

TARA GOLD RESOURCES CORP.  
Form 10-K/A  
May 23, 2011

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

**FORM 10-K/A**

(Mark One)

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

For the Fiscal Year Ended December 31, 2010

OR

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

Commission File No. 000-29595

**TARA GOLD RESOURCES CORP.**

*(Name of Small Business Issuer in its charter)*

Nevada

90-0316566

*(State of incorporation)*

*(IRS Employer Identification No.)*

2162 Acorn Court

Wheaton, IL

60189

*(Address of Principal Executive Office)*

*(Zip Code)*

Registrant's telephone number, including Area Code: (630) 462-2079

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: (Title of Class) Common Stock

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 if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports 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 submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 T

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

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act):

Yes  No

The aggregate market value of the voting stock held by non-affiliates of the Company on June 30, 2010 was approximately \$31,392,000.

As of April 15, 2011, the Company had 102,795,119 outstanding shares of common stock.

Documents incorporated by reference:

None

**EXPLANATORY NOTE**

Tara Gold Resources Corp. is amending its Form 10-K/A to correct certain reclassifications, which have no effect on net loss. Specifically on the Balance Sheet and the Statement of Operations, and as a result the Statement of Cash Flows for the periods ending December 31, 2010 and inception through December 31, 2010, and to clarify Note 4. Income Taxes and fix minor clerical typos.

The effects on our previously issued December 31, 2010 financial statements are summarized as follows:

Consolidated Balance Sheet:

December 31, 2010

December 31, 2010

As filed

Adjustment

Restated

Other receivables,  
net

\$

227

\$

985

\$

1,212

Total assets

\$

16,386

\$

985

\$

17,371

Accounts payable  
and accrued  
expenses

\$

1,688

\$

985

\$

|                   |       |
|-------------------|-------|
|                   | 2,675 |
| Total liabilities |       |
| \$                |       |
|                   | 6,064 |
| \$                |       |
|                   | 985   |
| \$                |       |
|                   | 7,049 |

Consolidated Statement of Operations and Comprehensive Loss:

For the Year  
Ended  
December 31,  
2010

For the Year  
Ended  
December 31,  
2010

As Filed  
Adjustment  
Restated

|  |          |
|--|----------|
| Operating, general and administrative expenses |          |
| \$   |          |
|  | 17,639   |
| \$   |          |
|  | (169)    |
| \$   |          |
|  | 17,471   |
| Net operating loss                             |          |
|  | (20,170) |
|  | (169)    |
|  | (20,452) |
| Income tax benefit, net of expense             |          |
|  | (1,183)  |
|  | 169      |
|  | (1,015)  |
| Loss from continuing operations                |          |
| \$   |          |
|  | (19,437) |
| \$   |          |



\$

(19,437)

For the period  
October 14, 1999  
(Inception) to  
December 31, 2010

For the period  
October 14,  
1999  
(Inception) to  
December 31,  
2010

As Filed  
Adjustment  
Restated

Operating, general  
and administrative  
expenses

|                                       |          |
|---------------------------------------|----------|
| \$                                    |          |
|                                       | 34,439   |
| \$                                    |          |
|                                       | (169)    |
| \$                                    |          |
|                                       | 34,271   |
| Net operating loss                    |          |
|                                       | (40,824) |
|                                       | (169)    |
|                                       | (40,666) |
| Income tax benefit,<br>net of expense |          |
|                                       | (2,485)  |
|                                       | 169      |
|                                       | (2,317)  |
| Loss from<br>continuing<br>operations |          |
| \$                                    |          |
|                                       | (23,203) |
| \$                                    |          |
|                                       | -        |
| \$                                    |          |



Consolidated Statement of Cash Flows:

For the Year  
Ended December  
31, 2010

For the Year  
Ended December  
31, 2010

As Filed

Adjustment

Restated

Cash flows from  
operating activities

Other receivables

(100)

(985)

(1,085)

Accounts payable  
and accrued  
expenses

1,520

985

2,504

Cash flows used in  
operating activities

\$

(3,109)

\$

-

\$

(3,109)

For the period  
October 14, 1999  
(Inception) to  
December 31,  
2010

For the period  
October 14, 1999  
(Inception) to  
December 31,  
2010

As Filed

Adjustment

Restated

Cash flows from  
o p e r a t i n g  
activities

Other receivables

|   |          |
|---|----------|
|   | (1,037)  |
|   | (985)    |
|   | (2,022)  |
| Accounts payable<br>and accrued<br>expenses   |          |
|   | 3,073    |
|   | 985      |
|   | 4,047    |
| Cash flows used in<br>operating<br>activities |          |
| \$  |          |
|   | (18,173) |
| \$  |          |
|   | -        |
| \$  |          |
|   | (18,173) |

Due to the above corrections, Item 8 has changed and is presented in this amendment.

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR**

**THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009**

**AND**

**THE PERIOD FROM INCEPTION (OCTOBER 14, 1999) THROUGH DECEMBER 31, 2010**

REPORT OF  
INDEPENDENT  
REGISTERED  
PUBLIC  
ACCOUNTING  
FIRM

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FINANCIAL  
STATEMENTS:

Consolidated  
Balance Sheets

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Consolidated  
Statements of  
Operations and  
Comprehensive  
Loss

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Consolidated  
Statements of  
Stockholders  
(Deficit) Equity

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Consolidated  
Statements of  
Cash Flows

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Notes to the  
Consolidated  
Financial  
Statements

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
of Tara Gold Resources Corp., Inc. and Subsidiaries,

We have audited the accompanying consolidated balance sheets of Tara Gold Resources Corp., Inc. (an exploration stage company) (a Nevada corporation) and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years then ended and the period from inception (October 14, 1999) through December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Tara Gold Resources Corp., Inc. and subsidiaries from inception (October 14, 1999) through December 31, 2004, were audited by other auditors whose report there on dated December 9, 2005, expressed an unqualified opinion on those statements (the December 9, 2005 report was modified related to the uncertainty of the Company's ability as a going concern), have been furnished to us.

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tara Gold Resources Corp, Inc. and subsidiaries as of December 31, 2010 and 2009, and the

results of its operations and its cash flows for each of the years then ended and for the period from inception (October 14, 1999) through December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mendoza Berger & Company, LLP

**Mendoza Berger & Company, LLP**

Irvine, CA

April 18, 2011

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands of U.S. Dollars)**

**December 31,  
2010**

**December 31,  
2009**

**Assets**

**(Restated)**

Current assets:

Cash

\$

193

\$

1,451

Other  
receivables, net of  
\$2,010 and \$374  
of allowance as of  
December 31,

2010 and  
December 31,  
2009, respectively

1,212

3,262

Due from  
related parties, net  
of due to related  
parties of \$292  
December 31,  
2009

-

354

Marketable  
securities

450

450

Other current  
assets

1

3

Total current  
assets

1,856

5,520

Property, plant,  
equipment, mine  
development,  
construction in  
progress and land,  
net of  
accumulated  
depreciation of  
\$361 and \$111 as  
of December 31,  
2010 and

December 31,  
2009, respectively

12,359

15,304

Mining deposits

53

25

Deferred tax,  
non-current  
portion

2,931

1,748

Goodwill

12

12

Other assets

160

19

Total  
assets

\$

17,371

\$

22,628

**Liabilities and  
Stockholders  
equity**

Current liabilities:

Accounts payable and accrued expenses

\$

2,675

\$

1,143

Notes payable, current portion

994

1,106

Notes payable related party, current portion

100

-

Due to related parties, net of due from of \$36 December 31, 2010

259

-

|                                    |       |
|------------------------------------|-------|
| Total current liabilities          |       |
|                                    | 4,028 |
|                                    | 2,249 |
| Long-term accrued liabilities      |       |
|                                    | 418   |
|                                    | 989   |
| Notes payable, non-current portion |       |
|                                    | 2,603 |
|                                    | 6,168 |
| Total liabilities                  |       |
|                                    | 7,049 |
|                                    | 9,406 |
| Commitments and contingencies      |       |
|                                    | -     |
|                                    | -     |
| Stockholders equity:               |       |

Common  
 stock; \$0.001 par  
 value 150,000,000  
 shares authorized  
 102,795,119  
 issued and  
 outstanding at  
 December 31,  
 2010 and  
 December 31,  
 2009, respectively

103

103

Additional  
 paid-in capital

12,175

12,175

Accumulated  
 deficit during  
 exploration stage

(17,060)

(3,293)

O t h e r  
 comprehensive  
 loss

(514)

(436)

Total Tara  
 Gold stockholders  
 (deficit) equity

(5,296)

8,549



Non-controlling  
interest

15,618

4,673

Total equity

10,322

13,222

Total  
liabilities and  
equity

\$

17,371

\$

22,628

See accompanying notes to these consolidated financial statements.

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**AND COMPREHENSIVE LOSS**

**(In thousands of U.S. Dollars)**

**For the Year Ended  
December 31,  
From inception  
October 14, 1999 to  
December 31,**

**2010**

**2009**

**2010**

Revenues

**(Restated)**

**(Restated)**

Revenue from  
website development  
and software

\$

-

\$

-

\$

|   |        |
|---|--------|
|   | 168    |
| Mining revenues                                 |        |
|   | 160    |
|   | -      |
|   | 557    |
| Total revenues                                  |        |
|   | 160    |
|   | -      |
|   | 725    |
| Cost of revenue                                 |        |
|   | 658    |
|   | -      |
|   | 759    |
| Gross margin                                    |        |
|   | (498)  |
|   | -      |
|   | (34)   |
| Exploration expenses                            |        |
|   | 2,033  |
|   | 280    |
|   | 6,351  |
| Operating, general, and administrative expenses |        |
|   | 17,471 |
|   | 4,156  |

|                                 |          |
|---------------------------------|----------|
|                                 | 34,271   |
| Net operating loss              |          |
|                                 | (20,002) |
|                                 | (4,436)  |
|                                 | (40,656) |
| Non-operating (income) expense: |          |
|                                 |          |
|                                 |          |
|                                 |          |
| Interest (income)               |          |
|                                 | (26)     |
|                                 | (95)     |
|                                 | (308)    |
| Interest expense                |          |
|                                 | 450      |
|                                 | 67       |
|                                 | 1,210    |
| Settlement expense              |          |
|                                 | -        |
|                                 | -        |
|                                 | (134)    |
| Loss on extinguishment of debt  |          |
|                                 | -        |

|  |         |
|--|---------|
|  | 1,097   |
|  | 766     |
| (Gain) on<br>deconsolidation of<br>joint venture | -       |
|  | -       |
|  | (8,661) |
| (Gain) on sale of<br>joint venture interest      | -       |
|  | -       |
|  | (3,112) |
| (Gain) on<br>dissolution of joint<br>venture     | -       |
|  | (250)   |
|  | (9,163) |
| Loss on disposal<br>of assets                    | -       |
|  | -       |
|  | 399     |
| (Gain) on<br>acquisition of<br>mining concession | -       |
|  | -       |
|  | (100)   |
|  | 29      |

|  |          |
|--|----------|
| Loss on conversion of note payable                 | 783      |
|  | -        |
|  | 783      |
| Realized loss on the sale of marketable securities | -        |
|  | 2,266    |
|  | 4,604    |
| (Gain) on sale of net cash flow interest           | -        |
|  | (197)    |
|  | (197)    |
| Other (income)                                     | (757)    |
|  | (261)    |
|  | (1,223)  |
|  | 450      |
|  | 2,627    |
|  | (15,136) |
| Loss before income taxes                           | (20,452) |
|  | (7,063)  |
|  | 30       |

|   |          |
|---|----------|
|   | (25,520) |
| Income tax benefit, net of \$169 and \$0 provision as of December 31, 2010 and 2009       | (1,015)  |
|   | (1,822)  |
|   | (2,317)  |
| Loss from continuing operations   | (19,437) |
|   | (5,241)  |
|   | (23,203) |
| Discontinued operations   |          |
|   |          |
|   |          |
| Income from operations of discontinued oil properties (including loss on disposal of \$7) | -        |
|   | -        |
|   | 17       |
| Loss from operations of La Esquadra   | -        |
|   | 31       |

-  
(1,038)

Net loss  
(19,437)  
(5,241)  
(24,224)

Add: Net loss  
attributable to  
non-controlling  
interest  
5,670  
801  
7,164

Net loss attributable  
to Tara Gold  
shareholders  
(13,767)  
(4,440)  
(17,060)



Other  
comprehensive  
income (loss):

Foreign currency  
translation

(78)

214

(514)

Unrealized gain,  
net on marketable  
securities

-

618

-

Comprehensive  
loss

\$

(13,845)

\$

(3,608)  
\$  
(17,574)

Net loss per share,  
basic and diluted  
\$  
(0.19)  
\$  
(0.05)

Weighted average  
number of shares,  
basic and diluted  
102,795,119  
102,137,585

See accompanying notes to these consolidated financial statements.



**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**Common Stock**  
**Additional**  
**Paid In**  
**Accumulated**  
**Deficit During**  
**Share**  
**Subscriptions**  
**Other**  
**Comprehensive**  
**Total**  
**Stockholders**  
  
**Shares**  
**Amount**  
**Capital**  
**Exploration Stage**  
**Received**  
**(Loss) Income**  
**(Deficit) Equity**

Balance at  
inception

-

\$

-

\$

-

\$

-

\$

-

\$

-

Issuance of  
common stock to  
Founders for cash

4,000,000

4

-

-

-

-

4

Net loss

-

-

-

(9)

38

-  
-  
(9)

Balance at  
December 31, 2000

4,000,000

4  
-  
(9)  
-  
-  
(5)

Issuance of  
common stock in  
exchange for 100%  
of

common stock of  
MerchantPark

1,500,000

2

(2)

-

-

-

-

Issuance of  
Common stock for  
cash

2,491,583

2

152

40



-  
-  
-  
154

Issuance of  
common stock for  
services

4,645,261  
5  
77  
-  
-  
-  
82

Issuance of  
common stock for  
100% of shares of

Caged Iron  
Technologies

2,000,000

2

101

-

-

-

103

Issuance of  
common stock  
issued for debt

459,000

-

42

46

-

-

-

46

Issuance of  
common stock  
issued for assets

3,064,556

3

301

-

-

-

304

43

Stock offering  
costs

-

-

(13)

-

-

-

(13)

Currency  
translation  
adjustment

-

-

-

-  
-  
1  
1

Net loss

-  
-  
-  
(418)  
-  
-  
(418)

Balance at  
December 31, 2001

18,160,400

\$

18

\$

662

\$

(427)

\$

-

\$

1

\$

254

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**  
**Additional**  
**Paid In**  
**Accumulated**  
**Deficit During**  
**Share Subscriptions**  
**Other**  
**Comprehensive**  
**Total**  
**Stockholders**  
  
**Shares**  
**Amount**  
**Capital**  
**Exploration Stage**  
**Received**  
**(Loss) Income**

**(Deficit) Equity**

|    |                                 |
|----|---------------------------------|
|    | Balance at December<br>31, 2001 |
|    | 18,160,400                      |
| \$ |                                 |
|    | 18                              |
| \$ |                                 |
|    | 662                             |
| \$ |                                 |
|    | (427)                           |
| \$ |                                 |
|    | -                               |
| \$ |                                 |
|    | 1                               |
| \$ |                                 |
|    | 254                             |



Issuance of common  
stock for services

2,336,500

2

22

-

-

-

24

Issuance of common  
stock for debt

5,844,976

6

49

272

-

-

-

278

Issuance of Common  
stock for  
cash

6,000,000

6

23

-

-

-

29

Currency Translation  
adjustment

-  
-  
-  
-  
-  
-  
-

Net Loss

-  
-  
-

(677)

-  
-  
(677)

Balance at December  
31, 2002

32,341,876

32

979

(1,104)

-

1

(92)

Issuance of Common  
stock for cash

3,754,848

4

53

-

-

-

57

Issuance of common  
stock for debt

9,019,445

9

189

-

-

-

53

Net loss

-

-

-

(156)

-

-

(156)

Balance at December  
31, 2003

45,116,169

\$

45

\$

1,221

\$

(1,260)

\$

-

\$

1

\$

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**  
**Additional**  
**Paid In**  
**Accumulated**  
**Deficit During**  
**Share Subscriptions**  
**Other**  
**Comprehensive**  
**Total**  
**Stockholders**  
  
**Shares**  
**Amount**  
**Capital**



**Exploration Stage**

**Received**

**(Loss) Income**

**(Deficit) Equity**

Balance at December  
31, 2003

45,116,169

\$

45

\$

1,221

\$

(1,260)

\$

-

\$

1

\$

|                                      |           |
|--------------------------------------|-----------|
| Issuance of common<br>stock for cash | 2,807,000 |
|                                      | 3         |
|                                      | 161       |
|                                      | -         |
|                                      | -         |
|                                      | -         |
|                                      | 164       |

Issuance of common  
stock for services

3,010,000

3

147

-

-

-

150

Stock cancelled

(1,200,000)

(1)

1

-

-

-

-

|                              |     |
|------------------------------|-----|
| Share subscriptions received | -   |
|                              | -   |
|                              | -   |
|                              | -   |
|                              | 148 |
|                              | -   |
|                              | 148 |

|                                     |    |
|-------------------------------------|----|
| Foreign currency translation income | -  |
|                                     | 60 |

-  
-  
-  
-  
-  
-

Net loss

-  
-  
-  
(373)  
-  
-  
(373)

Balance at December  
31, 2004

49,733,169

\$

50

\$

1,530

\$

(1,633)

\$

148

\$

1

\$

96

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**  
**Additional**  
**Paid In**  
**Accumulated**  
**Deficit During**  
**Share Subscriptions**  
**Other**  
**Comprehensive**  
**Total**  
**Stockholders**  
  
**Shares**  
**Amount**  
**Capital**  
**Exploration Stage**  
**Received**  
**(Loss) Income**



**(Deficit) Equity**

Balance at December  
31, 2004

49,733,169

\$

50

\$

1,530

\$

(1,633)

\$

148

\$

1

\$

96

65

Issuance of common  
stock for services

6,472,984

6

273

-

-

-

279

Issuance of common  
stock for cash

13,506,001

14

66

431

-

-

-

445

Share subscriptions  
delivered

-

-

-

-

(113)

-

(113)

Common stock for  
mining concession  
finders fees

200,000

-

8

-

-

-

8

Warrants for mining  
concession finders  
fees

-

-

4

68

-  
-  
-  
4

Beneficial conversion  
feature

-  
-  
207  
-  
-  
-  
207

Foreign currency  
translation loss

-

-

-

-

-

(7)

(7)

Net loss

-

-

-

(935)

-

70

-

(935)

Balance at December  
31, 2005

69,912,154

\$

70

\$

2,453

\$

(2,568)

\$

35

\$

(6)

\$

(16)

71

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---



**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**  
**Additional**  
**Paid In**  
**Accumulated**  
**Deficit During**  
**Share Subscriptions**  
**Other**  
**Comprehensive**  
**Total**  
**Stockholders**  
  
**Shares**  
**Amount**  
**Capital**  
**Exploration Stage**  
**Received**

**(Loss) Income**

**(Deficit) Equity**

Balance at December  
31, 2005

69,912,154

\$

70

\$

2,453

\$

(2,568)

\$

35

\$

(6)

\$

(16)

74

Issuance of common  
stock for services

2,251,250

2

228

-

-

-

230

Issuance of common  
stock for cash

7,440,433

75

7  
1,753  
-  
-  
-  
1,760

Share subscriptions  
delivered

634,615  
1  
41  
-  
(35)  
-  
7

Conversion of  
convertible debt to  
stock

3,700,000

4

187

-

-

-

191

Beneficial conversion  
feature

-

-

77

185

-

-

-

185

Foreign currency  
translation loss

-

-

-

-

-

(32)

(32)

Unrealized loss on  
investments

-

-

-

-

-

(449)

(449)

Net loss

-

-

-

361

79

-  
-  
361

Balance as of  
December 31, 2006

83,938,452

\$

84

\$

4,847

\$

(2,207)

\$

-

\$

(487)

\$

2,237

80



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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**

**Additional**

**Paid In**

**Accumulated**

**Deficit During**

**Share**

**Subscriptions**

**Other**

**Comprehensive**

**Total**

**Stockholders**

**Shares**

**Amount**

**Capital**

**Exploration Stage**

**Received**

**(Loss) Income**

**(Deficit) Equity**

|    | Balance at<br>December 31, 2006 |
|----|---------------------------------|
|    | 83,938,452                      |
| \$ |                                 |
|    | 84                              |
| \$ |                                 |
|    | 4,847                           |
| \$ |                                 |
|    | (2,207)                         |
| \$ |                                 |
|    | -                               |
| \$ |                                 |
|    | (487)                           |
| \$ |                                 |
|    | 2,237                           |

Issuance of common  
stock for services

600,000

1

607

-

-

-

608

Issuance of common  
stock for cash

2,217,500

2

84

885

-

-

-

887

Issuance of common  
stock for exercise of  
warrants and receipt  
of cash

4,443,333

4

2,249

-

-

-

2,253

Stock based  
compensation

-  
-  
1,164  
-  
-  
-  
1,164

Conversion of  
convertible debt to  
stock

2,316,667  
2

67

-

-

-

69

Conversion of  
convertible debt to  
stock subscription  
and related  
settlement expense

-

-

-

-

342

-

342

Stock bonus payable

-

-

-

-

126

-

126

Stock issued for  
additional  
ownership interest  
in Amermin

1,500,000

2

88



598

-

-

-

600

Foreign currency  
translation gain

-

-

-

-

-

25

25

|                                |         |
|--------------------------------|---------|
| Unrealized loss on investments | -       |
|                                | -       |
|                                | -       |
|                                | -       |
|                                | -       |
|                                | (1,147) |
|                                | (1,147) |

|          |         |
|----------|---------|
| Net loss | -       |
|          | -       |
|          | -       |
|          | (2,441) |

-  
-  
(2,441)

Balance as of  
December 31, 2007

95,015,952

\$

95

\$

10,417

\$

(4,648)

\$

468

\$

(1,609)

\$

4,723

91

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---

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**

**Additional**

**Paid In**

**Accumulated**

**Deficit During**

**Share Subscriptions**

**Other**

**Comprehensive**

**Total**

**Stockholders**

**Shares**

**Amount**

**Capital**

**Exploration Stage**

**Received**

**(Loss) Income**

**(Deficit) Equity**

Balance at December  
31, 2007

95,015,952

\$

95

\$

10,417

\$

(4,648)

\$

468

\$

(1,609)

\$

4,723

Issuance of common  
stock for services

175,000

-

67

-

-

-

67

Shares subscriptions  
delivered

1,150,000

95

1

467

-

(468)

-

-

Conversion of  
convertible debt to  
stock

5,654,167

6

184

-

-

-

190



Foreign currency  
translation gain

-

-

-

-

-

(637)

(637)

Unrealized loss on  
investments

-

-

-

-  
-  
978  
978

Net income

-  
-  
-  
5,795  
-  
-  
5,795

Balance as of  
December 31, 2008

101,995,119

102

11,135

1,147

-

(1,268)

11,116

Issuance of common  
stock for services

800,000

1

1,040

-

-

-

99

1,041

Foreign currency  
translation gain

-

-

-

-

-

214

214

Unrealized loss on  
investments

-

-

-

-

-

618

618

Net loss

-

-

-

(4,440)

-

-

(4,440)

Balance as of  
December 31, 2009

102,795,119

\$

103

\$

12,175

\$

(3,293)

\$

-

\$

(436)

\$

8,549

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---

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)**

**From inception (October 14, 1999) to December 31, 2010**

**(In thousands of U.S. Dollars, except share amounts)**

**(Continued)**

**Common Stock**

**Additional**

**Paid In**

**Accumulated**

**Deficit During**

**Share**

**Subscriptions**

**Other**

**Comprehensive**

**Total**

**Stockholders**

**Shares**

**Amount**

**Capital**

**Exploration Stage**

**Received**

**(Loss) Income**



**(Deficit) Equity**

|    | Balance as of<br>December 31, 2009 |
|----|------------------------------------|
|    | 102,795,119                        |
| \$ |                                    |
|    | 103                                |
| \$ |                                    |
|    | 12,175                             |
| \$ |                                    |
|    | (3,293)                            |
| \$ |                                    |
|    | -                                  |
| \$ |                                    |
|    | (436)                              |
| \$ |                                    |
|    | 8,549                              |

Foreign currency  
translation

-

-

-

-

-

(78)

(78)

Net loss

-

-

-  
(13,767)  
-  
-  
(13,767)

Balance as of  
December 31, 2010

102,795,119  
\$  
103  
\$  
12,175  
\$  
(17,060)  
\$  
-  
\$  
(514)  
107

\$

(5,296)

See accompanying notes to these consolidated financial statements

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands of U.S. Dollars)**

**For the Year Ended**

**From inception**

**December 31,**

**(October 14, 1999)**

**2010**

**2009**

**to Dec. 31, 2010**

**Cash flows from  
operating activities:**

**(Restated)**

**(Restated)**

Net loss

\$

(13,767)

\$

(4,440)

\$

(17,060)

Adjustments to  
reconcile net loss to net  
cash used in operating  
activities:

Depreciation and  
amortization

250

40

668

Allowance for  
doubtful accounts

2,268

131

2,638

Allowance for  
mining deposits  
deemed uncollectible

-

-

29

Common stock  
issued for services and  
other expenses

-

1,040

2,599

Stock based  
compensation and  
stock bonuses

-

-

126

Gain on  
deconsolidation of joint  
venture

-

-

(8,661)

Non-cash expense  
due to deconsolidation  
of joint venture

-

-

216

Gain on sale of joint  
venture interest

-

-

(2,862)

Gain on dissolution  
of joint venture

-

(250)

(8,688)

Loss on  
extinguishment of debt,  
net

-

1,097

746

Loss on disposed  
and discontinued  
operations

-

-

1,001

Deferred tax asset,  
net

(1,183)

(2,125)

(2,931)

Non-controlling  
interest in net loss of  
consolidated  
subsidiaries

(5,670)

(447)

(7,164)

Amortization of  
beneficial conversion

289

-

650

Loss on the disposal  
of assets



|  |       |
|--|-------|
|  | -     |
|  | -     |
|  | 218   |
| Realized loss on<br>marketable securities                                    |       |
|  | -     |
|  | 2,266 |
|  | 4,604 |
| Common stock of<br>subsidiary issued and<br>option valuation for<br>services |       |
|  | 6,642 |
|  | -     |
|  | 7,616 |
| Subsidiaries stock<br>based compensation<br>and stock bonuses                |       |
|  | 4,746 |
|  | -     |
|  | 6,040 |
| Exploration<br>expenses paid with<br>stock of subsidiaries                   |       |
|  | 1,224 |
|  | -     |
|  | 1,224 |
| Lawsuit settlement<br>payable in stock                                       |       |
|  | -     |

|  |       |
|--|-------|
|  | -     |
|  | 315   |
| Cancellation of<br>common stock for<br>settlement (Tara<br>Minerals) |       |
|  | -     |
|  | -     |
|  | (750) |
| Assets acquired<br>from La Escuadra                                  |       |
|  | -     |
|  | -     |
|  | (330) |
| Gain on acquisition<br>of mining concession                          |       |
|  | -     |
|  | -     |
|  | (100) |
| Gain on sale of net<br>cash flow interest                            |       |
|  | -     |
|  | (197) |
|  | (197) |
| Accrued interest<br>converted to<br>subsidiary s common<br>stock     |       |
|  | 29    |
|  | -     |

29

Loss on conversion  
of debt to subsidiary's  
common stock

783

-

783

Changes in  
operating assets and  
liabilities:

Other receivables

(1,085)

(469)

(2,022)

Other assets

(139)

12

(934)

Accounts payable  
and accrued expenses

2,504

(96)

4,057

Deferred joint  
venture income

-

-

(33)

Net cash  
used in operating  
activities

(3,109)

(3,438)

(18,173)

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands of U.S. Dollars)**

**(Continued)**

**For the Year Ended**

**From inception**

**December 31,**

**(October 14, 1999)**

**2010**

**2009**

**to Dec. 31, 2010**

**Cash flows from  
investing activities:**

**(Restated)**

**(Restated)**

Proceeds from sales  
of oil & gas properties

-

|   |         |
|---|---------|
|   | -       |
|   | 6       |
| Acquisition of property, plant and equipment    | (268)   |
|   | (109)   |
|   | (665)   |
| Payments toward construction in progress        | -       |
|   | (1,498) |
|   | (2,163) |
| Purchase of land and office building            | -       |
|   | -       |
|   | (415)   |
| Proceeds from the sale of marketable securities | -       |
|   | 4,547   |
|   | 6,278   |
| Proceeds from the sale of assets                | -       |
|   | -       |
|   | 384     |
|   | 118     |

Purchase of mining  
concession

(25)

(643)

189

Proceeds from note  
receivable payments

-

-

(7)

Proceeds from  
disposal of assets

-

-

347

Loans to unrelated  
third parties

-

-

(380)

Cash included in  
business acquisition

-

2

2

Business acquisition  
goodwill

-

(4)

119

(4)

Cash in discontinued  
operations

-

-

(3)

Net cash (used) /  
provided by in  
investing activities

(293)

2,295

3,569

**Cash flows from  
financing activities:**

Proceeds from short  
term debt

-

-

72

Proceeds from notes  
payable, related party

150

120



|   |          |
|---|----------|
|   | -        |
|   | 150      |
| Proceeds from notes payable   | 480      |
|   | -        |
|   | 480      |
| Payments toward short term debt   | -        |
|   | -        |
|   | (22)     |
| Payments toward notes payable   | (761)    |
|   | (586)    |
|   | (10,778) |
| Change in due to/from related parties, net                                      | (19)     |
|   | (370)    |
|   | 378      |
| Non-controlling interest cash from sale of sale of common stock of subsidiaries | 2,372    |
|   | 2,668    |
|   | 121      |

|   |        |
|---|--------|
|   | 8,961  |
| Payments from joint<br>venture partners         | -      |
|   | -      |
|   | 9,920  |
| Stock offering costs                            | -      |
|   | -      |
|   | (13)   |
| Cash acquired in<br>reverse acquisition         | -      |
|   | -      |
|   | 4      |
| Cash from the sale of<br>common stock           | -      |
|   | -      |
|   | 5,753  |
| Net cash<br>provided by financing<br>activities | 2,222  |
|   | 1,712  |
|   | 14,906 |

Effect of exchange rate  
changes on cash

(78)

618

(110)

Net (decrease) increase

(1,258)

1,187

193

Cash, beginning of  
period

1,451

264

-

Cash, end of period

\$

193

\$

1,451

\$

193

123

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands of U.S. Dollars, except per share amount)**

**(Continued)**

**For the Year Ended  
December 31,**

**From inception  
(October 14, 1999)**

**to December 31,**

**2010**

**2009**

**2010**

**(Restated)**

**(Restated)**

Supplemental  
Information:

Interest paid

\$ 25

\$ 93

\$ 838

Income taxes  
paid

\$ -

\$ -

\$ 10

Non-cash Investing  
and Financing  
Transactions:

Conversion of  
debt to common  
stock or payable,

plus accrued  
interest

\$ 559

\$ -

\$ 1,341

Share receivable  
for debt

\$ -

\$ -

\$ 27

Issuance of  
common stock for  
assets

\$ -

\$ -

\$ 304

Issuance of  
common stock under  
share

\$ -

receivable for  
services

\$ -

\$ -

\$ 35

Purchase of or  
(reduction) in  
purchase of  
concession

notes payable,  
stock and warrants  
plus  
capitalize interest

\$ (3,324)

\$ 4,212

\$ 19,497

Beneficial  
conversion feature,  
convertible debt

\$ -

\$ -

\$ 32

Beneficial  
conversion feature,  
convertible related  
party debt

\$ -

\$ -

\$ 359

Recoverable  
value-added taxes  
incurred through

Additional  
debt and due to  
related party, net of

mining  
concession  
modification

\$ 1,470

\$ 14

\$ 1,408

Purchase of La  
Escuadra with debt

\$ -

\$ -



\$ 1,370

Receipt of stock  
for Joint Venture  
Payments and Fee  
Income

\$ -

\$ -

\$ 2,301

Acquisition of  
property and  
equipment through  
debt

\$ 247

\$ -

\$ 414

Unrealized  
(gain)/loss in  
investments,  
available for sale

\$ -

\$ 8,523

\$ 10,648

Accrued and  
capitalized interest

\$ 88

\$ 112

\$ 369

Subsidiary  
common stock  
payable for debt

Non-controlling  
interest

\$ 783

\$ -

\$ 783

Receivable  
reclassified to mining  
deposit

\$ 28

\$ -

\$ 28

See accompanying notes to these consolidated financial statements.

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1.**

**Basis of Presentation and Organization and Significant Accounting Policies**

Basis of Presentation and Organization

Tara Gold Resources, Corp. (the Company) was incorporated on October 14, 1999 under the laws of the State of Nevada as Westnet Communication Group. By special resolution of the shareholders, the Company changed its name to Tara Gold Resources, Corp. on February 9, 2005.

The Company is engaged in the acquisition, exploration and development of mineral resource properties in the United States of America and Mexico. In May 2006, the Company acquired 97% of the common stock of Corporacion Amermin, S.A. de C.V. ( Amermin ). In October 2007, the Company acquired the remaining 3% of the common stock of Corporacion Amermin, S.A. de C.V. for 1,500,000 shares of the Company's common stock valued at \$600,000. In May 2006, the Company established Tara Minerals Corp. ( Tara Minerals ), which owns 99.9% of the common stock of American Metal Mining, S.A. de C.V. ( AMM ), which was established in December 2006 and operates in México. The Company, through Tara Minerals, also owns 87% of the common stock of Adit Resources Corp., which in turns owns 99.9% of American Copper Mining, S.A. de C.V. ( ACM ), which was established in December 2006 and operates in México. Adit Resources Corp. ( Adit ) was organized in June 2009 and ACM was purchased in June 2009. As of December 31, 2010 and 2009 the Company owned 70% and 80%, respectively, of the outstanding shares of Tara Minerals.

Tara Minerals is a separate publicly traded company under the symbol TARM.

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.

The consolidated financial statements include the financial statements of the Company and its two subsidiaries. All amounts are in U.S. dollars unless otherwise indicated. All significant inter-company balances and transactions have been eliminated in consolidation.

The consolidated financial statements include the accounts of the Company, its subsidiaries and variable interest entities ( VIE ) over which control is achieved through means other than voting rights and we are considered the primary beneficiary. The primary beneficiary of the VIE consolidates the entity if control is achieved through means other than voting rights such as certain capital structures and contractual relationships. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements of the Company have been prepared on the accrual basis of accounting and are in conformity with accounting principles generally accepted in the United States of America and prevailing industry practice. At December 31, 2010 and 2009 the Company has no joint ventures or VIEs.

Amermin, AMM and ACM are Mexican corporations. 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 gain or loss is recorded as other comprehensive income (loss).

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Relevant exchange rates used in the preparation of the financial statements for Amermin, AMM and ACM are as follows for the years ended December 31, 2010 and 2009 respectively (Mexican peso per one U.S. dollar).

2010

C u r r e n t  
e x c h a n g e  
r a t e  
a t D e c e m b e r  
3 1 , 2 0 1 0

P s . 1 2 . 3 8 1 7

W e i g h t e d  
a v e r a g e  
e x c h a n g e  
r a t e  
f o r t h e y e a r  
e n d e d  
D e c e m b e r 3 1 ,  
2 0 1 0

P s . 1 2 . 6 3 6 6

2009

C u r r e n t  
e x c h a n g e  
r a t e  
a t D e c e m b e r

31, 2009

Ps. 13.0437

W e i g h t e d  
a v e r a g e  
e x c h a n g e  
r a t e  
f o r t h e y e a r  
e n d e d  
D e c e m b e r 3 1 ,  
2 0 0 9

Ps. 13.5146

Other comprehensive (loss) income for the years ended December 31, 2010 and December 31, 2009 are approximately (\$70,000) and \$214,000, respectively, and is primarily the result of foreign currency exchange differences and unrealized gains/loss on marketable securities. Inception to date other comprehensive loss is approximately \$513,665.

The Company's significant accounting policies are:

#### 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.

#### Cash, Cash Equivalents and Securities

For the Statements of Cash Flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of December 31, 2010 or December 31, 2009.

Investments with stated maturities of greater than three months and traded on an active markets that are accessible at the measurement date are classified as available-for-sale marketable securities. In accordance with the Comprehensive Income topic of the FASB ASC, we account for unrealized gain (loss) as a component of other comprehensive income. An unrealized gain of \$617,772 was recorded in other comprehensive income for the year ended December 31, 2009.

Investments that are not traded on an active market, have little or no market activity or unobservable inputs are analyzed for classification as available-for-sale or held to maturity securities and are reported at cost in accordance with the Investments Topic of the FASB ASC. Current or long term balance sheet classification is dependant on management's intention of liquidating the related security.

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**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

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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. Amounts paid for IVA are tracked and held as receivables until the funds are remitted.

Effective January 1, 2010 the Mexican government increased *Impuest al Valor Agregado* taxes (IVA) from 15% to 16% and *Impuesto Sobre la Renta* (ISR) from 28% to 30%. These financial statements reflect these increases.

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. We have allowed \$2,009,548 and \$374,116 as of December 31, 2010 and 2009, respectively, in association with our receivable from IVA from our Mexico subsidiaries as we have determined that the Mexican government may not allow the complete refund of these taxes.

Property and Equipment and Mining Concessions

Mining concessions and acquisitions relating to mineral properties are deferred until the properties are brought into production, at which time they will be amortized on the unit of production method based on estimated recoverable reserves. If it is determined that the deferred costs related to a property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral properties and the related deferred costs are recorded do not necessarily reflect present or future values. Exploration and development costs are expensed as incurred until properties are brought into production.

The recoverability of the book value of each property is assessed annually for indicators of impairment such as adverse changes to any of the following:



estimated recoverable ounces of copper, lead, zinc, silver or other precious minerals

estimated future commodity prices

estimated expected future operating costs, capital expenditures and reclamation expenditures

A write-down to fair value is recorded when the expected future cash flow is less than the net book value of the property or when events or changes in the property indicate that carrying amounts are not recoverable. This analysis is completed as needed, and at least annually. As of the date of this filing no events have occurred that would require the write-down of any assets. In addition, the carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication of impairment exists, the asset's recoverable amount will be reduced to its estimated fair value. As of December 31, 2010 and 2009, respectively, no indications of impairment existed.

Certain mining plant and equipment included in mine development and infrastructure is depreciated on a straight-line basis over their estimated useful lives from 3 - 10 years. Other non-mining assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives from 3 - 10 years.

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Reclassifications

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

Revenue recognition

Revenue from the sale of concentrate and industrial metals will be recognized when ownership passes to the purchaser at which time the following conditions are met:

- i)  
persuasive evidence that an agreement exists;
- ii)  
the risks and rewards of ownership pass to the purchaser including delivery of the product;
- iii)  
the selling price is fixed and determinable; or,
- iv)  
collectivity is reasonably assured.

Reclamation and remediation costs (asset retirement obligations)

Reclamation costs are allocated to expense over the life of the related assets and 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 and abandonment costs.

Future remediation costs for reprocessing plant and buildings are accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing remediation, maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised. There were no reclamation and remediation costs accrued as of December 31, 2010 or December 31, 2009.

#### Exploration expenses

Exploration costs not directly associated with proven reserves on our mining concessions are charged to operations as incurred.

#### Purchase of Technical Data

Technical data, including engineering reports, maps, assessment reports, exploration samples certificates, surveys, environmental studies and other miscellaneous information, may be purchased for our mining concessions. When purchased for concessions without proven reserves the cost is considered research and development pertaining to a developing mine and in accordance with the Research and Development (R&D) Topic of the FASB ASC is expensed when incurred.

#### Income taxes

Income taxes are provided for using the liability method of accounting in accordance with the Income Taxes Topic FASB ASC. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The computation of limitations relating to the amount of such tax assets, and the determination of appropriate valuation



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allowances relating to the realization of such assets, are inherently complex and require the exercise of judgment. As additional information becomes available, we continually assess the carrying value of our net deferred tax assets.

Stock Based Compensation

Stock based compensation is accounted for using the Equity-Based Payments to Non-Employee s Topic of the FASB ASC, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. We determine the value of stock issued at the date of grant. We also determine at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Shares issued to employees are expensed upon issuance.

Stock based compensation for employees is accounted for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments granted to employees and will use the Black-Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Net Loss per Common Share

Earnings per share is calculated in accordance with the Earnings per Share Topic of the FASB ASC. The weighted-average number of common shares outstanding during each period is used to compute basic earnings (loss) per share. Diluted earnings per share is computed using the weighted average number of shares plus dilutive potential common shares outstanding. Potentially dilutive common shares consist of employee stock options, warrants, and other convertible securities, and are excluded from the diluted earnings per share computation in periods where the Company has incurred net loss. During the years ended December 31, 2010 and 2009, respectively, the Company

incurred a net loss, resulting in no potentially dilutive common shares.

### Fair Value Accounting

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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;

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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;

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).

Recently adopted and recently issued accounting guidance

Adopted

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance for "Accounting for Transfers of Financial Assets," which eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This guidance is effective for fiscal years beginning after November 15, 2009. The Company adopted this guidance for the period ended March 31, 2010. It does not have a material impact on the consolidated financial statements.

In June 2009, the FASB issued authoritative guidance amending existing guidance. The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. This guidance is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company adopted this guidance for the period ended March 31, 2010. It does not have a material impact on the consolidated financial statements.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. The guidance became effective for the Company beginning January 1, 2010. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2010, the FASB issued amended guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended March 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.



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Issued

In October 2009, the FASB issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and expand the disclosures related to multiple-deliverable revenue arrangements. These changes become effective on January 1, 2011. The Company has determined that the adoption of these changes will not have an impact on the consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective for the Company with the reporting period beginning July 1, 2011. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

**Note 2.**

**Property, plant, equipment, mine development and land**

**December 30, 2010**

**December 31, 2009**

Land

\$

19,590

\$

19,590

La Currita (2)

1,253,439

1,253,439

Las Minitas

2,351,027

2,292,428

Pilar (1)

728,313

728,313

Don Roman (1)

521,739

521,739

Las Nuvias (1)

|                               |            |
|-------------------------------|------------|
|                               | 100,000    |
|                               | 100,000    |
| Picacho and Picacho Fractions |            |
|                               | 1,456,718  |
|                               | 4,771,050  |
| Centenario (1)                |            |
|                               | 1,946,545  |
|                               | 1,905,472  |
| Las Brisas (2)                |            |
|                               | 3,134      |
|                               | 3,134      |
| Mezquite and Mariana          |            |
|                               | 168,480    |
|                               | 166,599    |
| Auriferos (2)                 |            |
|                               | 100,000    |
|                               | 100,000    |
| Pirita                        |            |
|                               | 246,455    |
|                               | 245,270    |
|                               | 8,875,850  |
|                               | 12,087,444 |
| Property, plant and equipment |            |
|                               | 3,823,812  |

1,144,834

Construction in  
progress

-

2,163,485

Less accumulated  
depreciation

(361,086)

(111,280)

\$

12,358,166

\$

15,304,073

(1)

Collectively, the Don Roman Groupings.

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(2)

Tara Gold maintains ownership of these properties without change to valuation or other terms.

Depreciation expense for the years ended December 31, 2010 and 2009 was \$249,805 and \$40,385 respectively.

**a.**

In March 2006, the Company acquired the rights to 23 concessions, known as Las Minitas . The effective purchase price of the properties is \$2,663,913.

As of December 31, 2010, the resulting debt payment schedule, including applicable value added tax, is as follow:

|    |           |
|----|-----------|
|    | 2011      |
| \$ |           |
|    | 22,500    |
|    | 2012      |
|    | 1,953,624 |
| \$ |           |
|    | 1,976,124 |

In accordance with the Interest Expense topic of FASB ASC, the future payments of the total payment amount of \$2,150,000 has been discounted using the incremental borrowing rate of 3.56%. As of December 31, 2010, the present value of future payments on the Las Minitas contract is as follows:

|    |                       |
|----|-----------------------|
|    | Debt                  |
|    | IVA                   |
|    | Total                 |
|    | Future payments       |
| \$ |                       |
|    | 1,750,000             |
| \$ |                       |
|    | 302,500               |
| \$ |                       |
|    | 2,052,500             |
|    | Imputed interest      |
|    | (76,376)              |
|    | -                     |
|    | (76,376)              |
|    | Present value of debt |
|    | 1,673,624             |

|                          |           |
|--------------------------|-----------|
|                          | 302,500   |
|                          | 1,976,124 |
| Less: current<br>portion | -         |
|                          | (22,500)  |
|                          | (22,500)  |
| \$                       | 1,673,624 |
| \$                       | 280,000   |
| \$                       | 1,953,624 |

In addition to the \$2,150,000 above, the Company capitalized \$173,913 in payments made toward the original agreement. Pursuant to the agreement signed in April 2007 this payment could not be applicable to the purchase price. Accordingly, the effective purchase price of the properties is \$2,646,413.

No payments were made after February 2008 and as of April 15, 2011, the Company was actively working with the note holder which may include the termination of this agreement and return of the property.

**b.**

In January 2007, the Company acquired the rights to the six concessions, known as Picacho . Due to economic circumstances relating to the current recession, the Company failed to make a payment due in November 2008 and the concession was returned to the third party note holder on June 16, 2009.

In July 2009 Tara Minerals agreed to acquire the Picacho claims from a third party, which then included the Dos Amigos and Unification Rey de Oro concessions, for \$4,800,000, plus value-added tax of \$720,000. Tara Minerals paid \$575,000 of the purchase price in June 2009. The \$575,000 paid in June 2009 was borrowed from the Company by Tara Minerals.

In July 2009 Tara Minerals transferred the Picacho prospect to Adit. In connection with the transfer of the prospect, Adit issued Tara Gold a promissory note in the principal amount of \$650,000 to compensate Tara Gold for its down payment toward the purchase price of the property and to reimburse



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Tara Gold for other amounts advanced on behalf of Adit. The note is unsecured, bears interest at 3.25% per year, and is due and payable on June 30, 2011. Adit has since repaid \$600,000 towards this note.

In March 2010, Adit and the note holder agreed to reduce the purchase of the Picacho concession to \$1,250,000. Under the revised agreement, Adit paid the vendor \$500,000 in cash (plus applicable taxes) as final consideration for the mining concession. These changes resulted in the following: 1) decrease debt by \$3,324,485; and 2) decrease recoverable value-added taxes by \$527,500. At March 31, 2010 the amended purchase price was paid in full.

In March 2010, Adit purchased technical data pertaining to the Picacho Prospect from the prospect's former owner in consideration for the issuance to the former owner of 437,500 shares of the Company's common stock and 320,000 shares of Adit's common stock. The technical data includes engineering reports, maps, assessment reports, exploration samples certificates, surveys, environmental studies and other miscellaneous information pertaining to the Picacho Prospect. As of March 31, 2010 the Picacho Prospect did not have any proven reserves. As such, the information purchased was considered research and development pertaining to a developing mine and in accordance with the ASC Research and Development (R&D) Topic - R&D is expensed when incurred. The parties agreed that the value of the stock for the technical data was \$2.25 per share for Adit stock and \$4.00 per share for the Company's common stock. The Company has accounted for the shares at their fair market value as follows: 320,000 shares of Adit's common stock were valued at \$0.75 per share, and 437,500 shares of the Company's common stock were valued at \$2.25. All fair market values were determined based on contemporaneous stock issuances for cash or if the stock was quoted on an exchange, it's closing stock price. All stock was issued April 2010.

**c.**

In November 2008, AMM executed an agreement to acquire eight mining concessions known as Centenario from an independent third party. The properties approximate 5,400 hectares and were purchased for a total of \$1,894,050, including \$247,050 in value added taxes.

In June 2009, AMM and the note holder modified the agreement to 1) revalue the entire Centenario concession to \$2,000,000, 2) apply \$127,000 toward the purchase price which we had already paid and recorded as a mining deposit, and 3) apply \$197,956 toward the updated value of the concession which was originally paid by another subsidiary of Tara Gold Resources Corp. These changes resulted in the following 1) additional debt of \$28,044 plus related value added tax for these concessions, 2) the reduction of our mining deposit of \$127,000, 3) the expense of \$6,000 that AMM also paid but which was not included in the revaluation of the concession and 4) and increase in our due to

related party of \$197,956 plus related value added tax. Our effective amount financed in relation to this concession \$1,675,044 plus \$251,257 of value added tax.

As of December 31, 2010, the resulting debt payment schedule, including applicable value added tax, is as follow:

|    |           |
|----|-----------|
|    | 2011      |
| \$ |           |
|    | 548,091   |
|    | 2012      |
|    | 981,192   |
| \$ |           |
|    | 1,529,283 |

In accordance with the Interest Expense topic of FASB ASC, the future payments of the total payment amount of \$1,675,044 has been discounted using the incremental borrowing rate of 2.97%.

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As of December 31, 2010, the present value of future payments on the Centenario contract is as follows:

|                  |           |
|------------------|-----------|
|                  | Debt      |
|                  | IVA       |
|                  | Total     |
| Future payments  |           |
| \$               |           |
|                  | 1,364,429 |
| \$               |           |
|                  | 218,309   |
| \$               |           |
|                  | 1,582,738 |
| Imputed interest |           |
|                  | (53,455)  |

-

(53,455)

Present value of  
debt

1,310,974

218,309

1,529,283

Less: current  
portion

(468,091)

(80,000)

(548,091)

\$

842,883

\$

138,309

\$

981,192

**d.**

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In March 2008, Pershimco Resources transferred the mineral claims and obligations linked to Mariana and Mezquite prospect to Tara Gold. The obligations linked to Mariana and Mezquite are the remaining debt payments of \$190,000, which includes value added taxes of \$25,907 owed to a third party.

The remaining debt payment schedule, including applicable value added tax, is as follow:

2011

\$

147,030

In accordance with the Interest Expense topic of FASB, the future payments of the total payment amount of \$190,000 has been discounted using the incremental borrowing rate of 2.97%. As of December 31, 2010, the present value of future payments on the Mariana and Mezquite contract is as follows:

| Debt            |
|-----------------|
| IVA             |
| Total           |
| Future payments |
| \$              |
| 129,310         |
| \$              |
| 20,690          |
| \$              |

|                       |           |
|-----------------------|-----------|
|                       | 150,000   |
| Imputed interest      |           |
|                       | (2,970)   |
|                       | -         |
|                       | (2,970)   |
| Present value of debt |           |
|                       | 126,340   |
|                       | 20,690    |
|                       | 147,030   |
| Less: current portion |           |
|                       | (126,340) |
|                       | (20,690)  |
|                       | (147,030) |
| \$                    | -         |
| \$                    | -         |
|                       | 158       |

\$

-

As of April 15, 2011 the Company was actively working with the note holder which may include the termination of this agreement and return of the property.

e.

In June 2009 AMM executed an agreement to acquire three mining concessions known as Pirita from an independent third party. The properties approximate 6,700 hectares and were purchased for a total of \$50,000 cash, \$230,000 financed, including \$30,000 in value added taxes.

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

2011

\$

170,455

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In accordance with the Interest Expense topic of FASB ASC, the future payments of the total payment amount of \$200,000 has been discounted using the incremental borrowing rate of 2.76%. As of December 31, 2010, the present value of future payments on the Pirita contract is as follows:

|                  | <b>Debt</b>  |
|------------------|--------------|
|                  | <b>IVA</b>   |
|                  | <b>Total</b> |
| Future payments  |              |
| \$               |              |
|                  | 150,000      |
| \$               |              |
|                  | 24,000       |
| \$               |              |
|                  | 174,000      |
| Imputed interest |              |
|                  | (3,545)      |



|  |                          |
|--|--------------------------|
|  | -                        |
|  | (3,545)                  |
|  | Present value of<br>debt |
|  | \$                       |
|  | 146,455                  |
|  | \$                       |
|  | 24,000                   |
|  | \$                       |
|  | 170,455                  |

**Other Fixed Assets**

For the twelve months ended December 31, 2010, Tara Gold and its subsidiaries purchased equipment and other fixed assets in the normal course of business. During the 6 months ended June 30, 2010, Tara Gold finished the construction of the plant at the Don Roman mine.

**Note 3.**

**Mining Deposits**

a)

On January 30, 2006, the Company acquired the rights to one concession, known as La Estrella. The sales price of the property is \$400,000.

The Company has paid approximately \$24,000 toward the purchase price but the seller of the property has not complied with their obligations under the purchase agreement and the Company has fully allowed for this amount as of December 31, 2010 and 2009, respectively. The Company is reviewing the situation with its legal advisors in Mexico.

**b)**

In February 2006, the Company acquired the rights to one concession, known as La Virginia . The sales price of the property is \$600,000.

The Company has paid approximately \$5,500 toward the purchase price but the seller of the property has not complied with their obligations under the purchase agreement and the Company has fully allowed for this amount as of December 31, 2010 and 2009, respectively. The Company is reviewing the situation with its legal advisors in Mexico.

**c)**

As of December 31, 2009, the Company paid a deposit of \$25,000 toward the involvement in the El Tigre mining project in Sinaloa, Mexico. As of December 2010, the Company reclassified \$28,368 given to a third party as mining deposits because they are in fact mining deposits for future acquisitions.

#### **Note 4.**

##### **Income Taxes**

As of December 31, 2010, Tara Gold, Tara Minerals and Adit all file separate income tax returns from the Tara Gold consolidated return.

For the year ended December 31, 2009 Tara Minerals and American Metal Mining ( AMM ) were part of the consolidated Tara Gold return and as such, all related deferred tax assets or liabilities were calculated on the consolidated tax return and pushed down to the underlying subsidiaries as needed. No tax benefit for the year ending December 31, 2009 was reported in connection with the net operating loss carry forwards that related to Tara Minerals and its subsidiary AMM. The total tax benefit recognized at the



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Tara Gold consolidated level as of December 31, 2009 was \$1,822,300 which was fully used as of December 31, 2010.

Effective for the year ending December 31, 2010, Tara Minerals will begin filing income tax returns in the United States and continue to file Mexican federal jurisdictions. The U.S. returns for 2010 will be filed after the filing of these financial statements; the Mexico 2010 tax return has been filed. No tax returns for Tara Minerals or AMM are currently under examination by any tax authorities.

As of December 31, 2010, open tax years for Tara Gold are 2008 – 2010, with the U.S. federal return to be filed after the filing of these financial statements. No returns during this time are currently under examination by any U.S. tax authority. Tara Gold's Mexico based subsidiary, Amermin, has filed its 2010 tax return. Amermin's 2007 tax return has been audited by the Mexican government, with their corresponding report dated December 21, 2010. Upon receipt of this report Amermin's Mexico tax experts vigorously appealed the report. An appeal to the report was filed March 10, 2011. Even though the amounts of final tax liability are uncertain the Company has accrued income tax payable related to this of \$640,000, which consisted of approximately \$349,000 in tax and \$291,000 in penalties and interest.

Adit and its subsidiary American Copper Mining ( ACM ) did not have a deferred tax asset or liability for the year ended December 31, 2009 due to the use of valuation allowances to reduce the benefits of a net operating loss to zero.

Adit files income tax returns in the United States and Mexican federal jurisdictions. The U.S. returns for 2010 will be filed after the filing of these financial statements; the Mexico 2010 tax return has been filed. Upon tax return filing, the U.S. federal returns are considered open tax years, with 2009 an open tax year. The returns for 2010 will be filed after the filing of these financial statements. No tax returns for Adit or ACM are currently under examination by any tax authorities.

The provision for federal and state income taxes for the year ended December 31, 2010 includes elements of Adit and ACM as one filing entity; and Tara Minerals and AMM as a separate filing entity.

The December 31, 2010 and since inception income tax benefit is as follows:

|    | <b>Adit and<br/>ACM<br/>Tara Minerals<br/>and AMM<br/>Tara Gold<br/>and Amermin<br/>Total</b> |      |
|----|---|------|
|    | Current Federal   | U.S. |
| \$ |   | -    |
| \$ |   | -    |
| \$ |   | -    |
| \$ |   | -    |
|    | Current Mexico  |      |
|    |   | -    |
|    |   | -    |
|    |   | -    |
|    |   | -    |
|    | Deferred Federal  | U.S. |

|                                 |             |
|---------------------------------|-------------|
|                                 | (719,319)   |
|                                 | (5,142,645) |
|                                 | (524,011)   |
|                                 | (6,385,975) |
| Deferred Mexico                 |             |
|                                 | (129,164)   |
|                                 | (926,839)   |
|                                 | (2,638,389) |
|                                 | (3,694,392) |
| Increase in valuation allowance |             |
|                                 | 488,823     |
|                                 | 3,498,162   |
|                                 | 3,162,400   |
|                                 | 7,149,385   |
| Income tax expense (benefit)    |             |
| \$                              | (359,660)   |
| \$                              | (2,571,322) |
| \$                              | -           |
| \$                              | (2,930,982) |

We believe that the deferred tax asset above is realizable, net of the valuation allowance disclosed, due to Adit's letter of intent with Yamana that grants Yamana an option to acquire up to a 70% interest in Adit's Picacho gold/silver project. Additionally, interest from various parties has also been expressed towards El Oro (a concession within the Don Roman Groupings), Tara Gold iron ore, gold, copper prospect. Based on this interest, Tara Gold has been investigating the economic merits surrounding the iron ore market, has found favorable results, and is now working on a number of development strategies relating to iron ore.

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A valuation allowance is recorded when it is more likely than not that the deferred tax assets will be realized. The future use of deferred tax assets is dependent on the future taxable profits which arise from taxable temporary timing differences such as:

.

Differences in expensed stock based compensation and stock for investor relation services and corporate officers.

.

The capitalization of foreign mining exploration expenses for federal income tax purposes.

.

Differences in calculating Joint Venture profits (losses).

.

Differences in calculating gain on the dilution of joint ventures.

.

Differences resulting from installment sales.

.

A carryforward of a net operating loss.

At December 31, 2010 total deferred tax assets and deferred tax liabilities are as follows:

**Adit and ACM**



**Tara Minerals**

**and AMM**

**Tara Gold**

**and Amermin**

**Total**

Deferred tax asset  
current

\$ -

\$ -

\$ -

\$ -

Deferred tax asset  
non current

848,482

6,069,484

524,011

7,441,977

Total deferred  
tax asset

848,482

6,069,484

524,011

7,441,977

Deferred tax  
liability - current

-

-

-

-

Deferred tax  
liability non  
current

-

-

-

-

Total deferred  
tax liability

-

-

-

-

|                                    |             |
|------------------------------------|-------------|
| Valuation allowance                |             |
|                                    | (488,823)   |
|                                    | (3,498,162) |
|                                    | (524,011)   |
|                                    | (4,510,996) |
| Net deferred tax asset (liability) |             |
| \$                                 |             |
|                                    | 359,659     |
| \$                                 |             |
|                                    | 2,571,322   |
| \$                                 |             |
|                                    | -           |
| \$                                 |             |
|                                    | 2,930,982   |

The 2009 total deferred tax asset was \$1,747,700 inclusive of a valuation allowance of \$2,923,600. The amount was fully utilized in 2010 as a result of the Tara Gold United States IRS audit. The presentation between 2009 and 2010 above is different due to the changes in ownership between parent and subsidiary and the ability to file consolidated tax returns with the entities in each year.

Net operating losses expire as follows:

**Adit and ACM**  
**Tara Minerals**  
**and AMM**

**Tara Gold  
and Amermin  
Total**

December 31,  
2020

\$  
57,440

\$  
-

\$  
1,307,173

\$  
1,364,613

December 31,  
2021

78,507

12,913,910

190,000

13,182,417

Total net  
operating loss

\$  
135,947

\$  
12,913,910

\$  
1,497,173

\$

14,547,030

Per Internal Revenue Code Section 382, in the event of a change of ownership, the availability of Adit and the Company's net operating losses carry forwards may be subject to an annual limitation against taxable income in future periods, which could substantially limit the eventual utilization of this net operating loss carry forwards. This limitation may not apply pursuant to an ownership change as described in Section 1262 of P.L. 111-5.

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Net operating losses generated in Mexico may only be used to offset income generated in Mexico. ACM has a net operating loss in Mexico of \$430,546 with an estimated tax benefit of \$129,164 and AMM has a net operating loss in Mexico of \$3,089,464 with an estimated tax benefit of \$926,839. Per the Income Tax topic of the FASB ASC, when it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We have fully allowed for the entire deferred tax asset relating to our Mexican subsidiaries at December 31, 2010.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

**Adit and ACM**

**Tara Minerals**

**and AMM**

**Tara Gold**

**and Amermin**

Statutory U.S.  
Federal tax rate

35%

35%

35%

Statutory Mexico  
tax (benefit) rate

30%

30%

30%

V a l u a t i o n  
allowance U.S.  
Tax (benefit)

-

-

-

V a l u a t i o n  
allowance Mexico  
Tax (benefit)

(30%)

(30%)

(30%)

Effective income  
tax rate

35%

35%

35%

**Note 5.**

**Related Party Transactions**

Due to related parties, net of due from related parties and related allowance for doubtful accounts was \$259,407 as of December 31, 2010. Due from related parties consists of \$992,664 and allowance for doubtful accounts was \$956,716 as of December 31, 2010. Due to related parties, net of due from was \$354,247 as of December 31, 2009.

Tara Minerals is a subsidiary of Tara Gold Resources Corp. In January 2007, another subsidiary of Tara Gold Resources Corp., Corporacion Amermin, S.A. de C.V. ( Amermin ), made the arrangements to purchase the Pilar, Don Roman and Las Nuvias properties listed in Note 2 (part of the Don Roman Grouping). These properties were sold to the Tara Minerals as of January 2007. AMM makes payments to Amermin and Amermin made payments related to the original purchase agreements. At December 31, 2009, Amermin has paid the original note holder in full but AMM has not paid Amermin. At December 31, 2010, due to related parties, included (which is eliminated during the consolidation of these financial statements):

- Pilar mining concession: \$535,659 (inclusive of valued added tax)

As of December 31, 2010 the Company had loaned Tara Minerals \$1,804,760 and it is due on demand. This is an intercompany transaction that was eliminated during the consolidation of the Company s financials.

In July 2009, Adit issued Tara Minerals a promissory note in the principal amount of \$650,000 to compensate Tara Minerals for its down payment toward the purchase price of Picacho mentioned in Note 2 (f) above, and to reimburse Tara Minerals for other amounts advanced on behalf of Adit. The note is unsecured, bears interest at prime rate plus 3.25% per year, and is due and payable on June 30, 2011. Adit has since repaid \$600,000 towards this note. In March 2010, Adit acquired technical data pertaining to Picacho. Adit paid for the Company s shares used in the acquisition by means of a note in the principal amount of \$1,750,000. The note bears interest at 6% per year and is due and payable on March 31, 2012. At any time after July 1, 2010 the Company may convert the outstanding principal, plus accrued interest,



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into shares of Adit's common stock. The Company will receive one share of Adit's common stock for each \$0.75 (as amended December 31, 2010) of principal and interest converted. Both notes are intercompany transactions that eliminate during the consolidation of these financial statements.

During the year ended December 31, 2010 an officer of the Company loaned the Company \$50,000. The note bears interest at 10% per year, and was due and payable on December 15, 2010. As further consideration for extending credit to the Company, the officer received a warrant that entitles him to purchase 50,000 shares of the Company's restricted common stock at a price of \$1.20 per share. In December 2010, the Company extended the note holder the ability to convert the note, plus interest, into shares of the Company at \$0.50 per share. Upon conversion any outstanding warrants would be expire. The officer elected to convert the note and related interest as of December 31, 2010. Based on the fair value of the shares at December 31, 2010 the Company incurred a loss on debt extinguishment of \$74,006. The related shares were issued in 2011.

On July 28, 2010 Adit borrowed \$100,000 from an officer of Adit. The note bears interest at prime rate plus 3.25% per year, with interest payable quarter and due on December 31, 2010. The note was extended on January 1, 2011 to June 30, 2011 with the same terms.

In June 2009, Tara Minerals borrowed \$1,695,000 from Tara Gold. The loan bore interest at the prime rate plus 3.25%. On December 31, 2009 Tara Gold converted the amounts loaned to Tara Minerals, plus accrued interest of \$55,088, into 8,750,440 shares of Tara Minerals' common stock.

**Note 6.**

**Note Payable**

The following table represents the outstanding balance of notes payable.

**December 30, 2010**

**December 31, 2009**

Mining concessions

\$  
3,404,582

\$  
7,274,400

Notes payable

-  
-

Notes payable,  
related party

-  
-

Auto loans

119,766  
-

Equipment

72,848  
-

3,597,196

7,274,400

|      |                               |             |
|------|-------------------------------|-------------|
| Less | current portion               |             |
|      |                               | (993,531)   |
|      |                               | (1,106,052) |
|      | Total long term notes payable |             |
| \$   |                               |             |
|      |                               | 2,603,665   |
| \$   |                               |             |
|      |                               | 6,168,348   |

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

During the year ended December 31, 2010 various non-related parties loaned the Company a total of \$480,000. The notes bear interest at 10% per year, and are due and payable six months after the promissory note date. The Company elected to extend the maturity of the notes by six months. The interest increased to 12% from and after December 15, 2010. As further consideration for extending credit to the Company, each note holder received a warrant that entitles them to purchase 480,000 shares of the Company's restricted common stock at a price of \$1.20 per share. In December 2010, the Company extended the notes to offer the note holders the ability to convert the note, plus interest, into shares of the Company at \$0.50 per share. Upon conversion any outstanding warrants would expire. All note holders elected to convert their notes and related interest as of December 31, 2010. Based on the fair value of the

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shares at December 31, 2010 the Company incurred a loss on debt extinguishment of \$709,084. The related shares were issued in 2011.

On July 28, 2010 Adit borrowed \$100,000 from an officer of Adit. The note bears interest at prime rate plus 3.25% per year, with interest payable quarter and due on December 31, 2010. The note was extended on January 1, 2011 to June 30, 2011 with the same terms.

During the year ended December 31, 2010, AMM financed the purchase of three Ford F-150's, one Ford F-250, one Ford-350 and one Courier Pick-Ups to be used in operations for \$128,750. The loan is for 48 months. As of December 31, 2010 the outstanding balance of the loan was \$119,766.

On July 21, 2010, AMM financed the purchase of mining equipment for \$98,500 plus IVA of \$15,760 to be used in operations. As of December 31, 2010 the outstanding balance of the note is \$72,848 including IVA.

**Note 7.**

**Stockholder s Equity**

During the year ended December 31, 2000, 4,000,000 shares were issued to founders for cash.

During the year ended December 31, 2001, the Company had the following stock transactions:

·  
issued 1,500,000 shares of common stock for 100% of the common stock of Merchantpark.com, Inc.;

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Issued 2,491,583 shares of common stock for cash, the Company incurred \$12,600 in stock offering cost for these issuances;

.

issued 4,645,261 shares of common stock for services;

.

issued 2,000,000 common shares in exchange of 100% of Caged Iron Technologies;

.

459,000 common shares were issued for debt; and

.

issued 3,064,556 common shares for assets.

As of December 31, 2001 the Company had 18,160,400 shares of common stock issued and outstanding.

During the year ended December 31, 2002, the Company had the following stock transactions:

.

issued 6,000,000 common shares for cash;

.

issued 2,336,500 for services rendered; and

.

issued 5,844,976 common shares to settle company debts and obligations.

As of December 31, 2002 the Company had 32,341,876 shares of common stock issued and outstanding.

During the year ended December 31, 2003, the Company had the following stock transactions:

.  
issued 3,754,848 shares of common stock for cash; and

.  
issued 9,019,445 common shares to settle company debts and obligations.

As of December 31, 2003 the Company had 45,116,169 shares of common stock issued and outstanding.

During the year ended December 31, 2004, the Company had the following stock transactions:

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·  
issued 2,807,000 shares of common stock for cash;

·  
issued 3,010,000 for services rendered;

·  
recorded \$148,000 in stock subscriptions for employee compensation expense; and

·  
cancelled 1,200,000 shares upon direction of the shareholder.

As of December 31, 2004 the Company had 49,733,169 shares of common stock issued and outstanding.

During the year ended December 31, 2005, the Company had the following stock transactions:

·  
issued 13,506,001 shares of common stock for cash;

·  
issued 6,472,984 for services rendered;

·  
released \$113,500 of stock subscription from the prior year;

·  
issued 200,000 shares of common stock as finder's fees for the La Currita property;

issued 300,000 warrants as finder's fees for the La Currita property, for which \$3,727 was charged to additional paid-in capital. These warrants have a life of 1 year with an exercise price of \$0.03; and

issued convertible debt which resulted in a beneficial conversion of \$206,500 which was charged to additional paid-in capital.

As of December 31, 2005 the Company had 69,912,154 shares of common stock issued and outstanding.

During the year ended December 31, 2006, the Company had the following stock transactions:

issued 7,440,433 shares of common stock for cash;

issued 2,251,250 shares for services rendered;

released 634,615 shares or \$42,000 of stock subscription from the prior and current year; and

issued 3,700,000 shares common stock for \$191,000 of debt and interest.

As of December 31, 2006, the Company had 83,938,452 shares of common stock issued and outstanding.

During the year ended December 31, 2007, the Company had the following stock transactions in 2007:

issued 6,660,833 shares of common stock for \$3,139,500 cash;



issued 600,000 shares for services rendered worth \$608,000;

.

issued 2,316,667 shares of common stock for \$69,500 of debt; and,

.

issued 1,500,000 shares valued at \$600,000 for the remaining 3% of Corporacion Amermin, S.A. de C.V., Note 9.

As of December 31, 2007, the Company had 95,015,952 shares of common stock issued and outstanding.

During the year ended December 31, 2008, the Company had the following stock transactions:

.

issued 5,654,167 shares of common stock for \$190,000 of debt;

.

issued 175,000 shares for services rendered worth \$67,004;

.

issued 300,000 shares of common stock for stock bonuses worth \$126,000; and,

.

issued 850,000 shares of common stock for settlement expenses \$315,000 and payment of note payable \$27,200.

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As of December 31, 2008, the Company had 101,995,119 shares of common stock issued and outstanding.

During the year ended December 31, 2009, the Company had the following stock transactions:

issued 800,000 shares for services rendered worth \$1,041,000

As of December 31, 2009, the Company had 102,795,119 shares of common stock issued and outstanding.

During the year ended December 31, 2010, the Company did not have any stock transactions.

As of December 31, 2010, the Company had 102,795,119 shares of common stock issued and outstanding.

**Note 8.**

**Non-controlling interest**

As of December 31, 2009 Tara Minerals received \$2,998,500 from the sale of 7,371,000 shares of its common stock under two different private placements to independent third parties, issued 1,200,000 shares for equipment valued at \$600,000 and sold \$1,375,501 for 2,325,834 shares of common stock with warrants attached. In May 2009, Tara Gold ( TG ) exchanged 2,147,750 TM s shares for (the fair market value was \$0.54 per share or \$1,159,785 on May 29, 2009) for 1,500,000 Paramount Gold and Silver Corp. ( Paramount ) shares for \$0.72 per share or \$1,080,000. At December 31, 2009 these shares represented 19.9% of the total common shares outstanding or subscribed for.

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In October 2009, the Company's subsidiary, Adit initiated a private placement of Adit's common stock for \$0.75 per share up to \$1,500,000. As of December 31, 2009 Adit had received \$1,499,451 from the sale of 1,999,268 shares of Adit common stock in this private placement.

During the year ended December 31, 2010 Tara Minerals issued the following to third parties resulting in an increase in non-controlling interest of the Company:

.  
3,440,657 shares for cash valued at \$2,111,543;

.  
2,222,039 shares issued for services valued at \$4,397,209;

.  
100,000 shares for officer bonuses valued at \$157,000; and,

.  
437,500 shares valued at \$984,375 for exploration expenses, Technical Data relating to Picacho.

Tara Minerals stock payable at December 31, 2010 was \$1,129,696 for 1,118,700 shares, net of stock receivable of \$112,744.

During the year ended December 31, 2010 Adit issued the following to third parties resulting in an increase in non-controlling interest of the Company:

.  
347,309 shares for cash \$260,482;

.  
111,182 shares which were subscribed in a prior period; and,

.  
320,000 shares valued at \$240,000 for exploration expenses, Technical Data relating to Picacho.



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Adit's stock payable at December 31, 2010 was \$488,500 for 650,000 shares.

|  | <b>Non-controlling<br/>interest</b> |
|--|-------------------------------------|
|  | <b>at December 31, 2010</b>         |
|  | <b>Non-controlling<br/>interest</b> |
|  | <b>at December 31, 2009</b>         |
| Tara Minerals:                               |                                     |
| January 2007 private<br>placement            |                                     |
| \$   | 2,540,500                           |
| \$   | 2,540,500                           |
| Equipment                                    |                                     |
|  | 600,000                             |
|  | 600,000                             |
| Shares issued with<br>warrants and exercised |                                     |

|   |             |
|---|-------------|
| warrants  |             |
|   | 2,306,181   |
|   | 1,375,500   |
| Shares issued for services and bonuses            |             |
|   | 3,898,625   |
|   | 353,976     |
| March 2009 private placement                      |             |
|   | 458,000     |
|   | 458,000     |
| March 2010 private placement                      |             |
|   | 1,393,606   |
|   | -           |
| Shares acquired by the Company from a third party |             |
|   | (1,073,875) |
|   | (1,073,875) |
| Cumulative statement of operations pickup through |             |
| December 31, 2009                                 |             |
|   | (1,189,195) |
|   | (1,189,195) |
| Statement of operations pickup 2010               |             |
|   | (5,269,250) |
|   | -           |

Exploration expenses  
paid

984,375

-

Warrants and options to  
third parties (see  
footnote 9)

7,782,667

-

Share subscriptions, net

1,129,696

-

Adit:

July 2009 private  
placement

1,499,500

1,239,018

Finder's fees

95,215

11,879

Share subscriptions

-

357,272

Statement of operations  
pickup 2010

(400,368)

|  |            |
|--|------------|
|  | -          |
| Exploration expenses<br>paid with stock                      | 240,000    |
|  | -          |
| Stock bonuses and<br>options to officers (see<br>footnote 9) | 622,475    |
|  | -          |
| ACM:   |            |
|  |            |
| Non-controlling interest                                     | 4          |
|  | -          |
| Total non-controlling<br>interest                            |            |
| \$   | 15,618,160 |
| \$   | 4,673,075  |

**Note 9.**

**Options and Warrants**

On February 1, 2007, the Company adopted the following stock option plans:

.



Incentive Stock Option Plan

•

Nonqualified Stock Option Plan

•

Stock Bonus Plan

In July 2008, the Company filed a registration statement on Form S-8 to register the shares issuable upon the exercise of Incentive Stock and Nonqualified Stock Option as well as any shares that may be issued pursuant to the Stock Bonus Plan.

In February 2007, the Company granted two of its officers options under its Nonqualified Stock Option Plan for the purchase of 1,000,000 shares of common stock. The options have an exercise price of \$0.05 and were originally scheduled to expire on February 1, 2010. In January 2010, the expiration date of these options was extended to February 2012. In the first quarter of 2010, the Company recognized an additional \$889,031 in stock compensation associated with the extension of the expiration date.

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In January 2010, the Company granted two of its officer's options under its Incentive Stock Option Plan for the purchase of 750,000 shares of common stock. The options are exercisable at a price of \$1.57 per share and vest at various dates until January 2017. The options expire at various dates beginning January 2015. Vested options were valued at \$182,735.

In January 2010, the Company granted options to three of the Company's officers under its Nonqualified Stock Option Plan. The options allow for the purchase of 1,250,000 shares of common stock at an exercise price of \$0.05 per share. These options vested immediately, expire in January 2015 and were valued at \$2,334,201.

In 2010, the Company granted options for the purchase of 1,000,000 shares of common stock to an unrelated third party for investor relations services. The options have an exercise price of \$2.15 a share and vested during 2010. For financial reporting purposes, the options were valued at \$2,684,028. During the second quarter of 2010, the number of options granted was reduced to 500,000 with no incremental compensation cost.

In September 2010, the Company granted options for 200,000 shares of common stock to an unrelated third party for investor relations services. The options have an exercise price of \$1.00 per share, vest between September 2010 and March 2011 and expire two years from the date of vesting. For financial reporting purposes, the options were valued at \$145,412.

Warrants issued in relation to investor relations agreements vest at various rates that began the second quarter of 2010.

During 2010, the Company issued warrants in relation to debt, these warrants were cancelled when the note holders elected to convert the debt to shares (see Notes 5 and 6).

On October 28, 2009, Adit, the Company's subsidiary, adopted the following stock option plans:

.

Incentive Stock Option Plan

Nonqualified Stock Option Plan

Stock Bonus Plan

In October 2009, Adit granted four of its officers options under its Nonqualified Stock Option Plan for the purchase of 1,000,000 shares of common stock. The options have an exercise price of \$0.05 per share, the options will vest at a rate of 20% per year, the first set of options vested on October 28, 2010, and are scheduled to expire on November 15, 2015.

In October 2009, Adit granted four of its officers bonus shares under its Stock Bonus Plan for 475,000 shares, 50% of the shares vested on October 28, 2010 and the remaining 50% will vest on October 28, 2011.

The fair value of each option/warrant award discussed above is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on volatilities from the Company's traded common stock. The expected term of options granted is estimated at half of the contractual term as noted in the individual option/warrant agreements and represents the period of time that management anticipates option/warrants granted are expected 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.

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**2010**

Expected volatility

208.37% - 319.79%

Weighted-average  
volatility

159.17%

Expected dividends

0

Expected term (in years)

0.75 4.50

Risk-free rate

0.30% - 2.37%

A summary of option activity under the Plan as of December 31, 2010, 2009, and changes during the period then ended is presented below:

**Options**

**Shares**

**Weighted-**

**Average**

| <b>Exercise</b>                        |
|--|
| <b>Price</b>                           |
| <b>Weighted-</b>                       |
| <b>Average</b>                         |
| <b>Remaining</b>                       |
| <b>Contractual</b>                     |
| <b>Term</b>                            |
| <b>Aggregate</b>                       |
| <b>Intrinsic</b>                       |
| <b>Value</b>                           |
| Outstanding<br>at December<br>31, 2009 |
| 1,000,000                              |
| \$                                     |
| 0.05                                   |
| Granted                                |
| 4,650,000                              |
| 0.87                                   |
| Exercised                              |
| (20,000)                               |
| 1.00                                   |

Forfeited or  
expired

(1,000,000)

0.05

Outstanding  
at December  
31, 2010

4,630,000

\$

0.49

4.0

\$

3,111,000

Exercisable at  
December 31,  
2010

3,155,000

\$

0.93

4.0

\$

3,053,500

**Nonvested  
Options**

**Options**

**Weighted**

**-Average**

**Grant-Date**

**Fair Value**

Nonvested at  
December 31,  
2009

-

\$ -

**Granted**

4,650,000

1.37

**Vested**

(3,175,000)

1.26

**Forfeited**

-

-

Nonvested at  
December 31,  
2010

1,475,000

\$ 1.37

A summary of warrant activity under the Plan as of December 31, 2010 and 2009, and changes during the period then ended is presented below:

**Warrants**

**Shares**

**Weighted-  
Average  
Exercise  
Price  
Weighted-  
Average  
Remaining  
Contractual  
Term  
Aggregate  
Intrinsic  
Value**

Outstanding  
at December  
31, 2009

3,222,500

\$

0.65

Granted

4,775,252

1.43

Exercised

(2,052,336)



0.82

Forfeited,  
cancelled or  
expired

(1,673,417)

1.54

Outstanding  
at December  
31, 2010

4,271,999

\$

0.73

1.5

\$

2,190,060

Exercisable  
at December  
31, 2010

4,271,999

\$

0.73

1.5

\$

2,190,060



**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

**(An Exploration Stage Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

| <b>Nonvested<br/>Warrants</b>                              |
|--|
| <b>Warrants</b>  |
| <b>Weighted-<br/>Average<br/>Grant-Date<br/>Fair Value</b> |
| Nonvested at<br>December 31, 2009                          |
| -  |
| \$   |
| -  |
| Granted  |
| 4,775,252  |
| 1.82   |
| Vested   |
| (4,275,252)  |
| 1.39   |
| Forfeited, cancelled<br>or expired before                  |

vesting

(500,000)

1.82

Nonvested at  
December 31, 2010

-

\$

-

**Note 10.**

**Fair Value**

In accordance with authoritative guidance, the table below sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. 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  
December  
31, 2010**

**Total**

**Level 1**

**Level 2**

**Level 3**

Assets:

None

\$

-

\$

-

\$

-

\$

-

Liabilities:

Total due to  
r e l a t e d  
parties, net

\$  
259,407

\$  
259,407

\$  
-

\$  
-

Total long  
term accrued  
liabilities

418,309

418,309

-

-

Total notes  
payable

3,697,169

3,697,169

-

-

Total

\$

4,374,885

\$

4,374,885

\$

-

\$

-

**Fair Value  
at  
December  
31, 2009**

**Total**

**Level 1**

**Level 2**

**Level 3**

Assets:

Total due  
from related  
parties

\$

354,247

\$

354,247

\$

-

\$

-

Liabilities:

Total long  
term accrued  
liabilities



\$

989,067

\$

989,067

\$

-

\$

-

Total notes payable

7,274,399

7,274,399

Total

\$

8,263,466

\$

8,263,466

\$

-

\$

-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 11.**

**Joint Ventures**

In July 2010, Tara Minerals entered into a joint venture agreement with third parties. The joint venture agreement provides that the third parties will contribute 100% of the mining rights to the concession, Mina Godinez and the Company will have the exclusive rights to manage, operate, explore and exploit the concession. The Company will pay for the construction of buildings, access roads, and any necessary improvements. The Company will also pay for the machinery and equipment required for the operation of the mine. Any machinery or equipment used for the development of the mine will remain the exclusive property of the Company. Once production starts, the Company will receive 60% of the profits from the mine until it is fully reimbursed for its costs. The Company will receive 40% of the profits thereafter. The Company, also has a first right of refusal to purchase the property. The joint venture agreement will expire in July 2020, at which time the joint venture will be liquidated and dissolved. As of December 31, 2010, no costs have been incurred.

**Note 12.**

**Deposits**

In September 2010, Tara Minerals signed an agreement to purchase three real estate properties for a price of \$1,000,000. In order to hold these properties Tara Minerals made a cash deposit of \$60,000. Tara Minerals is obligated to pay all the expenses, fees and general expenditures relating to the sale, which expenses, up to a maximum of \$500,000, are deductible from the sales price.

**Note 13.**

**Subsequent Events**

Management evaluated all activity of the Company through April 15, 2011 (the issue date of the Financial Statements) and concluded the following disclosures are pertinent:

**a.**

March 2011, Tara Minerals issued 1,118,699 shares to the note holders that elected to convert their notes and related interest as of December 31, 2010. The value of the shares was \$1,342,439 or \$1.20 per share.

**b.**

March 2011, Tara Minerals issued 125,000 shares of common stock for warrants exercised, for \$50,000 or \$0.40 a share for cash.

**c.**

On January 28, 2011, Adit Resources Corp., a subsidiary of Tara Minerals, sold 500,000 units at a price of \$1.00 per unit to Yamana Gold Inc. Each unit consisted of one share of Adit's common stock and one half warrants. Each full warrant entitles Yamana to purchase one share of Adit's common stock at a price of \$1.50 per share at any time on or before January 28, 2014.

In connection with the sale of the units, Adit also signed a letter of intent that grants Yamana an option to acquire up to a 70% interest in Adit's Picacho gold/silver project. A definitive agreement is expected to be completed May 15, 2011. Upon completion of the definitive agreement, Adit will sell an additional 2,500,000 units to Yamana at a price of \$1.00 per unit. The units will be identical to the units sold on January 28, 2011. From the \$3,000,000 received from Yamana, Adit will be required to spend \$2,000,000 in exploration work on the Picacho project within 12 months of signing the definitive agreement.

Yamana can earn a 51% interest in the project by spending an additional \$5,000,000 on the project within 30 months of the date of the definitive agreement and paying Adit an

**TARA GOLD RESOURCES CORP. AND SUBSIDIARIES**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

additional \$1,000,000. Yamana can increase its interest to 70% by spending an additional \$9,000,000 on the project and paying Adit an additional \$2,000,000.

**d.**

On March 2011, AMM executed an agreement to acquire six mining concessions known as La Verde from an independent third party. The properties approximate 2,104 hectares, and were purchased for a total of \$92,800, including \$12,800 in value added taxes. AMM paid \$50,000 as a deposit for the concession mining deposit which was applied to the effective price of the property. The remaining balance of \$42,800 is due thirty days after the execution date of the agreement.

March 2011, AMM purchased technical data pertaining to La Verde concessions from the former owner in consideration for 460,000 shares of the Company's common stock.

**e.**

In September 2010, Tara Gold entered into a tentative agreement with Tara Minerals which provided that Tara Minerals will acquire all of the outstanding shares of Tara Gold by exchanging one Tara Mineral share for two Tara Gold shares. In 2011 this acquisition was cancelled. Tara Gold Resources Corp. will begin to distribute all of its shares in Tara Minerals to its shareholders at a rate of one Tara Minerals common share for every 20 outstanding shares of Tara Gold Resources Corp. The ex-dividend date is May 18, 2011, the record date is May 20, 2011 and the payment date is May 27, 2011. Additional distributions will be announced over the next 24 months until all Tara Minerals shares, held by Tara Gold, are distributed to Tara Gold shareholders.

**SIGNATURES**

In accordance with Section 13 or 15(a) of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 20<sup>th</sup> day of May 2011.

**TARA GOLD RESOURECES CORP.**

By /s/ Francis R. Biscan, Jr.

Francis R. Biscan, Jr., President

Pursuant to the requirements of the Securities Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Title

Date

*/s/ Francis R. Biscan, Jr.*

Francis R. Biscan, Jr.

Director and Principal Executive  
Officer

May 20, 2011

/s/ Lynda R. Keeton-Cardno

Lynda R. Keeton-Cardno

Principal Financial and Accounting  
Officer

May 20, 2011

/s/ Clifford A. Brown

Clifford A. Brown

Director

May 20, 2011