

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

Washington, D.C. 20549

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

(Mark One)

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

For the quarterly period ended June 30, 2012

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

For the transition period from to

Commission File Number: 001-34857

GOLD RESOURCE CORPORATION

(Exact Name of Registrant as Specified in its charter)

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

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

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

(Registrant's telephone number including area code)

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

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

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

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

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

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EXPLANATORY NOTE

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

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

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

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

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

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

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

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

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

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

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

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

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Other comprehensive income (loss):					
Currency translation (loss) gain	(1,689)	(80)	(225)	384	(4,203)
Net comprehensive income (loss)	\$ 2,439	\$ 3,059	\$ 17,404	\$ 5,555	\$ (26,096)
Net income per common share:					
Basic:					
Before extraordinary item	\$ 0.08	\$ 0.09	\$ 0.33	\$ 0.13	
Extraordinary item		\$ (0.03)		\$ (0.03)	