GOLD RESOURCE CORP Form 10-Q May 10, 2011 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

" TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934 For the transition period from _____ to ____

Commission File Number: 001-34857

GOLD RESOURCE CORPORATION

(Exact Name of Registrant as Specified in its charter)

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

incorporation or organization)

Identification No.)

2886 Carriage Manor Point, Colorado Springs, Colorado 80906

(Address of Principal Executive Offices) (Zip Code)

Registrant s telephone number including area code: (303) 320-7708

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to post such files). Yes "No"

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

Larger accelerated filer "	Accelerated filer	х
Non-accelerated filer "	Smaller reporting company	
Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	Yes "No x	

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 52,998,303 shares of common stock outstanding as of May 6, 2011.

Consolidated Balance Sheets at March 31, 2011 (unaudited) and December 31, 2010

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Item 3. Quantitative and Qualitative Disclosures About Market Risk

Inception to March 31, 2011 (unaudited)

Inception to March 31, 2011 (unaudited)

Item 4. Controls and Procedures

Part I - FINANCIAL INFORMATION

Financial Statements

Part II - OTHER INFORMATION

Item 6. Exhibits

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SIGNATURES

Item 1.

References in this report to agreements to which Gold Resource Corporation is a party and the definition of certain terms from those agreements are not necessarily complete and are qualified by reference to the agreements. Readers should refer to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and the exhibits listed therein.

GOLD RESOURCE CORPORATION

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Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010, and for the period from

Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010, and for the period from

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

GOLD RESOURCE CORPORATION AND SUBSIDIARIES

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands, except shares)

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:	\$ 37,904	\$ 47,582
Cash and cash equivalents Accounts receivable	\$ 37,904 4,393	\$ 47,382 1,185
Inventories	7,750	3,063
Prepaid and refundable taxes	6,276	5,848
Other current assets	6	9
	0	,
Total current assets	56,329	57,687
Land and mineral rights	227	227
Property and equipment, net	6,130	4,849
Other assets	44	34
Total assets	\$ 62,730	\$ 62,797
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,587	\$ 4,866
Dividends payable	1,590	1,590
Total current liabilities	7,177	6,456
Asset retirement obligation	2,604	2,495
Shareholders equity:		
Preferred stock - \$0.001 par value, 5,000,000 shares authorized: no shares issued and outstanding		
Common stock - \$0.001 par value, 100,000,000 shares authorized: 52,998,303 shares issued and outstanding,	53	53
Additional paid-in capital	149,050	152,444
(Deficit) accumulated during the exploration stage	(95,858)	(97,891)
Accumulated other comprehensive income (loss):		
Currency translation adjustment	(296)	(760)
Total shareholders equity	52,949	53,846

Total liabilities and shareholders equity

\$ 62,730 \$ 62,797

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

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GOLD RESOURCE CORPORATION AND SUBSIDIARIES

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

for the three months ended March 31, 2011 and 2010

and for the period from Inception (August 24, 1998) to March 31, 2011

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

(Unaudited)

					Inception
					(August 24,
					1998) to
					March 31,
		2011		2010	2011
Sales of metals concentrate	\$	11,280	\$		\$ 26,034
Mine cost of sales:					
Production costs applicable to sales		2,352			7,073
Depreciation, depletion, amortization		64			230
Accretion		21			89
Total mine cost of sales		2,437			7,392
		2,137			1,572
Mine gross profit	\$	8,843	\$		\$ 18,642
Costs and expenses:					
General and administrative (includes \$1,377 in 2011 and \$83 in 2010 of non-cash		2 1 1 2		899	27 104
stock-based compensation)		3,112 512		1,216	27,194 29,690
Exploration expenses Construction and development		3,066		4,446	56,996
		5,000		4,440	209
Production start-up expense, net Management contract - U S Gold, related party				129	752
Management contract - 0 5 00id, felated party					152
		((00		7 200	114.041
Total costs and expenses		6,690		7,290	114,841
Operating income (loss)	\$	2,153	\$	(7,290)	\$ (96,199)
operating meetine (1999)	Ψ	2,100	Ψ	(,,_)))	¢ (; 0, 1)))
Other income (expense):					
Other income		6		4	2
Currency exchange (loss)		(152)			(482)
Interest income		26		21	821
Total other income (expense)	\$	(120)	\$	25	\$ 341
Income (loss) before income taxes	\$	2,033	\$	(7,265)	\$ (95,858)

Provision for income taxes

Net income (loss)	\$	2,033	\$	(7,265)	\$ (95,858)
		,			
Other comprehensive income:					
Currency translation adjustment		464		286	(296)
Net comprehensive income (loss)	\$	2,497	\$	(6,979)	\$ (96,154)
Net income (loss) per common share:					
Basic	\$	0.04	\$	(0.15)	
Diluted	\$	0.04	\$	(0.15)	
Difuted	Ą	0.04	φ	(0.15)	
Weighted average shares outstanding: Basic	52	52,998,303		3,253,617	
	52	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	i c	,,233,017	
Diluted	57	840,414	48	3,253,617	

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

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GOLD RESOURCE CORPORATION AND SUBSIDIARIES

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three months ended March 31, 2011 and 2010

and for the period from Inception (August 24, 1998) to March 31, 2011

(U.S. dollars in thousands, except shares)

(Unaudited)

201120102011Cash flows from operating activities: $\$$ 2,033 $\$$ (7,265) $\$$ (95,859)Adjustments to reconcile net income (loss) to net cash used in operating activities: 144 61832Depreciation1446183283Accretion expense211789Asset retirement obligation1,3778310,857Stock compensation1,3778310,858Management fee paid in stock392320Foreign currency translation adjustment464286(296)Loss on disposal of asset44Issuance cost forgiven255Changes in operating assets and liabilities:320Accounts receivable(3,209)(4,394)Prepaid and refundable taxes(428)(1,186)Other current assets4(267)(6)Inventories(4,648)(1,655)(7,750)Accounts payable and accrued liabilities7202165,587Other(9)(2)(47)Total adjustments(5,604)(2,448)1,645Net cash used in operating activities:(3,571)(9,713)(94,213)Cash flows from investing activities:(1,425)(330)(7,424)Restricted cash(1,425)(330)(7,424)		2011	2010	Inception (August 24, 1998) to March 31,
Net income (loss) \$ 2,033 \$ (7,265) \$ (95,859) Adjustments to reconcile net income (loss) to net cash used in operating activities: 144 61 832 Depreciation 144 61 832 Accretion expense 21 17 89 Asset retirement obligation 2,307 Stock compensation 1,377 83 10,858 Management fee paid in stock 392 Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of asset 4 4 52 Changes in operating assets and liabilities: 25 Accounts receivable (3,209) (4,394) 9 9 9 (4,1186) (6,276) 0 Other current assets 4 (267) (6) 1 1 1.655 (7,750) Accounts receivable (4,288) (1,655) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) 1 1.645 Inventories (3,604) (2,448) 1.645 <t< td=""><td>Cash flows from operating activities:</td><td>2011</td><td>2010</td><td>2011</td></t<>	Cash flows from operating activities:	2011	2010	2011
Adjustments to reconcile net income (loss) to net cash used in operating activities:Depreciation14461832Accretion expense211789Asset retirement obligation2,3075tock compensation1,3778310.858Management fee paid in stock392392392Foreign currency translation adjustment464286(296)Loss on disposal of asset44Issuance cost forgiven254Changes in operating assets and liabilities:25Accounts receivable(3,209)(4,394)Prepaid and refundable taxes4(267)(6)Inventories(4,688)(1,655)(7,750)Accounts payable and accrued liabilities7202165,587Other(9)(2)(47)Total adjustments(5,604)(2,448)1,645Net cash used in operating activities(3,571)(9,713)(94,213)Cash flows from investing activities:(1,425)(330)(7,424)		\$ 2,033	\$ (7.265)	\$ (95 859)
Depreciation 144 61 832 Accretion expense 21 17 89 Asset retirement obligation 2,307 83 10.858 Management fee paid in stock 392 Related party payable paid in stock 392 Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of aset 444 286 (296) 44 Issuance cost forgiven 25 Changes in operating assets and liabilities: 425 4289 (1,186) (6,276) Other current assets 4 (267) (6) (1) (428) (1,186) (6,276) Other current assets 4 (267) (6) (6) (6) (6) Other current assets 4 (267) (6) (6) (6,276) (6) Other current assets (428) (1,186) (5,276) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) <td></td> <td>φ 2,055</td> <td>Φ(1,205)</td> <td>φ()5,057)</td>		φ 2,055	Φ(1,205)	φ()5,057)
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Asset retirement obligation 2,307 Stock compensation 1,377 83 10,858 Management fee paid in stock 392 Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of asset 4 4 1ssuance cost forgiven 25 Changes in operating assets and liabilities: 25 25 25 Accounts receivable (3,209) (4,394) Prepaid and refundable taxes (428) (1,186) (6,276) Other current assets 4 (267) (6) Inventories (4,688) (1,655) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities: (3,571) (9,713) (94,213) Cash flows from investing activities: 2 (330) (7,424)	Depreciation	144	61	832
Stock compensation 1,377 83 10,858 Management fee paid in stock 392 Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of asset 4 1 4 25 Changes in operating assets and liabilities: 25 25 25 Changes in operating assets and liabilities: 4 260 (4,394) Prepaid and refundable taxes (428) (1,186) (6,276) Other current assets 4 (267) (6 (5,276) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities: (3,571) (9,713) (94,213) Cash flows from investing activities: (2apital expenditures (1,425) (330) (7,424)	Accretion expense	21	17	89
Management fee paid in stock 392 Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of asset 4 4 Issuance cost forgiven 25 Changes in operating assets and liabilities:	Asset retirement obligation			2,307
Related party payable paid in stock 320 Foreign currency translation adjustment 464 286 (296) Loss on disposal of asset 4 4 Issuance cost forgiven 25 Changes in operating assets and liabilities: 320 Accounts receivable (3,209) (4,394) Prepaid and refundable taxes (428) (1,186) (6,276) Other current assets 4 (267) (6) Inventories (4,688) (1,655) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities (3,571) (9,713) (94,213) Cash flows from investing activities: Capital expenditures (1,425) (330) (7,424)	Stock compensation	1,377	83	10,858
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Accounts receivable (3,209) (4,394) Prepaid and refundable taxes (428) (1,186) (6,276) Other current assets 4 (267) (6) Inventories (4,688) (1,655) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities: (3,571) (9,713) (94,213) Cash flows from investing activities: (1,425) (330) (7,424)				25
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Inventories (4,688) (1,655) (7,750) Accounts payable and accrued liabilities 720 216 5,587 Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities (3,571) (9,713) (94,213) Cash flows from investing activities: (1,425) (330) (7,424)	Prepaid and refundable taxes	(428)	(1,186)	(6,276)
Accounts payable and accrued liabilities7202165,587Other(9)(2)(47)Total adjustments(5,604)(2,448)1,645Net cash used in operating activities(3,571)(9,713)(94,213)Cash flows from investing activities: Capital expenditures(1,425)(330)(7,424)	Other current assets	4	(267)	(6)
Other (9) (2) (47) Total adjustments (5,604) (2,448) 1,645 Net cash used in operating activities (3,571) (9,713) (94,213) Cash flows from investing activities: (1,425) (330) (7,424)		(4,688)	(1,655)	
Total adjustments(5,604)(2,448)1,645Net cash used in operating activities(3,571)(9,713)(94,213)Cash flows from investing activities: Capital expenditures(1,425)(330)(7,424)	Accounts payable and accrued liabilities	720	216	
Net cash used in operating activities(3,571)(9,713)(94,213)Cash flows from investing activities: Capital expenditures(1,425)(330)(7,424)	Other	(9)	(2)	(47)
Net cash used in operating activities(3,571)(9,713)(94,213)Cash flows from investing activities: Capital expenditures(1,425)(330)(7,424)				
Cash flows from investing activities:Capital expenditures(1,425)(330)(7,424)	Total adjustments	(5,604)	(2,448)	1,645
Cash flows from investing activities:Capital expenditures(1,425)(330)(7,424)	NT / I I' / / ///	(2.571)	(0.712)	(04.012)
Capital expenditures (1,425) (330) (7,424)	iver cash used in operating activities	(3,5/1)	(9,/13)	(94,213)
Capital expenditures (1,425) (330) (7,424)	Cash flows from investing activities:			
		(1.425)	(330)	(7, 424)
		(1,123)	(555)	(7,121)