

TARA GOLD RESOURCES CORP.  
Form 10-Q  
November 13, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION FROM \_\_\_\_\_ TO \_\_\_\_\_.

COMMISSION FILE NUMBER 000-29595

TARA GOLD RESOURCES CORP.  
(Exact Name of Registrant as Specified in its Charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

90-0316566  
(I.R.S. Employer  
Identification No.)

375 N. Stephanie St., Bldg. 2 Ste. #211  
Henderson, NV  
(Address of principal executive office)

89014  
(Zip code)

(888) 901-4550  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§233.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of November 14, 2012 the Company had 102,795,119 outstanding shares of common stock.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR  
THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011  
AND  
THE PERIOD FROM INCEPTION (OCTOBER 14, 1999) THROUGH SEPTEMBER 30, 2012

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## TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars)

|   | September 30,<br>2012<br>(Unaudited) | December 31,<br>2011 |
|---|--------------------------------------|----------------------|
| Assets  |                                      |                      |
| Current assets:   |                                      |                      |
| Cash  | \$ 2,029                             | \$ 419               |
| Other receivables, net  | 821                                  | 539                  |
| Due from related parties, net of due to   | 94                                   | -                    |
| Deferred tax asset, current portion   | 3,809                                | 4,041                |
| Other current assets  | 143                                  | 117                  |
| Total current assets  | 6,896                                | 5,116                |
| Property, plant, equipment, mine development, land and construction in progress, net                                      | 12,085                               | 11,084               |
| Mining deposits   | 27                                   | 29                   |
| Deferred tax asset, non-current portion   | 1,748                                | 2,475                |
| Other assets  | 27                                   | 222                  |
| Total assets  | \$ 20,783                            | \$ 18,926            |
| Liabilities and Stockholders' Equity  |                                      |                      |
| Current liabilities:  |                                      |                      |
| Accounts payable and accrued expenses   | \$ 3,643                             | \$ 2,858             |
| Notes payable, current portion  | 3,584                                | 2,607                |
| Notes payable related party   | -                                    | 100                  |
| Due to related parties, net of due from   | -                                    | 156                  |
| Total current liabilities   | 7,227                                | 5,721                |
| Notes payable, non-current portion  | 736                                  | 69                   |
| Total liabilities   | 7,963                                | 5,790                |
| Iron Ore Properties financial instrument, net   | 600                                  | 570                  |
| Stockholders' equity:   |                                      |                      |
| Common stock: \$0.001 par value; authorized 150,000,000 shares; issued and outstanding 102,795,119 and 102,795,119 shares | 103                                  | 103                  |
| Additional paid-in capital  | 10,787                               | 10,787               |
| Accumulated deficit during exploration stage  | (20,907)                             | (19,620)             |
| Accumulated other comprehensive loss  | (542)                                | (446)                |
| Total Tara Gold stockholders' deficit   | (10,559)                             | (9,176)              |
| Non-controlling interest  | 22,779                               | 21,742               |
| Total stockholders' equity  | 12,220                               | 12,566               |
| Total liabilities and stockholders' equity  | \$ 20,783                            | \$ 18,926            |

See Accompanying Notes to these Condensed Consolidated Financial Statements.



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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
 (An Exploration Stage Company)  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
 (UNAUDITED)  
 (In thousands of U.S. Dollars, except per share amounts)

|   | For the Three Months Ended<br>September 30, |          | For the Nine Months Ended<br>September 30, |          | From Inception<br>October 14,<br>1999<br>Through<br>September 30,<br>2012 |
|---|---|----------|--|----------|---|
|   | 2012  | 2011     | 2012                                       | 2011     |   |
| Revenues  |   |          |  |          |   |
| Revenue from website development and software                           | \$-   | \$-      | \$-  | \$-      | \$ 168  |
| Mining revenues   | -   | -        | -  | -        | 557   |
| Total revenues  | -   | -        | -  | -        | 725   |
| Cost of revenue   | -   | -        | -  | -        | 759   |
| Gross margin  | -   | -        | -  | -        | (34 )   |
| Exploration expenses  | 345   | 111      | 1,205                                      | 2,931    | 10,457  |
| Operating, general, and administrative expenses                         | 858   | 1,316    | 3,339                                      | 4,291    | 43,396  |
| Net operating loss  | (1,203 )                                    | (1,427 ) | (4,544 )                                   | (7,222 ) | (53,887 )   |
| Non-operating (income) expense:   |   |          |  |          |   |
| Interest (income)   | (7 )  | (8 )     | (21 )                                      | (22 )    | (364 )  |
| Interest expense  | 3   | 33       | 12   | 102      | 1,251   |
| Settlement gain   | -   | -        | -  | -        | (134 )  |
| Loss on extinguishment of debt, net                                     | -   | -        | -  | -        | 1,549   |
| Gain on deconsolidation, dissolution and sale of joint venture interest | -   | -        | -  | -        | (21,036 )   |
| Loss on disposal of assets  | 9   | -        | 9  | 4        | 412   |
| Gain on acquisition of mining concession                                | -   | -        | -  | -        | (100 )  |
| Realized loss on the sale of marketable securities                      | -   | -        | -  | -        | 5,099   |
| Gain on sale of net cash flow interest                                  | -   | -        | -  | -        | (197 )  |
| Gain on Tara Minerals Stock Dividend                                    | -   | -        | -  | (1,028 ) | (1,028 )  |
| Other income  | (2 )  | -        | (2 )                                       | (11 )    | (1,347 )  |
| Total non-operating (income) loss                                       | 3   | 25       | (2 )                                       | (955 )   | (15,895 )   |
| Loss before income taxes  | (1,206 )                                    | (1,452 ) | (4,542 )                                   | (6,267 ) | (37,992 )   |
| Income tax expense (benefit)  | -   | 111      | -  | 111      | (5,902 )  |
| Loss from continuing operations   | (1,206 )                                    | (1,563 ) | (4,542 )                                   | (6,378 ) | (32,090 )   |

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Discontinued operations:

|  |   |   |   |   |          |
|--|---|---|---|---|----------|
| Loss from operations of oil properties and La Esquadra | - | - | - | - | (1,021 ) |
|--|---|---|---|---|----------|

|   |   |   |       |   |       |
|---|---|---|-------|---|-------|
| Gain from discontinued operations, net of tax | - | - | 3,576 | - | 3,576 |
|---|---|---|-------|---|-------|

|          |          |          |        |          |           |
|----------|----------|----------|--------|----------|-----------|
| Net loss | (1,206 ) | (1,563 ) | (966 ) | (6,378 ) | (29,535 ) |
|----------|----------|----------|--------|----------|-----------|

|   |     |     |        |       |       |
|---|-----|-----|--------|-------|-------|
| Add: Net (income) loss attributable to non-controlling interest | 530 | 615 | (321 ) | 2,255 | 8,628 |
|---|-----|-----|--------|-------|-------|

|  |        |        |          |          |           |
|--|--------|--------|----------|----------|-----------|
| Net loss attributable to Tara Gold shareholders' | (676 ) | (948 ) | (1,287 ) | (4,123 ) | (20,907 ) |
|--|--------|--------|----------|----------|-----------|

Other comprehensive (loss) income:

|                              |       |     |       |     |        |
|------------------------------|-------|-----|-------|-----|--------|
| Foreign currency translation | (46 ) | 206 | (96 ) | 155 | (542 ) |
|------------------------------|-------|-----|-------|-----|--------|

|                                |   |       |   |        |   |
|--------------------------------|---|-------|---|--------|---|
| Unrealized loss on investments | - | (20 ) | - | (369 ) | - |
|--------------------------------|---|-------|---|--------|---|

|                          |          |          |            |            |              |
|--------------------------|----------|----------|------------|------------|--------------|
| Total comprehensive loss | \$(722 ) | \$(762 ) | \$(1,383 ) | \$(4,337 ) | \$ (21,449 ) |
|--------------------------|----------|----------|------------|------------|--------------|

|                                       |           |           |           |           |  |
|---------------------------------------|-----------|-----------|-----------|-----------|--|
| Net loss per share, basic and diluted | \$(0.01 ) | \$(0.01 ) | \$(0.01 ) | \$(0.04 ) |  |
|---------------------------------------|-----------|-----------|-----------|-----------|--|

|  |             |             |             |             |  |
|--|-------------|-------------|-------------|-------------|--|
| Weighted average number of shares, basic and diluted | 102,795,119 | 102,795,119 | 102,795,119 | 102,795,119 |  |
|--|-------------|-------------|-------------|-------------|--|

See Accompanying Notes to these Condensed Consolidated Financial Statements.

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
 (An Exploration Stage Company)  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)  
 (In thousands of U.S. Dollars)

|  | For the<br>Nine<br>Months<br>Ended<br>September<br>30, 2012 | For the<br>Nine<br>Months<br>Ended<br>September<br>30, 2011 | From<br>Inception<br>(October 14,<br>1999)<br>Through<br>September<br>30, 2012 |
|--|---|---|--|
| Cash flows from operating activities:  |   |   |  |
| Net loss attributable to Tara Gold shareholders  | \$ (1,287)  | \$ (4,123)  | \$ (20,907)  |
| Adjustments to reconcile net loss to net cash:   |   |   |  |
| Depreciation and amortization  | 202   | 223   | 1,168  |
| Allowance for doubtful accounts  | 470   | 592   | 3,600  |
| Common stock issued for services and other expenses  | -   | -   | 2,599  |
| Stock based compensation and stock bonuses   | -   | -   | 126  |
| Gain on deconsolidation, dissolution and sale of joint venture interest                        | -   | -   | (20,311)   |
| Non-cash expense due to deconsolidation of joint venture                                       | -   | -   | 216  |
| Loss on debt due to extinguishment and conversion  | -   | -   | 1,529  |
| Gain from discontinued operations, net of tax  | (3,576)   | -   | (2,575)  |
| Deferred tax asset, net  | -   | 111   | (6,516)  |
| Non-controlling interest in net loss of consolidated subsidiaries                              | 321   | (2,255 )  | (8,628)  |
| Amortization of beneficial conversion  | -   | -   | 650  |
| Loss on the disposal of assets   | -   | 4   | 222  |
| Realized loss on the sale of marketable securities   | -   | -   | 4,993  |
| Common stock of subsidiary issued and option valuation for services                            | 164   | 215   | 8,197  |
| Subsidiaries' stock based compensation and stock bonuses                                       | 245   | 530   | 7,137  |
| Exploration expenses paid with stock of subsidiaries   | 430   | 2,491   | 4,146  |
| Lawsuit settlement payable in stock  | -   | -   | 315  |
| Cancellation of common stock for settlement (Tara Minerals)                                    | -   | -   | (750)  |
| Gain on acquisition of mining concession and mining assets                                     | -   | -   | (430)  |
| Gain on sale of net cash flow interest   | -   | -   | (197)  |
| Gain on Tara Minerals stock dividend   | -   | (1,028 )  | (1,028)  |
| Other  | 38  | 12  | 168  |
| Changes in current operating assets and liabilities:   |   |   |  |
| Other receivables  | (445)   | (32 )   | (1,492)  |
| Other assets   | (29)  | (140 )  | (1,014)  |
| Accounts payable and accrued expenses  | (1,116)   | 58  | 2,272  |
| Deferred joint venture income  | -   | -   | (33)   |
| Net cash used in operating activities  | (4,583)   | (3,342 )  | (26,543)   |
| Cash flows from investing activities:  |   |   |  |
| Acquisition of property, plant, equipment, mine development, land and construction in progress | (268)   | (6 )  | (3,517)  |

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|   |       |        |        |
|---|-------|--------|--------|
| Proceeds from the sale of marketable securities     | -     | -      | 6,322  |
| Proceeds from the sale or disposal of assets        | -     | 30     | 731    |
| Purchase of mining concession                       | -     | (30 )  | 159    |
| Mining deposits                                     | 2     | (178 ) | (179)  |
| Loans to unrelated third parties                    | -     | -      | (380)  |
| Proceeds from the sale of American Copper Mining    | 7,500 | -      | 7,500  |
| Investment in American Copper Mining in 2012        | (33)  | -      | (33)   |
| Payments made for construction in progress          | (264) | -      | (264)  |
| Other   | -     | -      | (6)    |
| Net cash provided by (used in) investing activities | 6,937 | (184)  | 10,333 |

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|  |          |            |           |
|--|----------|------------|-----------|
| Cash flows from financing activities:  |          |            |           |
| Proceeds from short term debt  | -        | -          | 72        |
| Proceeds from notes payable, related party   | -        | -          | 150       |
| Proceeds from notes payable  | -        | -          | 480       |
| Payments toward short term debt  | -        | -          | (22)      |
| Payments toward notes payable  | (698)    | (140)      | (11,611)  |
| Payments toward notes payable, related party   | (100)    | -          | (100)     |
| Change in due to/from related parties, net   | (257)    | (88)       | 18        |
| Non-controlling interest – cash from sale of sale of common stock of subsidiaries  | 357      | 2,990      | 12,826    |
| Payments from joint venture partners   | -        | 100        | 10,020    |
| Cash from the sale of common stock   | -        | -          | 5,753     |
| Iron Ore Properties financial instrument   | 50       | 750        | 800       |
| Other  | -        | -          | (9)       |
| Net cash (used in) provided by financing activities  | (648)    | 3,612      | 18,377    |
| Effect of exchange rate changes on cash  | (96)     | 155        | (138)     |
| Net increase   | 1,610    | 241        | 2,029     |
| Cash, beginning of period  | 419      | 193        | -         |
| Cash, end of period  | \$ 2,029 | \$ 434     | \$ 2,029  |
| Supplemental Information:  |          |            |           |
| Interest paid  | \$ 16    | \$ 101     | \$ 955    |
| Income taxes paid  | \$ -     | \$ -       | \$ 10     |
| Non-cash Investing and Financing Transactions:   |          |            |           |
| Conversion of debt to common stock or payable, plus accrued interest   | \$ -     | \$ 49      | \$ 1,292  |
| Issuance of common stock for assets  | \$ -     | \$ -       | \$ 304    |
| Purchase of or (reduction) in purchase of concession notes payable, stock and warrants plus capitalized interest               | \$ 2,147 | \$ (1,311) | \$ 20,333 |
| Beneficial conversion feature, convertible debt, related and nonrelated party  | \$ -     | \$ -       | \$ 391    |
| Recoverable value-added taxes incurred through additional debt and due to related party, net of mining concession modification | \$ 348   | \$ (192)   | \$ 1,564  |
| Purchase of property, equipment and assets with debt   | \$ -     | \$ 49      | \$ 1,833  |
| Receipt of stock for joint venture payments and fee income   | \$ -     | \$ -       | \$ 2,301  |
| Accrued and capitalized interest   | \$ 22    | \$ 54      | \$ 433    |
| Beneficial conversion feature, financial instrument  | \$ 20    | \$ 180     | \$ 200    |
| Other  | \$ -     | \$ -       | \$ 90     |
| Reclassification of mining deposit to mining concession paid by debt   | \$ (175) | \$ -       | \$ (175)  |
| Unrealized gain in investments, available for sale   | \$ -     | \$ (369)   | \$ -      |
| Subsidiary common stock for prepaid services   | \$ -     | \$ 215     | \$ -      |

See Accompanying Notes to these Condensed Consolidated Financial Statements.

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
(An Exploration Stage Company)  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Basis of Presentation and Organization

The accompanying Condensed Consolidated Financial Statements of Tara Gold Resources Corp. (the "Company") should be read in conjunction with the Company's Annual Report on Form 10-K, as may be amended, for the year ended December 31, 2011. Significant accounting policies disclosed therein have not changed except as noted below.

In May 2005 Tara Gold, through its subsidiary Corporacion Amermin S.A. de C.V. ("Amermin"), began acquiring mining properties in Mexico. In May 2006, the Company formed Tara Minerals Corp. ("Tara Minerals"), which owns 99.9% of the common stock of American Metal Mining S.A. de C.V., a Mexican corporation. Tara Minerals also owns 87% of the common stock of Adit Resources Corp ("Adit"). Tara Gold's operations in Mexico are conducted through Amermin and American Metal Mining since Mexican law provides that only Mexican corporations are allowed to own mining properties. All of Tara Gold's operations in Mexico are conducted through its Mexican subsidiaries. As of September 31, 2012, Tara Gold owned approximately 52% of the outstanding common stock of Tara Minerals.

Tara Gold focuses primarily on gold mining concessions. Tara Minerals' primary focus is also on gold and silver, as well as industrial minerals, copper, lead, zinc, iron and other associated metals.

On April 4, 2012 Adit Resources Corp. sold its subsidiary, American Copper Mining S.A. de C.V. ("ACM") to Yamana Mexico Holdings B.V. ("Yamana"). ACM's primary asset was the Picacho Groupings.

Tara Gold began the distribution of its shares in Tara Minerals to its shareholders. On May 25, 2011 Tara Gold distributed one share of Tara Minerals for every 20 outstanding shares of Tara Gold. Additional distributions will be made until all Tara Minerals shares held by Tara Gold are distributed to Tara Gold's shareholders.

Following the distribution of the shares of Tara Minerals, Tara Gold will not have any interest in the properties owned by Tara Minerals or Adit Resources.

Once the distribution of the Tara Minerals shares has been completed, both Tara Gold and Tara Minerals will continue their efforts to develop mining properties which are thought to contain commercial quantities of gold, silver and other minerals

The Company currently has limited operations and, in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Development Stage Entities Topic, is considered an Exploration Stage Company.

In this filing references to "Company," "we," "our," and/or "us," refer to Tara Gold Resources and, unless the context indicates otherwise, its consolidated subsidiaries.

The accompanying Condensed Consolidated Financial Statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the condensed consolidated balance sheets of the Company as of September 30, 2012 and December 31, 2011, the condensed consolidated results of its operations for the three and nine months ended September 30, 2012

and 2011 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2012 and 2011. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. All intercompany balances and transactions have been eliminated in consolidation.

The reporting currency of the Company, Tara Minerals and Adit is the U.S. dollar. The functional currency of Amermin, AMM and ACM is the Mexican Peso. As a result, the financial statements of the subsidiaries have been re-measured from Mexican pesos into U.S. dollars using (i) current exchange rates for monetary asset and liability accounts, (ii) historical exchange rates for nonmonetary asset and liability accounts, (iii) historical exchange rates for revenues and expenses associated with nonmonetary assets and liabilities and (iv) the weighted average exchange rate of the reporting period for all other revenues and expenses. In addition, foreign currency transaction gains and losses resulting from U.S. dollar denominated transactions are eliminated. The resulting re-measurement income (loss) is recorded as other comprehensive income (loss).

Current and historical exchange rates are not indicative of what future exchange rates will be and should not be construed as such.

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Relevant exchange rates used in the preparation of the financial statements for Amermin, AMM and ACM are as follows for the nine months ended September 30, 2012 and 2011. Mexican pesos per one U.S. dollar.

|  | September 30, 2012 |         |
|--|--------------------|---------|
| Current exchange rate                                    | Ps.                | 12.8521 |
| Weighted average exchange rate for the nine months ended | Ps.                | 13.2391 |

|  | September 30, 2011 |         |
|--|--------------------|---------|
| Current exchange rate                                    | Ps.                | 13.4567 |
| Weighted average exchange rate for the nine months ended | Ps.                | 12.0300 |

## Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Reclassifications

Certain reclassifications, which have no effect on net loss, have been made in the prior period financial statements to conform to the current presentation.

## Recoverable Value-Added Taxes (IVA) and Allowance for Doubtful Accounts

Impuesto al Valor Agregado taxes (IVA) are recoverable value-added taxes charged by the Mexican government on goods sold and services rendered at a rate of 16%. Under certain circumstances, these taxes are recoverable by filing a tax return and as determined by the Mexican taxing authority.

Each period, receivables are reviewed for collectability. When a receivable is determined to not be collectable we allow for the receivable until we are either assured of collection or assured that a write-off is necessary. Our allowance in association with our receivable from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes.

|   | September 30,<br>2012<br>(In thousands of U.S. Dollars)<br>(Unaudited) | December 31,<br>2011 |
|---|--|----------------------|
| Allowance – recoverable value-added taxes | \$ 2,769   | \$ 2,495             |
| Allowance – other receivables             | 25   | 7                    |
| Total                                     | \$ 2,794   | \$ 2,502             |

## Recently Adopted and Recently Issued Accounting Guidance

## Adopted

In May 2011, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update that amends the accounting standard on fair value measurements. The accounting standard update provides for a consistent

definition and measurement of fair value, as well as similar disclosure requirements between U.S. generally accepted accounting principles and International Financial Reporting Standards. The accounting standard update changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the fair value measurement disclosure requirements, particularly for Level 3 fair value measurements. The amendments in this accounting standard update are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2011. The adoption of this accounting standard update became effective for the reporting period beginning January 1, 2012. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows

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In June 2011, the FASB issued an accounting standard update which requires the presentation of components of other comprehensive income with the components of net income in either (1) a continuous statement of comprehensive income that contains two sections, net income and other comprehensive income, or (2) two separate but consecutive statements. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of shareholders' equity, and is effective for interim and annual periods beginning after December 15, 2011. The adoption of this accounting standard update became effective for the reporting period beginning January 1, 2012. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In September 2011, the FASB issued an accounting standard update that amends the accounting guidance on goodwill impairment testing. The amendments in this accounting standard update are intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendments in this accounting standard update are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this accounting standard update became effective for the reporting period beginning January 1, 2012. The adoption of this guidance did not have a material impact on the Company's financial position, result of operations or cash flows.

## Issued

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

Note 2. Property, plant, equipment, mine development, land and construction in progress, net

|                                   | September 30,<br>2012          | December 31,<br>2011 |
|-----------------------------------|--------------------------------|----------------------|
|                                   | (In thousands of U.S. Dollars) |                      |
|                                   | (Unaudited)                    |                      |
| Land                              | \$ 20                          | \$ 20                |
| La Currita                        | 1,253                          | 1,253                |
| Las Minitas (a)                   | 2,428                          | 2,412                |
| Pilar                             | 728                            | 728                  |
| Don Roman                         | 522                            | 522                  |
| Las Nuvias                        | 100                            | 100                  |
| Centenario                        | 636                            | 636                  |
| La Palma                          | 80                             | 80                   |
| La Verde                          | 60                             | 60                   |
| Picacho and Picacho Fractions (b) | -                              | 1,457                |
| Las Brisas                        | 3                              | 3                    |
| Mezquite and Mariana              | 171                            | 171                  |
| Auriferos                         | 100                            | 100                  |
| Pirita                            | 250                            | 250                  |
| Las Viboras Dos                   | 188                            | 188                  |
| Champinon (c)                     | 2,154                          | -                    |

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|                                 |           |           |
|---------------------------------|-----------|-----------|
| Mining concessions              | 8,673     | 7,960     |
| Construction in progress        | 264       | -         |
| Property, plant and equipment   | 3,976     | 3,751     |
|                                 | 12,933    | 11,731    |
| Less – accumulated depreciation | (848)     | (647)     |
|                                 | \$ 12,085 | \$ 11,084 |

Las Minitas, Auriferos, Mariana and Mezquite, and Las Brisas properties are located in Mexico in close proximity to each other.

Pilar, Don Roman, Las Nuvias, Centenario, La Palma and La Verde properties are located in Mexico and are known as the Don Roman Groupings.

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a. In March 2006, the Company acquired “Las Minitas” from an independent third party for the effective purchase price of \$2,427,403, plus \$340,000 in value-added tax.

The remaining notes payable, including applicable value-added tax is \$2,052,500.

In accordance with the Interest Expense topic of FASB ASC, the note payable amount of \$2,150,000 has been discounted using the incremental borrowing rate of 3.56%. As of September 30, 2012, the present value of future payments toward the notes payable on the Las Minitas contract is as follows:

|                       | Debt         | IVA        | Total        |
|-----------------------|--------------|------------|--------------|
| Present value of debt | \$ 1,750,000 | \$ 302,500 | \$ 2,052,500 |

The Company is currently reviewing the Las Minitas property for continued inclusion as part of the Company’s mining property portfolio. No payments toward this property have been made since February 2008 and the Company may decide to terminate the purchase agreement and return the property.

b. On April 2012 the Company sold ACM to Yamana. ACM’s primary asset was the Picacho Groupings (see Note 11).

c. In September 2011, the Company leased the Mina El Champinon Iron Ore Project (“Champinon”) for royalty payments based on production.

In May, 2012, the Company terminated the lease agreement for Champinon and entered into a new agreement to acquire the property for an effective purchase price of \$2,175,000, plus \$348,000 in value-added taxes.

Included in the purchase agreement, all prior payments plus value-added taxes (see Note 4) were applied to debt.

The resulting outstanding debt payment schedule, including applicable value added taxes, is as follow:

|       |             |
|-------|-------------|
| 2013  | \$947,334   |
| 2014  | 696,000     |
| Total | \$1,643,334 |

In accordance with the Interest Topic of FASB ASC, the note payable amount of \$2,175,000 has been discounted using the incremental borrowing rate of 1.30%. As of September 30, 2012, the present value of future payments toward the notes payable on the contract is as follows:

|                       | Debt         | IVA        | Total        |
|-----------------------|--------------|------------|--------------|
| Total remaining debt  | \$ 1,416,667 | \$ 226,667 | \$ 1,643,334 |
| Imputed interest      | (21,307 )    | -          | (21,307 )    |
| Present value of debt | \$ 1,395,360 | \$ 226,667 | \$ 1,622,027 |

In May 2012, the Company purchased technical data pertaining to Champinon from the former owner for 500,000 shares of Tara Mineral’s common stock valued at \$430,000.

## Other Mining Commitments

Mina Godinez

In July 2010, the Company entered into a joint venture agreement whereby third parties would contribute 100% of the mining rights to the concession "Mina Godinez" and Tara Minerals would have the exclusive rights to manage, operate, explore and exploit the concession. This joint venture was terminated on January 18, 2012.

Note 3.

Income Taxes

On April 2012, the Company sold ACM (see Note 11) resulting in an updated deferred tax asset of \$5,557,000 (current and non-current). The change of \$959,000 from December 31, 2011 was recognized as an income tax expense and offset the gain on discontinued operations as of September 30, 2012.

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## Note 4. Other assets

As of September 30, 2012 and December 31, 2011, respectively, the Company had no advances and \$175,000 towards the Champinon lease (see Note 2), and security deposits of \$26,980 and \$32,752.

## Note 5. Notes Payable

The following table represents the outstanding balance of notes payable.

|                        | September 30,<br>2012<br>(In thousands of U.S. Dollars)<br>(Unaudited) | December 31,<br>2011 |
|------------------------|--|----------------------|
| Mining concessions     | \$ 4,236   | \$ 2,579             |
| Auto loans             | 84   | 97                   |
| Related party          | -  | 100                  |
|                        | 4,320  | 2,776                |
| Less – current portion | (3,584 )   | (2,707 )             |
| Non-current portion    | \$ 736   | \$ 69                |

See Note 2 above for notes payable relating to mining concessions.

The five year maturity schedule for notes payable is presented below (in thousands of U.S. dollars):

|                    | 2013     | 2014   | 2015 | 2016 | 2017 | Total    |
|--------------------|----------|--------|------|------|------|----------|
| Mining concessions | \$ 3,546 | \$ 690 | \$ - | \$ - | \$ - | \$ 4,236 |
| Auto loans         | 38       | 37     | 9    | -    | -    | 84       |
| Total              | \$ 3,584 | \$ 727 | \$ 9 | \$ - | \$ - | \$ 4,320 |

## Note 6. Related Party Transactions

|                          | September 30,<br>2012<br>(In thousands of U.S. Dollars)<br>(Unaudited) | December 31,<br>2011 |
|--------------------------|--|----------------------|
| Due from related parties | \$ 94  | \$ 152               |
| Due to related parties   | -  | (308 )               |
|                          | \$ 94  | \$ (156 )            |

All transactions with related parties have occurred in the normal course of operations and Mexico based related party transactions are measured at the foreign exchange amount.

The following are intercompany transactions that eliminate during the consolidation of these financial statements:

Tara Minerals is a subsidiary of Tara Gold Resources Corp. In January 2007, Corporacion Amermin S.A. de C.V. (“Amermin”), a subsidiary of Tara Gold, made the arrangements to purchase the Pilar, Don Roman and Las Nuvias properties listed in Note 2 (part of the Don Roman Groupings) and sold the concessions to Tara Minerals. At September 30, 2012, Amermin has paid the original note holder in full and Tara Minerals owes Amermin \$535,659

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for the Pilar mining concession and \$211,826 for the Don Roman mining concession.

As of September 30, 2012, Amermin loaned Tara Minerals \$998,624 at 0% interest, due on demand.

As of September 30, 2012, Tara Minerals paid in full the 0% interest and due on demand \$568,645 loan from Tara Gold.

As of September 30, 2012, Tara Minerals loaned Tara Gold \$703,955 at 0% interest, due on demand.

On May 2011, Amermin sold the property known as "Picacho Fractions I, II and III" to Tara Minerals for \$163,793 plus value added taxes of \$26,207, financed at LIBOR plus 3.25%. As of June 30, 2012, Tara Minerals had paid Amermin in full.

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## Note 7. Stockholders' Equity

For the nine months ended September 30, 2012, Tara Gold did not issue any shares of common stock.

## Note 8. Non-controlling Interest

All non-controlling interest of the Company is a result of the Company's subsidiaries stock movement and results of operations. For additional details on these underlying stock movements, consult the Tara Minerals Form's 10-K and 10-Q as filed at [www.sec.gov](http://www.sec.gov).

|  | September 30,<br>2012          | December 31,<br>2011 |
|--|--------------------------------|----------------------|
|  | (In thousands of U.S. Dollars) |                      |
| Cash for subsidiary common stock                             | \$ 15,241                      | \$ 14,784            |
| Services for subsidiary common stock                         | 5,576                          | 5,522                |
| Stock based compensation paid for in subsidiary common stock | 5,126                          | 4,881                |
| Loan conversion plus accrued interest                        | 1,342                          | 1,342                |
| Exploration expenses paid for in subsidiary common stock     | 4,146                          | 3,716                |
| Cumulative net loss attributable to non-controlling interest | (8,323 )                       | (8,644 )             |
| Treasury stock   | (500                           | -                    |
| Other non-controlling interests                              | 171                            | 141                  |
| Total non-controlling interest                               | \$ 22,779                      | \$ 21,742            |

## Note 9. Options and Warrants

Tara Gold Resources does not have any stock option or bonus plans.

Tara Minerals has the following incentive plans which are registered under a Form S-8:

- Incentive Stock Option Plan
- Nonqualified Stock Option Plan
- Stock Bonus Plan

In March 2012, Tara Minerals sold 594,000 units in a private offering for \$297,000 in cash, or \$0.50 per unit. Each unit consisted of one share of Tara Minerals' common stock, and one warrant. Each warrant entitles the holder to purchase one share of Tara Minerals' common stock at a price of \$1.00 per share at or any time before December 31, 2012. The shares and warrants were issued in April 2012.

On October 28, 2009, Adit, the Company's subsidiary, adopted the following incentive plans which have not been registered:

- Incentive Stock Option Plan
- Nonqualified Stock Option Plan
- Stock Bonus Plan

There was no issuance of instruments under the Adit plans in 2012.

The fair value of each award discussed above is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on volatilities from the Tara Minerals' traded common stock. The expected term of the award granted is usually estimated at half of the

contractual term as noted in the individual agreements, unless the life is one year or less based upon management's assessment of known factors, and represents the period of time that management anticipates awards granted to be outstanding. The risk-free rate for the periods within the contractual life of the option is based on the U.S. Treasury bond rate in effect at the time of grant for bonds with maturity dates at the estimated term of the options.

|                             | September 30,<br>2012 | December 31,<br>2011 |
|-----------------------------|-----------------------|----------------------|
| Expected volatility         | 104.82% -<br>131.10%  | 96.06% -<br>163.11%  |
| Weighted-average volatility | 117.96%               | 143.46%              |
| Expected dividends          | 0                     | 0                    |
| Expected term (in years)    | 1.00                  | 1.50                 |
| Risk-free rate              | 0.05% -<br>0.14%      | 0.58%                |

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A summary of option activity under the Plans as of September 30, 2012 (unaudited) and changes during the period then ended is presented below:

| Options                           | Shares    | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|-----------|------------------------------------|--|---------------------------------|
| Outstanding at December 31, 2011  | 3,350,000 | \$ 0.69                            |  |                                 |
| Granted                           | 200,000   | 0.05                               |  |                                 |
| Exercised                         | (200,000) | 0.05                               |  |                                 |
| Forfeited, expired or cancelled   | -         | -                                  |  |                                 |
| Outstanding at September 30, 2012 | 3,350,000 | \$ 0.69                            | 3.0  | \$ 914,000                      |
| Exercisable at September 30, 2012 | 2,590,000 | \$ 0.58                            | 3.0  | \$ 901,200                      |

| Non-vested Options               | Options   | Weighted-Average<br>Grant-Date Fair<br>Value |
|----------------------------------|-----------|--|
| Non-vested at December 31, 2011  | 1,010,000 | \$ 1.08                                      |
| Granted                          | 200,000   | 0.05   |
| Vested                           | (450,000) | 0.32   |
| Forfeited, expired or cancelled  | -         | -  |
| Non-vested at September 30, 2012 | 760,000   | \$ 0.48                                      |

A summary of warrant activity as of September 30, 2012 (unaudited) and changes during the period then ended is presented below:

| Warrants                          | Shares      | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|-------------|---|--|---------------------------------|
| Outstanding at December 31, 2011  | 7,393,081   | \$ 0.89                                   |  |                                 |
| Granted                           | 594,000     | 1.00                                      |  |                                 |
| Exercised                         | (125,000)   | 0.40                                      |  |                                 |
| Forfeited, cancelled or expired   | (1,893,334) | 0.51                                      |  |                                 |
| Outstanding at September 30, 2012 | 5,968,747   | \$ 1.04                                   | 1.5  | \$ 457,471                      |
| Exercisable at September 30, 2012 | 5,968,747   | \$ 1.04                                   | 1.5  | \$ 457,471                      |

All warrants vest upon issuance.

Note 10.

#### Fair Value

Tara Gold's financial assets and liabilities, measured at fair value by level within the fair value hierarchy, are shown below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| Fair Value at September 30, 2012 (Unaudited) |         |         |         |
|--|---------|---------|---------|
| (in thousands of U.S. dollars)               |         |         |         |
| Total  | Level 1 | Level 2 | Level 3 |

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Assets:

|      |    |   |    |   |    |   |    |   |
|------|----|---|----|---|----|---|----|---|
| None | \$ | - | \$ | - | \$ | - | \$ | - |
|------|----|---|----|---|----|---|----|---|

Liabilities:

|  |    |     |    |   |    |   |    |     |
|--|----|-----|----|---|----|---|----|-----|
| Iron Ore Properties financial instrument | \$ | 600 | \$ | - | \$ | - | \$ | 600 |
|--|----|-----|----|---|----|---|----|-----|

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|  | Fair Value at December 31, 2011<br>(in thousands of U.S. dollars) |         |         |         |
|--|---|---------|---------|---------|
|  | Total   | Level 1 | Level 2 | Level 3 |
| <b>Assets:</b>                           |   |         |         |         |
| None                                     | \$ -  | \$ -    | \$ -    | \$ -    |
| <b>Liabilities:</b>                      |   |         |         |         |
| Iron Ore Properties financial instrument | \$ 570  | \$ -    | \$ -    | \$ 570  |

## Note 11. Sale of American Copper Mining

On April 4, 2012, Adit sold its wholly owned subsidiary, American Copper Mining (“ACM”), to Yamana Mexico Holdings B.V. (“Yamana”). ACM’s primary asset was the Picacho Groupings. The Picacho concessions did not have any proven reserves. Subsequent to the sale, the Company did not retain ownership in ACM.

Additional payments due in consideration of the sale of ACM are contingent to whether or not Yamana exercises its option to terminate the agreement within ten business days prior to April 4, 2013 (as amended). If the agreement is terminated, Yamana will be required to return the capital stock of ACM. Due to the contingent nature of future payments, payments will be recognized when the contingency is removed. Possible future payments include:

- \$9.8 million on April 4, 2013;
- During the period ending on April 4, 2017, Yamana will pay \$1.0 million for every 100,000 ounces of gold, (whether proved, measured or inferred) (as defined by Canadian Securities Administrators National Instrument 43-101) discovered on the Picacho Groupings. If no gold is discovered on the Picacho Groupings by May 25, 2015, Yamana will make an advance payment of \$3 million. Pursuant to this provision of the Agreement, Yamana will pay a maximum of \$14 million.
- \$4.3 million on April 4, 2018.

Gain from discontinued operations, net of tax was calculated as the followed on the date of sale:

|   |              |
|---|--------------|
| Other receivables, net                        | \$24,000     |
| Other current assets                          | 10,000       |
| Goodwill                                      | 12,000       |
| Fixed assets, net of accumulated depreciation | 4,000        |
| Mining concessions                            | 1,456,000    |
| Fair market value of net assets               | \$1,506,000  |
| <b>Fair value of consideration received:</b>  |              |
| Cash  | \$ 7,500,000 |
| Treasury Stock                                | 500,000      |
| Fair market value of net assets               | (1,506,000)  |
| Gain on deconsolidation of subsidiary         | 6,494,000    |
| Loss on discontinued operations               | (58,000 )    |
| Tax expense                                   | (2,860,000)  |
| Gain from discontinued operations, net of tax | \$ 3,576,000 |

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION

Tara Gold was incorporated in October 1999. During the period from its incorporation through September 30, 2012 Tara Gold generated revenue of approximately \$725,000 and incurred expenses of approximately \$759,000 in cost of sales; approximately \$10,457,000 in exploration expenses and approximately \$43,397,000 in operating and general administration expenses. Included in operating and general and administrative expenses is a non-cash charge of approximately \$8,820,000 pertaining to the issuance of stock options.

Material changes of certain items in Tara Gold's Statement of Operations for the three months ended September 30, 2012, as compared to the same period last year, are discussed below.

| Three Months Ended<br>(In thousands of U.S. Dollars) | September 30,<br>2012 | September 30,<br>2011 |
|--|-----------------------|-----------------------|
| Revenue  | \$ -                  | \$ -                  |
| Cost of revenue                                      | -                     | -                     |
| Exploration expenses                                 | 345                   | 111                   |
| Operating, general and administrative expenses       | 858                   | 1,316                 |
| Net operating loss                                   | \$ (1,203 )           | \$ (1,427 )           |

The increase in exploration expenses for the three months ended September 30, 2012 is due to the operational focus on the Champinon property which includes preproduction activities, geological consulting, assaying, field supplies, other mine expenses and compensation of two engineers hired in 2012. For the three months ending September 30, 2011, exploration expenses consisted of mine activities and other various mine expenses for the Iron Ore Properties and Picacho Groupings.

Material changes of certain items in Tara Gold's operating, general and administrative expenses for the three months ended September 30, 2012, as compared to the same period last year, are discussed below.

| Three Months Ended<br>(In thousands of U.S. Dollars)   | September 30,<br>2012 | September 30,<br>2011 |
|--|-----------------------|-----------------------|
| Investment banking and investor relations expense      | \$ 59                 | \$ 238                |
| Compensation, officer employment contracts and bonuses | 233                   | 269                   |
| Professional fees                                      | 140                   | 240                   |

The decrease in investment banking and investor relations expense for the three months ended September 30, 2012 is due to operational focus on the Champinon property; compared to equity financing for the three months ended September 30, 2011. The decrease in compensation, officer employment contracts and bonuses was due to the controller position being outsourced starting the third quarter of 2012. Professional fees decreased for the three months ended September 30, 2012 due to the operational focus on Champinon.

Material changes of certain items in Tara Gold's Statement of Operations for the nine months ended September 30, 2012, as compared to the same period last year, are discussed below.

| Nine Months Ended<br>(In thousands of U.S. Dollars) | September<br>30, 2012 | September 30,<br>2011 |
|---|-----------------------|-----------------------|
|---|-----------------------|-----------------------|

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|  |            |             |
|--|------------|-------------|
| Revenue  | \$-        | \$ -        |
| Cost of revenue                                | -          | -           |
| Exploration expenses                           | 1,205      | 2,931       |
| Operating, general and administrative expenses | 3,339      | 4,291       |
| Net operating loss                             | \$(4,544 ) | \$ (7,222 ) |

For the nine months ending in September 30, 2012, exploration expenses decreased due to the operational focus on the Champinon property, which consisted of \$680,000 for the acquisition of Champinon's technical data (\$430,000 paid with Tara Minerals' stock and \$250,000 with cash) and \$524,884 for preproduction activities, geological consulting, assaying, field supplies, other mine expenses for Champinon and compensation of two engineers hired in 2012. For the nine months ending September 30, 2011 explorations expenses consisted of \$2,591,990 for the acquisition of technical data for Centenario, La Palma and La Verde (\$2,491,990 paid with Tara Minerals' stock and \$100,000 with cash), which comprises the majority of exploration expenses for the period; the remaining \$438,092 was spent on mine activities and other various mine expenses for the Iron Ore Properties (Tania, Las Viboras Dos and Champinon properties).

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Material changes of certain items in Tara Gold's operating, general and administrative expenses for the nine months ended September 30, 2012, as compared to the same period last year, are discussed below.

| Nine Months Ended<br>(In thousands of U.S. Dollars)    | September<br>30, 2012 | September 30,<br>2011 |
|--|-----------------------|-----------------------|
| Bad debt expense                                       | \$268                 | \$ 946                |
| Investment banking and investor relations expense      | 291                   | 321                   |
| Compensation, officer employment contracts and bonuses | 941                   | 1,190                 |
| Professional fees                                      | 961                   | 879                   |

Impuesto al Valor Agregado taxes (IVA) are recoverable value-added taxes charged by the Mexican government on goods sold and services rendered at a rate of 16%. Under certain circumstances, these taxes are recoverable by filing a tax return and as determined by the Mexican taxing authority. Each period, receivables are reviewed for collectability. When a receivable is determined to not be collectable we allow for the receivable until we are either assured of collection or assured that a write-off is necessary. Our allowance in association with our receivable from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes. Bad debt expense decreased for the nine months ended September 30, 2012, due to less IVA receivables deemed uncollectible during the period when compared to the nine months ended September 30, 2011.

The decrease in investment banking and investor relations expense for the nine months ended September 30, 2012 is due to operational focus on the Champinon property; compared to equity financing for the nine months ended September 30, 2011. The decrease in compensation, officer employment contracts and bonuses was due to the controller position being outsourced starting in the third quarter of 2012, a decrease in options vested or awarded to officers. Professional fees increased for the nine months ended September 30, 2012 due to legal and consulting services used for the negotiations, close and amendment of the agreement for the sale of American Copper Mining, services due to operational focus on Champinon.

The following is an explanation of Tara Gold's material sources and uses of cash during the nine months ended September 30, 2012 and 2011:

| (In thousands of U.S. Dollars)   | September<br>30,<br>2012 | September 30,<br>2011 |
|--|--------------------------|-----------------------|
| Net cash used in operating activities  | \$(4,583 )               | \$ (3,342 )           |
| Acquisition of property, plant, equipment, mine development, land and construction in progress | (268 )                   | (6 )                  |
| Proceeds from the sale or disposal of assets   | -                        | 30                    |
| Purchase of mining concession  | -                        | (30 )                 |
| Mining deposits  | 2                        | (178 )                |
| Proceeds from the sale of American Copper Mining   | 7,500                    | -                     |
| Investment in American Copper Mining in 2012   | (33 )                    | -                     |
| Payments made for construction in progress   | (264 )                   | -                     |
| Payments towards notes payable   | (698 )                   | (140 )                |
| Payments towards notes payable, related party  | (100 )                   | -                     |
| Payments from joint venture partners   | -                        | 100                   |
| Change in due to/from related parties, net   | (257 )                   | (88 )                 |
| Non-controlling interest – cash from the sale of common stock of subsidiaries                  | 357                      | 2,990                 |

|  |     |     |
|--|-----|-----|
| Iron Ore Properties financial instrument | 50  | 750 |
| Cash, beginning of period                | 419 | 193 |

In March 2012, Tara Minerals sold 594,000 units in a private offering for \$297,000 in cash, or \$0.50 per unit. Each unit consisted of one share of Tara Minerals' common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Minerals' common stock at a price of \$1.00 per share at or any time before December 31, 2012. The shares and warrants were issued in April 2012.

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Tara Gold anticipates that its capital requirements during the twelve months ending September 30, 2013 will be:

|   |                     |
|---|---------------------|
| Tara Minerals                                     |                     |
| Exploration and Development – Don Roman Groupings | \$ 500,000          |
| Exploration and Development – Champinon           | 947,333             |
| Property taxes                                    | 180,000             |
| General and administrative expenses               | 500,000             |
| Tara Gold   |                     |
| Property taxes                                    | 10,000              |
| General and administrative expenses               | 300,000             |
| <b>Total</b>                                      | <b>\$ 2,437,333</b> |

The capital requirements shown above include capital required by Tara Gold and subsidiaries.

Tara Minerals is continuing the planning and preparation necessary to bring the Don Roman mill into production in 2013. At the same time, the Company is engaging in planning and preparation for the development of the district, by initially focusing on the mineralized structures that could serve as start-up mine feed for the Don Roman plant. The exploration work-plan, that is being developed, will be focusing on the consistency of material in an effort to maximize recovery at the plant. In addition, all work will be done in a 43-101 compliant manner; with a focus on completing a technical report that further defines mineralized structures to establish reserves. This work will also support the expansion planning for increasing production later in 2013.

In addition to, and as a part of, development plans for the Don Roman district, during the second and third quarters of 2012, the Company also focused on plans to put the Champinon Iron Ore Project into production. Two benches were blasted, samples were assayed, and recovery work completed by Metcon Research. Site preparation, such as roadwork, retaining walls, pads, electrical panels, tailings pond, and scales were completed on time and within budget. Equipment was mobilized through the strategic alliance with a local company that was also contracted to provide equipment and buy the iron concentrate. The unforeseen drop in iron demand and iron prices has had a negative impact on the buyer. Tara Minerals is hopeful that a recovery of iron ore prices will continue in the quoted markets, but additionally, that those gains be reflected at the port. Tara Minerals will continue looking at other strategic relationships and opportunities to achieve its goals.

Tara Gold will need to obtain additional capital if it is unable to generate sufficient cash from its operations or find joint venture partners to fund all or part of its exploration and development costs.

In an effort to resume trading in our common stock, the Company filed a registration statement on Form 10. Once the registration statement is cleared, Tara Gold can apply to have its stock relisted on the OTC Bulletin Board. The Company hopes to have the registration statement cleared in the near future.

As of the date of this filing, the Company is reviewing the Las Minitas, Mariana & Mezquite, Pirita, Tania and Las Viboras Dos properties for continued inclusion as part of the Company's mining property portfolio. No payments toward Las Minitas, Mariana and Mezquite or Pirita were made in 2012 or 2011.

Tara Gold does not know of any trends, events or uncertainties that have had, or are reasonably expected to have, a material impact on its sales, revenues or income from continuing operations, or liquidity and capital resources except for the possible future payments related to the sale of American Copper Mining which are disclosed in the financial statements above.

Tara Gold's future plans will be dependent upon the amount of capital available to Tara Gold, the amount of cash provided by it and its subsidiaries operations and the extent to which Tara Gold is able to have joint venture partners pay the costs of exploring and developing its mining properties.

Tara Gold does not have any commitments or arrangements from any person to provide Tara Gold with any additional capital. If additional financing is not available when needed, Tara Gold may continue to operate in its present mode or Tara Gold may need to cease operations. Tara Gold does not have any plans, arrangements or agreements to sell its assets or to merge with another entity.

See Note 1 to the financial statements included as part of this report for a description of Tara Gold's accounting policies and recent accounting pronouncements.

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ITEM 4. CONTROLS AND PROCEDURES

Francis Richard Biscan, Jr., Tara Gold's Principal Executive Officer and Lynda R. Keeton-Cardno, Tara Gold's Principal Financial and Accounting Officer, have evaluated the effectiveness of Tara Gold's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report, and in their opinion Tara Gold's disclosure controls and procedures are effective.

There were no changes in Tara Gold's internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, Tara Gold's internal control over financial reporting.

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PART II  
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 13, 2010, Tara Gold announced that it had entered into a tentative agreement with Tara Minerals which provided that Tara Minerals would acquire all of the common shares of Tara Gold by exchanging one share of Tara Minerals' common stock for two Tara Gold shares. In an effort to avoid any conflicts due to common directors, the transaction would require the approval of non-affiliate shareholders owning a majority of the outstanding shares of Tara Minerals and Tara Gold.

On September 20, 2010 Chris Columbo filed a lawsuit in the District Court for Carson City Nevada, against Tara Minerals, Tara Gold, and Tara Minerals' officers and directors. The essence of the lawsuit was to obtain the fairest price for Tara Gold, whether from Tara Minerals or a third party. On October 25, 2010 Mr. Columbo voluntarily dismissed his lawsuit against Tara Minerals and other defendants.

On October 22, 2010 Patricia J. Root filed a lawsuit in the Circuit Court for Dupage County, Illinois, against Tara Minerals, Tara Gold, and Tara Gold's directors. The essence of the lawsuit was to prevent the Company's proposed acquisition of Tara Gold.

Tara Minerals believed the lawsuit filed by Ms. Root was premature since, as noted in the September 13, 2010 press release, the transaction was tentative and was subject to the approval of the shareholders of Tara Gold who are not officers or directors of Tara Gold. No binding agreement between Tara Gold and Tara Minerals has been ever signed.

On April 6, 2011 Ms. Root voluntarily dismissed her lawsuit against Tara Minerals, Tara Gold, and all other defendants.

Tara Minerals subsequently decided that it would not acquire Tara Gold.

In August 2011 Tara Minerals entered into an agreement with Carnegie Mining and Exploration, Inc. which provided Carnegie with the option to earn up to a 50% interest in Tara Minerals' Don Roman and iron ore projects.

In order to earn an interest in the Don Roman project, Carnegie was required to spend certain amounts on the Don Roman property such that the Don Roman plant reached minimum production levels. Carnegie could earn a 50% interest in Tara Minerals' iron ore projects by spending \$1,000,000 toward the projects by November 6, 2011.

Carnegie did not spend the required amounts on either project and Tara Minerals terminated the option.

On November 10, 2011, Tara Minerals filed a complaint in Nevada against Carnegie seeking a declaration that Carnegie failed to properly exercise its option to acquire an interest in the iron ore properties.

On December 9, 2011, Carnegie and a purported affiliate, Carnegie Operations, LLC filed a complaint in Texas state court against former employees of Carnegie now employed with Tara Minerals. Although Tara Minerals was not initially named as a defendant, the substance of the state court complaint made it clear that the core issues were substantially similar to those raised in the Nevada litigation. The individual defendants removed the case to federal court in Dallas, Texas on December 22, 2011. Carnegie responded with a First Amended Complaint on January 31, 2012, which formally named Tara Minerals as a defendant. In its amended complaint, Carnegie seeks an injunction against Tara Minerals in connection with its option on the iron ore properties, as well as damages for alleged fraud,

trade secret theft, civil conspiracy, and tortious interference with Carnegie's employment contracts with the individual defendants.

On February 14, 2012, Tara Minerals moved the Texas court for a transfer of venue to Nevada so that the cases could be consolidated. The motion was premised upon the facts that: 1) the option agreement includes an express consent to jurisdiction and venue in Nevada; 2) Tara Minerals filed its lawsuit first in Nevada; 3) the cases involve common issues of fact and law; and 4) transfer is cost-efficient and more convenient for the key witnesses in both matters.

On March 21, 2012, Carnegie moved the Nevada court to transfer the case to Texas and moved the court to dismiss Tara Minerals' complaint. After extensive briefing from both sides, on July 11, 2012, the Nevada court denied Carnegie's motion to transfer and denied Carnegie's motion to dismiss. On July 20, 2012 the Texas court granted Tara Minerals' motion and ordered the case transferred to Nevada. On August 21, 2012, the Nevada court formally consolidated the Texas and Nevada cases.

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On August 3, 2012, Carnegie responded to Tara Minerals' complaint and brought a counterclaim against Tara Minerals American Metal Mining, S.A., C.V. ("AMM")(an subsidiary of Tara Minerals) and a third party complaint against Harsco Corporation ("Harsco") and Pittsburgh Mineral & Environmental Technology, Inc ("PMET"). Carnegie's counterclaim alleges: 1) breach of contract; 2) breach of the implied covenant of good faith and fair dealing; 3) promissory estoppel; and civil conspiracy against Tara Minerals and AMM. Carnegie's third party complaint alleges: 1) unjust enrichment, 2) tortious interference with contract; and 3) civil conspiracy against Harsco and PMET.

Tara Minerals and AMM answered Carnegie's counterclaim on September 7, 2012. Harsco answered Carnegie's third party complaint on September 11, 2012. PMET moved the Court to dismiss the third party complaint on September 20, 2012. Carnegie opposed PMET's motion to dismiss on October 9, 2012. On November 5, 2012, PMET replied in support of the motion to dismiss, With respect to PMET, the Court will either make a ruling on PMET's motion to dismiss based upon the briefing, or the parties will be ordered to appear for oral argument. With respect to Tara Minerals, AMM, and Harsco, the case will proceed to discovery/fact-finding.

On September 7, 2012, Tara Minerals responded to Carnegie's First Amended Complaint and asserted counterclaims for: 1) declaratory relief; 2) breach of contract; and 3) breach of the implied covenant of good faith and fair dealing. Likewise, on September 7, 2012, the individual defendants responded to Carnegie's First Amended Complaint and lodged counterclaims against Carnegie for: 1) breach of contract; 2) breach of the implied covenant of good faith and fair dealing; 3) and unjust enrichment,

On October 1, 2012, Carnegie moved the court for an order to show cause why two of the individual defendants should not be held in contempt, seeking monetary sanctions and a court order precluding the individuals from working with Tara Minerals. Carnegie alleges, among other things, that the individuals violated the Texas state court injunction when accepting employment at Tara Minerals. Tara Minerals and the individual defendants believe they are in full compliance with all court orders, none of which preclude Tara Minerals' employment of the individuals. The individual defendants vigorously opposed Carnegie's motion on October 15, 2012. Carnegie lodged its reply on November 5, 2012. The next step will be for the Court to either issue a ruling based on the briefs submitted or order the parties to appear for oral argument.

The case is now in the discovery/fact-finding phase, and Tara Minerals anticipates propounding written requests for production, propounding interrogatories, and taking depositions.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Exhibit No. | Description of Exhibit  |     |
|-------------|---|-----|
| 10.1        | Amended Purchase Agreement among Adit Resources Corp., ACM and Yamana Mexico Holdings B.V | (1) |
| 31.1        | Rule 13a-14(a) Certifications – CEO   | (1) |
| 31.2        | Rule 13a-14(a) Certifications - CFO   | (1) |
| 32          | Section 1350 Certifications   | (1) |
| 101.INS     | XBRL Instance Document  | (1) |
| 101.SCH     | XBRL Taxonomy Extension Schema Document   | (1) |
| 101.CAL     | XBRL Taxonomy Calculation Linkbase Document   | (1) |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document                                      | (1) |
| 101.LAB     | XBRL Taxonomy Label Linkbase Document   | (1) |
| 101.PRE     | XBRL Taxonomy Presentation Linkbase Document  | (1) |

(1) Filed with this report.

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SIGNATURES

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

TARA GOLD RESOURCES CORP.

Dated: November 13, 2012

By: /s/ Francis Richard Biscan, Jr.  
Francis R. Biscan, Jr., Director  
and  
Principal Executive Officer

Dated: November 13, 2012

By: /s/ Lynda R. Keeton-Cardno, CPA  
Lynda R. Keeton-Cardno, CPA  
Principal Financial and Accounting  
Officer