GOLD RESOURCE CORP
Form 10QSB
August 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: **June 30, 2007**

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ____ to ________

GOLD RESOURCE CORPORATION

(Exact Name of Small Business Issuer as Specified in its Charter)

Colorado	333-129321	84-1473173
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	I.R.S. Employer Identification Number

222 Milwaukee Street, Suite 301, Denver, Colorado 80206
(Address of Principal Executive Offices) (Zip Code)

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

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [_] No [X]

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: 28,249,552 shares of common stock outstanding as of August 8, 2007.

Transitional Small Business Disclosure Format: Yes [_] No [X]

GOLD RESOURCE CORPORATION

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GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEET
as of June 30, 2007
(Unaudited)

ASSETS		
Current assets:		
Cash and cash equivalents	$	4,462,537
Refundable tax payments		194,874
Other current assets		39,132
Total current assets		4,696,543
Investment in mineral properties		
Property and equipment - net		279,810
Other assets		1,469
Total assets	$	4,977,822
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$	32,623
Total current liabilities		32,623
Shareholders' equity:		
Preferred stock - $0.001 par value, 5,000,000 shares authorized:		
No shares issued or outstanding		
Common stock - $0.001 par value, 60,000,000 shares authorized:		
28,249,552 shares issued and outstanding		28,250
Additional paid-in capital		14,384,901
Accumulated (deficit) during the exploration stage		(9,466,565)
Other comprehensive income:		
Currency translation adjustment		(1,387)
Total shareholders' equity		4,945,199
Total liabilities and shareholders' equity	$	4,977,822

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

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GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended June 30, 2007 and 2006
(Unaudited)

	2007	***2006***
Revenues:		
Gold sales	$	$
Costs and Expenses:		
Property exploration and evaluation	1,068,202	102,597
Property acquisition	42,662	
General and administrative		
Salaries and benefits	138,442	126,727
Legal and accounting	66,263	51,811
Investor relations	130,464	18,280
Travel related	31,464	22,125
All other general and administrative	28,070	26,844
Stock based compensation		
Stock awards	250,170	100,000
Grant of stock options		141,350
Depreciation	11,327	4,050
Total costs and expenses	1,767,064	593,784
Operating (loss)	(1,767,064)	(593,784)
Other income:		
Interest income	53,748	595
(Loss) before income taxes	(1,713,316)	(593,189)
Provision for income taxes		
Net (loss)	(1,713,316)	(593,189)
Other comprehensive income:		
Currency translation gain (loss)	(18,824)	1,151
Net comprehensive (loss)	$ (1,732,140)	$ (592,038)
Net (loss) per common share:		
Basic and Diluted	$ (0.06)	$ (0.03)
Weighted average shares outstanding:		
Basic and Diluted	28,216,695	18,480,074

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
for the six months ended June 30, 2007 and 2006,
and for the period from Inception (August 24, 1998) to June 30, 2007
(Unaudited)

	2007	2006	Inception (August 24, 1998) to June 30, 2007
Revenues:			
Gold sales	$	$	$
Costs and Expenses:			
Property exploration and evaluation	1,782,308	211,088	4,094,299
Property acquisition	52,662		511,343
Management contract - U. S. Gold, related party			752,191
General and administrative			
Salaries and benefits	279,284	244,846	1,270,208
Legal and accounting	139,288	112,366	457,839
Investor relations	202,502	18,280	355,487
Travel related	80,093	52,991	258,098
All other general and administrative	110,429	35,988	369,331
Stock based compensation			
Stock awards	323,010	100,000	1,390,360
Grant of stock options		141,350	147,050
Depreciation	18,931	8,100	44,218
Total costs and expenses	2,988,507	925,009	9,650,424
Operating (loss)	(2,988,507)	(925,009)	(9,650,424)
Other income:			
Interest income	118,811	841	183,859
(Loss) before income taxes	(2,869,696)	(924,168)	(9,466,565)
Provision for income taxes			
Net (loss)	(2,869,696)	(924,168)	(9,466,565)
Other comprehensive income:			
Currency translation gain (loss)	(21,070)	(989)	(1,387)
Net comprehensive (loss)	$ (2,890,766)	$ (925,157)	$ (9,467,952)
Net (loss) per common share:			
Basic and Diluted	$ (0.10)	$ (0.05)	
Weighted average shares outstanding:			
Basic and Diluted	28,184,469	18,392,463	

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended June 30, 2007 and 2006,
and for the period from Inception (August 24, 1998) to June 30, 2007
(Unaudited)

	2007	***2006***	***Inception (August 24, 1998) to June 30, 2007***
Cash flows from operating activities:			
Net cash (used in) operating activities	$ (2,995,259)	$ (499,720)	$ (7,354,758)
Cash flows from investing activities:			
Capital expenditures	(202,462)		(324,028)
Net cash (used in) investing activities	(202,462)		(324,028)
Cash flows from financing activities:			
Cash proceeds from initial public stock offering		380,000	4,351,200
Cash proceeds from other sales of stock			7,177,623
Cash proceeds from exercise of options		10,000	62,500
Proceeds from debentures - founders			50,000
Proceeds from notes payable - related parties		220,000	
Proceeds from exploration funding agreement - Canyon Resources			500,000
Net cash provided by financing activities		610,000	12,141,323
Net increase (decrease) in cash and equivalents	(3,197,721)	110,280	4,462,537
Cash and equivalents at beginning of period	7,660,258	176,182	
Cash and equivalents at end of period	$ 4,462,537	$ 286,462	$ 4,462,537

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation. The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) as promulgated in Item 310 of Regulation S-B. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position as of June 30, 2007, results of operations for the three months and six months ended June 30, 2007 and 2006, and cash flows for the six months ended June 30, 2007 and 2006, as applicable, have been made. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company s Form 10-KSB for the year ended December 31, 2006.

Gold Resource Corporation (the Company) was organized under the laws of the State of Colorado on August 24, 1998. The Company has been engaged in the exploration for precious and base metals, primarily in Mexico, as an exploration stage company. The Company has not generated any revenues from operations. The consolidated financial statements included herein are expressed in United States dollars, the Company s reporting currency.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned Mexican corporate subsidiaries, Don David Gold S.A. de C.V. and Golden Trump S.A. de C.V. The expenditures of Don David Gold and Golden Trump are generally incurred in Mexican pesos. Significant inter-company accounts and transactions have been eliminated.

Estimates. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Estimates that are critical to the accompanying consolidated financial statements include the identification and valuation of proved and probable reserves, treatment of exploration and development costs as either an asset or an expense, valuation of deferred tax assets, and the likelihood of loss contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. Estimates and assumptions are revised periodically and the effects of revisions are reflected in the financial statements in the period it is determined to be necessary.

Per Share Amounts. SFAS 128, Earnings Per Share, provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, similar to fully diluted earnings per share. Potentially dilutive securities, such as common stock options, are excluded from the calculation when their effect would be anti-dilutive. For the period ended June 30, 2007, outstanding options to purchase 2,600,000 shares of common stock would have an anti-dilutive effect and were therefore excluded from the calculation.

Foreign Operations. The Company s present exploration activities are in Mexico. As with all types of international business operations, currency fluctuations, exchange controls, restrictions on foreign investment, changes to tax regimes, political action and political instability could impair the value of the Company s investments.

Foreign Currency Translation. The local currency, the Mexican peso, is the functional currency for the Company s subsidiaries. Current assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated using historical rates. Revenues and expenses are translated at the average exchange rate for the period. Translation adjustments are reported as a separate component of shareholders equity.

2. Mineral Properties

El Aguila. Effective October 14, 2002, the Company, through its subsidiary, Don David Gold S.A. de C.V., leased a prospective gold/silver property located in the State of Oaxaca, Mexico, designated the El Aguila property, from Jose Perez Reynoso, a consultant to the Company. The El Aguila property is an exploration stage property and incorporates approximately 4,685 acres. The lease agreement for El Aguila is subject to a 4% net smelter return royalty to the lessor where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Prior to 2007, the Company made periodic payments required under the lease totaling $260,000 and no further advance royalty payments are due.

El Rey and Solaga. We have acquired claims in another area of the *Sierra Madre del Sur* region of Mexico by filing concessions under the Mexican mining laws, referred to by us as the El Rey property. Additionally, in February 2007, we leased a 100% interest in a property known as the Solaga property. We have conducted minimal exploration on these properties to date.

The El Rey project is an exploration stage property located approximately 64.4 kilometers (40 miles) from the El Aguila property. There is no plant or equipment on the El Rey property. If exploration is successful, any mining would probably require an underground mine but any mineralized material could be processed at the El Aguila project mill if one was to be built in the future.

The Solaga property consists of a 400 hectare property, located approximately 120 kilometers (75 miles) from the El Aguila project. A dormant silver mine is located on the Solaga property which was in production as recently as the 1980's, however, the Company is unable to estimate if or when it will reopen the mine. The lease required an initial payment of $10,000 and requires the Company to spend $25,000 on the property during the first twelve months of the lease. The lease is subject to a 4% net smelter return royalty on any production.

Through June 30, 2007, the Company has spent or incurred approximately $3,813,000 in acquisition, exploration and related costs for El Aguila, El Rey, and Solaga, of which approximately $1,835,000 was spent in 2007.

3. Property and Equipment

At June 30, 2007, property and equipment consisted of the following:

Trucks and autos	$	104,320
Office furniture and equipment		80,102
Exploration equipment		139,606
Subtotal		324,028
less: accumulated depreciation		(44,218)
Total	$	279,810

4. Shareholders Equity

Effective February 21, 2005, the Company declared and effected a 100% forward stock split where one share of common stock, par value $.001, was issued for each share outstanding as of that date. These financial statements reflect the effect of this 100% stock split.

The Company entered into an investor relations contract for domestic investors that required the issuance of 30,000 shares of restricted common stock during the first quarter of 2007 and an additional 30,000 shares issued in the second quarter. These shares were valued at fair market value of $72,840 and $101,670, respectively. The Company entered into an investor relations contract for international investors that required the issuance of 50,000 shares of restricted common stock during the second quarter of 2007. These shares were valued at fair market value of $148,500.

Stock Options. The Company has a non-qualified stock option and stock grant plan under which stock options and stock grants may be granted to key employees, directors and others (the Plan). Options to purchase shares under the Plan must be granted at fair value as of the date of the grant. A total of 6,000,000 shares of common stock have been reserved under the Plan.

Effective January 1, 2006, the Company implemented the rules of SFAS 123(R), Accounting for Stock-Based Compensation, which requires the Company to expense as compensation the value of grants and options under the Plan as determined in accordance with the fair value based method prescribed in SFAS 123(R). The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

During the six months ended June 30, 2007, no stock options were granted, exercised or terminated.

The following table summarizes information about outstanding stock options at June 30, 2007:

	Number of shares	Weighted average exercise price
Outstanding, January 1, 2007	2,600,000	$ 0.60
Granted		$
Exercised		$
Outstanding, June 30, 2007	2,600,000	$ 0.60

5. Related Party Transactions

In February 2007, the Company entered into a lease agreement for the Solaga property. Jose Perez Reynoso, a consultant and shareholder of the Company, is a part owner of the Solaga property.

Item 2. Management s Discussion and Analysis or Plan of Operation

Overview

The following discussion updates our plan of operation for the next twelve months. It also analyzes our financial condition at June 30, 2007 and compares it to our financial condition at December 31, 2006. Finally, the discussion summarizes the results of our operations for the three months and six months ended June 30, 2007 and compares those results to the corresponding periods ended June 30, 2006. This discussion and analysis should be read in conjunction with our audited financial statements for the two years ended December 31, 2006, including footnotes, and the discussion and analysis included in our Form 10-KSB for the year ended December 31, 2006.

On February 21, 2005, we effected a two-for-one split of our outstanding common stock. All of the financial information included in this discussion and in the financial statements appearing in this report has been adjusted to reflect the results of that stock split.

In August 2006, we completed our IPO, from which we received net proceeds of $4,351,200. We used most of the proceeds from that offering for exploration purposes. In October 2006, we contracted with Servicios de Perforacion Insemin S.A. de C.V., a Mexican subsidiary of R&R Incorporated and commenced the third stage of our exploration program at the El Aguila project. Pursuant to that drilling program, we have now completed in excess of the original 10,000 meters (32,808 feet) of core drilling for which we contracted. We are testing geological targets including areas which we believe have yielded favorable results during a recent geochemical survey. This drilling program is expected to continue on a month by month basis for the foreseeable future.

On December 7, 2006, we completed a private placement of 4,322,000 shares of our common stock for $1.20 per share, from which we received net cash proceeds of $4,928,700 (Private Placement). We expect to use the proceeds for continued exploration activities, operating expenses and initial engineering and procurement for the El Aguila mining project.

Plan of Operation

Our plan of operation is to continue exploration of the El Aguila property and place the property into production. We also intend to undertake exploration of the El Rey property, a property that is in an earlier stage of exploration. Our ultimate objective is to become a producer of gold, silver and possibly some associated base metals. We are unable at this time to predict when, if ever, that objective will be achieved.

Exploration. Exploration carried out by us to date at the El Aguila project has included 203 drill holes totaling approximately 19,233 meters (63,469 feet). Our results so far have revealed areas with enough high-grade mineralization that we made a decision to put the El Aguila property into production and are targeting mid-2008 to begin commercial production, subject to additional funding, permits and equipment delivery schedules. We intend to continue exploration of the property while we prepare for production.

Anticipated Production. While we intend to continue exploration at the El Aguila project for the foreseeable future, we are moving forward with our plans to further develop the property for production. We anticipate raising additional capital in the near future in an effort to begin funding the production phase of our plan. Based on our current exploration results, we anticipate that we will place the property into production in mid-2008, subject to the need to obtain a sufficient amount of additional working capital and the acquisition of the required regulatory permits, although there is no assurance that we will be successful.

We have engaged Lyntek, Inc. o