also during 2004, the Company made a stock grant of 600,000 shares at \$0.25 per share or \$150,000 to a consultant of the Company.

Effective January 2, 2005, the Company granted common stock awards to its two executive officers and a consultant of an aggregate 1,750,000 shares for services performed during 2004 and 2005. The shares were valued at \$438,000 (or \$0.25 per share) which was recorded as stock-based compensation expense of \$350,000 in 2004 and \$87,000 in 2005. In this issuance of common stock, William W. Reid received 1,000,000 shares, David C. Reid received 500,000 shares and the consultant received 250,000 shares.

During 2005, an individual exercised stock options for 10,000 shares for \$2,500. In June 2005, the Company issued 1,280,000 shares to US Gold Corporation in satisfaction of \$320,000 owed for a prior year management contract.

During 2005, the Company sold 428,000 shares to individual investors for cash proceeds of \$145,000 (276,000 shares at \$0.25 per share and 152,000 shares at \$0.50 per share).

In addition, during July and August 2005, the Company closed transactions under a Subscription Agreement and Stock Purchase Option Agreement with Heemskirk Consolidated Limited ("Heemskirk"), an Australian global mining house, whereby Heemskirk purchased 2,000,000 shares of common stock of the Company at \$0.50 per share. A finder's fee of 140,000 shares was paid to a third party (resulting in a net value of \$0.47 per share). Heemskirk had previously purchased (in April, 2005) 150,000 shares of common stock at \$0.50 per share and the Company had paid a finder's fee of 10,500 shares. The Company agreed to give Heemskirk a first right of offer for any financings, including sale of equity, the Company may pursue. In a similar transaction during August 2005, the Company sold 400,000 shares to another investor raising \$200,000 and paid a finder's fee to a third party of 28,000 shares. These transactions resulted in the issuance of 2,728,500 shares for net cash proceeds of \$1.3 million (\$0.47 per share).

During 2006, the Company sold 4,600,000 shares of common stock at \$1.00 per share in a public offering under a registration statement filed with the SEC that was declared effective on May 15, 2006. The Company received cash proceeds of \$4.4 million (net of finders' fees of \$249,000).

During 2006, the Company completed a private placement of 4,322,000 shares of common stock at \$1.20 per share, and received net cash proceeds of \$4.9 million, after deducting finders' fees of \$258,000. The Company also issued 257,700 shares of common stock as finders' fees in connection with this private placement.

During 2006, the Company received cash proceeds of \$60,000 pursuant to the exercise of options to purchase 240,000 shares at \$0.25 per share.

In May 2006, the Company made a common stock award of 100,000 shares to a director. These shares were valued at \$100,000. In December 2006, the Company made a common stock award of 35,000 shares to two employees. These shares

were valued at \$60,000. In October 2006, the Company issued 250,000 shares of restricted common stock in exchange for investor relations services. These shares were valued at \$275,000.

Pursuant to a contract effective November 1, 2006, the Company agreed to issue a series of shares of common stock to a consultant performing investor relations work on its behalf. The 30,000 shares issued in 2006 were valued at \$1.50 per share, or \$45,000. The 30,000 shares issued in February 2007 were valued at \$2.428 per share, or \$73,000. The 30,000 shares issued in May 2007 were valued at \$3.39 per share or \$102,000. In November 2007, 30,000 shares were issued at a value of \$4.14 per share or \$124,000, and 20,000 shares were issued at a value of \$4.235 per share or \$85,000. The Company agreed to issue an additional 10,000 shares for services performed during December 2007 valued at \$4.375 per share or \$44,000. On May 1, 2007, the Company entered into an investor relations contract for international investors that required the issuance of 50,000 shares of common stock during the second quarter of 2007. These shares were valued at fair market value of \$148,000.

On October 2, 2007, the Company agreed to issue 15,000 shares of common stock for consulting services performed in Mexico. These shares were valued at \$3.68 per share or \$55,000 and were recorded as stock compensation during the year ended December 31, 2007.

On December 5, 2007, the Company completed the sale of 5,558,500 shares of common stock in a private placement for a price of \$4.00 per share, for aggregate gross proceeds of \$22.2 million. The sales were made pursuant to a subscription agreement between the Company and each subscriber. In connection with the private placement, the Company agreed to pay finders' fees of \$522,000 cash and 263,900 shares of common stock.

Effective January 13, 2008, the Company agreed to issue 10,000 shares of common stock for investor relations consulting services. The 10,000 shares were valued at \$4.25 per share or \$42,000.

During the year ended December 31, 2008, a Director of the Company exercised options to purchase 100,000 shares of the Company's common stock at the exercise price of \$1 per share for total cash proceeds of \$100,000.

Effective July 28, 2008, an officer exercised options to purchase 87,000 shares of common stock at \$1.00 per share. The officer elected the "cashless exercise" method for payment, under which he immediately surrendered 19,333 shares of common stock that he would have otherwise been entitled to receive. These shares were valued at \$4.50 per share, for a total valuation of \$87,000. The transaction resulted in a net increase of 67,667 common shares outstanding.

Effective October 12, 2008, a consultant exercised options to purchase 81,000 shares of common stock at \$1.00 per share for cash proceeds of \$81,000. In addition, the consultant exercised options to purchase 19,000 shares using the "cashless exercise" method of payment, under which he immediately surrendered 7,063 shares of common stock that he

would have otherwise been entitled to receive. The 7,063 shares were valued at \$2.69 per share, for a total valuation of \$19,000 and resulting in a net issuance of 11,937 shares. As a result of both transactions, common shares outstanding increased by 92,937 shares.

On December 5, 2008, the Company entered into a subscription agreement and a strategic alliance agreement with Hochschild Mining Holdings Limited (Hochschild). Under the terms of the subscription agreement, the Company sold 1,670,000 shares of its common stock to Hochschild at \$3.00 per share for total cash proceeds of \$5.0 million. Under the terms of the strategic alliance agreement the Company granted Hochschild an option to purchase an additional 4,330,000 shares of its common stock at a price of \$3.00 per share for total cash proceeds of \$13 million. The option was exercised on February 25, 2009. The strategic alliance agreement also contains a number of additional covenants between the parties.

On June 30, 2009, the Company entered into a subscription agreement with Hochschild to sell 5,000,000 shares of its common stock at a price of \$4.00 per share, or a total of \$20 million. The transaction was completed in two tranches. Simultaneously with the execution of the subscription agreement, the Company sold 1,250,000 shares of common stock for gross proceeds of \$5 million. The closing for the remaining 3,750,000 shares of common stock was held on July 20, 2009. The Company agreed to reserve \$4 million of the gross proceeds for exploration activities.

Effective October 2, 2009, a consultant exercised options to purchase 50,000 shares of common stock at \$3.68 per share for total cash proceeds of \$184,000.

On December 17, 2009, the Company entered into a subscription agreement with Hochschild to sell 1,954,795 shares of restricted common stock at \$8.185 per share for gross proceeds of \$16 million. The Company agreed to reserve \$8 million of the proceeds for underground mining expenses at the La Arista Vein.

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During 2009, the Company issued 677,933 shares of common stock pursuant to the exercise of stock options by officers and directors. Two option-holders exercised 913,000 options using the “cashless exercise” method for payment, whereby each option-holder immediately surrendered shares of common stock that he would have otherwise been entitled to receive. In the aggregate, the option-holders exercised 913,000 options and immediately surrendered 235,067 shares of common stock, resulting in a net issuance of 677,933 shares of common stock. The Company received no cash proceeds in the transactions.

On March 8, 2010, the Company issued 600,000 restricted shares of common stock at \$8.62 per share to Hochschild pursuant to the strategic alliance agreement. The Company received cash proceeds of \$5.2 million.

On May 7, 2010, the Company agreed to issue 50,000 shares of common stock to an individual investor. The transaction was valued at \$10.77 per share based upon the quoted market price of the common stock, and consisted of cash proceeds of \$232,000, or \$4.63 per share, and stock compensation expense of \$307,000, or \$6.14 per share.

On May 26, 2010, the Company issued 631,579 restricted shares of common stock at \$9.50 per share to Hochschild pursuant to a subscription agreement in connection with the parties’ strategic alliance. The Company received cash proceeds of \$6 million.

On September 23, 2010, the Company completed a financing transaction whereby it sold 3,475,000 shares of restricted common stock at \$16.00 per share for net proceeds of \$52 million to various institutional investors. Jefferies & Company Inc. acted as the placement agent in connection with the transaction, and was compensated in the amount of approximately \$3.6 million.

Dividends

The Company declared commercial production July 1, 2010 and, between July 1, 2010 and December 31, 2012, has declared monthly cash dividends totaling \$1.37 per share of common stock in thirty dividend payments to shareholders of record. The Company declared dividends of \$36.5 million and paid dividends of \$35.9 million during the year ended December 31, 2012. During the year ended December 31, 2011, the Company declared dividends of \$26.5 million and paid dividends of \$25.4 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 December 31, 2012, the Company declared a regular monthly cash dividend of \$0.06 per common share in January and February 2013.

Other Matters

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 December 31, 2012, the Company had

repurchased 336,398 shares of common stock for \$5.9 million.

11. Concentrate Sale Settlements

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 the Company's provisional invoices are based, to assays obtained from samples taken at the buyer's warehouse prior to final settlement, upon which the final invoices are in part based, to assess whether an adjustment to sales is required prior to final invoice settlement. These adjustments resulted in a decrease to sales of \$3.1 million for the year ended December 31, 2012, a decrease to sales of \$0.6 million for the year ended December 31, 2011 and an increase to sales of \$0.2 million for the year ended December 31, 2010. The net reduction to sales of \$3.1 million for 2012 principally resulted from a settlement agreement with the buyer of our concentrates involving a dispute over the concentrate metallurgical content relating to the transportation, handling, control and sampling of those concentrates at the buyer's warehouse, and the resulting assays that were obtained from those samples. The settlement agreement required the buyer to pay the Company \$1.5 million, representing the amount by which provisional invoices for April, May and June 2012 exceeded the tentative settlement value, based on assays taken at the buyer's warehouse. The settlement agreement also required the Company to accept the final settlement value, based on assays taken at the buyer's warehouse, for shipments made in February and March 2012.

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 an

increase to sales of \$0.2 million for the year ended December 31, 2012, a decrease to sales of \$0.1 million for the year ended December 31, 2011 and an increase to sales of \$0.4 million for the year ended December 31, 2010.

Smelter refining fees, treatment charges and penalties are netted against sales of metals concentrates in the consolidated statement of operations. Total charges for these items totaled \$16.9 million, \$11.4 million and \$0.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

12. Employee Benefits

401(k) Plan

Effective October 2012, the Company adopted a profit sharing plan which covers all U.S. employees. The Plan meets the requirements of a qualified retirement plan pursuant to the provisions of Section 401(k) of the Internal Revenue Code. The Plan provides eligible employees the opportunity to make tax deferred contributions to a retirement trust account up to 45% of their qualified wages, subject to a maximum of \$17,000 annually or \$22,500 for employees over the age of 50. The Company will match 100% of the employee's deferred contribution for contributions representing up to 100% of each participating employee's deferred earnings. Employees vest in the Company's matching contribution immediately. The Company's matching contribution expense amounted to \$0.1 million and the unfunded matching contribution obligation was \$0 million for the year ended December 31, 2012.

13. Stock Options

The Company has a non-qualified stock option and stock grant plan under which equity awards may be granted to key employees, directors and others (the "Plan"). The Plan is administered by the Board of Directors, which determines the terms pursuant to which any option is granted. The maximum amount of common stock subject to grant under the Plan is 10 million shares. As of December 31, 2012, there were 1.9 million shares available for future grant under the Plan.

A summary of activity under the Plan as of December 31, 2012 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in yrs)	Aggregate Intrinsic Value
Outstanding as of January 1, 2012	5,160,000	\$ 8.51	6.2	\$ 70,116,500
Granted	1,562,000	21.05		
Reissued	1,270,000	17.64		
Exercised	(100,000)	21.30		
Forfeited	(1,872,000)	24.37		
Outstanding as of December 31, 2012	6,020,000	\$ 8.55	6.1	\$ 46,698,100
	3,840,000	\$ 3.41	4.2	\$ 46,065,400

Vested and exercisable as of
December 31, 2012

The weighted-average grant date fair value of options granted during the years ended December 31, 2012, 2011, and 2010 was \$11.01, \$15.94 and \$12.34, respectively. The total fair value of shares vested during the years ended December 31, 2012, 2011 and 2010 as \$1.6 million, \$5.4 million and \$1.1 million, respectively. The Company did not receive any cash proceeds from options exercised during 2012.

The following table summarizes information about stock options outstanding at December 31, 2012:

Range of Exercise Prices	Outstanding		Weighted Average Exercise Price	Exercisable	
	Number of Options	Weighted Average Remaining Contractual Term (in yrs)		Number of Options	Weighted Average Exercise Price
\$0.25	1,400,000	1.0	\$ 0.25	1,400,000	\$ 0.25
\$3.40 - 3.95	2,000,000	5.7	\$ 3.68	2,000,000	\$ 3.68
\$10.10 - \$20.51	2,620,000	9.2	\$ 16.69	440,000	\$ 12.29
	6,020,000			3,840,000	

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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 years ended December 31, 2012, 2011 and 2010 was \$6.6 million, \$6.6 million \$2.7, respectively. Below is a table of stock-based compensation expense allocated between production and general and administrative expense for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
	(in thousands)		
Production costs	\$ 1,737	\$ 4,336	\$ 587
General and administrative expenses	4,863	2,234	2,107
Total stock-based compensation	\$ 6,600	\$ 6,570	\$ 2,694

In August 2012, the Company offered certain employees the option to cancel their unexercised stock options in exchange for an equal number of new stock options at a lower exercise price, and subject to a new three-year graded vesting period. As of December 31, 2012, thirteen employees elected to participate in the offer, which resulted in 1.3 million outstanding stock options with an exercise period of 10 years being cancelled at exercise prices ranging from \$22.45 to \$27.95 per share. Replacement options of 1.3 million with an exercise period of 10 years were issued on August 14, 2012, at an exercise price of \$17.64 per share. The cancellation and reissuance of these stock options was treated as a modification pursuant to ASC 718 and, accordingly, total stock-based compensation expense related to these awards increased \$1.5 million, which will be recognized over the new vesting period.

The estimated unrecognized stock-based compensation expense from unvested options as of December 31, 2012 was approximately \$17.1 million, which is expected to be recognized over the remaining vesting periods of up to 3.0 years.

The assumptions used to determine the value of our stock-based awards under the Black-Scholes method are summarized below:

	2012	2011	2010
Risk-free interest rate	0.62% - 2.31%	1.97% - 3.37%	2.64% - 3.07%
Dividend yield	2.47% - 3.14%	1.98% - 2.08%	0.56% - 2%
Expected volatility	62.94% - 67.20%	67.47% - 68.62%	71%
Expected life in years	5-10	10	10

14. Other (expense) income

During the years ended December 31, 2012, 2011 and 2010, other (expense) income consisted of the following:

	2012	2011	2010
	(in thousands)		
Currency exchange (loss) gain	\$ (2,881)	\$ 2,732	\$ (330)
Unrealized gain (loss) from gold and silver bullion held	58	(429)	-
Realized (loss) from gold and silver bullion converted	(64)	-	-
Interest income	122	102	99
Other income (expense)	29	9	(4)
Total other (expense) income	\$ (2,736)	\$ 2,414	\$ (235)

15. Net Income (Loss) Per Share

Basic earnings per share is calculated based on the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated based on the assumption that stock options outstanding, which have an exercise price less than the average market price of the Company's common shares during the year, have been exercised on the later of the beginning of the year or the date granted and that the funds obtained from the exercise were used to purchase common shares at the average market price during the year.

	Year Ended December 31,		
	2012	2011	2010
Net income (loss) before extraordinary item	33,671	60,125	(23,074)
Extraordinary items	-	(1,756)	-
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)
Basic weighted average shares of common stock	52,846,163	52,979,481	50,042,471
Dilutive effect of stock options	3,469,722	3,435,173	-
Diluted weighted average common shares outstanding	56,315,885	56,414,654	50,042,471
Basic:			
Net income (loss) per basic share before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)
Extraordinary item	-	(0.03)	-
Net income (loss) per basic share	\$ 0.64	\$ 1.10	\$ (0.46)
Diluted:			
Net income (loss) per diluted share before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)
Extraordinary item	-	(0.03)	-
Net income (loss) per diluted share	\$ 0.60	\$ 1.03	\$ (0.46)

Stock options totaling 0 million and 0.8 million as of December 31, 2012 and 2011, respectively, were excluded from the computation of diluted weighted average shares outstanding. The exercise price of those stock options exceeded the average market price of the Company's common shares of \$22.07 and \$24.32 for the years ended December 31, 2012 and 2011, respectively. Stock options totaling 4.9 million as of December 31, 2010 were excluded from the computation of diluted weighted average shares outstanding as the effect would have been anti-dilutive.

16. Quarterly Financial Data (Unaudited)

The following represents selected information from our unaudited quarterly Statements of Operations Consolidated for the years ended December 31, 2012 and 2011.

	2012			
	First Quarter (as restated)	Second Quarter (as restated)	Third Quarter	Fourth Quarter
Sales of metals concentrate, net	\$ 36,665	\$ 30,700	\$ 36,490	\$ 27,939
Mine gross profit	29,886	17,926	23,773	16,188
Operating income	21,548	8,178	13,564	6,414
Other (expense) income	(1,989)	692	(485)	(954)
Net income before extraordinary item	13,504	4,128	7,297	8,742
Net income	\$ 13,504	\$ 4,128	\$ 7,297	\$ 8,742
Net income per common share:				
Basic:				
Before extraordinary item	\$ 0.26	\$ 0.08	\$ 0.14	\$ 0.18
Basic:	\$ 0.26	\$ 0.08	\$ 0.14	\$ 0.18
Diluted:				
Before extraordinary item	\$ 0.24	\$ 0.07	\$ 0.13	\$ 0.17
Diluted:	\$ 0.24	\$ 0.07	\$ 0.13	\$ 0.17
Weighted average shares outstanding:				
Basic	52,898,984	52,909,756	52,848,586	52,728,590
Diluted	56,362,916	56,443,419	56,254,632	55,846,375
	2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales of metals concentrate, net	\$ 11,280	\$ 20,664	\$ 37,781	\$ 35,438
Mine gross profit	7,117	15,364	29,886	28,154
Operating income	2,153	6,724	21,871	14,926
Other (expense) income	(120)	(23)	2,476	81
Net income before extraordinary item	2,033	4,895	15,216	37,981
Extraordinary item	-	(1,756)	-	-
Net income	\$ 2,033	\$ 3,139	\$ 15,216	\$ 37,981
Net income per common share:				
Basic:				
Before extraordinary item	\$ 0.04	\$ 0.09	\$ 0.29	\$ 0.72
Extraordinary item	-	(0.03)	-	-
Net income	\$ 0.04	\$ 0.06	\$ 0.29	\$ 0.72
Diluted:				
Before extraordinary item	\$ 0.04	\$ 0.09	\$ 0.27	\$ 0.68
Extraordinary item	-	(0.03)	-	-
Net income	\$ 0.04	\$ 0.06	\$ 0.27	\$ 0.68
Weighted average shares outstanding:				
Basic	52,998,303	52,998,303	52,997,194	52,924,736
Diluted	57,840,414	56,545,865	56,357,096	56,209,896

17. Related Party Transactions

During 2010 the Company employed an individual who served as the general manager of the Company's Mexico operations on a contract consulting basis. This individual was paid \$145,000 for his services as general manager in 2010. After 2010, the Company no longer employed this individual and, accordingly, no longer considers this individual to be a

related party. The Company leased, and continues to lease, portions of the El Aguila, El Rey and Las Margaritas mining concessions from this individual. This individual is also a part owner in an entity from which the Company leased its interest in the Solaga property. See also the discussion regarding these leases in Note 5, "Mineral Properties."

18. Extraordinary Item - Flood

On April 20, 2011, the El Aguila Project experienced a rain and hail storm that was unusual and infrequent to the area which flooded the La Arista underground mine and damaged 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 year ended December 31, 2011. The Company has filed an insurance claim to recover damages and losses resulting from business interruption. It is unknown how much, if anything, the Company will recover.

19. Legal Proceedings

On October 25, 2012, a purported securities class action lawsuit captioned Scott Cantor, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation et al., was filed in the U.S. District Court for the District of Colorado and on November 13, 2012, a similar case captioned Robert Rhodes, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation et al., was filed in the same court. The cases were subsequently consolidated into In re Gold Resource Corp. Securities Litigation, No.1:12-cv-02832. This federal court action names the company and certain of its executive officers individually as defendants and alleges, among other things, that we and those officers violated Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 in connection with statements relating to our annual production targets and mine operations. The plaintiffs seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incur in the lawsuit. We believe the allegations are without merit and that we have valid defenses to such allegations. We intend to defend this action vigorously.

On February 8, 2013, a shareholder's derivative lawsuit entitled City of Bristol Pension Fund v. Reid et al., No. 1:13-CV-00348 was filed in the U.S. District Court for the District of Colorado naming us as a nominal defendant, and naming seven of our current and former officers and directors as defendants. The lawsuit alleges breach of fiduciary duty, gross mismanagement and unjust enrichment and seeks to recover, for Gold Resource Corporation's benefit, unspecified damages purportedly sustained by us in connection with the alleged misconduct identified in the class action lawsuit discussed above and an award of attorney's fees and costs. Pursuant to our articles of incorporation, we are obligated to indemnify our officers and directors with respect to this litigation and our company will bear the cost associated with defense of these claims. We are investigating the claims alleged in the derivative lawsuit and will respond appropriately.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in our accountants during the last two fiscal years, and we have not had any disagreements with our existing accountants during that time.

ITEM 9A. CONTROLS AND PROCEDURES

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of December 31, 2012 that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting: There have been no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the 2013 Annual Meeting of Shareholders (“2013 Proxy Statement”) to be filed within 120 days after the end of our fiscal year ended December 31, 2012.

The Company has a code of ethics that applies to all of its employees, officers and directors. The code of ethics is available on our website at www.goldresourcecorp.com and we will post any amendments to, or waivers, from, the code of ethics on that website.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with or incorporated by referenced in this report:

Item No. Description

- 3.1 Articles of Incorporation of the Company as filed with the Colorado Secretary of State on August 24, 1998 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1, File No. 333-129321).
- 3.1.1 Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on September 16, 2005 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1.1, File No. 333-129321).
- 3.1.2 Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on November 8, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on November 10, 2010, Exhibit 3.1, File No. 001-34857).
- 3.2 Amended and Restated Bylaws of the Company dated August 9, 2010 (incorporated by reference from our current report on Form 8-K filed on August 12, 2010, Exhibit 3.2, File No. 333-129321).
- 4 Specimen stock certificate (incorporated by reference from our amended registration statement on Form SB-2/A filed on March 27, 2006, Exhibit 4, File No. 333-129321).
- 10.1 Exploitation and Exploration Agreement between the Company and Jose Perez Reynoso dated October 14, 2002 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.1, File No. 333-129321).
- 10.2 Amended and Restated Non-Qualified Stock Option and Stock Grant Plan (incorporated by reference from our registration statement on Form S-8 filed on January 20, 2011, Exhibit 10.1, File No. 333-171779).
- 10.3 Form of Stock Option Agreement (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.3, File No. 333-129321).
- 10.4 Amended and Restated Executive Employment Agreement between the Company and William W. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.10, File No. 333-170101).
- 10.5 Amended and Restated Executive Employment Agreement between the Company and Jason D. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.12, File No. 333-170101).

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- 10.6 Executive Employment Agreement between the Company and Bradley J. Blacketor (incorporated by reference from our current report on Form 8-K filed on March 19, 2012, Exhibit 10.1, File No. 001-34857).
- 10.7 Executive Employment Agreement between the Company and Barry Devlin (incorporated by reference from our current report on Form 8-K filed on November 13, 2012, Exhibit 10.1, File No. 001-34857).
- 10.8 Strategic Alliance Agreement between the Company and Hochschild Mining Holdings Limited (incorporated by reference from our report on Form 8-K dated December 5, 2008, Exhibit 10.1, File No. 333-129321).
- 10.9 Form of Securities Purchase Agreement between the Company and certain purchasers dated September 19, 2010 (incorporated by reference from our report on Form 8-K dated September 23, 2010, Exhibit 10.1, File No. 001-34857).
- 10.10 Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 5, 2009 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.1, File No. 001-34857).
- 10.11 Purchase Contract 203-10-27070-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective December 3, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.2, File No. 001-34857).
- 10.12 Purchase Contract 103-11CMX-019-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.3, File No. 001-34857).
- 10.13 Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.4, File No. 001-34857).
- 10.14 Purchase Contract 203-11CMX-020-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.5, File No. 001-34857).
- 10.15 Purchase Contract 203-11CMX-008-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.6, File No. 001-34857).
- 10.16 Purchase Contract 303-11CMX-028-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective May 27, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.7, File No. 001-34857).
- 10.17 Purchase Contract 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.8, File No. 001-34857).
- 10.18 Amendment to Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 1, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.9, File No. 001-34857).

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- 10.19 Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.10, File No. 001-34857).
- 10.20. Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.11, File No. 001-34857).
- 10.21 Amendment to Purchase Contract Amendment 203-11CMX-020-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.12, File No. 001-34857).
- 10.22 Amendment to Purchase Contract Amendment 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.13, File No. 001-34857).
- 10.23 Purchase Contract Assignment 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective November 10, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.14, File No. 001-34857).
- 10.24 Mining Exploration and Exploitation Agreement between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 21, 2002 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.15, File No. 001-34857).
- 10.25 Amendment to Mining Exploration and Exploitation Agreement dated between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 22, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.16, File No. 001-34857).
- 10.26 Amendment to Mining Exploration and Exploitation Agreement between Don David Gold Mexico, S.A. de C.V. and Jose Perez Reynoso effective August 3, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.17, File No. 001-34857).
- 10.27* Contract Services Agreement between the Company and Richard Irvine dated February 16, 2012.
- 10.28* Office Lease between Don David Gold Mexico, S.A. de C.V. and Inmobiliaria & Construcciones Stipa S.A. de C.V. effective January 1, 2012.
- 10.29* Office Lease between the Company and Lincoln ASB Colorado Center LLC effective November 1, 2012.
- 10.30* Amendment to Purchase Contracts 103-11CMX-019-0-P, 203-11CMX-020-1-P, and 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective January 1, 2013.
- 21* Subsidiaries of the Company.
- 23.1* Consent of StarkSchenkein, LLP, Independent Registered Public Accounting Firm.

- 31.1* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William W. Reid.
- 31.2* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Bradley J. Blacketor.
- 32* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William W. Reid and Bradley J. Blacketor.
- 101** The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2012 are furnished herewith, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Other Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

* filed herewith

** furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and not incorporated by reference into Registration Statements or other documents filed with the Securities and Exchange Commission except as otherwise expressly stated in such filing.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLD RESOURCE CORPORATION

Date: March 18, 2013 /s/ William W. Reid
 By: William W. Reid, Chairman of the Board and Chief Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Or F

/s/ William W. Reid William W. Reid	Chairman of the Board and Chief Executive Officer	March 18, 2013
/s/ Jason D. Reid Jason D. Reid	President and Director	March 18, 2013
/s/ Bradley J. Blacketor Bradley J. Blacketor	Chief Financial Officer	March 18, 2013
/s/ Isac Burstein Isac Burstein	Director	March 18, 2013
/s/ Bill M. Conrad Bill M. Conrad	Director	March 18, 2013
/s/ Tor Falck Tor Falck	Director	March 18, 2013
/s/ Gary C. Huber Gary C. Huber	Director	March 18, 2013

EXHIBIT INDEX

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- 3.1.1 Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on September 16, 2005 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1.1, File No. 333-129321).
- 3.1.2 Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on November 8, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on November 10, 2010, Exhibit 3.1, File No. 001-34857).
- 3.2 Amended and Restated Bylaws of the Company dated August 9, 2010 (incorporated by reference from our current report on Form 8-K filed on August 12, 2010, Exhibit 3.2, File No. 333-129321).
- 4 Specimen stock certificate (incorporated by reference from our amended registration statement on Form SB-2/A filed on March 27, 2006, Exhibit 4, File No. 333-129321).
- 10.1 Exploitation and Exploration Agreement between the Company and Jose Perez Reynoso dated October 14, 2002 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.1, File No. 333-129321).
- 10.2 Amended and Restated Non-Qualified Stock Option and Stock Grant Plan (incorporated by reference from our registration statement on Form S-8 filed on January 20, 2011, Exhibit 10.1, File No. 333-171779).
- 10.3 Form of Stock Option Agreement (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.3, File No. 333-129321).
- 10.4 Amended and Restated Executive Employment Agreement between the Company and William W. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.10, File No. 333-170101).
- 10.5 Amended and Restated Executive Employment Agreement between the Company and Jason D. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.12, File No. 333-170101).
- 10.6 Executive Employment Agreement between the Company and Bradley J. Blacketor (incorporated by reference from our current report on Form 8-K filed on March 19, 2012, Exhibit 10.1, File No. 001-34857).
- 10.7

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Executive Employment Agreement between the Company and Barry Devlin (incorporated by reference from our current report on Form 8-K filed on November 13, 2012, Exhibit 10.1, File No. 001-34857).

- 10.8 Strategic Alliance Agreement between the Company and Hochschild Mining Holdings Limited (incorporated by reference from our report on Form 8-K dated December 5, 2008, Exhibit 10.1, File No. 333-129321).
- 10.9 Form of Securities Purchase Agreement between the Company and certain purchasers dated September 19, 2010 (incorporated by reference from our report on Form 8-K dated September 23, 2010, Exhibit 10.1, File No. 001-34857).
- 10.10 Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 5, 2009 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.1, File No. 001-34857).
- 10.11 Purchase Contract 203-10-27070-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective December 3, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.2, File No. 001-34857).
- 10.12 Purchase Contract 103-11CMX-019-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.3, File No. 001-34857).
- 10.13 Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.4, File No. 001-34857).
- 10.14 Purchase Contract 203-11CMX-020-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.5, File No. 001-34857).
- 10.15 Purchase Contract 203-11CMX-008-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.6, File No. 001-34857).
- 10.16 Purchase Contract 303-11CMX-028-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective May 27, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.7, File No. 001-34857).
- 10.17 Purchase Contract 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.8, File No. 001-34857).
- 10.18 Amendment to Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 1, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.9, File No. 001-34857).
- 10.19 Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.10, File No. 001-34857).

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- 10.20. Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.11, File No. 001-34857).
- 10.21 Amendment to Purchase Contract Amendment 203-11CMX-020-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.12, File No. 001-34857).
- 10.22 Amendment to Purchase Contract Amendment 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.13, File No. 001-34857).
- 10.23 Purchase Contract Assignment 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective November 10, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.14, File No. 001-34857).
- 10.24 Mining Exploration and Exploitation Agreement between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 21, 2002 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.15, File No. 001-34857).
- 10.25 Amendment to Mining Exploration and Exploitation Agreement dated between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 22, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.16, File No. 001-34857).
- 10.26 Amendment to Mining Exploration and Exploitation Agreement between Don David Gold Mexico, S.A. de C.V. and Jose Perez Reynoso effective August 3, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.17, File No. 001-34857).
- 10.27* Contract Services Agreement between the Company and Richard Irvine dated February 16, 2012.
- 10.28* Office Lease between Don David Gold Mexico, S.A. de C.V. and Inmobiliaria & Construcciones Stipa S.A. de C.V. effective January 1, 2012.
- 10.29* Office Lease between the Company and Lincoln ASB Colorado Center LLC effective November 1, 2012.
- 10.30* Amendment to Purchase Contracts 103-11CMX-019-0-P, 203-11CMX-020-1-P, and 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective January 1, 2013.
- 21* Subsidiaries of the Company.
- 23.1* Consent of StarkSchenkein, LLP, Independent Registered Public Accounting Firm.
- 31.1* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William W. Reid.
- 31.2* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Bradley J. Blacketor.

- 32* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William W. Reid and Bradley J. Blacketor.
- 101** The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2012 are furnished herewith, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Other Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

* filed herewith

** furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and not incorporated by reference into Registration Statements or other documents filed with the Securities and Exchange Commission except as otherwise expressly stated in such filing.