

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## GOLD RESOURCE CORP

**Form: 10-K**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 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)

**Colorado**  
(State or other jurisdiction of  
incorporation or organization)

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

**2886 Carriage Manor Point, Colorado Springs, Colorado 80906**  
(Address of Principal Executive Offices) (Zip Code)

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

**Securities registered under Section 12(b) of the Exchange Act:**

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	NYSE MKT

**Securities registered under Section 12(g) of the Exchange Act:**

None

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 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 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.



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**ADDITIONAL INFORMATION**

Descriptions of agreements or other documents contained in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see the exhibit index at the end of this report for a complete list of those exhibits.

This report contains forward-looking statements that involve risks and uncertainties. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words "plan," "target," "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding Gold Resource Corporation's strategy, future plans for production, future expenses and costs, future liquidity and capital resources, future dividends and estimates of mineralized material. All forward-looking statements in this report are based upon information available to Gold Resource Corporation on the date of filing this report, and the company assumes no obligation to update any such forward-looking statements. Forward looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Gold Resource Corporation's actual results could differ materially from those discussed in this report. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "**Item 1A. Risk Factors**" section of this Form 10-K.

In addition to the specific factors identified under "**Item 1A. Risk Factors**" in this report, other uncertainties that could affect the accuracy of forward-looking statements include:

- Decisions of foreign countries and banks within those countries;
- Unexpected changes in business and economic conditions, including the rate of inflation;
- Changes in interest rates and currency exchange rates;
- Timing and amount of production, if any;
- Technological changes in the mining industry;
- Our costs;
- Changes in exploration and overhead costs;
- Access and availability of materials, equipment, supplies, labor and supervision, power and water;
- Results of current and future feasibility studies;
- The level of demand for our products;
- Changes in our business strategy, plans and goals;
- Interpretation of drill hole results and the geology, grade and continuity of mineralization;
- Rock formations, faults and fractures, water flow and possible CO2 gas exhalation or other unanticipated geological situations,
- Acts of God such as floods, earthquakes and any other natural disasters.
- The uncertainty of mineralized material estimates and timing of development expenditures; and
- Commodity price fluctuations.

This list, together with the factors identified under "**Item 1A. Risk Factors**," is not exhaustive of the factors that may affect any of our forward-looking statements. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our beliefs, expectations and opinions only as of the date of filing this report. We do not intend to update these forward looking statements except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

## ITEM 1. BUSINESS

## History and Organization

We are currently engaged in the exploration for and production of gold and silver in Mexico. We were organized under the laws of the State of Colorado in 1998. We pursue exploration of gold and silver projects, both in and outside of Mexico, that we believe feature low operating costs and have the potential to produce a high return on the capital invested. We hold a 100% interest in six properties in Mexico's southern State of Oaxaca which we refer to as our Oaxaca Mining Unit. See "**Item 2. Properties**" for more information about our properties.

We completed our initial public offering ("IPO") in August 2006. Since that time, we have raised additional capital pursuant to several private placements of our common stock. We used the proceeds of our IPO and additional private placements to conduct exploration activities at the *El Aguila* property (part of the Oaxaca Mining Unit). Based on our successful exploration efforts, we decided on April 11, 2007 to move forward to construct a mill and a mine at the *El Aguila* Project. We used the funds from subsequent private placements to build the Project. We declared commercial production at the *El Aguila* Project on July 1, 2010. See "**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation**" for more information. The *El Aguila* Project includes approximately 20,055 hectares of mining concessions, an access road from a major highway, haul roads, a mill facility and adjoining buildings, including an assay lab, an open pit and underground mine, tailings pond and other infrastructure. See "**Item 2. Properties**" for additional information.

Our principal executive offices are located 2886 Carriage Manor Point, Colorado Springs, Colorado 80906, and our telephone number is (303) 320-7708. Our operations in Mexico are conducted through our wholly-owned Mexican subsidiaries, Don David Gold Mexico S.A.de C.V. and Golden Trump Mexico S.A. de C.V. We established a wholly-owned Turkish subsidiary corporation named Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi in 2012. We maintain a website at [www.goldresourcecorp.com](http://www.goldresourcecorp.com) and through a link on our website you can view the periodic filings that we make with the Securities and Exchange Commission ("SEC").

Please refer to page 21 of this report for a glossary of certain terms used in this report.

## Developments During 2012

We completed our second full year of commercial production of gold and silver in 2012. Two mines are located at our *El Aguila* Project; the *El Aguila* open pit mine and the *La Arista* underground mine. Mining at the *El Aguila* open pit mine was essentially completed in 2010 and we transitioned to processing ore from the *La Arista* underground mine in March 2011. We produced metal concentrates from the *La Arista* underground mine with gold and silver as our primary metal products and copper, lead and zinc as by-products.

During 2012, we continued to develop the decline ramp for the underground mine and reached Level 14 by the end of the year. We have developed stopes and faces for mining from level 6.5 to level 11. Underground infrastructure and mine development completed in 2012 included additional ventilation fans, ground water pumping stations and electrical infrastructure expansion. Various ore stopes were developed and mining methods of long-hole stoping and cut-and-fill were utilized. The management team was strengthened with the addition of our Chief Operating Officer and on-site managerial changes included our new project manager, mine superintendent, mill superintendent and maintenance manager.

We established a new wholly-owned Turkish subsidiary corporation named Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi in the event we decide to expand our exploration property portfolio outside of Mexico. We are in the early stages of identifying potential properties for acquisition in Turkey and do not have significant operations at this time.

## Production Summary

During 2012, we produced from the mill a total of 90,432 ounces of gold equivalent from the *El Aguila* Project, which was a 36.5% increase in mill production over 2011. We processed an aggregate of 282,120 tonnes of ore with an average grade of 4.3 grams per tonne gold and 355 grams per tonne silver. See the table titled "**Production and Sales Statistics—*El Aguila* Project**" in **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation** for detailed information regarding our production statistics.

## Exploration

Exploration during 2012 continued to focus primarily on the *El Aguila* Project with infill and step out drilling at the *La Arista* vein system. We also performed exploration at several of our other properties, including commencing a surface drill program on portions of the *Las Margaritas* property and completing a limited drilling campaign at *Alta Gracia* and *El Chamizo* focusing on previously identified drill targets. Please see the map of our properties on page 15 for more information regarding our exploration properties. We conducted limited underground exploration and testing at the *Alta Gracia* property

by driving drifts and crosscuts into surface exposed veins. To date, we have not established proven or probable reserves as defined in the SEC's Industry Guide 7 ("Guide 7") at our *El Aguila* Project or any of our other properties. See "Item 2. Properties" for additional information regarding our exploration activities.

#### **Dividends**

We declared an aggregate of \$0.69 per share in dividends in 2012. In April 2012, we commenced a physical dividend program pursuant to which our shareholders have the option to convert the cash dividends we pay into physical gold and silver bullion and take delivery of their metal. See, "Item 5. Market For Common Equity, Related Stockholder Matters and Purchase of Equity Securities," and "Item 7. Management's Discussion and Analysis" for additional information.

#### **No Proven or Probable Reserves**

We have not yet demonstrated the existence of proven or probable reserves at our *El Aguila* Project in Oaxaca, Mexico or any of our other properties. In Guide 7, the SEC defines a "reserve" as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven or probable reserves are those reserves for which (a) quantity is computed and (b) the sites for inspection, sampling, and measurement are spaced so closely that the geologic character is defined and size, shape and depth of mineral content can be established (proven) or the sites are farther apart or are otherwise less adequately spaced but high enough to assume continuity between observation points (probable). Reserves cannot be considered proven or probable unless and until they are supported by a feasibility study, indicating that the reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable.

We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Any mineralized material discovered or produced by us should not be considered proven or probable reserves. As of December 31, 2012, none of our mineralized material met the definition of proven or probable reserves.

#### **Competitive Business Conditions**

The exploration for, and the acquisition of gold and silver properties, are subject to intense competition. Identifying and evaluating potential mining prospects is a costly and time-consuming endeavor. Due to our limited capital and personnel, we are at a competitive disadvantage compared to many other companies with regard to exploration and, if warranted, development of mining properties. Our present limited capital means that our ability to compete for properties to be explored and developed is limited. We believe that competition for acquiring mineral prospects will continue to be intense in the future.

#### **Government Regulations and Permits**

In connection with mining, milling and exploration activities, we are subject to extensive Mexican federal, state and local laws and regulations governing the protection of the environment, including laws and regulations relating to protection of air and water quality, hazardous waste management and mine reclamation as well as the protection of endangered or threatened species. The department responsible for environmental protection in Mexico is SEMARNAT, which is similar to the United States Environmental Protection Agency. SEMARNAT has broad authority to shut down and/or levy fines against facilities that do not comply with its environmental regulations or standards. Potential areas of environmental consideration for mining companies, including ours, include but are not limited to, acid rock drainage, cyanide containment and handling, contamination of water courses, dust and noise.

In connection with our mill and mining operations at the *El Aguila* Project, we have and will continue to secure various regulatory permits from federal, state and local agencies. These governmental and regulatory permits generally govern the processes being used to operate, the stipulations concerning air quality and water issues, and the plans and obligations for reclamation of the properties at the conclusion of operations. Regulations require that an environmental impact statement, known in Mexico as a *Manifiestacion de Impacto Ambiental* ("MIA"), be prepared by a third-party contractor for submission to SEMARNAT. We have submitted our MIA to SEMARNAT for their review and it has been approved. Studies required to support the MIA include a detailed analysis of these areas, among others: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. Although the regulatory process in Mexico has a public review component, proof of local community support for a project is required to gain final MIA approval. We have received the required local community support for the *El Aguila* area where we are currently producing from.

We received a federal permit granting permission to begin open pit mining at the *El Aguila* Project from SEMARNAT in August 2009 and commenced mining operations soon thereafter. In December 2009, we also received a permit allowing us to begin developing our underground mine. We purchased a permitted water well for the mill site at the *El Aguila* Project. We believe the water provided by this well will normally be adequate to meet the needs for any mining activity for the foreseeable future, but any extreme seasonal changes may limit our water supply, which could adversely affect our mining operations.

We have obtained, and plan to obtain at the appropriate time, environmental permits, licenses or approvals required for operations. We are not aware of any material violations of environmental permits, licenses or approvals issued with respect to our operations.

## Customers

During the year ended December 31, 2012, 100% of our total sales of metals concentrate were made to Consorcio Minero de Mexico Cormin Mex. S.A. de C.V., a Trafigura Group Company. In the event that our relationship with Trafigura is interrupted for any reason, we believe that we would be able to locate another entity to purchase our metals concentrate and by-product metals. However, any interruption could temporarily disrupt the sale of our principal products and adversely affect our operating results. We are reviewing our options of alternative sales outlets to mitigate the concentration of risk with one concentrate buyer in case of any unforeseen disruptions.

## Employees

We currently have nine full-time employees, five of which serve as our executive officers. These individuals devote all of their business time to our affairs.

In Mexico, through our wholly-owned Mexican subsidiaries, we employ approximately 350 Mexican nationals, including our *El Aguila* Project Manager. We also use various independent contractors for developing our underground mine, surface exploration drilling and trucking.

In Turkey, we employ four Turkish nationals through our wholly-owned Turkish subsidiary.

## ITEM 1A. RISK FACTORS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operation, contains forward-looking statements that may be materially affected by several risk factors, including those summarized below:

### Risks Relating to Our Company

***We have incurred substantial losses in the past and may not continue to be profitable.*** During the fiscal years ended December 31, 2012 and 2011, we reported net income of \$33.7 million and \$60.1 million, respectively, and for the fiscal year ended December 31, 2010, we reported net loss of approximately \$23.1 million. We had an accumulated deficit of approximately \$5.9 million as of December 31, 2012. While we were profitable in 2012, there is no assurance that we will continue to be profitable in the future. Unexpected interruptions in our mining business may cause us to incur losses or the revenue we generate from production may not be sufficient to fund continuing operations including exploration and development costs. Our failure to report future profits may adversely affect the price of our common stock and you may lose all or part of your investment.

***Our existing production is limited to a single mine and any interruptions or stoppages in our mining activities would adversely affect our revenue.*** We are presently relying on a single mine to provide ore for processing at our mill facility which contains the mineralized material we sell to fund our operations. Any interruption in our ability to mine this location, such as a labor strike, natural disaster, or loss of permits would negatively impact our ability to collect revenue in the foreseeable future. Additionally, if we are unable to economically develop additional mines, we will eventually deplete the ore body and will no longer generate revenue sufficient to fund our operations. A decrease in or cessation of our mining operations would adversely affect our financial performance and may eventually cause us to cease operations.

***If we are unable to achieve gold and silver production levels anticipated from our El Aguila Project, our financial condition and results of operation will be adversely affected.*** We have proceeded with the processing of the *El Aguila* open-pit area ore and the development of the *La Arista* mine at the *El Aguila* Project based on estimates of mineralized material identified in our drilling program and estimates of gold and silver recovery based on test work developed during our scoping study. However, risks related to metallurgy are inherent when working with extractable minerals. Sales of gold and silver that we realize from future mining activity will be less than anticipated if the mined material does not contain the concentration of gold and silver predicted by our geological exploration. This risk may be increased since we have not sought or obtained a feasibility study or reserve report with regard to any of our properties. If sales of gold and silver are less than anticipated, we may not be able to recover our investment in our property and our operations may be adversely affected. Our inability to realize production based on quarterly or annual projections may also adversely affect the price of our common stock and you may lose all or part of your investment.

***We have no proven or probable reserves and our decision to commence commercial production is not based on a study demonstrating economic recovery of any mineral reserves and is therefore inherently risky. Any funds spent by us on exploration or development could be lost.*** We have not established the presence of any proven or probable mineral reserves, as defined by the SEC, at any of our properties. Under Guide 7, the SEC has defined a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Any mineralized material discovered or produced by us should not be considered proven or probable reserves.

In order to demonstrate the existence of proven or probable reserves, it would be necessary for us to perform additional exploration to demonstrate the existence of sufficient mineralized material with satisfactory continuity and obtain a positive feasibility study which demonstrates with reasonable certainty that the deposit can be economically and legally extracted and produced. We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Since we commenced commercial production of mineralized material at the *El Aguila* Project without a feasibility study, there is inherent uncertainty as to whether the mineralized material can be economically produced or if so, for what period of time. The absence of proven or probable reserves makes it more likely that our properties may cease to be profitable and that the money we spend on exploration and development may never be recovered.

***Since we have no proven or probable reserves, our investment in mineral properties is not reported as an asset in our financial statements which may cause volatility in our net earnings and have a negative impact on the price of our stock.*** We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America and report substantially all exploration and construction expenditures as expenses until such time, if ever, we are able to establish proven or probable reserves. Since it is uncertain when, if ever, we will establish proven or probable reserves, it is uncertain whether we will ever report these types of future capital expenditures as an asset. Accordingly, our financial statements report fewer assets and greater expenses than would be the case if we had proven or probable reserves, which could produce volatility in our earnings and have a negative impact on our stock price.

***Estimates of mineralized material are based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.*** When making determinations about whether to advance any of our projects to development, such as the *El Aguila* Project, we rely upon estimated calculations as to the mineralized material on our properties. Since we have not conducted a feasibility study demonstrating proven or probable reserves, estimates of mineralized material presented in our press releases and regulatory filings contain less certainty than would be the case if the estimates were made in accordance with the SEC-recognized definition of proven or probable reserves. Until mineralized material is actually mined and processed, it must be considered an estimate only. These estimates are imprecise and depend on geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot assure you that these mineralized material estimates will be accurate or that this mineralized material can be mined or processed profitably and any decision to move forward with development is inherently risky. Any material changes in estimates of mineralized material will affect the economic viability of placing a property into production and such property’s return on capital. This risk is increased since we have not received a feasibility study on any of our properties. There can be no assurance that minerals recovered in small scale metallurgical tests will be recovered at production scale. These in-place mineralized material estimates will be diluted in the mining process.

***Revenue from the sale of our metals concentrates may be adversely affected by loss or damage to the concentrate during shipment and storage at our buyer’s facilities.*** We rely on third party transportation companies to transport the concentrate to our buyer’s facilities for processing and further refining. The terms of our sales contract with the buyer require us to rely on assay results from samples of our concentrate that are obtained at the buyer’s warehouse to determine the final sales value for our concentrates. Once the concentrate leaves our mill facility, we no longer have direct custody and control of these products. Theft or loss in transit or improper storage, fire, natural disasters, tampering or other unexpected events while at the buyer’s location may lead to the loss of all or a portion of our concentrate products. Such losses may not be covered by insurance and may lead to a delay or interruption in our revenue and our operating results may be adversely affected. Tampering, theft or environmental factors may impact the metal content of our concentrates between the time they are sampled at our mill site for provisional price purposes and the time they are sampled at the buyer’s warehouse for final price purposes and significant variances in these measurements may negatively impact our revenue.

***The volatility of the price of gold and silver could adversely affect our future operations and, if warranted, our ability to develop our properties.*** The profitability of our operations, the value of our properties and our ability to raise funding to conduct continued exploration and development, if warranted, are directly related to the market price of gold, silver and other metals. The price of gold may also have a significant influence on the market price of our common stock. Our decision to put a mine into production and to commit the funds necessary for that purpose must be made long before the first revenue from production would be received. A decrease in the price of gold and silver may prevent our properties from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold or silver prices.

The volatility in gold and silver prices is illustrated by the following table, which sets forth for each of the past five calendar years, the average annual market prices in U.S. dollars per ounce of gold and silver based on the daily London P.M. fix:

Mineral	2008	2009	2010	2011	2012
Gold	\$ 872.00	\$ 972.00	\$ 1,225.00	\$ 1,572.00	\$ 1,689.00
Silver	\$ 14.99	\$ 14.67	\$ 20.19	\$ 35.12	\$ 31.96

The price of gold and silver is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the sale of gold and silver by central banks, and the political and economic conditions of major gold and silver producing countries throughout the world and accordingly no amount of planning or technical expertise can fully eliminate these risks. In the event gold prices decline or remain low for prolonged periods of time, we might be unable to develop our properties, which may adversely affect our results of operations, financial performance and cash flows.

***We currently do not enter into forward sales, commodity, derivatives or hedging arrangements with respect to our gold and silver production and, as a result, we are exposed to the impact of any significant decrease in the price of gold or silver.*** We sell the gold and silver we are producing at the prevailing market price. Currently, we do not enter into forward sales, commodity, derivative or hedging arrangements to establish a price in advance for the sale of future gold or silver production, although we may do so in the future. As a result, we may realize the benefit of any short-term increase in the gold or silver price, but we are not protected against decreases in the gold or silver price. If the gold or silver price decreases significantly, our revenues may be materially adversely affected.

***Our current property portfolio is limited to a single producing property and our ability to remain profitable over the long term will depend on our ability to expand the known deposits like Arista and / or identify, explore and develop additional properties.*** Gold and silver properties are wasting assets. They eventually become depleted or uneconomical to continue mining. The acquisition of gold and silver properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staff, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. If we are unable to find, develop, and economically mine new properties, we most likely will not be profitable on a long term basis and the price of our common stock may suffer.

***Our producing property is subject to a lease in favor of a third party which provides for royalties on production.*** We lease a portion of our *El Aguila* property from a third party. The leased portion of the property provides for a net smelter return royalty of 4% where production is sold in the form of gold/silver dorè and 5% where production is sold in concentrate form. All of our production to date has been from the leased property and processed and sold as concentrate. The requirement to pay royalties to the owner of the concessions at our *El Aguila* property, which includes the open pit mine and underground mine, will reduce our profitability from production of gold or other precious metals.

***The construction and development of our underground mine and optimization and continued expansion and operation of our mill are subject to all of the risks inherent in construction development, and operations.*** These risks include potential delays, cost overruns, shortages of material or labor, construction defects, breakdowns and injuries to persons and property. We expect to engage a combination of American and Mexican subcontractors and material suppliers in connection with the continued development of the *El Aguila* Project. While we anticipate taking all measures which we deem reasonable and prudent in connection with construction and development of the underground mine and the operation of the mill, there is no assurance that the risks described above will not cause delays or cost overruns in connection with such construction or operation. Any delays would postpone our anticipated receipt of revenue and adversely affect our operations, which in turn may adversely affect the price of our stock.

***Our underground mining operations are subject to unique risks.*** The exploration for minerals and the development and production of mining operations from an underground mine involve a high level of risk and are often affected by hazards outside of our control. Some of these risks include, but are not limited to, underground fires or floods, fall-of-ground accidents, seismic activity and unexpected geological formations or conditions including noxious fumes or gases. The occurrence of one or more of these events in connection with our exploration, development, or production activities may result in the death of, or personal injury to, our employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, environmental damage and potential legal liabilities, all of which may adversely affect our reputation, business, prospects, results of operations and financial position.

***Our operations are subject to permitting requirements which could require us to delay, suspend or terminate our operations.*** Our operations, including our ongoing exploration drilling program and production at the *El Aguila* Project,

require permits from the Mexican government. If we cannot obtain or maintain the necessary permits, or if there is a delay in receiving future permits, our timetable and business plan will be adversely affected.

***We have been named as a defendant in securities class action and shareholder lawsuits which could result in substantial damages and may divert management's time and attention from our business.*** We and certain of our officers and directors are named as defendants in a purported securities class action lawsuit, and in a shareholder derivative lawsuit, each filed in the U.S. District Court for the District of Colorado and described in more detail in "Item 3. Legal Proceedings." These lawsuits and any other related lawsuits are subject to inherent uncertainties, and the actual costs to be incurred relating to these lawsuits will depend upon many unknown factors. The outcome of the litigation is necessarily uncertain, and we could be forced to expend significant resources in the defense of these suits, and we may not prevail. Monitoring and defending against legal actions is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, we may incur substantial legal fees and costs in connection with the litigation. We are not currently able to estimate the possible cost to us from these matters, and we cannot be certain how long it may take to resolve the litigation or the possible amount of any damages that we may be required to pay. We have not established any reserves for any potential liability relating to these lawsuits. It is possible that we could, in the future, incur judgments or enter into settlements of claims for monetary damages. A decision adverse to our interests on these actions could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations, financial position and stock price.

***Our properties are located in Mexico and are subject to changes in political or economic conditions and regulations in that country.*** All of our existing properties are located in Mexico. The risks with respect to Mexico or other developing countries include, but are not limited to: nationalization of properties, military repression, extreme fluctuations in currency exchange rates, criminal activity, lack of personal safety or ability to safeguard property, labor instability or militancy, mineral title irregularities and high rates of inflation. In addition, changes in mining or investment policies or shifts in political attitude in Mexico may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, opposition from non-governmental organizations, water use and mine safety. The effect of these factors cannot be accurately predicted but may adversely impact our proposed operations in any foreign jurisdiction.

***Changes in legislation affecting the mining industry could significantly affect our operations.*** As in other countries, legislation has been introduced in Mexico which would impose a royalty on production from mineral properties. In the event any such legislation was successfully passed and signed into law, it could significantly and adversely affect our results of operations. Legislation relating to employee profit sharing in Mexico was recently passed that could effectively increase mandated profit sharing distributions to our mine employees. This legislation may have a material adverse effect on our cash flows, results of operations and financial condition.

***We do not insure against all of the risks to which we may be subject in our operations.*** While we currently maintain insurance against general commercial liability claims and the physical assets at our *El Aguila* Project, we do not maintain insurance to cover all of the potential risks associated with our operations. We might be subject to liability for environmental, pollution or other hazards associated with mineral exploration and development, which risks may not be insured against, which may exceed the limits of our insurance coverage, or which we may elect not to insure against because of premium costs or other reasons. We may also not be insured against interruptions to our operations. Losses from these or other events may cause us to incur significant costs which could materially adversely affect our financial condition and our ability to fund activities on our property. A significant loss could force us to reduce or terminate our operations.

***Our ability to develop our property is subject to the rights of the Ejido (local inhabitants) to use the surface for agricultural purposes.*** Our ability to mine minerals is subject to maintaining satisfactory arrangements with the *Ejido* for access and surface disturbances. *Ejidors* are groups of local inhabitants who were granted rights to conduct agricultural activities on the property. We must negotiate and maintain a satisfactory arrangement with these residents in order to disturb or discontinue their rights to farm. While we have successfully negotiated and signed such agreements related to the *El Aguila* Project, our inability to maintain these agreements or consummate similar agreements for new projects could impair or impede our ability to successfully mine the properties.

***Competition in the mining industry is intense, and we have limited financial and personnel resources with which to compete.*** Competition in the mining industry for desirable properties, investment capital and personnel is intense. Numerous companies headquartered in the United States, Canada and elsewhere throughout the world compete for properties on a global basis. We are an insignificant participant in the gold mining industry due to our limited financial and personnel resources. We presently operate with a limited number of personnel and we anticipate that we will compete with other companies in our industry to hire additional qualified personnel which will be required to successfully operate our mine and mill site. We may be unable to attract the necessary investment capital or personnel to fully explore and if warranted, develop our properties and be unable to acquire other desirable properties.

**We may require significant additional capital to fund our business plan.** We will be required to expend significant funds to determine if proven or probable mineral reserves exist at any of our properties, to continue exploration and if warranted, develop our existing properties and to identify and acquire additional properties to diversify our property portfolio. We have spent and will be required to continue to expend significant amounts of capital for drilling, geological and geochemical analysis, assaying and feasibility studies with regard to the results of our exploration. We may not benefit from these investments if we are unable to identify commercially exploitable mineralized material. If we do locate commercially mineable material or decide to put additional properties into production, we may be required to upgrade our milling facility at the *El Aguila* Project or construct new facilities.

Our ability to obtain necessary funding for these purposes, in turn, depends upon a number of factors, including the status of the national and worldwide economy and the price of gold and other precious metals. Capital markets worldwide have been adversely affected by substantial losses by financial institutions, in turn caused by investments in asset-backed securities. We may not be successful in obtaining the required financing, or if we can obtain such financing, such financing may not be on terms that are favorable to us. Failure to obtain such additional financing could result in delay or indefinite postponement of further mining operations or exploration and development and the possible partial or total loss of our potential interest in our properties.

**Since most of our expenses are paid in Mexican pesos, and we sell our production in United States dollars, we are subject to adverse changes in currency values that may adversely affect our results of operation.** Our operations in the future could be affected by changes in the value of the Mexican peso against the United States dollar. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms. The value of cash and cash equivalents, and other monetary assets and liabilities, denominated in foreign currencies also fluctuate with changes in currency exchange rates.

**Our activities are subject to significant environmental regulations, which could raise the cost of doing business or adversely affect our ability to develop our properties.** Our mining operations are subject to environmental regulation by SEMARNAT, the environmental protection agency of Mexico. Regulations governing development of new projects or significant changes to existing projects require that an environmental impact statement, known in Mexico as a *Manifiestacion de Impacto Ambiental*, be prepared by a third party contractor for submission to SEMARNAT. Studies required to support this impact statement include a detailed analysis of many subject areas, including soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. We may also be required to submit proof of local community support for a project to obtain final approval. If an environmental impact statement is adverse or if we cannot obtain community support, our ability to develop our properties could be adversely affected. Significant environmental legislation exists in Mexico, including fines and penalties for spills, release of emissions into the air, seepage and other environmental damage, which fines or penalties could adversely affect our financial condition or results of operation.

**Our continuing reclamation obligations at the El Aguila Project and our other properties could require significant additional expenditures.** We are responsible for the reclamation obligations related to disturbances located on all of our properties, including the *El Aguila* Project. We have reserved a liability on our balance sheet to cover the estimated amount of our reclamation obligation. However, there is a risk that any reserve could be inadequate to cover the actual costs of reclamation when carried out. Continuing reclamation obligations will require a significant amount of capital. There is a risk that we will be unable to fund these additional obligations, and further, that the regulatory authorities may increase reclamation requirements to such a degree that it would not be commercially reasonable to continue exploration activities, which may adversely affect our results of operations, financial performance and cash flows.

**The nature of mineral exploration and production activities involves a high degree of risk and the possibility of uninsured losses.** Exploration for and the production of minerals is highly speculative and involves greater risk than many other businesses. Many exploration programs do not result in the discovery of mineralization, and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Our operations are, and any future development or mining operations we may conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and development of mineral properties, such as, but not limited to:

- Economically insufficient mineralized material;
- Fluctuation in production costs that make mining uneconomical;
- Labor disputes;
- Unanticipated variations in grade and other geologic problems;
- Environmental hazards;
- Water conditions;

- Difficult surface or underground conditions;
- Industrial accidents;
- Metallurgic and other processing problems;
- Mechanical and equipment performance problems;
- Failure of pit walls or dams;
- Unusual or unexpected rock formations;
- Personal injury, fire, flooding, cave-ins and landslides; and
- Decrease in the value of mineralized material due to lower gold and silver prices.

Any of these risks can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, potential revenues and production dates. We currently have limited insurance to guard against some of these risks. If we determine that capitalized costs associated with any of our mineral interests are not likely to be recovered, we would incur a write down of our investment in these interests. All of these factors may result in losses in relation to amounts spent which are not recoverable, or result in additional expenses.

***We depend upon a limited number of personnel and the loss of any of these individuals could adversely affect our business*** . Due to the relatively limited number of personnel that we employ and our status as an exploration stage company, we are dependent on a limited number of individuals to run our business. These individuals include our executive officers, including William and Jason Reid and Brad Blacketer, and to a lesser extent, our employees Rick Irvine and Barry Devlin. If any of these individuals were to die, become disabled or leave our company, we would be forced to identify and retain individuals to replace them. There is no assurance that we can find suitable individuals to replace them or to add to our employee base if that becomes necessary. We have no life insurance on any individual, and we may be unable to hire a suitable replacement for them on favorable terms, should that become necessary.

***In the event of a dispute regarding title to our property or any facet of our operations, it will likely be necessary for us to resolve the dispute in Mexico, where we would be faced with unfamiliar laws and procedures.*** The resolution of disputes in foreign countries can be costly and time consuming, similar to the situation in the United States. However, in a foreign country, we face the additional burden of understanding unfamiliar laws and procedures. We may not be entitled to a jury trial, as we might be in the United States. Further, to litigate in any foreign country, we would be faced with the necessity of hiring lawyers and other professionals who are familiar with the foreign laws. For these reasons, we may incur unforeseen losses if we are forced to resolve a dispute in Mexico or any other foreign country.

***We have identified a material weakness in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, investors could lose confidence in our financial statements and our company, which could have a material adverse effect on our business and stock price.*** In order to provide reliable financial reports and operate successfully as a publicly traded company, we must maintain effective control over our financial reporting. In connection with the restatement of certain interim financial statements during 2012, we determined and reported to our external auditors there was an internal control deficiency in our concentrate sales process at March 31, 2012 and June 30, 2012 that did not prevent or detect on a timely basis the potential impact to concentrate sales that results from material variances between assays from concentrate samples taken at the mine site, and assays from samples taken at the buyer's warehouse, prior to final settlement with the buyer. Management concluded that concentrate sales should have been adjusted at the time the material assay differences were known, even though final settlement had not yet occurred.

We believe that this material weakness does not exist as of December 31, 2012. However, we can make no assurances that additional material weaknesses or significant deficiencies may not subsequently arise. If we fail to achieve and maintain effective internal control over financial reporting and disclosure controls and procedures, it could result in additional significant deficiencies or material weaknesses, cause us to fail to meet our periodic reporting obligations, result in material misstatements in our financial statements, restatement of financial statements, sanctions or investigations by regulatory authorities, or loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our stock.

***Compliance with changing regulation of corporate governance, public disclosure and financial accounting standards may result in additional expenses and affect our reported results of operations.*** Keeping informed of, and in compliance with, changing laws, regulations and standards relating to corporate governance, public disclosure and accounting standards, including the Sarbanes-Oxley Act of 2002 and Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as new and proposed SEC regulations and accounting standards, has required an increased amount of management attention and external resources. Compliance with such requirements may result in increased general and administrative expenses and an increased allocation of management time and attention to compliance activities.

**The laws of the State of Colorado and our Articles of Incorporation may protect our directors from certain types of lawsuits.** The laws of the State of Colorado provide that our directors will not be liable to us or our shareholders for monetary damages for all but certain types of conduct as directors of the company. Our Articles of Incorporation permit us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

### **Risks Related to Our Common Stock**

**Our stock price may be volatile and as a result you could lose all or part of your investment.** In addition to volatility associated with equity securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock:

- Changes in the worldwide price for gold;
- Disappointing results from our exploration or production efforts;
- Producing at rates lower than those targeted;
- Weather conditions, including unusually heavy rains;
- Failure to meet our revenue or profit goals or operating budget;
- Decline in demand for our common stock;
- Downward revisions in securities analysts' estimates or changes in general market conditions;
- Technological innovations by competitors or in competing technologies;
- Investor perception of our industry or our prospects; and
- General economic trends.

In the last 12 months, the price of our stock has ranged from a low of \$12.31 to a high of \$28.37. In addition, stock markets in general have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, you may be unable to resell your shares at a desired price.

**Past payments of dividends on our common stock are not indicators of future payments of dividends.** As of March 15, 2013, we have declared an instituted cash dividend on our common stock of \$0.06 per share per month. However, our ability to pay dividends in the future will depend on a number of factors, including cash flow, development requirements and strategies, construction projects, spot gold and silver prices and taxation and general market conditions. Further, a portion of our cash flow will likely be retained to finance our operations. Any material change in our operations may affect future dividends which may be modified at the discretion of our Board of Directors. Any decrease in our monthly dividend would likely have an adverse impact on the price of our common stock.

**The sale of common stock by certain of our shareholders may depress the price of our common stock due to the limited trading market which exists.** Due to a number of factors, including our stage of development and the past history of our common stock trading in the over the counter securities market prior to becoming listed on a national securities exchange, the trading volume in our common stock has been limited. Trading over the last 90 days has averaged approximately 400,000 shares per day. The sale of a significant amount of common stock by our principal shareholders, including Hochschild Mining Holdings Limited, may depress the price of our common stock. As a result, you may lose all or a part of your investment.

**A small number of existing shareholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any shareholder vote.** Our executive officers and directors beneficially own approximately 10% of our common stock and our largest shareholder owns approximately 28% of our common stock as of March 15, 2013. Under our Articles of Incorporation and Colorado law, the vote of a majority of the shares outstanding is generally required to approve most shareholder action. As a result, this group may be able to influence the outcome of shareholder votes for the foreseeable future, including votes concerning the election of directors, amendments to our Articles of Incorporation or proposed mergers or other significant corporate transactions. We have no existing agreements or plans for mergers or other corporate transactions that would require a shareholder vote at this time. However, you should be aware that you may have limited ability to influence the outcome of any vote in the future.

**We are subject to the Continued Listing Criteria of the NYSE MKT and our failure to satisfy these criteria may result in delisting of our common stock.** Our common stock is currently listed on the NYSE MKT. In order to maintain the listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum

amount of shareholders' equity and a minimum number of public shareholders. In addition to objective standards, the NYSE MKT may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE MKT inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE MKT's listing requirements; if an issuer's common stock sells at what the NYSE MKT considers a "low selling price" and the issuer fails to correct this via a reverse split of shares after notification by the NYSE MKT; or if any other event occurs or any condition exists which makes continued listing on the NYSE MKT, in its opinion, inadvisable.

If the NYSE MKT delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our securities, reduced liquidity, decreased analyst coverage of our securities, and an inability for us to obtain additional financing to fund our operations.

***Issuances of our stock in the future could dilute existing shareholders and adversely affect the market price of our common stock.*** We have the authority to issue up to 100,000,000 shares of common stock, 5,000,000 shares of preferred stock, and also to issue options and warrants to purchase shares of our common stock without stockholder approval. As of March 15, 2013, there were 52,679,369 shares of common stock outstanding. Future issuances of our securities could be at prices substantially below the price paid for our common stock by our current shareholders. In addition, we can issue blocks of our common stock in amounts up to 20% of the then outstanding shares without further shareholder approval. Because we experience lower trading volume in our common stock than many of our larger peers, the issuance of a significant amount of our common stock may have a disproportionately large impact on our share price compared to larger companies.

***Our awards of stock options to employees may not have their intended effect.*** A portion of our total compensation program for our executive officers and key personnel has historically included the award of options to buy our common stock. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could affect our ability to retain and motivate existing personnel and recruit new personnel.

#### **ITEM 1B.UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We classify our mineral properties into two categories: "Operating Properties" and "Exploration Properties". Operating Properties are properties on which we operate a producing mine and are what we consider a "material" property in accordance with Guide 7. We currently have an interest in six properties, including one Operating Property and five Exploration Properties, in the southern state of Oaxaca, Mexico. All of the properties are located in what is known as the San Jose structural corridor, which runs north 70 west. Our properties comprise 48 continuous kilometers of this structural corridor, which spans three historic mining districts in Oaxaca.

The map below shows the general location of our six properties:



**Operating Properties**

**The El Aguila Project**

*Background*

The El Aguila Project currently comprises 10 mining concessions aggregating 20,055 hectares as described in the table below:

<u>Acquisition Date</u>	<u>Concession Names</u>	<u>Hectares</u>	<u>Acquisition</u>
2002	El Aguila and El Aire	971	Lease, subject to royalty
2010	El Chacal and El Pilon,	1,445	Lease, subject to royalty
2010	El Pitayo, El Talaje, El Coyote, El Zarrito, San Luis and La Curva	17,639	Concession holder

Effective October 14, 2002, we leased El Aguila, El Aire and La Tehuana, from a former consultant to our company. The El Aguila and El Aire concessions are part of the El Aguila Project and the La Tehuana concession comprises the Las Margaritas property.

The El Aguila lease agreement is subject to a 4% net smelter return royalty where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Subject to meeting minimum exploration requirements,

there is no expiration term for the lease. We may terminate it at any time upon written notice to the lessor and the lessor may terminate it if we fail to fulfill any of our obligations, which primarily consists of paying the appropriate royalty to the lessor.

In 2010, we subsequently acquired from our former consultant, at no additional cost, the *El Chacal* and *El Pilon* concessions, which are subject to a 2% royalty, but are not subject to the *El Aguila* lease agreement. We filed for and received additional concessions from the Mexican government which are also not part of the concessions leased or acquired from our former consultant. The mineral concessions making up the *El Aguila* Project are located within the *San Pedro Totolapam Ejido*. As described in more detail in "**Mining Concessions and Regulations**" below, we are required to pay concession fees to the Mexican government to maintain our interest in these concessions, including the concessions which are subject to the lease agreement with our former consultant. We paid approximately \$68,000 during 2012 in maintenance fees to the Mexican government for the concessions comprising *El Aguila* Project.

#### *Location and Access*

The *El Aguila* Project is located in the *Sierra Madre del Sur* mountains of southern Mexico, in the central part of the State of Oaxaca. The property is located along a major paved highway approximately 120 kilometers (75 miles) southeast of Oaxaca City, the state's capital city. At the village of *San Jose de Gracia*, the property is approximately four kilometers due northwest from the village. We have constructed gravel and paved road from the village to the mine and mill sites which supports adequate access to the property by small and large vehicles.

The climate of the *El Aguila* Project area is dry and warm to very warm with most rainfall occurring in the summer and annual precipitation averaging only 423.7 mm (17 inches). The average yearly temperature is 26.6 degrees centigrade (80° F). The area is very rocky with scarce vegetation. Subsistence farming occurs and the main agricultural crop is agave cactus that is cultivated for the production of mescal.

#### *Geology and Mineralization*

The *El Aguila* Project is located in the *San Jose de Gracia* Mining District in Oaxaca. Multiple volcanic domes of various scales, and probably non-vented intrusive domes, dominate the district geology. These volcanogenic features are imposed on a pre-volcanic basement of sedimentary rocks. Gold and silver mineralization in this district is related to the manifestations of this classic volcanogenic system and is considered epithermal in character.

There are no known reserves at *El Aguila*, within the definition of the SEC Guide 7, and we have proceeded to commercially mine the property absent a feasibility study that would indicate any proven or probable reserves. As discussed in more detail below, we have produced metal concentrates from two locations on the *El Aguila* property, the open pit mine ("*El Aguila* open pit") and the underground mine at the *La Arista* vein system. The *El Aguila* open pit mineralization is considered low sulfidation, epithermal mineralization of gold and silver with no base metals. The *La Arista* vein system is considered intermediate epithermal mineralization of gold, silver, copper, lead, and zinc. The host rock at the *La Arista* vein system is primarily andesite.

#### *Facilities*

We constructed a mill facility and infrastructure at the *El Aguila* Project for approximately \$35 million, which was completed in 2010. The mill is flexible in its ability to process several types of mineralization. It has a differential flotation section capable of processing polymetallic ores and producing up to three separate concentrate products for sale, and an agitated leach circuit capable of producing gold and silver dore for sale. Depending on the specific ore type and characteristics, the mill, as it is presently configured, can process a nominal 440,000 tonnes of ore per year. Power is provided by diesel generators at the site. We obtained water rights from the Mexican government for an amount of water we believe is sufficient to meet our operating requirements and pump it approximately five kilometers to the site from a permitted well located near the Totolapam River.

Additional improvements we have made at the site include an access road from the major highway, a water line and pumping station, haul roads from the mine site to the mill, constructing buildings adjacent to the mill facility for office space and an assay lab and a tailings impoundment and other infrastructure.

In October 2007, we acquired an additional parcel of land which is approximately five hectares in size and adjacent to the community of *San Jose de Gracia*. The land cost us \$153,000. We have completed construction of an employee housing facility on this parcel for approximately \$1.9 million that includes 10 buildings and houses approximately 50 people.

#### *Exploration Activities*

The early history of activity at the *El Aguila* Project property, as known by us, is prospecting and limited mining for gold and silver from the early 1900's to the mid 1960's. In 1998, the concessions were leased to Apex Silver Corporation of Denver, Colorado. Apex carried out an exploration program involving geologic mapping, surface sampling and an 11-hole

drilling program (1,242 meters, or 4,074 feet). The results did not meet Apex's expectations so it cancelled its lease on the property in 2002. We leased the property from our former consultant in October 2002.

In August 2003, we commenced an initial drilling and exploration program. Through 2012, we have drilled a total of 359 core holes equaling 114,936 meters and 177 reverse circulation holes equaling 15,609 meters for a total of 536 holes totaling 130,545 meters (428,292 feet).

Exploration at the *El Aguila* Project includes drilling the *El Aguila* open pit mineralization and drilling the *El Aire* vein system mineralization and the discovery and subsequent detailed drilling of the *La Arista* vein system. The *La Arista* vein system is made up of two primary veins, the *Baja* vein and the *Arista* vein which are approximately 30 meters apart but also include multiple near parallel veins of varying length. The drilling of the *La Arista* vein system has shown mineralized material over 500 meters of strike length and 500 meters of depth. Both veins are open along strike and depth.

Surface drilling at *El Aguila* in 2012 was mainly a continuation of the previous year's activities of infill and step out drilling from the mine. In 2012, 52 surface diamond drill holes totaling 31,763 meters (104,209 feet) were completed on the *El Aguila* Project. New significant high-grade mineralization was encountered in 17 holes with drill intercepts including 3.83 grams per tonne gold and 985 grams per tonne silver over a core length of 4.21 meters and 9.23 grams per tonne gold and 1,040 grams per tonne silver over a core length of 2.93 meters. Other surface prospecting work consisted of field geological, structural and alteration mapping, geochemical sampling and a ground geophysical survey. The ground geophysical survey was carried out over the area of the mine and the area to the west and southwest. This survey generated a number of target areas that are marked for future drilling.

In 2013, we anticipate spending approximately \$7.4 million for exploration at *El Aguila*, consisting of approximately \$5.1 million for drilling, \$414,000 for geochemical surveys and \$400,000 for geophysical exploration, including an airborne magnetic and radiometric survey of all of our properties which was delayed from 2012. We anticipate that all exploration activities will be funded from working capital.

#### *Operating Activities*

We declared commercial production at the *El Aguila* Project July 1, 2010. Mineral production during 2010 consisted of processing ore from the *El Aguila* open pit located approximately 0.5 kilometers from the mill. Mining of the open pit ore was essentially completed in 2010 and there remained a lower-grade stockpile of open pit ore approximating 78,000 tonnes for future processing at the end of 2012.

During 2010, we began developing an underground mine to access two veins we named the *La Arista* and *Baja* veins, which we refer to as the "*La Arista* vein system". The underground mine is approximately two kilometers from the mill. We have constructed a primary decline ramp and that reached Level 14, approximately 262 meters below the portal, at December 31, 2012. We have also constructed a safety/ventilation decline ramp in conjunction with the primary decline ramp along with various drifts and stopes.

During 2012, we continued underground mining of the *La Arista* ore at our *El Aguila* Project and the main production areas were from level 8 to 10. Mine development and preparation occurred on Levels 11 to 13. Several factors contributed to the challenges we encountered with production from *La Arista* during 2012, including higher than planned dilution in our long-hole stopes, mining of lower grade vein margins and splays and continued development and infrastructure needs in the mine related to abatement of water inflow at lower levels along with required ventilation upgrades to reduce carbon dioxide levels associated with the increased water flows. To remediate these issues we installed additional water pumping stations and upgraded the underground mine ventilation system with several new vent fans.

We began transitioning from processing the open pit ore to the underground ore at our mill facilities in March 2011. In 2012, we processed underground ore through the mill at an average of 773 tonnes of ore per day and totaled 282,120 tonnes for the year, with an average grade of 4.3 grams per tonne gold and 355 grams per tonne silver. All of our processing is taking place using the mill's flotation circuit, as we have not yet utilized the mill's agitated leach circuit. We anticipate we would use the agitated leach circuit if ever we are able to mine sufficient ore from either the *El Rey* or *Las Margaritas* properties or any other property with potential oxide ore.

Please see the table titled "**Production and Sales Statistics—*El Aguila* Project**" in **Item 7. Management's Discussion and Analysis** for additional details concerning our mineral production statistics for 2012 and 2011.

#### **Exploration Properties**

We currently hold an interest in five additional properties in Oaxaca, which we classify as exploration properties. We do not currently consider any of these properties to be a "material" property for purposes of Guide 7 and none of these properties has any known reserves. We anticipate all exploration activities at these properties will be funded through our working capital.

### **The *El Rey* Property**

The *El Rey* property consists of concessions in another area in the state of Oaxaca known as *El Rey*, *El Virrey*, *La Reyna* and *El Marquez*. We acquired the *El Rey* concession from our former consultant and it is subject to a 2% net smelter return royalty payable to him on a portion of the claims. We obtained the remaining concessions by staking claims and filing for concessions with the Mexican government. These concessions total 2,773 hectares and we are required to pay concession maintenance fees semi-annually to the Mexican government to maintain the claims. We paid \$7,300 in maintenance fees for the concessions comprising *El Rey* property in 2012.

The *El Rey* property is approximately 64.4 kilometers (40 miles) from the *El Aguila* Project. 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 trucked to the *El Aguila* Project mill for processing. Limited drilling at *El Rey* has encountered gold and silver mineralization up to 1 meter of 132.5 grams per tonne gold (4.25 ounces per tonne) and 1.5 meters of 958 grams per tonne silver. The mineralized material has been located within 100 meters from the surface. To date, we have drilled 48 core holes for a total of 5,278 meters (17,316 feet) at the *El Rey* property. Early in 2012, we completed a small amount of work to finish refurbishing and extending an existing shaft on the property to permit underground exploratory drilling. We ceased work at *El Rey* during 2012 following a request to obtain additional approvals from local community agencies. We continue to work with the local agencies and anticipate resolving the matter, but we have no assurance we will be able to resume our exploration activities in the near term. If the matter is resolved, we will conduct follow-up drilling and exploration based on the drilling done in 2008, and have budgeted \$1.5 million for that purpose in that event. It is anticipated that *El Rey* will be included in our anticipated airborne geophysical survey.

### **The *Las Margaritas* Property**

The *Las Margaritas* property is made up of the *La Tehuana* concession. We leased this concession in October 2002 from our former consultant along with two of the concessions comprising the *El Aguila* property and the terms of this agreement are discussed under “**The *El Aguila* Project**” above. It is comprised of approximately 925 hectares located adjacent to the *El Aguila* Project. We are also required to pay concession maintenance fees semi-annually to the Mexican government to maintain this claim and we paid \$17,500 in maintenance fees during 2012.

In 2012, we conducted a geochemical stream sediment sampling program on *Las Margaritas*. A total of 300 samples were collected. Six rock samples were also collected from this property and submitted for fluid inclusion study. The result of this survey indicated a number of areas were appropriate for further investigation by diamond drilling from surface. We completed a series of access roads after consultation with the local community to help facilitate the drill program. In 2012, fifteen surface diamond drill holes totaling 5,002 meters (16,410 feet) were completed on the *Las Margaritas* property. High-grade mineralization was encountered with drill intercepts including 27.90 grams per tonne gold and 2,600 grams per tonne silver over a core length of 2.85 meters. In 2013, drilling will continue at *Las Margaritas* to test various structural and mineralized exploration targets and we have budgeted approximately \$500,000 for this purpose.

### **The *Alta Gracia* Property**

In August 2009, we acquired claims adjacent to the *Las Margaritas* property in the *Alta Gracia* Mining District by filing concessions known as the *David 1*, the *David 2* and *La Hurradura*, totaling 5,175 hectares. We refer to this property as the *Alta Gracia* property. We are required to pay concession maintenance fees to the Mexican government semi-annually in order to maintain these claims and we paid \$14,000 in annual fees during 2012.

During 2010, we conducted surface sampling and geologic mapping at *Alta Gracia*. Our rock chip samples and other geologic field work have identified several structural targets containing gold and silver mineralization, including three high-grade polymetallic veins that outcrop on the surface near some historic workings. During 2010 and 2011, we identified multiple drill targets. We also conducted a small amount of underground exploration by driving drifts and crosscuts into exposed veins. In 2012, we completed a preliminary drill program consisting of twelve surface diamond drill holes totaling 3,262 meters (10,702 feet). Drill results were encouraging and will be assessed in 2013 to help plan further drilling campaigns. In addition, detailed mapping and sampling will be required to assess the resource potential of *Alta Gracia* to determine if mine development is warranted. We will also conduct additional metallurgical test work to determine the amenability of the ore at our *El Aguila* processing facility.

We have no established timetable for our exploration activities at *Alta Gracia* and any additional exploration activities conducted in 2013 will be included as part of the exploration budget for *El Aguila*.

### **The *El Chamizo* Property**

In June 2011, we staked mineral claims between the *El Rey* property and *Alta Gracia* property and acquired an exploration concession from the Mexican government of approximately 26,386 hectares (101 square miles) referred to as *El*

*Chamizo*. We are required to pay maintenance fees to the Mexican government semi-annually to maintain these claims and we paid approximately \$24,000 in maintenance fees during 2012. In March 2013, we acquired a concession known as *Cerro Colorado* from Almaden Minerals, Ltd. consisting of approximately 1,860 hectares. The *Cerro Colorado* concession is surrounded by our *El Chamizo* concession and we include it as part of the *El Chamizo* property. Any future production from the *Cerro Colorado* concession is subject to a 2% net smelter return royalty in favor of Almaden.

Because of the close proximity of *El Chamizo* to *Alta Gracia*, exploration activity began on this property during late 2011 and to date has been limited to geochemical sampling and drilling of eight shallow core holes for a total of 1,327 meters (4,353 feet). No significant work was conducted at *El Chamizo* during 2012. In 2013, exploration on the property will include the property-wide airborne geophysical survey and additional geochemical sampling, which is included in the exploration budget for *El Aguila*.

### ***El Fuego Property***

In March 2013, we acquired two concessions from Almaden Minerals Ltd. for \$100,000 cash subject to a 2% net smelter return royalty. The *Cerro Colorado* concession is surrounded by our *El Chamizo* property and included as part of this property as discussed above. The *El Fuego* concession consists of approximately 2,554 hectares and is located south of our *Alta Gracia* and *El Chamizo* property along the San Jose structural corridor. We will be required to pay maintenance fees to the Mexican government semi-annually to maintain this claim during 2013. We currently do not anticipate conducting exploration activities on *El Fuego* during 2013, however, it will be included in the property-wide airborne geophysical survey.

### **The *Solaga* Property**

We leased a 100% interest in a property we refer to as the *Solaga* property, which is comprised of two mining concessions totaling 618 hectares known as *Solaga I* and *Solaga II* in February 2007 located approximately 120 kilometers (75 miles) northeast of the *El Aguila* Project. In early 2013, we terminated our interest in this lease, which was subject to a 4% net smelter return royalty on any production and required an annual minimum advance royalty payment of \$10,000 if production had not commenced by 2010. We paid the minimum advance royalty to the lessor in 2012, 2011 and 2010 in accordance with the lease. We also paid \$5,500 in maintenance fees for *Solaga* during 2012.

### **Mining Concessions and Regulations**

Mineral rights in Mexico belong to the Mexican federal government and are administered pursuant to Article 27 of the Mexican Constitution. All of our mining concessions are exploitation concessions, which may be granted or transferred to Mexican citizens and corporations. Our leases or concessions are held by our Mexican subsidiaries. Exploitation concessions have a term of 50 years and can be renewed for another 50 years. Concessions grant us the right to explore and exploit all minerals found in the ground. Maintenance of concessions requires the semi-annual payment of mining duties (due in January and July) and the performance of assessment work, on a calendar year basis, with assessment work reports required to be filed in the month of May for the preceding calendar year. The amount of mining duties and annual assessment are set by regulation and may increase over the life of the concession and include periodic adjustments for inflation. Mining concessions are registered at the Public Registry of Mining in Mexico City and in regional offices in Mexico.

Mexican mining law does not require payment of finder's fees or royalties to the government, except for a discovery premium in connection with national mineral reserves, concessions and claims or allotments contracted directly from the Mexican Geological Survey. None of the claims held by any of our subsidiaries are under such a discovery premium regime.

### ***Ejido* Lands and Surface Right Acquisitions**

Surface lands at our Oaxaca mining properties are *Ejido* lands (agrarian cooperative lands granted by the federal government to groups of *Campesinos* pursuant to Article 27 of the Mexican Constitution of 1917). Prior to January 1, 1994, *Ejidos* could not transfer *Ejido* lands into private ownership. Amendments to Article 27 of the Mexican Constitution in 1994 now allow individual property ownership within *Ejidos* and allow *Ejidos* to enter into commercial ventures with individuals or entities, including foreign corporations. We have an agreement with the local *San Pedro Totolapam Ejido* allowing exploration and exploitation of mineralization at the *El Aguila* Project and our surrounding properties.

Mexican law recognizes mining as a land use generally superior to agricultural. However, the law also recognizes the rights of the *Ejidos* to compensation in the event mining activity interrupts or discontinues their use of the agricultural lands. Compensation is typically made in the form of a cash payment to the holder of the agricultural rights. The amount of such compensation is generally related to the perceived value of the agricultural rights as negotiated in the first instance between the *Ejidos* and the owner of the mineral rights. If the parties are unable to reach agreement on the amount of the compensation, the decision will be referred to the government.

We have established surface rights agreements with the *San Pedro Totolapam Ejido* and the individuals impacted by our proposed operations which allow disturbance of the surface where necessary for our exploration activities and mining operations.

#### **Office Facilities**

We maintain offices in Oaxaca and in Colorado. We constructed an administrative office building adjacent to the mill site as part of the facilities at the *El Aguila* Project. We also lease office space in Oaxaca City, Oaxaca consisting of approximately 3,000 square feet. The lease commenced in 2012 for ten years at approximately \$6,000 per month. In 2010, we purchased a building in Colorado Springs, Colorado, containing approximately 4,500 square feet which serves as our executive and administrative headquarters. We also established a small satellite office in Denver, Colorado in 2012 consisting of approximately 2,500 square feet, which we leased for three years at approximately \$5,000 per month.

## Glossary

The following terms used in this report shall have the following meanings:

Adit:	A more or less horizontal drive (walk-in mine) into a hill that is usually driven for the purpose of intersecting or mining an ore body. An adit may also be driven into a hill to intersect or connect a shaft for the purpose of dewatering. Adits were commonly driven on a slight incline to enable loaded mine trucks to have the advantage of a downhill run out, while the empty (lighter) truck was pushed uphill back into the hill. The incline also allows water to drain out of the adit. An adit only becomes a tunnel if it comes out again on the hill somewhere, like a train tunnel.
Andesite:	An extrusive igneous, volcanic rock, of intermediate composition, with aphanitic to porphyritic texture characteristic of subduction zones, such as the western margin of South America. Along with basalts they are a major component of the martian crust.
Doré:	Unrefined gold and silver bars usually containing more than 90% precious metal.
Epithermal:	Used to describe gold deposits found on or just below the surface close to vents or volcanoes, formed at low temperature and pressure.
Gram:	A metric unit of weight and mass, equal to 1/1000th of a kilogram. One gram equals .035 ounces. One ounce equals 31.103 grams.
Hectare:	Another metric unit of measurement, for surface area. One hectare equals 1/200th of a square kilometer, 10,000 square meters, or 2.47 acres. A hectare is approximately the size of a soccer field.
Kilometer:	Another metric unit of measurement, for distance. The prefix "kilo" means 1000, so one kilometer equals 1,000 meters, one kilometer equals 3,280.84 feet, which equals 1,093.6 yards, which equals 0.6214 miles.
Manto:	A mineralogy term meaning a layer or stratum.
Mineralized Material:	Minerals or any mass of host rock in which minerals of potential commercial value occur.
Net Smelter Return Royalty:	A share of the net revenue generated from the sale of metal produced by the mine.
Ore or Ore Deposit:	Rocks that contain economic amounts of minerals in them and that are expected to be profitably mined.
Portal:	The entrance to the mine at the surface.
Silicified:	Is combined or impregnated with silicon or silica.
Tonne:	A metric ton. One tonne equals 1000 kg. It is approximately equal to 2,204.62 pounds.
Volcanogenic:	Of volcanic origin.
Volcanic domes:	These are mounds that form when viscous lava is erupted slowly and piles up over the vent, rather than moving away as lava flow. The sides of most domes are very steep and typically are mantled with unstable rock debris formed during or shortly after dome emplacement. Most domes are composed of silica-rich lava which may contain enough pressurized gas to cause explosions during dome extrusion.

**Conversion Table**

Metric System	Imperial System
1 metre (m)	3.2808 feet (ft)
1 kilometer (km)	0.6214 mile (mi)
1 square kilometer (km <sup>2</sup> )	0.3861 square mile (mi <sup>2</sup> )
1 square kilometer (km <sup>2</sup> )	100 hectares (has)
1 hectare (ha)	2.471 acres (ac)
1 gram (g)	0.0322 troy ounce (oz)
1 kilogram (kg)	2.2046 pounds (lbs)
1 tonne (t)	1.1023 tons (t)
1 gram/tonne (g/t)	0.0292 ounce/ton (oz/t)

**ITEM 3. LEGAL PROCEEDINGS**

On October 25, 2012, a purported securities class action lawsuit captioned *Scott Cantor, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation, et al.*, was filed in the U.S. District Court for the District of Colorado and on November 13, 2012, a similar case captioned *Robert Rhodes, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation, et al.*, was filed in the same court. The cases were subsequently consolidated into *In re Gold Resource Corp. Securities Litigation, No. 1:12-cv-02832*. This federal court action names the company and certain of its executive officers individually as defendants and alleges, among other things, that we and those officers violated Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 in connection with statements and/or omissions relating to our annual production targets, mine operations and financial reporting for the period between January 30, 2012 and November 8, 2012. The plaintiffs seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incur in the lawsuit. We believe the allegations are without merit and that we have valid defenses to such allegations. We intend to defend this action vigorously.

On February 8, 2013, a shareholder's derivative lawsuit entitled *City of Bristol Pension Fund v. Reid et al., No. 1:13-CV-00348* was filed in the U.S. District Court for the District of Colorado naming us as a nominal defendant, and naming seven of our current and former officers and directors as defendants. The lawsuit alleges breach of fiduciary duty, gross mismanagement and unjust enrichment and seeks to recover, for Gold Resource Corporation's benefit, unspecified damages purportedly sustained by us in connection with the alleged misconduct identified in the class action lawsuit discussed above and an award of attorney's fees and costs. Pursuant to our articles of incorporation, we are obligated to indemnify our officers and directors with respect to this litigation and our company will bear the cost associated with defense of these claims. We are investigating the claims alleged in the derivative lawsuit and will respond appropriately.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NYSE MKT LLC stock exchange, which we refer to as the NYSE MKT, under the symbol "GORO". The table below sets forth the high and low bid prices for our common stock on the NYSE MKT for the last two fiscal years (previously known as NYSE Amex).

Year Ending	High	Low
<u>December 31, 2012</u>		
First Quarter	\$ 27.74	\$ 21.65
Second Quarter	28.37	21.03
Third Quarter	26.96	16.54
Fourth Quarter	21.98	12.13
<u>December 31, 2011</u>		
First Quarter	\$ 29.90	\$ 21.16
Second Quarter	31.38	21.76
Third Quarter	28.74	16.65
Fourth Quarter	24.19	15.06

On March 15, 2013, the high and low sales price of our common stock on the NYSE MKT stock exchange were \$13.27 and \$12.67, respectively, and we had approximately 115 holders of record of our common stock. The approximate number of beneficial shareholders is 23,000.

Securities authorized for issuance under equity compensation plans

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2012.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average Exercise price of Outstanding options, warrants and rights (b)	Number of securities Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:	6,020,000	\$ 8.55	1,578,000
Equity compensation plans not approved by security holders:	-	-	-
Total	6,020,000	\$ 8.55	1,578,000

Purchases of Equity Securities by the Company and Affiliated Purchasers

In September 2011, our Board of Directors authorized a share repurchase program to purchase up to \$20.0 million of our common stock with no pre-established end date.

**Issuer Purchases of Equity Securities**  
**Registered Pursuant to Section 12 of the Exchange Act**

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></u>	<u>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs</u> <i>(in thousands)</i>
July 1-September 30, 2011	51,000	\$ 19.01	51,000	\$ 19,030
October 1-December 31, 2011	53,251	18.39	53,251	18,046
Total 2011	<u>104,251</u>	<u>18.69</u>	<u>104,251</u>	18,046
January 1-March 31, 2012	-			18,046
April 1-June 30, 2012	-			18,046
July 1-September 30, 2012	82,740	18.07	82,740	16,551
October 1-December 31, 2012	149,407	16.30	149,407	14,116
Total 2012	<u>232,147</u>	<u>16.93</u>	<u>232,147</u>	14,116
Total	<u>336,398</u>	<u>\$ 17.49</u>	<u>336,398</u>	\$ 14,116

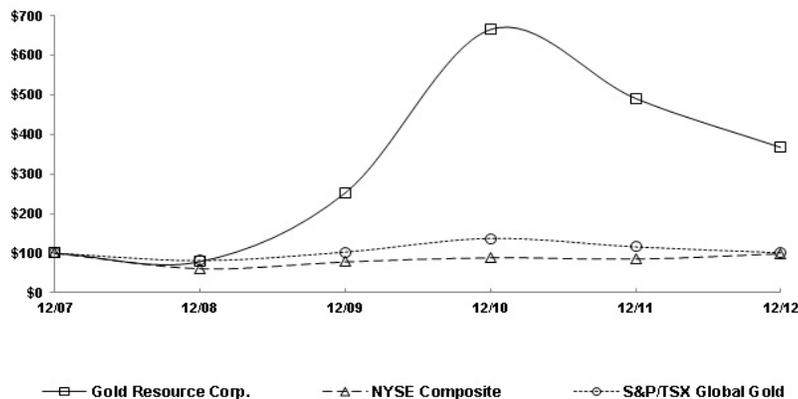
(1) The total number of shares purchased as part of publicly announced plans or programs includes shares purchased under the Board's authorizations described above.

**Performance Graph**

*The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference in such filing.*

The following graph compares the performance of Gold Resource Corporation common stock with the performance of the NYSE MKT Composite Index and the S&P TSX Global Gold Fund, assuming reinvestment of dividends on December 31 of each year indicated. The graph assumes \$100 invested at the per share closing price in Gold Resource Corporation and each of the indices on December 31, 2007.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Gold Resource Corp., the NYSE Composite Index, and the S&P/TSX Global Gold Index



\*\$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

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	12/07	12/08	12/09	12/10	12/11	12/12
<b>Gold Resource Corp.</b>	100.00	78.65	252.81	665.55	490.96	367.38
<b>NYSE Composite</b>	100.00	60.74	77.92	88.36	84.96	98.55
<b>S&amp;P/TSX Global Gold</b>	100.00	81.17	102.84	137.44	115.88	101.10

**Transfer Agent**

Computershare Investor Services is the transfer agent for our common stock. The principal office of Computershare is located at 350 Indiana Street, Suite 750, Golden, CO 80401 and its telephone number is (303) 262-0600.

**Dividend Policy**

Since we have declared commercial production at our El Aguila Project, one of our primary goals is to make a cash or in-kind distribution to shareholders. As described in more detail below in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we use Cash Flow from Mine Site Operations as a metric to determine whether to declare and pay dividends to shareholders. Our long-term goal is to distribute one-third of Cash Flow from Mine Site Operations back to shareholders. In keeping with this policy, and beginning July 2010, we determined on a monthly basis to declare a special dividend every month until August 2011 ranging from \$0.03 to \$0.04 per share. In August 2011, we increased the dividend to \$0.05 per share and instituted a regular monthly dividend policy at that time. In April 2012, we increased the dividend to \$0.06 per share. Special and regular dividends should not be considered a prediction or guarantee of future dividends. Our instituted dividend may be modified or discontinued at the discretion of our Board of Directors, depending on variables such as, but not limited to, operating cash flow, development requirements and strategies, construction projects, spot gold and silver prices, taxation and general market conditions. At the present time, we are not a party to any agreement that would limit our ability to pay dividends. All dividends have been declared and charged against additional paid in capital.

The table below sets forth the frequency and amounts of cash dividends declared on our common stock for the fiscal years ended December 31, 2011 and 2012, respectively.

<b>Date Declared</b>		<b>Per Share Amount</b>
<b>2011</b>		
January 26, 2011	\$	0.03
February 23, 2011		0.03
March 29, 2011		0.03
April 28, 2011		0.04
May 26, 2011		0.04
June 27, 2011		0.04
July 25, 2011		0.04
August 23, 2011		0.05
October 5, 2011		0.05
October 27, 2011		0.05
November 29, 2011		0.05
December 28, 2011		0.05
Total 2011:	\$	<u>0.50</u>
<b>2012</b>		
January 26, 2012	\$	0.05
February 24, 2012		0.05
March 27, 2012		0.05
April 30, 2012		0.06
May 29, 2012		0.06
June 28, 2012		0.06
July 24, 2012		0.06
August 28, 2012		0.06
September 27, 2012		0.06
October 31, 2012		0.06
November 27, 2012		0.06
December 31, 2012		0.06
Total 2012:	\$	<u>0.69</u>

**ITEM 6. SELECTED FINANCIAL DATA**

The following selected financial data sets forth our summary historical financial data as of and for the years ended December 31, 2012, 2011, 2010, 2009, and 2008. This information was derived from our audited consolidated financial statements for each period. Our selected historical financial data is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes thereto included elsewhere in this report. For additional information relating to our operations, see "Item 1. Business" and "Item 2. Properties."

**Operating Data***(in thousands, except share data)*

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Sales of metals concentrate	\$ 131,794	\$ 105,163	\$ 14,754	\$ -	-
Mine gross profit	87,773	80,521	7,971	-	-
Operating Income (loss)	49,704	45,674	(22,839)	(34,184)	(26,349)
Other (expense) income	(2,736)	2,414	(235)	55	334
Income (loss) before income taxes	46,968	48,088	(23,074)	(34,129)	(26,015)
Provision for income taxes	13,297	(12,037)	-	-	-
Net income (loss) before extraordinary item	33,671	60,125	(23,074)	(34,129)	(26,015)
Extraordinary item	-	(1,756)	-	-	-
Net income (loss)	<u>\$ 33,671</u>	<u>\$ 58,369</u>	<u>\$ (23,074)</u>	<u>\$ (34,129)</u>	<u>\$ (26,015)</u>
Net income per common share:					
Basic:					
Before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)	\$ (0.78)	\$ (0.76)
Extraordinary item	-	(0.03)	-	-	-
Net income	<u>\$ 0.64</u>	<u>\$ 1.10</u>	<u>\$ (0.46)</u>	<u>\$ (0.78)</u>	<u>\$ (0.76)</u>
Diluted:					
Before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)	\$ (0.78)	\$ (0.76)
Extraordinary item	-	(0.03)	-	-	-
Net income	<u>\$ 0.60</u>	<u>\$ 1.03</u>	<u>\$ (0.46)</u>	<u>\$ (0.78)</u>	<u>\$ (0.76)</u>
Weighted average shares outstanding:					
Basic	52,846,163	52,979,481	50,042,471	43,764,703	34,393,854
Diluted	<u>56,315,885</u>	<u>56,414,654</u>	<u>50,042,471</u>	<u>43,764,703</u>	<u>34,393,854</u>

**Balance Sheet Data***(in thousands)*

	As of December 31,				
	2012	2011	2010	2009	2008
Cash and cash equivalents	\$ 35,780	\$ 51,960	\$ 47,582	\$ 6,752	\$ 3,535
Total current assets	58,984	85,108	57,687	20,701	3,737
Land and mineral rights	227	227	227	227	227
Property and equipment, net	14,050	10,318	4,849	1,726	812
Deferred tax asset	31,559	19,517	-	-	-
Total assets	105,629	115,170	62,797	22,665	4,781
Current liabilities	13,025	25,761	6,456	725	1,753
Long-term obligations	2,790	2,281	2,495	1,992	-
Shareholders' equity	89,814	87,128	53,846	19,948	3,028

See the consolidated financial statements attached hereto under Item 8 for additional information

**Except for the historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. Our actual future results or actions may differ materially from these forward-looking statements for many reasons, including the risks described in "Risk Factors" and elsewhere in this annual report. Our discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and related notes included in this report and with the understanding that our actual future results may be materially different from what we currently expect.**

## Introduction

The following discussion summarizes our results of operations for three fiscal years ended December 31, 2012 and our financial condition at December 31, 2012 and 2011, with a particular emphasis on the year ended December 31, 2012. The discussion also presents certain Non-GAAP financial measures that are important to management in its evaluation of our operating results and which are used by management to compare our performance with what we perceive to be peer group mining companies and relied on as part of management's decision-making process. Management believes these measures may also be important to investors in evaluating our performance. For a detailed description of each of the Non-GAAP financial measures, please see the discussion under "**Non-GAAP Measures**" below.

## Overview

### *Business*

We are a mining company that pursues gold and silver projects that are expected to have low operating costs and high returns on capital. We are presently focused on mineral production at the *El Aguila* Project in Oaxaca, Mexico. We achieved commercial production in July 2010 at our *El Aguila* open pit mine with a metal concentrate containing our primary product of gold and a silver by-product. Operations at the *El Aguila* open pit mine ceased in February 2011 with the start-up of mine operations at the *La Arista* underground mine in March 2011. Our *La Arista* underground mine produces metal concentrates that contain our primary metal products of gold and silver, and by-products of copper, lead and zinc.

The mill located at our *El Aguila* Project produced a total of 90,432 precious metal gold equivalent ounces for the year ended December 31, 2012, which was within our revised 2012 target mill production of 85,000 to 100,000 precious metal gold equivalent ounces. During this period, we sold 72,399 of precious metal gold equivalent ounces at a total cash cost (including royalties) of \$419 per precious metal gold equivalent ounce sold. Precious metal gold equivalent is determined by taking the silver ounces produced or sold and converting them to precious metal gold equivalent ounces using the gold to silver average price ratio. The gold and silver average prices used are the actual metal prices realized from the sales of our metals concentrate. (Please see the section titled "**Non-GAAP Measures**" below for additional information concerning the cash cost per ounce measure.) For the year ended December 31, 2012, we recorded revenues of \$131.8 million, mine gross profit of \$87.8 million and net income of \$33.7 million.

Although our annual mill production increased 36.5% over the prior year, we encountered several challenges with production at *La Arista* during 2012, including higher than planned mining dilution in our long-hole stopes, mining of lower grade vein margins and splays, continued development and infrastructure needs in the mine related to abatement of water inflow at lower levels and ventilation upgrades to reduce carbon dioxide levels. In order to adequately address these issues in 2013, our new on-site management team has taken a more proactive development approach to mitigate effects of water and carbon dioxide gas including some off vein development, construction of additional ventilation fans providing fresh air to the mine and additional water pumping stations.

### *Exploration Stage Company*

We are considered an exploration stage company under the SEC criteria since we have not demonstrated the existence of proven or probable reserves at our *El Aguila* Project in Oaxaca, Mexico or any of our other properties. Accordingly, as required by the SEC guidelines (see **Note 1 to the Consolidated Financial Statements**) and U.S. GAAP for companies in the exploratory stage, substantially all of our investment in mining properties to date, including construction of the mill, mine facilities and mine development expenditures, have been expensed and therefore do not appear as assets on our balance sheet. Certain expenditures, such as expenses for rolling stock or other general purpose equipment, may be capitalized, subject to our evaluation of the possible impairment of the asset.

Our characterization as an exploration stage company regarding the treatment of construction and development expenditures as an operating expense rather than as a capital expenditure, has caused us to report larger losses in 2010 and lower net income in 2011 and 2012 than if we had capitalized the expenditures. Additionally, we will not have a corresponding depreciation or amortization expense for these costs going forward since they are expensed as incurred rather

than capitalized. Although the majority of the capital expenditures for the *El Aguila* Project were completed between 2007 and 2010, we expect underground mine construction to continue in future years and we will be completing additional capital improvements at our *El Aguila* mill during 2013 and future years. In comparison to other mining companies that capitalize development expenditures because they have exited the exploration stage, we may report larger losses or lesser profits as a result of this ongoing construction, which will be expensed instead of capitalized for accounting purposes. We expect to remain as an exploration stage company for the foreseeable future, even though we have reached commercial production. We will not exit the exploration stage until such time, if ever, that we demonstrate the existence of proven or probable reserves that meet the SEC guidelines. Likewise, unless mineralized material is classified as proven or probable reserves, substantially all expenditures for mine and mill construction have been or will be expensed as incurred.

#### *Exploration Activities*

During 2012, we continued to focus primarily on infill and step out drilling at the *La Arista* underground mine, located at the *El Aguila* Project. Because this drilling is used to define the mineralization and to assist in mining of the ore at the underground mine, these expenses are considered development and delineation of the ore body (not exploration), and these costs are classified as construction and development in the consolidated statements of operations.

Exploration activities that are classified as exploration expenses in the consolidated statements of operations include, but are not limited to, drilling on other areas of the *El Aguila* property to test new geologic targets and exploration work on our other properties. Exploration during 2012 included commencing a surface drill program on portions of the *Las Margaritas* property, we also are completing a limited drilling campaign at *Alta Gracia* and *El Chamizo* focusing on previously identified drill targets.

#### *Physical Dividend Program*

In April 2012, we launched a physical dividend program pursuant to which our shareholders have the option to convert the cash dividends we pay into physical gold and silver bullion. As part of our overall strategy to diversify our treasury and to facilitate this program, we purchase gold and silver bullion. In order for a shareholder to convert their cash dividend into physical gold and/or silver, the shareholder must opt-in to the physical dividend program and request the conversion of their cash dividend, or any portion thereof, into physical gold and/or silver. For those shareholders who elect to convert their cash dividend into gold and/or silver bullion, the gold and silver will be delivered in the form of gold/silver one ounce bullion rounds. No action is required by any shareholder who elects not to participate in the physical metals program. For those shareholders who wish to convert any portion of their cash dividend into gold and/or silver bullion, the process is summarized as follows:

- Shareholders must register and hold their Gold Resource Corporation common shares in their name directly with our transfer agent, Computershare Investor Services, and not through a brokerage house or other intermediary. This is a requirement so that we can locate and validate the shareholder's position in our common stock.
- Shareholders must set up an individual account with Gold Bullion International ("GBI"), 225 Liberty Street New York, NY 10006. GBI facilitates the cash to gold and silver conversion.
- Shareholders then direct their cash dividend check issued by Computershare to be electronically sent to that shareholder's GBI account for the option to have it, or any portion thereof that denominates into a one ounce gold or silver bullion round. The election to convert all or any portion of the shareholder's cash dividend into bullion is governed by an agreement between the shareholder and GBI.
- Shareholders with accounts at GBI who wish to change their current gold, silver or cash allocations for their cash dividend must do so by midnight EDT on the date preceding the monthly dividend record date. (We issue a press release with details of each dividend declaration, and the dividend record and payment dates.)
- On the dividend record date, the number of bullion ounces to be converted and distributed to the shareholder's individual account on the dividend payment date is calculated as the dollar value of that portion of the cash dividend the shareholder elected to convert to bullion, divided by the London Bullion Market PM gold fix on the record date or the London Bullion Market silver fix on the record date.

Only whole ounces of gold and silver bullion are credited to a shareholder's individual account on the dividend payment date. The cash value attributable to fractional ounces will remain in the shareholder's individual account as cash until such time as future dividends provide the shareholder with sufficient cash to convert to whole ounces of gold or silver based on the London PM gold fix and silver fix on a future dividend record date, and based on the shareholder's self-directed gold, silver or cash allocations in effect at that time. The shareholder may also choose to move their cash out of their GBI account. Shareholders cannot move cash into their GBI account for conversion into gold and silver. Only the shareholder's cash dividend sent from Computershare is eligible for conversion.

During the year ended December 31, 2012, we purchased approximately 1,974 ounces of gold and 59,001 ounces of silver at market prices for a total cost of \$5.2 million. During the year ended December 31, 2011, we purchased approximately 868 ounces of gold and 41,728 ounces of silver at market prices for a total cost of \$3.0 million.

#### *Settlement with Concentrate Buyer*

On November 5, 2012, we entered into a settlement agreement with our concentrate buyer as a result of the dispute over the metallurgical content of the concentrates sampled at buyer's facility after discovering issues related to the transportation, handling, control and sampling of those concentrates, and the resulting assays that were obtained from those samples. We believe the concentrates had been tampered with and compromised sometime after the shipments left the mine site and until the concentrates were sampled at the buyer's warehouse. The settlement agreement required the buyer to pay us \$1.5 million, representing the amount by which our provisional invoices for April, May and June 2012 exceeded the tentative settlement value, based on assays taken at the buyer's warehouse. In addition, the settlement agreement required us to accept the final settlement value, based on assays taken at the buyer's warehouse, for shipments made in February and March 2012. The settlement resulted in a reduction to precious metal gold equivalent sold of approximately 1,400 ounces and a net reduction to sales of metal concentrates of \$3.3 million, which included assay, pricing and other settlement adjustments with the buyer, for the six months ended June 30, 2012. These adjustments were recorded in the restated first and second quarter 2012 financial statements.

#### *Other Events*

In April 2012, the Board of Directors increased the instituted monthly dividend payment from \$0.05 per share to \$0.06 per share. Prior to instituting a regular monthly dividend in August 2011, the dividends were characterized as special dividends. Our long-term goal is to distribute approximately one-third of our Cash Flow from Mine Site Operations (See Non-GAAP Measures) as dividends to shareholders. In 2011, we distributed approximately 29.8% of Cash Flow from Mine Site Operations in shareholder dividends. In 2012, we distributed approximately 39.5% of Cash Flow from Mine Site Operations to our shareholders as dividends. Our dividends should not be considered a prediction or guarantee of future dividends. Our instituted dividend may be modified or discontinued at the discretion of our Board of Directors, depending on variables such as, but not limited to, operating cash flow, development requirements and strategies, construction projects, spot gold and silver prices, taxation and general market conditions.

### **Results of Operations—Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

#### *Sales of metals concentrate, net*

During the year ended December 31, 2012, we generated sales of \$131.8 million, net of treatment charges, compared to sales of \$105.2 million during the same period of 2011, an increase of 25.3%. The significant increase in sales for the year ended December 31, 2012 resulted from an increase in payable metals sold due to an increase in tonnes milled in 2012 at the *La Arista* underground mine. Fewer ore tonnes were milled and payable metals sold in 2011, principally due to operations at *La Arista* not commencing until March 2011. Revenue generated from sale of base metals contained in our concentrates is considered a by-product of our gold and silver production. (See Production and Sales Statistics tables titled "*La Arista* Underground Mine" and "*El Aguila* Open Pit Mine" below for additional information regarding the three months and years ended December 31, 2012 and 2011). The year ended 2012 was our second full year of commercial production. Metals prices realized in 2012 were mixed over the prior year, with average per ounce gold prices increasing to \$1,676 from \$1,644 per ounce, a 2% increase, and average per ounce silver prices decreasing to \$31 from \$35 per ounce, a 12% decrease.

Below are certain key operating statistics for our *La Arista* underground mine for 2012 and 2011 and the *El Aguila* open pit mine for 2011. Our production for 2012 consisted of ore from our *La Arista* underground mine. Our production for 2011 consisted of ore from both the *La Arista* underground mine and the *El Aguila* open pit mine. Production for the three months ended December 31, 2011 did not include ore from the *El Aguila* open pit mine, which ceased operations in February 2011, but it did include ore from the *La Arista* underground mine, which began operations in March 2011. Our production rate at *La Arista* is directly a result of mine development and the establishment of sufficient stopes and working faces. The number of stopes and working faces has increased as we have gone deeper in the mine, which has resulted in more tonnes of

ore processed at the mill in 2012 as compared to 2011. We also sustained , at various times, higher than expected mining dilution rates as high as 35% to 40% in the second quarter of 2012 as well as higher than targeted dilution rates at various times in the remaining quarters. This dilution lowers the head grades. We believe this to be an unacceptable dilution percentage and we continue to take steps to lower dilution.

**Production and Sales Statistics**

	La Arista Underground Mine		La Arista Underground Mine	
	Three Months	Three Months	Year Ended	Year Ended
	Ended December	Ended December	December 31,	December 31,
	31,	31,	2012	2011
	2012	2011	2012	2011
<b>Production Summary</b>				
<b>Milled:</b>				
Tonnes Milled	71,541	55,434	282,120	167,806
Tonnes Milled per Day	778	603	773	561
<b>Grade:</b>				
Average Gold Grade (g/t)	4.63	4.20	4.30	3.35
Average Silver Grade (g/t)	314	453	355	424
Average Copper Grade (%)	0.46	0.61	0.45	0.48
Average Lead Grade (%)	1.99	1.73	1.70	1.40
Average Zinc Grade (%)	4.78	3.70	3.98	2.92
<b>Recoveries:</b>				
Average Gold Recovery (%)	89	89	88	89
Average Silver Recovery (%)	94	93	93	93
Average Copper Recovery (%)	85	76	78	77
Average Lead Recovery (%)	73	79	70	78
Average Zinc Recovery (%)	82	79	81	76
<b>Mill production (before payable metal deductions)<sup>(1)</sup></b>				
Gold (ozs.)	9,528	6,631	34,417	16,027
Silver (ozs.)	675,607	753,414	2,996,743	2,122,000
Copper (tonnes)	277	258	986	620
Lead (tonnes)	1,037	760	3,374	1,840
Zinc (tonnes)	2,809	1,617	9,115	3,730
<b>Payable metal sold<sup>(1)</sup></b>				
Gold (ozs.)	5,774	5,873	26,675	15,700
Silver (ozs.)	417,932	716,221	2,446,232	2,034,187
Copper (tonnes)	162	194	769	464
Lead (tonnes)	953	622	3,187	1,510
Zinc (tonnes)	2,218	1,390	7,222	2,812
<b>Average metal prices realized</b>				
Gold (oz.)	\$ 1,691	\$ 1,691	\$ 1,676	\$ 1,644
Silver (oz.)	\$ 36	\$ 30	\$ 31	\$ 35
Copper (tonne)	\$ 7,942	\$ 7,019	\$ 8,033	\$ 8,095
Lead (tonne)	\$ 2,256	\$ 1,873	\$ 2,110	\$ 2,184
Zinc (tonne)	\$ 1,952	\$ 1,800	\$ 1,967	\$ 1,995
<b>Gold equivalent ounces produced (mill production)<sup>(1)</sup></b>				
Gold Ounces	9,528	6,631	34,417	16,027
Gold Equivalent Ounces from Silver	14,254	13,303	56,015	44,663
Total Gold Equivalent Ounces <sup>(3)</sup>	23,782	19,934	90,432	60,690
<b>Gold equivalent ounces sold<sup>(1)</sup></b>				
Gold Ounces	5,774	5,873	26,675	15,699
Gold Equivalent Ounces from Silver	8,818	12,646	45,724	42,815
Total Gold Equivalent Ounces	14,592	18,519	72,399	58,514
Total Cash Cost per Gold Equivalent Ounce <sup>(2)</sup>	\$ 551	\$ 279	\$ 419	\$ -

- (1) Mill production represents metal contained in concentrates produced at the mill, which is before payable metal deductions are levied by the buyer of our concentrates. In addition, mill production quantities for the year ended December 31, 2012 do not reflect any deduction for 583 gold ounces, respectively, and 45,432 silver ounces, respectively, (approximately 1,400 gold equivalent ounces) resulting from the settlement agreement with the buyer of our concentrates as discussed on page 30 under "Settlement with Concentrate Buyer". Gold equivalent ounces sold for the year ended December 31, 2012 have been reduced by approximately 1,400 gold equivalent ounces as a result of the settlement.
- (2) A reconciliation of this non-GAAP measure to mine cost of sales, the most comparable GAAP measure, can be found below in Non-GAAP Measures. Total cash cost per gold equivalent ounce sold for the combined La Arista underground mine and the El Aguila open pit mine for the for the year ended December 31, 2011, can be found in Non-GAAP Measures below.
- (3) Gold equivalent mill production for 2012 of 90,432 ounces differs from gold equivalent ounces sold for 2012 of 72,399 due principally to buyer (smelter) concentrate processing deductions of approximately 9,078 gold equivalent ounces, a settlement agreement with the buyer of the Company's concentrates of approximately 1,400 gold equivalent ounces and an increase in gold equivalent ounces contained in ending inventory of approximately 7,555 ounces.

#### Production and Sales Statistics

	El Aguila Open Pit Mine	
	Year Ended December 31,	
	2011 <sup>(1)</sup>	
<b>Production Summary</b>		
<b>Milled:</b>		
Tonnes Milled		46,409
Tonnes Milled per Day		829
<b>Grade:</b>		
Average Gold Grade (g/t)		4.18
Average Silver Grade (g/t)		53
<b>Recoveries:</b>		
Average Gold Recovery (%)		89
Average Silver Recovery (%)		75
<b>Mill production (before payable metal deductions)</b>		
Gold (ozs.)		5,559
Silver (ozs.)		58,309
<b>Payable metal sold</b>		
Gold (ozs.)		3,917
Silver (ozs.)		43,605
<b>Average metal prices realized</b>		
Gold (oz.)	\$	1,383
Silver (oz.)	\$	34
<b>Gold equivalent ounces produced (mill production)</b>		
Gold Ounces		5,559
Gold Equivalent Ounces from Silver <sup>(2)</sup>		-
Total Gold Equivalent Ounces		5,559
<b>Gold equivalent ounces sold</b>		
Gold Ounces		3,917
Gold Equivalent Ounces from Silver <sup>(2)</sup>		-
Total Gold Equivalent Ounces		3,917

- (4) Total cash cost per gold equivalent ounce sold for the combined La Arista underground mine and the El Aguila open pit mine for the for the year ended December 31, 2011 can be found in the *Non-GAAP Measures*.
- (5) Silver ounces were considered a by-product in arriving at the total cash cost per ounce equivalent.

For the year ended December 31, 2012, we sold 26,675 ounces gold and 2,446,232 ounces silver from the La Arista underground mine for at gross sales value of approximately \$44.7 million and \$75.8 million, respectively. This compares to 19,617 ounces gold and 2,077,792 ounces silver during 2011 from both the La Arista underground mine and El Aguila open pit mine, for gross sales value of \$31.3 million and \$72.7 million respectively. From the El Aguila open pit mine, we sold 3,917 ounces gold and 43,605 ounces silver during the first two months of 2011 and from the La Arista underground mine, we sold 15,700 ounces gold and 2,034,187 ounces silver during the last ten months of 2011. The increase in sales in 2012 principally resulted from a full year of operations at La Arista in 2012, versus ten months of operations at La Arista in 2011.

#### Production

For the year ended December 31, 2012 mill production totaled 90,432 ounces of precious metal gold equivalent compared to 66,249 ounces of precious metal gold equivalent for 2011. See the table titled "**Production and Sales Statistics- El Aguila Project**" above for additional information regarding our mineral production statistics.

We continue to focus on mining and development activities at the *La Arista* underground mine. Our production is dependent on the rate of mine development and the establishment of sufficient stopes and working faces. We anticipate the number of stopes and working faces will increase in 2013 and that precious metal mill production may be similar with 2012 mill production. Our 2013 mine plan anticipates that we will be mining areas of the deposit that contain higher levels of base metals, as compared to 2012. We are targeting mill production of 80,000 to 100,000 ounces of precious metal gold equivalent in 2013.

*Mine gross profit.* For the year ended December, 2012 mine gross profit totaled \$87.8 million compared to \$80.5 million for the year ended December 31, 2011. The increase in mine gross profit from the prior year was primarily due to the increase in sales of metal concentrate due to an increase in the quantities of payable metal sold. Mine gross profit as a percent of sales for the year ended December 31, 2012 decreased to 66.6% from 76.6% during the same period in 2011, principally due to higher labor, contractor services, diesel, concentrate transportation and other operating costs in 2012.

*Net income (loss) before extraordinary item.* For the year ended December 31, 2012, net income before extraordinary item was \$33.7 million, or \$0.60 per diluted share, as compared to net income before extraordinary item of \$60.1 million or \$1.06 per diluted share, for the comparable period of 2011. The \$26.4 million decrease in net income in 2012 was principally attributable to a \$12.0 million income tax benefit in 2011 resulting from a reduction to the income tax valuation allowance, as compared to \$13.3 million of income tax expense in 2012.

*Costs and expenses.* Total costs and expenses during the year ended December 31, 2012 were \$38.1 million compared to \$34.9 million during the comparable period of 2011, an increase of \$3.2 million, or 9.2%. The increase resulted from an increase in general and administrative expenses, and exploration expenses, which were partially offset by a decrease in construction and development expenses, as discussed in more detail below.

*General and administrative expenses.* General and administrative expenses for the year ended December 31, 2012 was \$13.5 million compared to \$8.9 million for the same periods of 2011. The \$4.6 million increase in 2012 principally resulted from higher stock-based compensation expense, investor relations activities, professional services and insurance costs.

*Exploration expenses.* Property exploration expenses totaled \$8.0 million for the year ended December 31, 2012, compared to \$4.9 million during the same period of 2011. The \$3.1 million increase in exploration expenses results from higher expenditures in 2012 to evaluate and drill new exploration targets on the *El Aguila* and *Alta Gracia* properties, and to evaluate other prospects near our *La Arista* underground mine. We also set up an exploration office in Turkey in September 2012. Exploration costs associated with definition and delineation drilling of the *La Arista* vein system are reflected in construction and development expenses.

*Construction and development expenses.* Construction and development expenses during the year ended December 31, 2012 decreased to \$16.6 million from \$21.0 million during 2011. Construction and development includes mine development costs attributable to definition and delineation drilling of the *La Arista* vein system, and construction related activities at the *El Aguila* Project. The \$4.4 million decrease when compared to 2011 is due to lower expenditures in 2012 relating to construction of the tailings dam, expansion of the flotation cells in the flotation circuit in the mill, construction of the mine camp and infrastructure construction. We will continue to focus on further mine development of *La Arista* and construction related activities at the *El Aguila* Project for the foreseeable future.

*Other (expense) income.* For the year ended December 31, 2012, we recorded other expense of \$ 2.7 million, compared to other income of \$2.4 million during the same period of 2011. The change in other (expense) income resulted primarily from recognizing a foreign currency loss of \$ 2.9 million during the year ended December 31, 2012 compared to a foreign currency gain of \$2.7 million in the comparable period in 2011. The current year losses resulted from currency translation adjustments during a period when the dollar was increasing compared to the Mexican peso, and a \$2.0 million reclassification from other comprehensive loss to foreign exchange loss.

*Provision for income taxes.* For the year ended December 31, 2012, income tax provision was \$13.3 million as compared to an income tax benefit of \$12.0 million for the year ended December 31, 2011. The \$25.3 million increase in income tax provision in 2012 principally resulted from a \$28.3 million reduction to a valuation allowance on deferred tax assets in 2011 as compared to a \$4.6 million reduction to a valuation allowance on deferred tax assets in 2012. There was no corresponding income tax provision or benefit during the 2010 due to start-up of operations in 2010. As of December 31, 2012, there were no remaining valuation allowances on the Company's deferred tax assets. See **Note 7 to the Consolidated Financial Statements** for additional information.

*Extraordinary item.* On April 20, 2011, the *El Aguila* Project suffered severe damage from an anomalous rain and hail storm which flooded the *La Arista* underground mine and damaged existing roads, buildings and equipment. We experienced a loss of \$2.5 million, for which we recorded an extraordinary loss of \$1.8 million, net of income tax benefit of \$0.8 million, for the year ended December 31, 2011.

## Results of Operations – Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

During the year ended December 31, 2011 we sold 19,617 ounces of gold at an average realized price of \$1,596 per ounce for \$31.3 million of gross revenue, and 2,077,792 ounces of silver at an average realized price of \$35 per ounce for approximately \$72.7 million of gross revenue, compared to 10,493 ounces of gold at an average realized price of \$1,201 per ounce for \$12.6 million of gross revenues, and 111,316 ounces of silver at an average realized price of \$20 per ounce for approximately \$2.2 million of gross revenue for 2010. Mine gross profit for the year ended December 31, 2011 was \$80.5 million compared to \$8.0 million in the comparable period of 2010, an increase of \$ 72.5 million or 906%. The increase was due to a full twelve months of mine operations in 2011 compared to only six months of operations in 2010.

For the year ended December 31, 2011 we reported a net income of \$58.4 million, or \$1.10 per share, compared to a net loss of \$23.1 million, or \$0.46 per share, for the year ended December 31, 2010. Our net income increased in 2011 due to ramp-up of operations in 2010 as compared to a full year of operations in 2011.

Total costs and expenses for the year ended December 31, 2011 were \$34.9 million compared to \$ 30.8 million in the comparable period of 2010, an increase of \$4.1 million or 13.3%. The increase in costs and expenses was primarily due to our operations transitioning to underground mine development activities and an increase in stock-based compensation.

Exploration expense for the year ended December 31, 2011 of \$4.9 million was consistent with our level of exploration activity in 2010 of \$4.7 million.

Construction and development for the year ended December 31, 2011 of \$21.0 million increased by \$2.6 million or 14.1% when compared to 2010 of \$18.4. The higher cost in 2011 was primarily due to the completion of the second phase of the tailings dam, and expansion of the flotation cells in the mill's flotation circuit during 2011.

General and administrative expenses increased \$1.4 million or 18.7% to \$8.9 million for the year ended December 31, 2011 as compared to \$7.5 million for the comparable period in 2010. The increase was attributable to increases in professional fees, salaries and benefits and stock-based compensation.

For the years ended December 31, 2011 and 2010, we recorded a currency translation adjustment loss of \$3.2 million and a currency translation adjustment gain of \$0.2 million, respectively, resulting from the translation of our subsidiary's Mexican peso denominated functional currency financial statements into the US dollar reporting currency.

### Non-GAAP Measures

Throughout this report, we have provided information prepared or calculated according to U.S. GAAP, as well as provided some non-U.S. GAAP ("non-GAAP") performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by U.S. GAAP, they may not be comparable to similar measures presented by other companies. Accordingly, these measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

#### *Total Cash Cost per Gold Equivalent Ounce Sold*

We use total cash cost (including royalties) per gold equivalent ounce sold, calculated in accordance with the Gold Institute's Standard, as one indicator for comparative monitoring of our mining operations from period to period and believe that investors also find this information helpful when evaluating our performance. Total cash costs are arrived at by taking mine cost of sales, plus treatment and refining charges (which are netted against revenues), less by-product credits earned from sales of metals we consider by-products (copper, lead and zinc at the *La Arista* underground mine and silver at the *El Aguila* open pit mine) less noncash items such as depreciation and amortization, accretion, stock-based compensation, and reclamation costs. Total cash costs are divided by gold equivalent ounces sold (gold ounces sold, plus gold equivalent ounces of silver ounces sold converted to gold ounces using our realized gold price per ounce to silver price per ounce ratio, at the *La Arista* underground mine; and gold ounces sold at the *El Aguila* open pit mine) to arrive at total cash cost per gold equivalent ounce sold. There can be no assurance that our reporting of this Non-GAAP measure is similar to that reported by other mining companies.

For reporting periods prior to 2012, we reported cash operating cost per gold equivalent ounce produced (on-site mill production). These amounts have been restated in this Management's Discussion and Analysis to reflect our current reporting method, of total cash cost per gold equivalent ounce sold, which we believe is the most common method used by companies

that apply the Gold Institute Standard. The principal difference between cash operating costs and total cash costs is that cash operating costs exclude royalty costs, whereas total cash costs include royalty costs. Our concentrates are subject to a 5% net smelter returns royalty. The principal difference between gold equivalent ounces produced at the mill and gold equivalent ounces sold, is that gold equivalent ounces produced at the mill do not reflect payable metal deductions levied by smelters, whereas gold equivalent ounces sold are after payable metal deductions levied by smelters.

We have reconciled total cash cost per gold equivalent ounce sold to reported U.S. GAAP measures in the table below. The most comparable financial measures to our total cash cost is mine cost of sales calculated in accordance with U.S. GAAP. Mine cost of sales is obtained from the consolidated statements of operations.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
	<i>(In thousands, except ounces sold and total cash cost per gold equivalent ounce)</i>			
Gold equivalent ounces sold	14,592	18,519	72,399	62,431
Cost of sales - production costs	\$ 11,182	\$ 7,284	\$ 44,021	\$ 24,642
Treatment and refining charges	3,978	4,273	16,680	11,400
By-product credits	(7,609)	(5,027)	(26,837)	(14,357)
Depreciation and amortization	(425)	(146)	(1,366)	(473)
Accretion	(21)	(18)	(81)	(82)
Reclamation costs	(314)	-	(373)	-
Stock-based compensation	1,251	(1,195)	(1,737)	(4,336)
Total cash costs	\$ 8,042	\$ 5,171	\$ 30,307	\$ 16,794
Total cash cost per gold equivalent ounce sold (including royalties)	\$ 551	\$ 279	\$ 419	\$ 269

### Cash Flow from Mine Site Operations

Cash flow from mine site operations ("Cash Flow from Mine Site Operations") is furnished to provide additional information and is a Non-GAAP measure. This measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. We believe that certain investors use this measure as a basis to assess mine performance and we use it as a measure on which our planned distributions to shareholders are currently based. The following table provides a reconciliation of Cash Flow from Mine Site Operations to mine gross profit as presented in the consolidated statements of operations.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
	<i>(In thousands)</i>			
Mine gross profit	\$ 16,188	\$ 28,154	\$ 87,773	\$ 80,521
Stock-based compensation	(1,251)	1,195	1,737	4,336
Depreciation and amortization	426	146	1,366	473
Accretion	21	19	81	82
Cash flow from mine site operations	\$ 15,384	\$ 29,514	\$ 90,957	\$ 85,412

### Liquidity and Capital Resources

As of December 31, 2012, we had working capital of \$46.0 million, consisting of current assets of \$59.0 million and current liabilities of \$13.0 million. This represents a decrease of \$13.3 million from the working capital balance of \$59.3 million as of December 31, 2011. Our working capital balance fluctuates as we use cash to fund our operations, exploration, and mine development and construction activities, and to pay income taxes and fund our dividends.

Prior to achieving profitable operations in 2011, we relied on equity financings to fund our operating activities. Since achieving profitability in 2011, we have relied on cash flow generated from mining operations to fund our operations, income tax obligations, dividends and other activities. Our mine development, construction activities and equipment purchases at the *La Arista* mine are, in the aggregate, expected to be higher in 2013 as compared to 2012 or 2011. If our cash flows from

operations is insufficient to cover our anticipated expenses we may be required to secure debt or equity financing, reduce our planned development, construction or other expenditures at the mine, reduce our monthly dividend or implement other measures. There is no assurance that, in the event debt or equity financing is needed, we would be able to secure this financing or that it could be secured under favorable terms.

We target calendar year cash distributions to our shareholders totaling approximately one-third of Cash Flow from Mine Site Operations (See "Non-GAAP Measures" above), subject to the laws of the State of Colorado that govern distributions to shareholders. Our target dividend payment of one-third of Cash Flow from Mine Site Operations may be increased, decreased, suspended or discontinued at any time at the sole discretion of the Board of Directors based on company development requirements and strategies, cash balances, construction projects, spot gold and silver prices, taxation, general market conditions or any other reason. For the year ended December 30, 2012, we declared dividends of \$35.9 million, representing 39.5% of Cash Flow from Mine Site Operations.

Upon declaration of a dividend, each shareholder has the option to subsequently convert that cash dividend into gold and/or silver bullion. To the extent we do not hold sufficient gold and silver bullion by the distribution payment date we must purchase gold and/or silver bullion in the market. We intend to purchase gold and silver bullion in the market at various times throughout the year, and intend to hold quantities of gold and/or silver bullion to enable us to meet, at a minimum, our forecasted physical delivery requirements for the current and following month.

The mineral concessions that comprise our *La Arista* underground mine are subject to a 4% net smelter returns royalty on sales of any gold and silver dore, and a 5% net smelter returns royalty on sales of any concentrate. We produce copper, lead and zinc concentrates, but no gold and silver dore, at *La Arista* underground mine. We only produced a gold and silver concentrate at our *El Aguila* open pit mine. Royalties are considered mine operating costs and are funded from the sale of concentrates. Royalty expense is recorded based on provisional invoices and adjusted based on the final invoice. An initial royalty payment of 50% of the provisional invoice amount is made when the provisional invoice is collected. The remaining royalties owed are paid when we receive full payment for the final invoice. For the years ended December 31, 2012 and 2011, we made royalty payments totaling \$5.8 and \$3.6, respectively. We estimate that approximately \$7 million of royalty payments will be made in 2013, subject to market prices for the metals in our concentrates, mine production and timing of final invoice settlements.

For 2013 we have budgeted approximately \$7.4 million for drilling and other exploration related activities at our *El Aguila* property. In addition, we intend to spend approximately \$2.2 million for drilling and other exploration activities on our other exploration properties in Mexico. In Turkey, we have budgeted \$2.0 million for exploration and property acquisitions. Our planned exploration expenditures for 2013 are discretionary and could be significantly higher or lower depending on the ongoing results from the exploration programs. Exploration activities to further delineate and define our *La Arista* vein system are considered mine development costs and classified as development and construction expenses in the consolidated statement of operations.

Our cash and cash equivalents as of December 31, 2012 decreased to \$35.8 million from \$52.0 million as of December 31, 2011, a net decrease in cash of \$16.2 million.

Net cash provided by operating activities for the year ended December 31, 2012 was \$31.2 million compared to \$41.3 million during 2011. The \$10.1 million decrease in net cash provided by operation activities principally results from payment of our 2011 Mexican income tax liability in 2012.

Net cash used in investing activities for the year ended December 31, 2012 was \$7.7 million compared to \$10.4 million for 2011. The \$2.7 million decrease in cash used in investing activities was primarily due to a decrease in capital expenditures and increase in proceeds from conversion of gold and silver bullion related to our physical gold and silver dividend program. Although most of our exploration stage expenditures are recorded as an expense rather than an investment, we capitalize the acquisition cost of land and mineral rights and certain equipment that has alternative future uses or significant salvage value, including rolling stock, furniture, and electronics. The cost of acquiring these assets is reflected in our investing activities.

Net cash used in financing activities for the year ended December 31, 2012 was \$39.9 million compared to \$27.4, consisting of dividends declared and treasury stock purchases. The \$12.5 million increase in net cash used in financing activities principally results from an increase in dividends paid in 2012. In August 2011, we instituted a regular monthly dividend consisting of \$0.05 per share, which was increased to \$0.06 per share in April 2012, until such time as the Board of Directors determines otherwise.

#### **Off-Balance Sheet Arrangements**

As of December 31, 2012, we had no off-balance sheet arrangements.

**Contractual Obligations**

Our known obligations at fiscal year-end December 31, 2012, are set forth in the table below:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	<i>(in thousands)</i>				
Purchase Obligations(1)	\$ 4,758	\$ 1,915	\$ 2,843	\$ -	\$ -
Operating Leases	821	128	261	144	288
Non-cancellable Purchase Obligations	7,666	7,666	-	-	-
Employee Salary Compensation (2)	1,441	654	787	-	-
Total	\$ 14,686	\$ 10,363	\$ 3,891	\$ 144	\$ 288

- (1) Represents amounts due to our executive officers pursuant to their respective employment agreements with our company.  
(2) Represents amounts due to non-executive employees pursuant to their respective employment agreements with our company.

**Accounting Developments**

For a discussion of Recently Adopted Accounting Pronouncements and Recently Issued Accounting Pronouncements, see Note 1 to the Consolidated Financial Statements.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. As a result, management is required to routinely make judgments and estimates about the effects of matters that are inherently uncertain. Actual results may differ from these estimates under different conditions or assumptions. The following discussion pertains to accounting estimates management believes are most critical to the portrayal of our financial position and results of operations that require management's most difficult, subjective or complex judgments.

*Proven or Probable Reserves*

Despite the fact that we commenced production in 2010, as of December 31, 2012, none of the mineralized material at the Company's *EI Aguilá* Project or any of its other properties met the SEC's definition of proven or probable reserves under the criteria set forth in SEC Industry Guide 7. As a result, and in accordance with principles generally accepted in the United States ("U.S. GAAP") for exploration stage companies, we do not capitalize exploration, evaluation, mine development and construction costs associated with our properties and, instead, expense these costs as they are incurred.

*Revenue*

We recognize revenue when an arrangement exists, the price is fixed and determinable, the title and risk of loss have transferred to the buyer (generally at the time shipment is delivered at buyer's port) and collection is reasonably assured. We enter into provisionally priced concentrate sales contracts, whereby the contracts settle at prices to be determined in the future based on quoted prices. Accordingly, due to the time elapsed between shipment and the final settlement with the buyer, the Company must estimate revenue based on assay measurements taken at the time of shipment using quoted metal prices at that time. Changes in the price of the metals concentrates we sell, and differences in assay measurements taken at our facilities at the time of shipment and those taken at the buyer's port, can have a significant effect on our revenues.

Concentrate sales are initially recorded using quoted metal prices at the time of shipment, and contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the quoted metal prices at the time of shipment. The embedded derivative, which does not qualify for hedge accounting, is adjusted to market through earnings each period prior to final settlement. Changes in the

prices of metals we sell, as quoted on the London Bullion Market, between the shipment and final settlement dates will result in adjustments to revenues related to sales of concentrate previously recorded upon shipment.

Sales are recorded net of charges for treatment, refining, smelting losses and other charges negotiated by the Company with the buyer. These charges are estimated upon shipment of concentrates based on contractual terms and adjusted to reflect actual charges at final settlement. Historically, actual charges have not varied materially from our initial estimates.

Changes in the market price of metals significantly affect the Company's revenues, results of operations and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond the Company's control, such as political and economic conditions, demand, forward selling by producers, expectations for inflation, custom smelter activities, the relative exchange rate of the U.S. dollar, investor sentiment, and global mine production levels. The aggregate effect of these factors is impossible to predict. Because the Company's revenue is derived from the sale of gold, silver, copper, lead and zinc metals concentrate, its results of operations are directly related to the prices of these metals.

#### *Depreciation and Amortization*

Depreciation and amortization on our property and equipment is calculated on a straight line basis over the estimated useful life of the asset. Significant judgment is involved in the determination of the estimated life of the assets.

#### *Impairment of Assets*

Since none of our properties contain proven or probable reserves as defined by the SEC, we do not capitalize exploration, evaluation, mine development or construction costs for any of our projects. Our long-lived assets are principally property and equipment, and are evaluated at least annually for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. When an indication of impairment exists, an estimate of fair value is made for the long-lived asset.

Assessing the fair value of our long-lived assets requires us to make several estimates and assumptions that are subject to risk and uncertainty, changes in these estimates and assumptions could result in the impairment of our long-lived asset carrying values. Events that could result in impairment of our long-lived assets include, but are not limited to, obsolescence, damage, underperformance and assets held for disposal. During the years ended December 31, 2012, 2011 and 2010, no asset impairments were recognized.

#### *Stockpile and Concentrate inventories*

Stockpile and concentrate ending inventory tonnages are measured by estimating the number of tonnes added to and removed from beginning inventory. We periodically survey our stockpile and concentrate ending inventory to verify tonnage estimates. There are inherent limitations in the survey estimation process, along with process of estimating the number of tonnes added to and removed from stockpile and concentrate inventory, which includes but is not limited to moisture content, density, scale calibration and physical measurements. Due to these estimates, amounts reported could differ significantly from actual results.

Our stockpile and concentrate inventories are valued at the lower of average cost or net realizable value ("NRV"), with carrying values evaluated at least quarterly. NRV represents the estimated future sales price based on short-term and long-term metals prices, less estimated costs to complete production and bring the product to sale. The primary factors that influence the need to record write-downs of stockpile and concentrate inventory include short-term and long-term metals prices and costs for production inputs such as labor, fuel and energy, materials and supplies, as well as realized ore grades and recovery rates. If short-term and long-term metals prices decrease, the value of stockpile and concentrate inventory also decreases, and it may be necessary to record a write-down of stockpile and concentrate inventory to NRV. We did not incur any lower-of-cost-or-market write downs during the years ended December 31, 2012, 2011 or 2010.

The allocation of costs to stockpile and concentrate inventory, and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating current and future operating and capital costs, metal recoveries, ore grades, production levels, commodity prices, and other factors. There can be no assurance that actual results will not differ significantly from those estimates and assumptions.

#### *Asset Retirement Obligation*

Our mining and exploration activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the property is removed from service. A liability is initially recorded at the estimated present value for an obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred if a reasonable estimate of fair value can be made. Since none of our properties contain proven or probable reserves as defined by the SEC, the costs associated with the obligation are charged to operations. Accounting for reclamation and remediation obligations requires management to make estimates of the future

costs we will incur to complete the work required with existing laws and regulations. Actual costs may differ from the amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required.

#### *Stock-based compensation*

We estimate the fair value of our stock option awards using a Black-Scholes model, the inputs of which require various assumptions including the expected rate of future dividends, discount rate, the expected life of the option and the expected volatility of our stock price. The expected rate of future dividends is derived based on the dividends paid during the 3 months immediately preceding the date of grant extrapolated over four quarters (one year); however, the rate at which dividends are paid may change due to various factors, including, but not limited to changes in our operational and strategic cash needs and at the discretion of our Board of Directors. Expected forfeiture rates and expected option life are derived based on historical experience and management's judgment regarding future expectations. However, such historical experience is limited due to a relatively small number of grants and, therefore, may not be indicative of future experience. The expected volatility assumptions are derived using our historical stock price volatility.

These assumptions reflect our best estimates; however, they involve inherent uncertainties based on market conditions generally outside of our control. If factors change and we use a different methodology for deriving the Black Scholes assumptions or if our assumptions and judgments regarding future experience prove to be materially different than actual experience resulting in a change to future assumptions, our share-based compensation expense could be materially impacted.

#### *Deferred income taxes and valuation allowances*

In preparing our consolidated financial statements, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of the changes. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Each period, we evaluate the likelihood of whether or not some portion or all of each deferred tax asset will be realized and provide a valuation allowance for those deferred tax assets for which is more likely than not that the related benefits will not be realized. When evaluating our valuation allowance, we consider historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, market gold prices, production costs, quantities of proven or probable gold reserves, interest rates and foreign currency exchange rates. If we determine that all or a portion of the deferred tax assets will not be realized, a valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense.

In addition, the calculation of income tax expense involves significant management estimation and judgment involving a number of assumptions. In determining these amounts, management interprets tax legislation in each of the jurisdictions in which we operate and makes estimates of the expected timing of the reversal of future tax assets and liabilities. We also make assumptions about future earnings, tax planning strategies and the extent to which potential future tax benefits will be used. We are also subject to assessments by various taxation authorities which may interpret tax legislation differently, which could affect the final amount or the timing of tax payments.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure to market risks includes, but is not limited to, the following risks: changes in foreign currency exchange rates, changes in interest rates, equity price risks, commodity price fluctuations, and country risk. We do not use derivative financial instruments as part of an overall strategy to manage market risk; however, we may consider such arrangements in the future as we evaluate our business and financial strategy.

#### **Commodity Price Risk**

The results of our operations will depend in large part upon the market prices of gold and silver. Gold and silver prices fluctuate widely and are affected by numerous factors beyond our control. The level of interest rates, the rate of inflation, the world supply of gold and silver and the stability of exchange rates, among other factors, can all cause significant fluctuations

in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold and silver has fluctuated widely in recent years, and future price declines could cause a mineral project to become uneconomic, thereby having a material adverse effect on our business and financial condition. We have not entered into derivative contracts to protect the selling price for gold or silver. We may in the future more actively manage our exposure through derivative contracts or other commodity price risk management programs, although we have no intention of doing so in the near-term.

In addition to adversely affecting our mineralized material estimates and our financial condition, declining gold and silver prices could require a reassessment of the feasibility of a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause delays in the implementation of a project.

#### **Foreign Currency Risk**

We transact a significant amount of our business in Mexican pesos. As a result, currency exchange fluctuations may impact our operating costs. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, a depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms.

The value of cash and cash equivalents denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-U.S. dollar currencies results in a foreign currency gain on such investments and a decrease in non-U.S. dollar currencies results in a loss. We have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates but may in the future actively manage our exposure to foreign currency exchange rate risk. We also hold portions of our cash reserves in non-U.S. dollar currencies.

#### **Provisional Sales Contract Risk**

We enter into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contracts contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement based on a future price, does not qualify for hedge accounting and is marked-to-market through earnings each period prior to final settlement.

At December 31, 2012, we had outstanding provisionally priced sales of \$58.7 million consisting of 12,411 ounces of gold and 959,485 ounces of silver, 351 tons of copper, 1,570 tons of lead and 4,139 tons of zinc which had a fair value of approximately \$59.3 million including the embedded derivative. If the price for each metal were to change by one percent, the change (plus or minus) in the total fair value of the concentrates sold would be approximately \$641,000.

#### **Interest Rate Risk**

We have no debt outstanding nor do we have any investment in debt instruments other than highly liquid short-term investments. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

#### **Equity Price Risk**

We have in the past sought and may in the future seek to acquire additional funding by sale of common stock and other equity. Movements in the price of our common stock have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell our common stock at an acceptable price should the need for new equity funding arise.

#### **Country Risk**

All of our mineral properties are located in Mexico. In the past, that country has been subject to political instability, increasing crime, changes and uncertainties which may cause changes to existing government regulations affecting mineral exploration and mining activities. Civil or political unrest could disrupt our operations at any time. Our exploration and mining activities may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that could increase the costs related to our activities or maintaining our properties. Finally, Mexico's status as a developing country may make it more difficult for us to obtain required financing for our properties.

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**MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting.

The Securities Exchange Act of 1934 defines internal control over financial reporting in Rules 13a-15(f) and 15d-15(f) as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2012.

Board of Directors and Shareholders  
Gold Resource Corporation  
Colorado Springs, Colorado

We have audited the accompanying consolidated balance sheets of Gold Resource Corporation as of December 31, 2012 and 2011, and the related consolidated statements of operations, other comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2012, and the period August 24, 1998 (inception) to December 31, 2012. We also have audited Gold Resource Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Gold Resource Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, including in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gold Resource Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2012, and the period August 24, 1998 (inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Gold Resource Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ StarkSchenkein, LLP  
StarkSchenkein, LLP

Denver, Colorado  
March 18, 2013

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**GOLD RESOURCE CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**  
*(U.S. dollars in thousands, except shares)*

	<i>December 31,</i> <i>2012</i>	<i>December 31,</i> <i>2011</i>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 35,780	\$ 51,960
Gold and silver bullion	5,809	2,549
Accounts receivable	6,349	14,281
Inventories	7,533	4,243
Income tax receivable	419	-
Deferred tax assets	2,121	11,118
Prepaid expenses and other assets	973	957
Total current assets	58,984	85,108
Land and mineral rights	227	227
Property and equipment - net	14,050	10,318
Inventories	809	-
Deferred tax assets	31,559	19,517
Total assets	\$ 105,629	\$ 115,170
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 3,013	\$ 1,691
Accrued expenses	4,178	4,879
IVA taxes payable	2,673	559
Income taxes payable	-	15,987
Dividends payable	3,161	2,645
Total current liabilities	13,025	25,761
Asset retirement obligation	2,790	2,281
Total liabilities	15,815	28,042
Commitments and contingencies (Note 9)		
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	102,674	132,529
(Deficit) accumulated during the exploration stage	(5,851)	(39,522)
Treasury stock at cost, 336,398 and 104,251 shares, respectively	(5,884)	(1,954)
Accumulated other comprehensive (loss) - currency translation adjustment	(1,178)	(3,978)
Total shareholders' equity	89,814	87,128
Total liabilities and shareholders' equity	\$ 105,629	\$ 115,170

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

**GOLD RESOURCE CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*for the years ended December 31, 2012, 2011 and 2010*  
*and for the period from Inception (August 24, 1998) to December 31, 2012*  
*(U.S. dollars in thousands, except shares and per share amounts)*

	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>Inception (August 24, 1998) to December 31, 2012</i>
Sales of metals concentrate, net	\$ 131,794	\$ 105,163	\$ 14,754	\$ 251,710
Mine cost of sales:				
Production costs	42,574	24,087	6,549	73,036
Depreciation and amortization	1,366	473	166	2,005
Accretion	81	82	68	231
Total mine cost of sales	44,021	24,642	6,783	75,272
Mine gross profit	87,773	80,521	7,971	176,438
Costs and expenses:				
General and administrative expenses	13,507	8,934	7,474	44,868
Exploration expenses	8,008	4,927	4,692	42,112
Construction and development	16,554	20,986	18,435	91,471
Production start-up expense, net	-	-	209	209
Management contract expense	-	-	-	752
Total costs and expenses	38,069	34,847	30,810	179,412
Operating income (loss)	49,704	45,674	(22,839)	(2,974)
Other (expense) income	(2,736)	2,414	(235)	139
Income (loss) before income taxes	46,968	48,088	(23,074)	(2,835)
Provision for income taxes	13,297	(12,037)	-	1,260
Net income (loss) before extraordinary item	33,671	60,125	(23,074)	(4,095)
Extraordinary items:				
Flood loss, net of income tax benefit of \$750	-	(1,756)	-	(1,756)
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (5,851)
Other comprehensive income (loss):				
Currency translation gain (loss)	2,800	(3,218)	215	(1,178)
Net comprehensive income (loss)	\$ 36,471	\$ 55,151	\$ (22,859)	\$ (7,029)
Net income (loss) per common share:				
Basic:				
Before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)	
Extraordinary item	-	(0.03)	-	
Net income (loss)	\$ 0.64	\$ 1.10	\$ (0.46)	
Diluted:				
Before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)	
Extraordinary item	-	(0.03)	-	
Net income (loss)	\$ 0.60	\$ 1.03	\$ (0.46)	
Weighted average shares outstanding:				
Basic	52,846,163	52,979,481	50,042,471	
Diluted	56,315,885	56,414,654	50,042,471	

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

**GOLD RESOURCE CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*for the period from Inception (August 24, 1998) to December 31, 2012*  
*(U.S. dollars in thousands, except shares and per share amounts)*

	Number of Common Shares	Par Value of Common Shares	Additional Paid- in Capital	Accumulated (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
<b>Balance at Inception, August 24, 1998</b>	-	-	-	-	-	-	-
Shares issued for contributed capital at \$0.005 per share - related parties	2,800,000	3	(1)	-	-	-	2
Net (loss)	-	-	-	(2)	-	-	(2)
<b>Balance, December 31, 1998</b>	<b>2,800,000</b>	<b>3</b>	<b>(1)</b>	<b>(2)</b>	-	-	-
Shares issued for contributed capital at \$0.005 per share - related parties	1,000,000	1	(1)	-	-	-	-
Net (loss)	-	-	-	(1)	-	-	(1)
<b>Balance, December 31, 1999</b>	<b>3,800,000</b>	<b>4</b>	<b>(2)</b>	<b>(3)</b>	-	-	<b>(1)</b>
Shares issued for management contract at \$0.17 per share - related parties	1,226,666	1	203	-	-	-	204
Net (loss)	-	-	-	(205)	-	-	(205)
<b>Balance, December 31, 2000</b>	<b>5,026,666</b>	<b>5</b>	<b>201</b>	<b>(208)</b>	-	-	<b>(2)</b>
Shares issued for management contract at \$0.17 per share - related parties	1,333,334	1	187	-	-	-	188
Conversion of debentures at \$0.25 per share - related parties	200,000	-	50	-	-	-	50
Shares issued for cash at \$0.25 per share	820,000	1	204	-	-	-	205
Net (loss)	-	-	-	(346)	-	-	(346)
<b>Balance, December 31, 2001</b>	<b>7,380,000</b>	<b>7</b>	<b>642</b>	<b>(554)</b>	-	-	<b>95</b>
Shares issued for cash at \$0.25 per share	392,000	-	98	-	-	-	98
Shares issued for cash at \$0.17 per share	1,351,352	1	223	-	-	-	224
Net (loss)	-	-	-	(789)	-	-	(789)
<b>Balance, December 31, 2002</b>	<b>9,123,352</b>	<b>8</b>	<b>963</b>	<b>(1,343)</b>	-	-	<b>(372)</b>
Shares issued for cash at \$0.25 per share	577,000	1	144	-	-	-	145
Share issuance costs forgiven	-	-	25	-	-	-	25
Net (loss)	-	-	-	(496)	-	-	(496)
<b>Balance, December 31, 2003</b>	<b>9,700,352</b>	<b>9</b>	<b>1,132</b>	<b>(1,839)</b>	-	-	<b>(698)</b>
Shares issued for cash at \$0.25 per share	608,000	1	151	-	-	-	152
Shares issued in repayment of loan related to exploration agreement at \$0.42 per share	1,200,000	1	499	-	-	-	500
Shares issued as stock grant at \$0.25 per share	600,000	1	149	-	-	-	150
Net (loss)	-	-	-	(853)	-	-	(853)
<b>Balance, December 31, 2004</b>	<b>12,108,352</b>	<b>12</b>	<b>1,931</b>	<b>(2,692)</b>	-	-	<b>(749)</b>
Stock options exercised, cashless exercise	10,000	-	2	-	-	-	2
Shares issued for cash at \$0.25 per share	276,000	-	69	-	-	-	69
Shares issued for cash at \$0.47 per share	2,728,500	3	1,272	-	-	-	1,275
Shares issued for cash at \$0.50 per share	122,000	-	61	-	-	-	61
Shares issued for cash at \$0.50 per share	30,000	-	15	-	-	-	15
Shares issued for satisfaction of payables at \$0.25 per share	1,280,000	1	319	-	-	-	320
Shares issued as stock grant at \$0.25 per share	1,750,000	2	436	-	-	-	438
Net (loss)	-	-	-	(1,218)	-	-	(1,218)
<b>Balance, December 31, 2005</b>	<b>18,304,852</b>	<b>18</b>	<b>4,105</b>	<b>(3,910)</b>	-	-	<b>213</b>
Stock options granted	-	-	147	-	-	-	147
Stock options exercised, cashless exercise	240,000	-	60	-	-	-	60
Shares issued for cash at \$1.00 per share, net of issue costs	4,600,000	5	4,347	-	-	-	4,352
Shares issued for cash at \$1.20 per share, net of issue costs	4,322,000	5	4,924	-	-	-	4,929
Director Stock grant at \$1.00 per share	100,000	-	100	-	-	-	100
Shares issued for investor relation services at \$1.14 per share	280,000	-	319	-	-	-	319
Shares issued for investment banking services at \$1.20 per share	257,700	-	-	-	-	-	-
Shares issued as stock grant at \$1.71 per share	35,000	-	60	-	-	-	60

Currency translation adjustment	-	-	-	-	-	20	20
Net (loss)	-	-	-	(2,687)	-	-	(2,687)
<b>Balance, December 31, 2006</b>	<b>28,139,552</b>	<b>28</b>	<b>14,062</b>	<b>(6,597)</b>	-	<b>20</b>	<b>7,513</b>
Stock options granted	-	-	99	-	-	-	99
Shares issued for cash at \$4.00 per share, net of issue costs	5,558,500	6	21,706	-	-	-	21,712
Shares issued for investor relation services at \$3.39 per share	170,000	-	576	-	-	-	576
Shares issued for investment banking services	263,900	-	-	-	-	-	-
Shares issued for consulting services in Mexico at \$3.68 per share	15,000	-	55	-	-	-	55
Currency translation adjustment	-	-	-	-	-	(90)	(90)
Net (loss)	-	-	-	(8,076)	-	-	(8,076)
<b>Balance, December 31, 2007</b>	<b>34,146,952</b>	<b>34</b>	<b>36,498</b>	<b>(14,673)</b>	-	<b>(70)</b>	<b>21,789</b>
Stock options granted	-	-	1,957	-	-	-	1,957
Stock options exercised, cashless exercise	260,604	-	181	-	-	-	181
Shares issued for cash at \$3.00 per share	1,670,000	2	5,009	-	-	-	5,011
Shares issued for investor relation services at \$4.25 per share	10,000	-	42	-	-	-	42
Currency translation adjustment	-	-	-	-	-	63	63
Net (loss)	-	-	-	(26,015)	-	-	(26,015)
<b>Balance, December 31, 2008</b>	<b>36,087,556</b>	<b>36</b>	<b>43,687</b>	<b>(40,688)</b>	-	<b>(7)</b>	<b>3,028</b>
Stock options granted	-	-	2,844	-	-	-	2,844
Stock options exercised, cashless exercise	677,933	1	(1)	-	-	-	-
Shares issued for cash at \$3.00 per share	4,330,000	4	12,986	-	-	-	12,990
Shares issued for cash at \$4.00 per share	5,000,000	5	19,995	-	-	-	20,000
Shares issued for cash at \$8.185 per share	1,954,795	2	15,998	-	-	-	16,000
Stock options exercised at \$3.68 per share	50,000	-	184	-	-	-	184
Currency translation adjustment	-	-	-	-	-	(968)	(968)
Net (loss)	-	-	-	(34,129)	-	-	(34,129)
<b>Balance, December 31, 2009</b>	<b>48,100,284</b>	<b>48</b>	<b>95,693</b>	<b>(74,817)</b>	-	<b>(975)</b>	<b>19,949</b>
Stock options granted	-	-	2,387	-	-	-	2,387
Stock options exercised, cashless exercise	141,440	-	-	-	-	-	-
Shares issued for cash at \$4.63 per share	50,000	-	538	-	-	-	538
Shares issued for cash at \$8.62 per share	600,000	1	5,171	-	-	-	5,172
Shares issued for cash at \$9.50 per share	631,579	1	5,999	-	-	-	6,000
Shares issued for cash at \$16.00 per share	3,475,000	3	51,986	-	-	-	51,989
Return of capital dividend	-	-	(9,330)	-	-	-	(9,330)
Currency translation adjustment	-	-	-	-	-	215	215
Net (loss)	-	-	-	(23,074)	-	-	(23,074)
<b>Balance, December 31, 2010</b>	<b>52,998,303</b>	<b>53</b>	<b>152,444</b>	<b>(97,891)</b>	-	<b>(760)</b>	<b>53,846</b>
Stock options granted	-	-	6,570	-	-	-	6,570
Purchase of treasury stock	-	-	-	-	(1,954)	-	(1,954)
Return of capital dividend	-	-	(26,485)	-	-	-	(26,485)
Currency translation adjustment	-	-	-	-	-	(3,218)	(3,218)
Net income	-	-	-	58,369	-	-	58,369
<b>Balance, December 31, 2011</b>	<b>52,998,303</b>	<b>53</b>	<b>132,529</b>	<b>(39,522)</b>	<b>(1,954)</b>	<b>(3,978)</b>	<b>87,128</b>
Stock options granted	-	-	6,600	-	-	-	6,600
Stock options exercised, cashless exercise	17,464	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(3,930)	-	(3,930)
Return of capital dividend	-	-	(36,455)	-	-	-	(36,455)
Currency translation adjustment	-	-	-	-	-	2,800	2,800
Net income	-	-	-	33,671	-	-	33,671
<b>Balance, December 31, 2012</b>	<b>53,015,767</b>	<b>53</b>	<b>102,674</b>	<b>(5,851)</b>	<b>(5,884)</b>	<b>(1,178)</b>	<b>89,814</b>

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





**GOLD RESOURCE CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*for the years ended December 31, 2012, 2011 and 2010*  
*and for the period from Inception (August 24, 1998) to December 31, 2012*  
*(U.S. dollars in thousands)*

	2012	2011	2010	<i>Inception (August 24, 1998) to December 31, 2012</i>
Cash flows from operating activities:				
Net income (loss)	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (5,851)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,540	953	154	3,011
Accretion	81	82	68	231
Asset retirement obligation	258	-	315	2,565
Stock-based compensation	6,600	6,570	2,694	22,651
Management fee paid in stock	-	-	-	392
Related party payable paid in stock	-	-	-	320
Unrealized currency exchange (gain) loss	1,442	(1,634)	265	(902)
Unrealized (gain) loss from gold and silver bullion held	(58)	429	-	371
Realized loss from gold and silver bullion converted	64	-	-	64
Deferred tax assets	(3,046)	(33,213)	-	(36,259)
Other	6	-	-	31
Changes in operating assets and liabilities:				
Accounts receivable	8,305	(14,265)	(980)	(6,940)
Inventories	(4,098)	(1,601)	(2,731)	(8,655)
Income tax receivable	(419)	-	-	(419)
Prepaid expenses and other assets	(14)	(767)	2	(1,115)
Accounts payable	1,397	(428)	3,378	2,654
Accrued expenses	(653)	2,795	-	2,919
IVA taxes payable/receivable	2,115	6,147	(3,218)	4,722
Income taxes payable	(15,987)	17,883	-	1,896
Total adjustments	(2,467)	(17,049)	(53)	(12,463)
Net cash provided by (used in) operating activities	31,204	41,320	(23,127)	(18,314)
Cash flows from investing activities:				
Capital expenditures	(4,461)	(7,416)	(3,180)	(17,497)
Purchases of gold and silver bullion	(5,164)	(2,977)	-	(8,141)
Proceeds from conversion of gold and silver bullion	1,897	-	-	1,897
Restricted cash	-	-	11,436	-
Net cash (used in) provided by investing activities	(7,728)	(10,393)	8,256	(23,741)
Cash flows from financing activities:				
Proceeds from sales of common stock	-	-	63,393	150,633
Proceeds from exercise of stock options	-	-	-	428
Proceeds from debentures - founders	-	-	-	50
Dividends paid	(35,940)	(25,429)	(7,740)	(69,110)
Treasury stock purchases	(3,931)	(1,954)	-	(5,885)
Proceeds from exploration funding agreement	-	-	-	500
Net cash (used in) provided by financing activities	(39,871)	(27,383)	55,653	76,616
Effect of exchange rates on cash and equivalents	215	834	48	1,219
Net (decrease) increase in cash and cash equivalents	(16,180)	4,378	40,830	35,780
Cash and equivalents at beginning of period	51,960	47,582	6,752	-
Cash and equivalents at end of period	\$ 35,780	\$ 51,960	\$ 47,582	\$ 35,780
Supplemental Cash Flow Information				
Income taxes paid	\$ 33,020	\$ -	\$ -	\$ 33,020
Interest expense paid	\$ -	\$ -	\$ -	\$ -
Non-cash investing and financing activities:				
Conversion of funding into common stock	\$ -	\$ -	\$ -	\$ 500
Conversion of founders debentures into common stock	\$ -	\$ -	\$ -	\$ 50

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

**SOURCE CORPORATION**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2012, 2011 and 2010**

**1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Gold Resource Corporation (the "Company") was organized under the laws of the State of Colorado on August 24, 1998. The Company is a producer of metal concentrates that contain gold, silver, copper, lead and zinc at its *El Aguila* Project in Southern Mexico. The Company is also performing exploration and evaluation work on its portfolio of base and precious metal exploration properties in Mexico and is evaluating other properties for possible acquisition in Turkey.

**Significant Accounting Policies**

**Exploration Stage Company:** Despite the fact that the Company commenced production in 2010, it is still considered an exploration stage company under the criteria set forth by the Securities and Exchange Commission ("SEC") since it has not yet demonstrated the existence of proven or probable reserves, as defined by the SEC in *Industry Guide 7*, at its *El Aguila* Project in Oaxaca, Mexico or any of its other properties. As a result, and in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for exploration stage companies, all expenditures for exploration and evaluation of the Company's properties are expensed as incurred until mineralized material is classified as proven or probable reserves. Accordingly, substantially all expenditures for mine development and mill construction have been expensed as incurred. Certain expenditures, such as for rolling stock or other general-purpose equipment, may be capitalized, subject to evaluation for possible impairment of the asset. As of December 31, 2012, none of the mineralized material at the Company's *El Aguila* Project or any of its other properties met the SEC's definition of proven or probable reserves. The Company expects to remain an exploration stage company for the foreseeable future, even though it has reached commercial production. The Company will not exit the exploration stage unless and until it demonstrates the existence of proven or probable reserves that meet SEC guidelines.

**Proven or Probable Reserves:** The definition of proven or probable reserves is set forth in SEC *Industry Guide 7*. Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. In addition, reserves cannot be considered proven or probable until they are supported by a feasibility study, indicating that the reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable at the time of the reserve determination. As of December 2012, none of the Company's mineralized material met the definition of proven or probable reserves.

**Basis of Presentation:** The consolidated financial statements included herein are expressed in United States dollars, the Company's reporting currency, and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned Mexican corporation subsidiaries, which are Don David Gold Mexico S.A. de C.V. ("Don David Gold Mexico") and Golden Trump Mexico S.A. de C.V. ("Golden Trump Mexico") and of Gold Resource Madencilik Sanayi Ve Ticaret Limited Sirketi, its wholly owned Turkish subsidiary corporation. Significant intercompany accounts and transactions have been eliminated.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. 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. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain and bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

**Reclassifications:** Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. The reclassifications had no effect on the Company's net income (loss).

**Cash and Cash Equivalents:** Cash and cash equivalents consist of all cash balances and highly liquid investments with a remaining maturity of three months or less when purchased and are carried at cost.

**Fair Value of Financial Instruments:** Fair value accounting under ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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;
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; and
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).

**Gold and Silver Bullion:** From time to time, the Company may purchase gold and silver bullion on the open market in order to diversify its treasury and provide for an alternative form of payment for dividends. Pursuant to the fair value hierarchy established in ASC 820, the fair value of the Company's gold and silver bullion is established based on quoted prices in active markets; specifically, the fair value is based on the daily London P.M. fix as of the balance sheet date.

**Accounts Receivable:** Accounts receivable consists of trade receivables from the sale of metals concentrate.

**Inventories:** Major types of inventories include ore stockpile inventories, concentrate inventories and materials and supplies, as described below. Inventories are carried at the lower of average cost or net realizable value, in the case of ore stockpile inventories and materials and supplies. The net realizable value of ore stockpile inventories represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Concentrate inventories are carried at the lower of full cost of production or net realizable value based on current metals prices. Write-downs of inventory are reported as a component of production costs applicable to sales.

#### *Ore Stockpile Inventories*

Ore stockpile inventories represent mineralized materials that have been mined and are available for further processing. Ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, an estimate of the contained metals (based on assay data) and the estimated metallurgical recovery rates. Costs are allocated to ore stockpile inventories based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation and amortization relating to mining operations. Material is removed from the stockpile at an average cost per tonne. The current portion of ore stockpiles is determined based on the expected amounts to be processed within the next 12 months. Ore stockpile inventories not expected to be processed within the next 12 months, if any, are classified as long-term. As of December 31, 2012, all underground mine ore stockpile inventory was classified as current and all open pit mine ore stockpile inventory was classified as non-current.

#### *Concentrate Inventories*

Concentrates inventories include metal concentrates located either at the Company's facilities or in transit to its customer's port. Inventories consist of copper, lead and zinc metal concentrates, which also contain gold and silver mineralization.

#### *Materials and Supplies Inventories*

Materials and supplies inventories are carried at cost not in excess of their estimated net realizable value. Cost includes applicable taxes and freight. Inventories consist of chemical reagents, parts, fuels and other materials and supplies.

**IVA Taxes Receivable and Payable:** In Mexico, value added taxes (IVA) are assessed on purchases of materials and services and sales of products. Businesses are generally entitled to recover the taxes they have paid related to purchases of materials and services, either as a refund or as a credit against future taxes payable. Likewise, businesses owe IVA taxes as the business sells a product and collects IVA taxes from its customers.

Amounts recorded as IVA taxes payable in the consolidated financial statements represent the net estimated IVA tax liability, since there is a legal right of offset of IVA taxes receivable and payable.

**Mineral Acquisition Costs:** The costs of acquiring land and mineral rights are considered tangible assets. Significant acquisition payments are capitalized. Administrative and holding costs to maintain an exploration property are expensed as incurred. If a mineable ore body is discovered, such capitalized costs are amortized when production begins using the units-of-production method. If no mineable ore body is discovered or such rights are otherwise determined to have diminished value, such costs are expensed in the period in which the determination is made.

**Exploration Costs:** Exploration costs are charged to expense as incurred. Costs to identify new mineral resources, to evaluate potential resources, and to convert mineral resources into proven or probable reserves are considered exploration costs.

**Design, Construction and Development Costs:** Certain costs to design and construct mine and processing facilities may be incurred prior to establishing proven or probable reserves. Under these circumstances, the Company classifies a project as an exploration stage project and expenses substantially all costs, including design, engineering, construction and installation of equipment. Certain types of equipment, which have alternative uses or significant salvage value, may be capitalized. If a project is determined to contain proven or probable reserves, costs incurred in anticipation of production can be capitalized. Such costs include development drilling to further delineate the ore body, removing overburden during the pre-production phase, building access ways, constructing facilities, and installing equipment. Interest costs, if any, incurred during the development phase, would be capitalized until the assets are ready for their intended use. The cost of start-up activities and ongoing costs to maintain production are expensed as incurred. Costs of abandoned projects are charged to operations upon abandonment.

If a project commences commercial production and the project is determined to contain proven or probable reserves, amortization and depletion of capitalized costs is computed on a unit-of-production basis over the expected reserves of the project based on estimated recoverable gold equivalent ounces.

**Property and Equipment:** All items of property and equipment are carried at cost not in excess of their estimated net realizable value. Normal maintenance and repairs are expensed as incurred while expenditures for major maintenance and betterments are capitalized. Gains or losses on disposition are recognized in operations. Depreciation of property and equipment is computed using straight-line methods over the estimated economic lives, as follows:

Trucks and autos.....	4 to 5 years
Office furniture and equipment .....	3 to 10 years
Machinery & equipment .....	6 to 8 years
Buildings.....	20 to 30 years

**Impairment of Long-Lived Assets:** The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. Any impairment losses are measured and recorded based on discounted estimated future cash flows and are charged to income on the Company's consolidated statements of operations. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's estimates of future cash flows are based on numerous assumptions, including expected gold and other commodity prices, production levels, capital requirements and estimated salvage values. It is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and costs and capital are each subject to significant risks and uncertainties. As of December 31, 2012, the Company's mineral resources do not meet the definition of proven or probable reserves or value beyond proven or probable reserves and any potential revenue has been excluded from the cash flow assumptions. Accordingly, recoverability of capitalized cost is based primarily on estimated salvage values or alternative future uses.

**Asset Retirement Obligations:** The Company's mining and exploration activities are subject to various laws and regulations, including legal and contractual obligations to reclaim, remediate, or otherwise restore properties at the time the property is removed from service. A liability is initially recorded at the estimated present value for an obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred if a reasonable estimate of fair value can be made. For exploration stage properties that do not qualify for asset capitalization, the costs associated with the obligation are charged to operations. For development and production stage properties that have proven or probable reserves, the costs are added to the capitalized costs of the property and amortized using the units-of-production method.

**Treasury Stock:** Treasury stock represents shares of the Company's common stock which has been repurchased on the open market at the prevailing market price at the time of purchase. Treasury stock is shown at cost as a separate component of equity as a deduction from total capital stock.

**Revenue Recognition:** Metals products sold to the Company's metals concentrate buyer, including by-product metals, are recorded as revenue when title and risk of loss transfer to the buyer (generally at the time shipment is delivered at buyer's port) at estimated quoted metal prices at time of shipment. Due to the time elapsed between shipment and the final settlement with the buyer, the Company must estimate the prices at which sales of metals will be settled. These estimates are based on various factors, including assay measurements taken at the time of shipment. At the end of each financial reporting period, previously recorded provisional sales are adjusted to estimated settlement metals prices until final settlement with the buyer.

Sales to the Company's buyer are recorded net of charges for treatment, refining, smelting losses, and other charges negotiated by the Company with the buyer. Charges are estimated upon shipment of concentrates based on contractual terms, and actual charges typically do not vary materially from estimates. Costs charged by smelters include a metals payable fee, fixed treatment and refining costs per ton of concentrate.

Changes in metals prices on the London Bullion Market between shipment and final settlement will result in adjustments to revenues related to sales of concentrate previously recorded upon shipment. Concentrate sales, which are initially recorded based on estimated quoted metal pricing at the time of shipment, contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the quoted metal price at the time of the sale. The embedded derivative, which does not qualify for hedge accounting, is adjusted to market through earnings each period prior to final settlement.

Changes in the market price of metals significantly affect the Company's revenues, results of operations and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond the Company's control, such as political and economic conditions, demand, forward selling by producers, expectations for inflation, custom smelter activities, the relative exchange rate of the U.S. dollar, investor sentiment, and global mine production levels. The aggregate effect of these factors is impossible to predict. Because the Company's revenue is derived from the sale of gold, silver, copper, lead and zinc metals concentrate, its results of operations are directly related to the prices of these metals.

**Stock-Based Compensation:** The Company records compensation expense for the fair value of stock options that are granted. Expense is recognized on a pro-rata basis over the vesting periods, if any, of the options. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model, which requires the input of subjective assumptions including expected volatility, risk-free interest rates, the expected life of the option dividend yields and expected forfeitures and cancellations. Expected volatility is based on the historical price volatility of the Company's common stock. Risk-free interest rates are based on U.S. government obligations with a term approximating the expected life of the option. The expected life is estimated in accordance with SEC Staff Accounting Bulletin No. 107, "Share-Based Payment". The Company paid dividends beginning in July 2010 and, accordingly, a dividend yield was considered in calculating the grant date fair value of options granted subsequent to that date; however, no dividend yield was considered for options granted prior to July 2010. In addition, we estimate the expected forfeiture rate and only recognize expense for those options expected to vest.

**Reclamation and Remediation Costs:** Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is expensed as incurred since we do not have proven or probable reserves. Reclamation costs 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 costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, its reclamation obligations in accordance with ASC guidance for reclamation obligations.

**Comprehensive Income (Loss):** Total comprehensive income (loss) and the components of accumulated other comprehensive income (loss) are presented in the Consolidated Statement of Changes in Shareholders' Equity. Accumulated other comprehensive income (loss) is composed of foreign currency translation adjustment effects.

**Income Taxes:** Income taxes are computed using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes and the effect of net operating loss and foreign tax credit carry-forwards. Deferred tax assets are evaluated to determine if it is more likely than not that they will be realized.

**Net Income (Loss) Per Share:** Diluted income per share reflects the potential dilution that could occur if potentially dilutive securities, as determined using the treasury stock method, are converted into common stock. Potentially dilutive securities, such as stock options and warrants, are excluded from the calculation when their inclusion would be anti-dilutive, such as periods when a net loss is reported or when the exercise price of the instrument exceeds the average fair market value.

**Foreign Currency:** These consolidated financial statements are expressed in United States dollars ("US dollars"), which is the functional currency of the Company and the reporting currency of the consolidated financial statements. The functional currency of all of the Company's subsidiaries is also the US dollar except for Golden Trump Mexico for which the functional currency is the Mexican peso.

Prior to April 2010, the local currency where the Company's properties are located, the Mexican peso, was the functional currency for the Company's subsidiaries. In conjunction with the commencement of production and sales in US dollars at the *El Aguila* project in April 2010, the economic facts and circumstances changed such that the functional

currency of one of the Mexican subsidiaries was changed to the US dollar. This change in functional currency was identified and corrected in the fourth quarter of 2012 and resulted in out-of-period adjustments of \$0.8 million to property and equipment, net; (\$2.0) million to unrealized (loss)gain on foreign currency exchange and (deficit) accumulated during the exploration stage; and an offsetting amount of \$2.8 million to accumulated other comprehensive income(loss) - currency translation adjustment and currency translation gain in other comprehensive income(loss). Management does not believe that the out-of-period adjustments are material to the consolidated financial statements, herein.

#### *Translation of transactions and balances into the functional currency*

Transactions in currencies other than an entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at that date. Foreign currency non-monetary items that are measured in terms of historical cost are not retranslated. Exchange differences are recognized in net earnings in the period in which they arise.

#### *Translation to the reporting currency*

At the end of each reporting period, the results and financial position of subsidiaries whose functional currency differs from the reporting currency of the consolidated financial statements are translated into US dollars as follows:

- Assets and liabilities are translated at the rates of exchange at the balance sheet date; and
- Revenues and expenses are translated at the average exchange rates for the period, or at rates that approximate actual exchange rates, with the exception of certain items, such as depreciation and amortization, which are translated at the historical rate applied to the related asset.

Foreign exchange gains and losses resulting from translation from the functional currency to the reporting currency are recognized in other comprehensive income and are recognized in net earnings upon the substantial disposition, liquidation or closure of the subsidiary that gave rise to such amounts.

**Concentration of Credit Risk:** During the years ended December 31, 2012, 2011 and 2010, all of the Company's revenues and accounts receivable were the result of sales to two subsidiaries of the Trafigura Group Company: Consorcio Minero de Mexico Cormin Mex. S.A. de C.V. ("Consorcio") and Trafigura Beheer, B.V. ("Beheer") of Lucerne Switzerland. Sales to Consorcio and Beheer are made under separate contracts with different contract terms. The Company has carefully considered and assessed the credit risk resulting from its concentrate sales arrangements with Consorcio and Beheer and believes it is not exposed to significant credit risk in relation to the counterparty meeting its contractual obligations as it pertains to its trade receivables during the ordinary course of business. In the event that the Company's relationship with Consorcio or Beheer is interrupted for any reason, the Company believes that it would be able to locate another entity to purchase its metals concentrates. However, any interruption could temporarily disrupt the Company's sale of its principal products and adversely affect operating results.

The Company's *El Aguila* Project, which is located in the state of Oaxaca, Mexico, accounted for 100% of the Company's total sales of metals concentrate for the years ended December 31, 2012, 2011 and 2010.

Some of the Company's operating cash balances are maintained in accounts that currently exceed federally insured limits. The Company believes that the financial strength of depositing institutions mitigate the underlying risk of loss. To date, these concentrations of credit risk have not had a significant impact on the Company's financial position or results of operations.

#### **Recently Adopted Accounting Standards :**

In May 2011, ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The Company's January 1, 2012 adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2011, the ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update required certain disclosure requirements when reporting other comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. The Company adopted the new guidance and

its deferral and adoption to present the total of comprehensive income in two separate but consecutive statements effective for its fiscal year beginning January 1, 2011. The early adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

#### Recently Issued Accounting Standards Updates:

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," or "ASU 2013-02" which requires disclosure of significant amounts reclassified out of accumulated other comprehensive income by component and their corresponding effect on the respective line items of net income. This guidance is effective for reporting periods beginning after December 15, 2012 and is not expected to have a material impact on our consolidated financial statements or financial statement disclosures.

In February 2013, the FASB issued ASU No. 2013-05 "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This guidance is effective for reporting periods beginning after December 15, 2013 and is not expected to have a material impact on our consolidated financial statements or financial statement disclosures.

## 2. Fair Value Measurement

The Company's financial instruments consist of cash and cash equivalents, investments in gold and silver bullion, and accounts receivable (which include provisionally priced sales) as of December 31, 2012 and 2011. The following tables summarize the Company's financial instruments required to be measured at fair value on a recurring basis as of December 31, 2012 and 2011. The carrying values of cash and cash equivalents and accounts receivable approximated their fair values at December 31, 2012 and 2011 due to their short maturities.

	Fair Value as of December 31, 2012				Total	Balance Sheet Classification
	Level 1	Level 2	Level 3			
	<i>(in thousands)</i>					
Gold and silver bullion <sup>(1)</sup>	\$ 5,809	\$ -	\$ -	\$ -	\$ 5,809	Gold and silver bullion
Receivables related to unsettled invoices <sup>(2)</sup>	\$ 6,341	\$ -	\$ -	\$ -	\$ 6,341	Accounts receivable

	Fair Value as of December 31, 2011				Total	Balance Sheet Classification
	Level 1	Level 2	Level 3			
	<i>(in thousands)</i>					
Gold and silver bullion <sup>(1)</sup>	\$ 2,549	\$ -	\$ -	\$ -	\$ 2,549	Gold and silver bullion
Receivables related to unsettled invoices <sup>(2)</sup>	\$ 6,208	\$ -	\$ -	\$ -	\$ 6,208	Accounts receivable

(1) The fair value of the Company's gold and silver bullion is established based on quoted prices in active markets for identical assets or liabilities (Level 1); specifically, the fair value is based on the daily London P.M. fix as of December 31, 2012 and 2011, respectively.

(2) Certain concentrate sales contracts provide for provisional pricing as specified in such contracts. These sales contain an embedded derivative related to the provisional pricing mechanism which is bifurcated and accounted for as a derivative. At the end of each reporting period, the Company records an adjustment to revenue to mark-to-market outstanding provisional invoices. Because these provisionally priced sales have not yet settled, the mark-to-market adjustment related to these invoices is included in accounts receivable as of each reporting date.

None of the Company's financial instruments were classified as Level 2 or Level 3 financial instruments under ASC 820 as of December 31, 2012 or 2011.

Gains and losses related to changes in the fair value of these financial instruments were included in the Company's Consolidated Statement of Operations.

Type	Years Ended December 31,			Statement of Operations Classification	
	2012	2011	2010		
	<i>(in thousands)</i>				
Change in fair value of bullion held	Unrealized gain (loss)	\$ 58	\$ (429)	\$ -	Other (expense) income
Bullion converted pursuant to dividend program (See Note 3)	Realized gain (loss)	\$ (64)	\$ -	\$ -	Other (expense) income
Receivables related to unsettled invoices	Derivative gain (loss)	\$ 219	\$ (126)	\$ 359	Sales of metals concentrate, net
Provisionally priced sales <sup>(1)</sup>					

(1) These sales contain an embedded derivative related to the provisional pricing mechanism which is bifurcated and accounted for as a derivative. At the end of each reporting period, the Company records an adjustment to revenue to mark-to-market outstanding provisional invoices. Because these provisionally priced sales have not yet settled, the mark-to-market adjustment related to these invoices is included in sales of metals concentrate, net as of each reporting date.

### 3. Gold and Silver Bullion

Beginning in 2011, the Company began to invest a portion of its treasury in physical gold and silver bullion and continues to do so. During the year ended December 31, 2012, the Company purchased approximately 1,974 ounces of gold and 59,001 ounces of silver at market prices for a total cost of \$5.2 million. During the year ended December 31, 2011, we purchased approximately 868 ounces of gold and 41,728 ounces of silver at market prices for a total cost of \$3.0 million. The bullion was purchased to diversify the Company's treasury and is being used in conjunction with a recently adopted program offering shareholders the ability to convert their cash dividend into gold and silver bullion. During the year ended December 31, 2012, approximately 1,068 ounces of gold and 5,234 ounces of silver were converted into gold and silver bullion and distributed under this dividend program, resulting in a realized loss of \$0.1 million in that year. No gold or silver bullion was distributed under the dividend program during 2011 or 2010.

The Company values its gold and silver bullion based on guidelines established by ASC 820, as described further in Note 2. The table below shows the balance of the Company's holdings of bullion as of December 31, 2012 and 2011.

	2012		2011	
	Gold	Silver	Gold	Silver
	<i>(in thousands, except ounces and per ounce)</i>		<i>(in thousands, except ounces and per ounce)</i>	
Ounces	1,774	95,495	868	41,728
Average cost per ounce	\$ 1,683.08	\$ 33.45	\$ 1,720.93	\$ 35.55
Fair value per ounce	\$ 1,659.83	\$ 30.00	\$ 1,574.50	\$ 28.32
Total cost	\$ 2,986	\$ 3,194	\$ 1,494	\$ 1,484
Total fair value	\$ 2,945	\$ 2,864	\$ 1,367	\$ 1,182

### 4. Inventories

Inventories at December 31, 2012 and 2011 consisted of the following:

	2012	2011
	<i>(in thousands)</i>	
Ore stockpiles - underground mine	\$ 1,466	\$ 1,629
Concentrates	3,305	663
Materials and supplies	2,762	1,951
Inventories- current	7,533	4,243
Ore stockpiles - open pit mine	809	-
Inventories- non-current	809	-
Total inventories	\$ 8,342	\$ 4,243

## 5. Mineral Properties

The Company has an interest in five properties within the State of Oaxaca, Mexico, the *El Aguila* Project, the *El Rey* property, the *Las Margaritas* property, the *Alta Gracia* property and the *El Chamizo* property. The *El Aguila* and *El Aire* concessions make up the *El Aguila* Project and the *La Tehuana* concession makes up the *Las Margaritas* property. All properties are located within trucking distance to the *El Aguila* mill.

**The *El Aguila* Project:** Effective October 14, 2002, the Company leased three mining concessions, *El Aguila*, *El Aire*, and *La Tehuana*, totaling 1,896 hectares. The lease agreement is subject to a 4% net smelter return royalty where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Subject to minimum exploration requirements, there is no expiration term for the lease. The Company may terminate the lease at any time upon written notice to the lessor and the lessor may terminate the lease if the Company fails to fulfill any of its obligations. The Company subsequently acquired two additional concessions, *El Chacal* and *El Pilon*, totaling 1,445 hectares, from the same third party, who is entitled to receive a 2% royalty on future production.

The Company has filed for and received additional concessions for the *El Aguila* Project that total an additional 17,639 hectares. These additional concessions are not part of the concessions discussed above. The Company's total interest in the *El Aguila* Project aggregates 20,980 hectares.

**The *El Rey* Property:** The *El Rey* property consists of concessions in another area in the state of Oaxaca known as *El Rey*, *El Virrey*, *La Reyna* and *El Marquez*. We acquired the *El Rey* concession from our former consultant and it is subject to a 2% net smelter return royalty payable to him on a portion of the claims. We obtained the remaining concessions by staking claims and filing for concessions with the Mexican government. These concessions total 2,773 hectares.

The *El Rey* property is an exploration stage property with no known reserves. It is approximately 64 kilometers (40 miles) from the *El Aguila* Project. 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 transported by truck and processed at the *El Aguila* Project mill.

**The *Las Margaritas* Property:** The *Las Margaritas* property is made up of the *La Tehuana* concession. The Company leased this property in October 2002. It is comprised of approximately 925 hectares located adjacent to the *El Aguila* property. To date, the Company has conducted limited drilling surface sampling, geologic mapping and continues to define drill targets for future exploration drill programs.

**The *Solaga* Property:** In February 2007, the Company leased a 100% interest in a property known as the *Solaga* property for a primary term of eight years. In early 2013, the Company terminated its interest in this lease.

**The *Alta Gracia* Property:** In August 2009, the Company acquired property adjacent to the *Las Margaritas* property in the *Alta Gracia* mining district by filing concessions under the Mexican mining laws. The Company refers to this property as the *Alta Gracia* property. These properties are comprised of three mining concessions, the *David 1*, the *David 2* and *La Hurradura*. The concessions total 5,175 hectares. The Company has conducted limited surface sampling, geologic mapping and drilling initial targets.

**The *El Chamizo* Property:** In June 2011, the Company acquired an additional property between the *El Rey* property and *Alta Gracia* property by staking mineral claims consisting of approximately 26,386 hectares (101 square miles) which it refers to as the "*El Chamizo*" property. With the acquisition of *El Chamizo*, the Company has extended its land position along what is known as the *San Jose* structural corridor to 48 kilometers. There has been limited exploration activity at *El Chamizo* to date.

As of December 31, 2012, none of the mineralized material at the Company's properties met the SEC's definition of proven or probable reserves.

## 6. Property and Equipment

At December 31, 2012 and 2011, property and equipment consisted of the following:

		2012	2011
		(in thousands)	
Trucks and autos	\$	1,631	\$ 1,095
Building		1,737	1,737
Office furniture and equipment		2,275	1,768
Machinery and equipment		11,474	7,245
Subtotal		17,117	11,845
Accumulated depreciation		(3,067)	(1,527)
Total property and equipment, net	\$	14,050	\$ 10,318

Depreciation expense for years ended December 31, 2012, 2011 and 2010 was \$1.5 million, \$0.9 million and \$0.3 million, respectively. The Company did not have any significant asset disposals in 2012 and 2011.

## 7. Income Taxes

The Company files income taxes on an entity basis. Gold Resource Corporation files as a U.S. Corporation ("U.S. Operations") and the Company's subsidiaries file in Mexico and Turkey.

For financial reporting purposes, net income (loss) before income taxes and extraordinary item include the following components:

	Years Ended December 31,		
	2012	2011	2010
	<i>(in thousands)</i>		
U.S. Operations	\$ (13,045)	\$ (11,443)	\$ (7,187)
Foreign Operations	60,013	59,531	(15,887)
Total income(loss) before income taxes and extraordinary item	\$ 46,968	\$ 48,088	\$ (23,074)

The Company's income tax provision consisted of:

	Years Ended December 31,		
	2012	2011	2010
	<i>(in thousands)</i>		
Current taxes:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Foreign	22,067	17,827	-
Total current taxes	\$ 22,067	\$ 17,827	\$ -
Deferred taxes:			
Federal	\$ 2,913	\$ (4,005)	\$ -
State	298	(372)	-
Foreign	(11,981)	(25,487)	-
Total deferred taxes	\$ (8,770)	\$ (29,864)	\$ -
Total income provision	\$ 13,297	\$ (12,037)	\$ -

The provision for income taxes for the years ended December 31, 2012, 2011 and 2010, differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to pre-tax income from operations as a result of the following differences:

	Years Ended December 31,		
	2012	2011	2010
	<i>(in thousands)</i>		
Tax at statutory rates	\$ 16,031	\$ 15,987	\$ (8,076)
U.S Operations - state income tax impact	345	(372)	(234)
Mexico Operations - tax rate impact	(2,826)	(2,856)	794
Dividends, net of foreign tax credits	2,050	-	-
Return to provision	1,161	-	-
Change in deferred tax assets	1,400	2,820	-
Change in valuation allowance	(4,644)	(28,574)	7,515
Other	(220)	958	1
Tax provision	\$ 13,297	\$ (12,037)	\$ -

Undistributed earnings of the Company's foreign subsidiaries were approximately \$58.7 million at December 31, 2012. These earnings are considered to be indefinitely reinvested, and do not include earnings which are considered distributed. According, no provision for U.S. federal and state income taxes has been provided for on those earnings. If the Company were to separate those earnings, in the form of dividends or otherwise, the company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

The Company files income taxes on an entity basis. Gold Resource Corporation files a U.S. tax return and the Company's subsidiaries each file separate tax returns in Mexico and Turkey.

The Company, on an entity-by-entity basis, evaluates the evidence available to determine whether a valuation allowance is required on the deferred tax assets. During 2011, the company determined that deferred tax assets attributable to Gold Resources Corporation and Don David Gold Mexico were "more likely than not" recoverable and recorded a reduction in the valuation allowance of \$28.6 million. During the fourth quarter of 2012, the Company determined that the remaining deferred tax assets of Don David Gold Mexico were "more likely than not" recoverable and recorded a reduction in the valuation allowance of \$4.6 million. Management's assessment was based on the increased Don David Gold Mexico 2012 gross profits and net income, forecasted contributed future profits and the projected 2013 payment of dividends (which is treated as dividend income for income tax purposes) to the U.S. parent.

Deferred tax assets and liabilities are determined on an entity-by-entity basis based on the differences between the U.S. GAAP financial statement and tax basis of assets and liabilities using the U.S. Mexico and Turkey enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets and liabilities are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable or refundable currently, or in future years, related to cumulative temporary differences between the tax bases of assets and liabilities and amounts reported in the Company's balance sheet. These items are generally deductible for tax purposes in different periods and in different amounts than the expense recognized for financial reporting purposes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2012 and 2011 are presented below:

	At December 31,	
	2012	2011
	<i>(in thousands)</i>	
Deferred tax assets:		
Tax loss carryforward		
U.S. Operations	\$ 1,213	\$ 10,187
Mexico Operations	-	3,595
Property and equipment	17,612	15,589
Stock-based compensation	5,187	4,404
Accrued royalties and other liabilities	848	811
Foreign tax credits	7,691	100
Other	1,129	593
Total deferred tax assets	<u>33,680</u>	<u>35,279</u>
Valuation allowance	-	(4,644)
Deferred tax assets after valuation allowance	<u>\$ 33,680</u>	<u>\$ 30,635</u>
Deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>
Net deferred tax asset	<u>\$ 33,680</u>	<u>\$ 30,635</u>

At December 31, 2012, the Company has U.S. tax loss carry-forwards for U. S. tax purposes approximating \$1.2 million, which expire between 2026 and 2029, and foreign tax credits of \$7.7 million that expire between 2023 and 2024.

As of December 31, 2012, the Company believes that it has no liability for uncertain tax provisions. If the Company were to determine there was an uncertain tax provisions, the Company would recognize the liability and related interest and penalties within income tax expense.

Currently the Company is not subject to any income tax examinations in any jurisdiction, however to the extent that net operating losses have been utilized in either the current or preceding years such losses may be subject to future income tax examination.

## 8. Asset Retirement Obligation

The Company's asset retirement obligation ("ARO") relates to the estimated reclamation, remediation, and closure costs for its *El Aguila* Project. The following table presents the changes in ARO for the years ended December 31, 2012 and 2011.

	2012		2011
		<i>(in thousands)</i>	
Asset retirement obligation – opening balance	\$	2,281	\$ 2,495
Additions and changes in estimates		258	-
Foreign currency exchange gain (loss)		170	(296)
Accretion		81	82
Asset retirement obligation – ending balance	\$	<u>2,790</u>	<u>\$ 2,281</u>

## 9. Commitments and Contingencies

### *Operating leases*

The Company leased office space in Denver, Colorado under an agreement that expired in February 2011. Rent expense for 2011 and 2010 was \$6,000 and \$30,700, respectively. In November 2012, the Company entered into a three year lease agreement to lease office space in Denver, Colorado commencing January 1, 2013. One of the Company's subsidiaries also leased office space in Oaxaca City, Oaxaca. The subsidiary entered into a ten year lease commencing January 1, 2012. Rent expense for 2012 under this lease was \$72,000.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2012.

### **Years Ended December 31,**

2013	\$	128,000
2014		130,000
2015		131,000
2016		72,000
2017		72,000
Thereafter		<u>288,000</u>
<b>Total</b>	<b>\$</b>	<b><u>821,000</u></b>

### *Employment agreements*

The Company has entered into certain employment agreements with senior executive employees and key management employees. Under these agreements, the Company paid employee base salary compensation of \$2.5 million in 2012 and will have a contractual obligation to pay employee salary compensation of \$2.6 million, \$2.4 million and \$1.2 million in 2013, 2014 and 2015, respectively.

## 10. Shareholders' Equity

All of the financial information in this report has been adjusted to reflect the effect of the two-for-one stock split that was effective February 21, 2005, whereby the Company declared and effected a 100% forward stock split where one additional share of common stock, par value \$0.001, was issued for each common share outstanding as of that date.

The Company was formed August 24, 1998 by William W. Reid and David C. Reid (the "Founders"). During 1998 and 1999, the Founders received 3,800,000 shares of common stock valued at \$2,000 for administrative and organization expenses. The Company remained generally inactive through 1999.

Commencing July 1, 2000, the Company and US Gold Corporation, a publicly traded Colorado corporation, entered into a management contract whereby US Gold provided general management of the business activities of the Company through December 31, 2001. Under this management contract, US Gold was issued 2,560,000 shares of common stock of the Company. The 2,560,000 shares were valued at \$392,000 or approximately \$0.17 per share. Through this arrangement, the Company benefited from experienced management without the need to raise cash for the related cost of such management and administration. The Company was, however, responsible for all additional funding needed.

During 2001, the Founders made convertible debenture loans in the amount of \$50,000 to the Company and then converted those debentures into 200,000 shares of common stock of the Company at a conversion price of \$0.25 per share.

In September 2001, the Company commenced the sale of its common shares under exemptions offered by federal and state securities regulations. During 2001, the Company sold 820,000 shares at \$0.25 per share (total \$205,000).

During 2002, the Company sold 392,000 shares at \$0.25 per share (\$98,000) to various parties and 1,351,352 shares at approximately \$0.17 per share (\$225,000) to an institutional investor, RMB International (Dublin) Limited ("RMB").

During 2003, the Company sold 577,000 shares at \$0.25 per share raising net proceeds of \$145,000. Effective September 30, 2003, US Gold acquired the RMB shares in exchange for US Gold shares, and terminated the obligation of the Company to pay RMB approximately \$25,000 in transaction costs, which was added back into paid-in-capital.

During 2004, the Company sold 608,000 shares at \$0.25 per share raising net proceeds of \$152,000. Also during 2004, the Company issued 1,200,000 shares valued at approximately \$0.42 per share to Canyon Resource Corporation for repayment of a loan for funding of exploration cost at the *El Aguila* property. Also during 2004, the Company made a stock grant of 600,000 shares at \$0.25 per share or \$150,000 to a consultant of the Company.

Effective January 2, 2005, the Company granted common stock awards to its two executive officers and a consultant of an aggregate 1,750,000 shares for services performed during 2004 and 2005. The shares were valued at \$438,000 (or \$0.25 per share) which was recorded as stock-based compensation expense of \$350,000 in 2004 and \$87,000 in 2005. In this issuance of common stock, William W. Reid received 1,000,000 shares, David C. Reid received 500,000 shares and the consultant received 250,000 shares

During 2005, an individual exercised stock options for 10,000 shares for \$2,500. In June 2005, the Company issued 1,280,000 shares to US Gold Corporation in satisfaction of \$320,000 owed for a prior year management contract.

During 2005, the Company sold 428,000 shares to individual investors for cash proceeds of \$145,000 (276,000 shares at \$0.25 per share and 152,000 shares at \$0.50 per share).

In addition, during July and August 2005, the Company closed transactions under a Subscription Agreement and Stock Purchase Option Agreement with Heemskirk Consolidated Limited ("Heemskirk"), an Australian global mining house, whereby Heemskirk purchased 2,000,000 shares of common stock of the Company at \$0.50 per share. A finder's fee of 140,000 shares was paid to a third party (resulting in a net value of \$0.47 per share). Heemskirk had previously purchased (in April, 2005) 150,000 shares of common stock at \$0.50 per share and the Company had paid a finder's fee of 10,500 shares. The Company agreed to give Heemskirk a first right of offer for any financings, including sale of equity, the Company may pursue. In a similar transaction during August 2005, the Company sold 400,000 shares to another investor raising \$200,000 and paid a finder's fee to a third party of 28,000 shares. These transactions resulted in the issuance of 2,728,500 shares for net cash proceeds of \$1.3 million (\$0.47 per share).

During 2006, the Company sold 4,600,000 shares of common stock at \$1.00 per share in a public offering under a registration statement filed with the SEC that was declared effective on May 15, 2006. The Company received cash proceeds of \$4.4 million (net of finders' fees of \$249,000).

During 2006, the Company completed a private placement of 4,322,000 shares of common stock at \$1.20 per share, and received net cash proceeds of \$4.9 million, after deducting finders' fees of \$258,000. The Company also issued 257,700 shares of common stock as finders' fees in connection with this private placement.

During 2006, the Company received cash proceeds of \$60,000 pursuant to the exercise of options to purchase 240,000 shares at \$0.25 per share.

In May 2006, the Company made a common stock award of 100,000 shares to a director. These shares were valued at \$100,000. In December 2006, the Company made a common stock award of 35,000 shares to two employees. These shares

were valued at \$60,000. In October 2006, the Company issued 250,000 shares of restricted common stock for investor relations services. These shares were valued at \$275,000.

Pursuant to a contract effective November 1, 2006, the Company agreed to issue a series of shares of common stock to a consultant performing investor relations work on its behalf. The 30,000 shares issued in 2006 were valued at \$1.50 per share, or \$45,000. The 30,000 shares issued in February 2007 were valued at \$2.428 per share, or \$73,000. The 30,000 shares issued in May 2007 were valued at \$3.39 per share or \$102,000. In November 2007, 30,000 shares were issued at a value of \$4.14 per share or \$124,000, and 20,000 shares were issued at a value of \$4.235 per share or \$85,000. The Company agreed to issue an additional 10,000 shares for services performed during December 2007 valued at \$4.375 per share or \$44,000. On May 1, 2007, the Company entered into an investor relations contract for international investors that required the issuance of 50,000 shares of common stock during the second quarter of 2007. These shares were valued at fair market value of \$148,000.

On October 2, 2007, the Company agreed to issue 15,000 shares of common stock for consulting services performed in Mexico. These shares were valued at \$3.68 per share or \$55,000 and were recorded as stock compensation during the year ended December 31, 2007.

On December 5, 2007, the Company completed the sale of 5,558,500 shares of common stock in a private placement for a price of \$4.00 per share, for aggregate gross proceeds of \$22.2 million. The sales were made pursuant to a subscription agreement between the Company and each subscriber. In connection with the private placement, the Company agreed to pay finders' fees of \$522,000 cash and 263,900 shares of common stock.

Effective January 13, 2008, the Company agreed to issue 10,000 shares of common stock for investor relations consulting services. The 10,000 shares were valued at \$4.25 per share or \$42,000.

During the year ended December 31, 2008, a Director of the Company exercised options to purchase 100,000 shares of the Company's common stock at the exercise price of \$1 per share for total cash proceeds of \$100,000.

Effective July 28, 2008, an officer exercised options to purchase 87,000 shares of common stock at \$1.00 per share. The officer elected the "cashless exercise" method for payment, under which he immediately surrendered 19,333 shares of common stock that he would have otherwise been entitled to receive. These shares were valued at \$4.50 per share, for a total valuation of \$87,000. The transaction resulted in a net increase of 67,667 common shares outstanding.

Effective October 12, 2008, a consultant exercised options to purchase 81,000 shares of common stock at \$1.00 per share for cash proceeds of \$81,000. In addition, the consultant exercised options to purchase 19,000 shares using the "cashless exercise" method of payment, under which he immediately surrendered 7,063 shares of common stock that he would have otherwise been entitled to receive. The 7,063 shares were valued at \$2.69 per share, for a total valuation of \$19,000 and resulting in a net issuance of 11,937 shares. As a result of both transactions, common shares outstanding increased by 92,937 shares.

On December 5, 2008, the Company entered into a subscription agreement and a strategic alliance agreement with Hochschild Mining Holdings Limited (Hochschild). Under the terms of the subscription agreement, the Company sold 1,670,000 shares of its common stock to Hochschild at \$3.00 per share for total cash proceeds of \$5.0 million. Under the terms of the strategic alliance agreement the Company granted Hochschild an option to purchase an additional 4,330,000 shares of its common stock at a price of \$3.00 per share for total cash proceeds of \$13 million. The option was exercised on February 25, 2009. The strategic alliance agreement also contains a number of additional covenants between the parties.

On June 30, 2009, the Company entered into a subscription agreement with Hochschild to sell 5,000,000 shares of its common stock at a price of \$4.00 per share, or a total of \$20 million. The transaction was completed in two tranches. Simultaneously with the execution of the subscription agreement, the Company sold 1,250,000 shares of common stock for gross proceeds of \$5 million. The closing for the remaining 3,750,000 shares of common stock was held on July 20, 2009. The Company agreed to reserve \$4 million of the gross proceeds for exploration activities.

Effective October 2, 2009, a consultant exercised options to purchase 50,000 shares of common stock at \$3.68 per share for total cash proceeds of \$184,000.

On December 17, 2009, the Company entered into a subscription agreement with Hochschild to sell 1,954,795 shares of restricted common stock at \$8.185 per share for gross proceeds of \$16 million. The Company agreed to reserve \$8 million of the proceeds for underground mining expenses at the *La Arista Vein*.

During 2009, the Company issued 677,933 shares of common stock pursuant to the exercise of stock options by officers and directors. Two option-holders exercised 913,000 options using the "cashless exercise" method for payment, whereby each option-holder immediately surrendered shares of common stock that he would have otherwise been entitled to receive. In the aggregate, the option-holders exercised 913,000 options and immediately surrendered 235,067 shares of common stock, resulting in a net issuance of 677,933 shares of common stock. The Company received no cash proceeds in the transactions.

On March 8, 2010, the Company issued 600,000 restricted shares of common stock at \$8.62 per share to Hochschild pursuant to the strategic alliance agreement. The Company received cash proceeds of \$5.2 million.

On May 7, 2010, the Company agreed to issue 50,000 shares of common stock to an individual investor. The transaction was valued at \$10.77 per share based upon the quoted market price of the common stock, and consisted of cash proceeds of \$232,000, or \$4.63 per share, and stock compensation expense of \$307,000, or \$6.14 per share.

On May 26, 2010, the Company issued 631,579 restricted shares of common stock at \$9.50 per share to Hochschild pursuant to a subscription agreement in connection with the parties' strategic alliance. The Company received cash proceeds of \$6 million.

On September 23, 2010, the Company completed a financing transaction whereby it sold 3,475,000 shares of restricted common stock at \$16.00 per share for net proceeds of \$52 million to various institutional investors. Jefferies & Company Inc. acted as the placement agent in connection with the transaction, and was compensated in the amount of approximately \$3.6 million.

#### **Dividends**

The Company declared commercial production July 1, 2010 and, between July 1, 2010 and December 31, 2012, has declared monthly cash dividends totaling \$1.37 per share of common stock in thirty dividend payments to shareholders of record. The Company declared dividends of \$36.5 million and paid dividends of \$35.9 million during the year ended December 31, 2012. During the year ended December 31, 2011, the Company declared dividends of \$26.5 million and paid dividends of \$25.4 million. The Board of Directors has authorized the Company's dividends to be charged to paid-in-capital until such time as the Company has retained earnings, at which time any subsequent dividends will be charged to retained earnings. Subsequent to December 31, 2012, the Company declared a regular monthly cash dividend of \$0.06 per common share in January and February 2013.

#### **Other Matters**

On September 23, 2011, the Board of Directors approved a share repurchase program pursuant to which the Company may repurchase up to \$20 million of its common stock from time to time in market transactions. There is no pre-determined end date associated with the share repurchase program. As of December 31, 2012, the Company had repurchased 336,398 shares of common stock for \$5.9 million.

#### **11. Concentrate Sale Settlements**

The Company records adjustments to sales of metals concentrate that result from final settlement of provisional invoices in the period that the final invoice settlement occurs. The Company also reviews assays taken at the mine site on its concentrate shipments, upon which the Company's provisional invoices are based, to assays obtained from samples taken at the buyer's warehouse prior to final settlement, upon which the final invoices are in part based, to assess whether an adjustment to sales is required prior to final invoice settlement. These adjustments resulted in a decrease to sales of \$3.1 million for the year ended December 31, 2012, a decrease to sales of \$0.6 million for the year ended December 31, 2011 and an increase to sales of \$0.2 million for the year ended December 31, 2010. The net reduction to sales of \$3.1 million for 2012 principally resulted from a settlement agreement with the buyer of our concentrates involving a dispute over the concentrate metallurgical content relating to the transportation, handling, control and sampling of those concentrates at the buyer's warehouse, and the resulting assays that were obtained from those samples. The settlement agreement required the buyer to pay the Company \$1.5 million, representing the amount by which provisional invoices for April, May and June 2012 exceeded the tentative settlement value, based on assays taken at the buyer's warehouse. The settlement agreement also required the Company to accept the final settlement value, based on assays taken at the buyer's warehouse, for shipments made in February and March 2012.

In addition to the final settlement adjustments on provisional invoices, the Company records a sales adjustment to mark-to-market outstanding provisional invoices at the end of each reporting period. These adjustments resulted in an

operations. Total charges for these items totaled \$16.9 million, \$11.4 million and \$0.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Smelter refining fees, treatment charges and penalties are netted against sales of metals concentrates in the consolidated statement of operations. Total charges for these items totaled \$16.9 million, \$11.4 million and \$0.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

## 12. Employee Benefits

### 401(k) Plan

Effective October 2012, the Company adopted a profit sharing plan which covers all U.S. employees. The Plan meets the requirements of a qualified retirement plan pursuant to the provisions of Section 401(k) of the Internal Revenue Code. The Plan provides eligible employees the opportunity to make tax deferred contributions to a retirement trust account up to 45% of their qualified wages, subject to a maximum of \$17,000 annually or \$22,500 for employees over the age of 50. The Company will match 100% of the employee's deferred contribution for contributions representing up to 100% of each participating employee's deferred earnings. Employees vest in the Company's matching contribution immediately. The Company's matching contribution expense amounted to \$0.1 million and the unfunded matching contribution obligation was \$0 million for the year ended December 31, 2012.

## 13. Stock Options

The Company has a non-qualified stock option and stock grant plan under which equity awards may be granted to key employees, directors and others (the "Plan"). The Plan is administered by the Board of Directors, which determines the terms pursuant to which any option is granted. The maximum amount of common stock subject to grant under the Plan is 10 million shares. As of December 31, 2012, there were 1.9 million shares available for future grant under the Plan.

A summary of activity under the Plan as of December 31, 2012 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in yrs)	Aggregate Intrinsic Value
Outstanding as of January 1, 2012	5,160,000	\$ 8.51	6.2	\$ 70,116,500
Granted	1,562,000	21.05		
Reissued	1,270,000	17.64		
Exercised	(100,000)	21.30		
Forfeited	(1,872,000)	24.37		
Outstanding as of December 31, 2012	6,020,000	\$ 8.55	6.1	\$ 46,698,100
Vested and exercisable as of December 31, 2012	3,840,000	\$ 3.41	4.2	\$ 46,065,400

The weighted-average grant date fair value of options granted during the years ended December 31, 2012, 2011, and 2010 was \$ 11.01, \$15.94 and \$12.34, respectively. The total fair value of shares vested during the years ended December 31, 2012, 2011 and 2010 as \$ 1.6 million, \$5.4 million and \$ 1.1 million, respectively. The Company did not receive any cash proceeds from options exercised during 2012.

The following table summarizes information about stock options outstanding at December 31, 2012:

Range of Exercise Prices	Outstanding			Exercisable	
	Number of Options	Weighted Average Remaining Contractual Term (in yrs)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$0.25	1,400,000	1.0	\$ 0.25	1,400,000	\$ 0.25
\$3.40 - 3.95	2,000,000	5.7	\$ 3.68	2,000,000	\$ 3.68
\$10.10 - \$20.51	2,620,000	9.2	\$ 16.69	440,000	\$ 12.29
	6,020,000			3,840,000	

The fair value of stock option grants is amortized over the respective vesting period. Total stock-based compensation expense related to stock options allocated among production costs and general and administrative expense for the years ended December 31, 2012, 2011 and 2010 was \$6.6 million, \$6.6 million \$2.7, respectively. Below is a table of stock-based compensation expense allocated between production and general and administrative expense for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
	<i>(in thousands)</i>		
Production costs	\$ 1,737	\$ 4,336	\$ 587
General and administrative expenses	4,863	2,234	2,107
Total stock-based compensation	<u>\$ 6,600</u>	<u>\$ 6,570</u>	<u>\$ 2,694</u>

In August 2012, the Company offered certain employees the option to cancel their unexercised stock options in exchange for an equal number of new stock options at a lower exercise price, and subject to a new three-year graded vesting period. As of December 31, 2012, thirteen employees elected to participate in the offer, which resulted in 1.3 million outstanding stock options with an exercise period of 10 years being cancelled at exercise prices ranging from \$22.45 to \$27.95 per share. Replacement options of 1.3 million with an exercise period of 10 years were issued on August 14, 2012, at an exercise price of \$17.64 per share. The cancellation and reissuance of these stock options was treated as a modification pursuant to ASC 718 and, accordingly, total stock-based compensation expense related to these awards increased \$1.5 million, which will be recognized over the new vesting period.

The estimated unrecognized stock-based compensation expense from unvested options as of December 31, 2012 was approximately \$ 17.1 million, which is expected to be recognized over the remaining vesting periods of up to 3.0 years.

The assumptions used to determine the value of our stock-based awards under the Black-Scholes method are summarized below:

	2012	2011	2010
Risk-free interest rate	0.62% - 2.31%	1.97% - 3.37%	2.64% - 3.07%
Dividend yield	2.47% - 3.14%	1.98% - 2.08%	0.56% - 2%
Expected volatility	62.94% - 67.20%	67.47% - 68.62%	71%
Expected life in years	5-10	10	10

#### 14. Other (expense) income

During the years ended December 31, 2012, 2011 and 2010, other (expense) income consisted of the following:

	2012	2011	2010
	<i>(in thousands)</i>		
Currency exchange (loss) gain	\$ (2,881)	\$ 2,732	\$ (330)
Unrealized gain (loss) from gold and silver bullion held	58	(429)	-
Realized (loss) from gold and silver bullion converted	(64)	-	-
Interest income	122	102	99
Other income (expense)	29	9	(4)
Total other (expense) income	<u>\$ (2,736)</u>	<u>\$ 2,414</u>	<u>\$ (235)</u>

#### 15. Net Income (Loss) Per Share

Basic earnings per share is calculated based on the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated based on the assumption that stock options outstanding, which have an exercise price less than the average market price of the Company's common shares during the year, have been exercised on the later of the beginning of the year or the date granted and that the funds obtained from the exercise were used to purchase common shares at the average market price during the year.

	Year Ended December 31,		
	2012	2011	2010
Net income (loss) before extraordinary item	33,671	60,125	(23,074)
Extraordinary items	-	(1,756)	-
Net income (loss)	<u>\$ 33,671</u>	<u>\$ 58,369</u>	<u>\$ (23,074)</u>
Basic weighted average shares of common stock	52,846,163	52,979,481	50,042,471
Dilutive effect of stock options	3,469,722	3,435,173	-
Diluted weighted average common shares outstanding	<u>56,315,885</u>	<u>56,414,654</u>	<u>50,042,471</u>
Basic:			
Net income (loss) per basic share before extraordinary item	\$ 0.64	\$ 1.13	\$ (0.46)
Extraordinary item	-	(0.03)	-
Net income (loss) per basic share	<u>\$ 0.64</u>	<u>\$ 1.10</u>	<u>\$ (0.46)</u>
Diluted:			
Net income (loss) per diluted share before extraordinary item	\$ 0.60	\$ 1.06	\$ (0.46)
Extraordinary item	-	(0.03)	-
Net income (loss) per diluted share	<u>\$ 0.60</u>	<u>\$ 1.03</u>	<u>\$ (0.46)</u>

Stock options totaling 0 million and 0.8 million as of December 31, 2012 and 2011, respectively, were excluded from the computation of diluted weighted average shares outstanding. The exercise price of those stock options exceeded the average market price of the Company's common shares of \$22.07 and \$24.32 for the years ended December 31, 2012 and 2011, respectively. Stock options totaling 4.9 million as of December 31, 2010 were excluded from the computation of diluted weighted average shares outstanding as the effect would have been anti-dilutive.



related party. The Company leased, and continues to lease, portions of the *El Aguila*, *El Rey* and *Las Margaritas* mining concessions from this individual. This individual is also a part owner in an entity from which the Company leased its interest in the *Solaga* property. See also the discussion regarding these leases in Note 5, "Mineral Properties."

#### **18. Extraordinary Item - Flood**

On April 20, 2011, the *El Aguila* Project experienced a rain and hail storm that was unusual and infrequent to the area which flooded the *La Arista* underground mine and damaged roads, buildings and equipment. The Company experienced resultant property damage of approximately \$2.5 million, for which it recorded an extraordinary loss of \$1.8 million, net of a \$0.8 million income tax benefit, for year ended December 31, 2011. The Company has filed an insurance claim to recover damages and losses resulting from business interruption. It is unknown how much, if anything, the Company will recover.

#### **19. Legal Proceedings**

On October 25, 2012, a purported securities class action lawsuit captioned *Scott Cantor, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation et al.*, was filed in the U.S. District Court for the District of Colorado and on November 13, 2012, a similar case captioned *Robert Rhodes, on Behalf of Himself and All Others Similarly Situated v. Gold Resource Corporation et al.*, was filed in the same court. The cases were subsequently consolidated into *In re Gold Resource Corp. Securities Litigation, No. 1:12-cv-02832*. This federal court action names the company and certain of its executive officers individually as defendants and alleges, among other things, that we and those officers violated Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 in connection with statements relating to our annual production targets and mine operations. The plaintiffs seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incur in the lawsuit. We believe the allegations are without merit and that we have valid defenses to such allegations. We intend to defend this action vigorously.

On February 8, 2013, a shareholder's derivative lawsuit entitled *City of Bristol Pension Fund v. Reid et al., No. 1:13-CV-00348* was filed in the U.S. District Court for the District of Colorado naming us as a nominal defendant, and naming seven of our current and former officers and directors as defendants. The lawsuit alleges breach of fiduciary duty, gross mismanagement and unjust enrichment and seeks to recover, for Gold Resource Corporation's benefit, unspecified damages purportedly sustained by us in connection with the alleged misconduct identified in the class action lawsuit discussed above and an award of attorney's fees and costs. Pursuant to our articles of incorporation, we are obligated to indemnify our officers and directors with respect to this litigation and our company will bear the cost associated with defense of these claims. We are investigating the claims alleged in the derivative lawsuit and will respond appropriately.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no changes in our accountants during the last two fiscal years, and we have not had any disagreements with our existing accountants during that time.

### **ITEM 9A. CONTROLS AND PROCEDURES**

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of December 31, 2012 that our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting:** There have been no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **Item 10. Directors, Executive Officers, and Corporate Governance**

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the 2013 Annual Meeting of Shareholders ("2013 Proxy Statement") to be filed within 120 days after the end of our fiscal year ended December 31, 2012.

The Company has a code of ethics that applies to all of its employees, officers and directors. The code of ethics is available on our website at [www.goldresourcecorp.com](http://www.goldresourcecorp.com) and we will post any amendments to, or waivers, from, the code of ethics on that website.

### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions and Director Independence**

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

### **Item 14. Principal Accountant Fees and Services**

The information required by this item is incorporated by reference from the information contained in our 2013 Proxy Statement.

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with or incorporated by referenced in this report:

Item No.	Description
3.1	Articles of Incorporation of the Company as filed with the Colorado Secretary of State on August 24, 1998 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1, File No. 333-129321).
3.1.1	Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on September 16, 2005 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1.1, File No. 333-129321).
3.1.2	Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on November 8, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on November 10, 2010, Exhibit 3.1, File No. 001-34857).
3.2	Amended and Restated Bylaws of the Company dated August 9, 2010 (incorporated by reference from our current report on Form 8-K filed on August 12, 2010, Exhibit 3.2, File No. 333-129321).
4	Specimen stock certificate (incorporated by reference from our amended registration statement on Form SB-2/A filed on March 27, 2006, Exhibit 4, File No. 333-129321).
10.1	Exploitation and Exploration Agreement between the Company and Jose Perez Reynoso dated October 14, 2002 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.1, File No. 333-129321).
10.2	Amended and Restated Non-Qualified Stock Option and Stock Grant Plan (incorporated by reference from our registration statement on Form S-8 filed on January 20, 2011, Exhibit 10.1, File No. 333-171779).
10.3	Form of Stock Option Agreement (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.3, File No. 333-129321).
10.4	Amended and Restated Executive Employment Agreement between the Company and William W. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.10, File No. 333-170101).
10.5	Amended and Restated Executive Employment Agreement between the Company and Jason D. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.12, File No. 333-170101).
10.6	Executive Employment Agreement between the Company and Bradley J. Blacketer (incorporated by reference from our current report on Form 8-K filed on March 19, 2012, Exhibit 10.1, File No. 001-34857).
10.7	Executive Employment Agreement between the Company and Barry Devlin (incorporated by reference from our current report on Form 8-K filed on November 13, 2012, Exhibit 10.1, File No. 001-34857).
10.8	Strategic Alliance Agreement between the Company and Hochschild Mining Holdings Limited (incorporated by reference from our report on Form 8-K dated December 5, 2008, Exhibit 10.1, File No. 333-129321).
10.9	Form of Securities Purchase Agreement between the Company and certain purchasers dated September 19, 2010 (incorporated by reference from our report on Form 8-K dated September 23, 2010, Exhibit 10.1, File No. 001-34857).
10.10	Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 5, 2009 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.1, File No. 001-34857).
10.11	Purchase Contract 203-10-27070-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective December 3, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.2, File No. 001-34857).
10.12	Purchase Contract 103-11CMX-019-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.3, File No. 001-34857).
10.13	Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.4, File No. 001-34857).
10.14	Purchase Contract 203-11CMX-020-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.5, File No. 001-34857).

- 10.15 Purchase Contract 203-11CMX-008-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.6, File No. 001-34857).
- 10.16 Purchase Contract 303-11CMX-028-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective May 27, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.7, File No. 001-34857).
- 10.17 Purchase Contract 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.8, File No. 001-34857).
- 10.18 Amendment to Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 1, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.9, File No. 001-34857).
- 10.19 Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.10, File No. 001-34857).
- 10.20 Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.11, File No. 001-34857).
- 10.21 Amendment to Purchase Contract Amendment 203-11CMX-020-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.12, File No. 001-34857).
- 10.22 Amendment to Purchase Contract Amendment 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.13, File No. 001-34857).
- 10.23 Purchase Contract Assignment 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective November 10, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.14, File No. 001-34857).
- 10.24 Mining Exploration and Exploitation Agreement between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 21, 2002 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.15, File No. 001-34857).
- 10.25 Amendment to Mining Exploration and Exploitation Agreement dated between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 22, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.16, File No. 001-34857).
- 10.26 Amendment to Mining Exploration and Exploitation Agreement between Don David Gold Mexico, S.A. de C.V. and Jose Perez Reynoso effective August 3, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.17, File No. 001-34857).
- 10.27\* Contract Services Agreement between the Company and Richard Irvine dated February 16, 2012.
- 10.28\* Office Lease between Don David Gold Mexico, S.A. de C.V. and Inmobiliaria & Construcciones Stipa S.A. de C.V. effective January 1, 2012.
- 10.29\* Office Lease between the Company and Lincoln ASB Colorado Center LLC effective November 1, 2012.
- 10.30\* Amendment to Purchase Contracts 103-11CMX-019-0-P, 203-11CMX-020-1-P, and 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective January 1, 2013.
- 21\* Subsidiaries of the Company.
- 23.1\* Consent of StarkSchenkein, LLP, Independent Registered Public Accounting Firm.
- 31.1\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William W. Reid.
- 31.2\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Bradley J. Blacketor.
- 32\* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William W. Reid and Bradley J. Blacketor.
- 101\*\* The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2012 are furnished herewith, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Other Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.





\* filed herewith

\*\* furnished herewith and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and not incorporated by reference into Registration Statements or other documents filed with the Securities and Exchange Commission except as otherwise expressly stated in such filing.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**GOLD RESOURCE CORPORATION**

Date: March 18, 2013

/s/ William W. Reid

By: William W. Reid, Chairman of the Board and Chief Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

/s/ William W. Reid Chairman of the Board and Chief Executive Officer March 18, 2013  
William W. Reid

/s/ Jason D. Reid President and Director March 18, 2013  
Jason D. Reid

/s/ Bradley J. Blacketer Chief Financial Officer March 18, 2013  
Bradley J. Blacketer

/s/ Isac Burstein Director March 18, 2013  
Isac Burstein

/s/ Bill M. Conrad Director March 18, 2013  
Bill M. Conrad

/s/ Tor Falck Director March 18, 2013  
Tor Falck

/s/ Gary C. Huber Director March 18, 2013  
Gary C. Huber

## EXHIBIT INDEX

Item No.	Description
3.1	Articles of Incorporation of the Company as filed with the Colorado Secretary of State on August 24, 1998 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1, File No. 333-129321).
3.1.1	Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on September 16, 2005 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 3.1.1, File No. 333-129321).
3.1.2	Articles of Amendment to the Articles of Incorporation as filed with the Colorado Secretary of State on November 8, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on November 10, 2010, Exhibit 3.1, File No. 001-34857).
3.2	Amended and Restated Bylaws of the Company dated August 9, 2010 (incorporated by reference from our current report on Form 8-K filed on August 12, 2010, Exhibit 3.2, File No. 333-129321).
4	Specimen stock certificate (incorporated by reference from our amended registration statement on Form SB-2/A filed on March 27, 2006, Exhibit 4, File No. 333-129321).
10.1	Exploitation and Exploration Agreement between the Company and Jose Perez Reynoso dated October 14, 2002 (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.1, File No. 333-129321).
10.2	Amended and Restated Non-Qualified Stock Option and Stock Grant Plan (incorporated by reference from our registration statement on Form S-8 filed on January 20, 2011, Exhibit 10.1, File No. 333-171779).
10.3	Form of Stock Option Agreement (incorporated by reference from our registration statement on Form SB-2 filed on October 28, 2005, Exhibit 10.3, File No. 333-129321).
10.4	Amended and Restated Executive Employment Agreement between the Company and William W. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.10, File No. 333-170101).
10.5	Amended and Restated Executive Employment Agreement between the Company and Jason D. Reid (incorporated by reference from our registration statement on Form S-1 filed on October 22, 2010, Exhibit 10.12, File No. 333-170101).
10.6	Executive Employment Agreement between the Company and Bradley J. Blacketer (incorporated by reference from our current report on Form 8-K filed on March 19, 2012, Exhibit 10.1, File No. 001-34857).
10.7	Executive Employment Agreement between the Company and Barry Devlin (incorporated by reference from our current report on Form 8-K filed on November 13, 2012, Exhibit 10.1, File No. 001-34857).
10.8	Strategic Alliance Agreement between the Company and Hochschild Mining Holdings Limited (incorporated by reference from our report on Form 8-K dated December 5, 2008, Exhibit 10.1, File No. 333-129321).
10.9	Form of Securities Purchase Agreement between the Company and certain purchasers dated September 19, 2010 (incorporated by reference from our report on Form 8-K dated September 23, 2010, Exhibit 10.1, File No. 001-34857).
10.10	Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 5, 2009 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.1, File No. 001-34857).
10.11	Purchase Contract 203-10-27070-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective December 3, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.2, File No. 001-34857).
10.12	Purchase Contract 103-11CMX-019-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.3, File No. 001-34857).
10.13	Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.4, File No. 001-34857).
10.14	Purchase Contract 203-11CMX-020-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective March 28, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.5, File No. 001-34857).
10.15	Purchase Contract 203-11CMX-008-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.6, File No. 001-34857).

- 10.16 Purchase Contract 303-11CMX-028-0-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective May 27, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.7, File No. 001-34857).
- 10.17 Purchase Contract 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective April 1, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.8, File No. 001-34857).
- 10.18 Amendment to Purchase Contract 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective October 1, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.9, File No. 001-34857).
- 10.19 Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.10, File No. 001-34857).
- 10.20. Amendment to Purchase Contract 103-11CMX-019-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.11, File No. 001-34857).
- 10.21 Amendment to Purchase Contract Amendment 203-11CMX-020-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.12, File No. 001-34857).
- 10.22 Amendment to Purchase Contract Amendment 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective July 1, 2011 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.13, File No. 001-34857).
- 10.23 Purchase Contract Assignment 203-09CMX-25739-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective November 10, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.14, File No. 001-34857).
- 10.24 Mining Exploration and Exploitation Agreement between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 21, 2002 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.15, File No. 001-34857).
- 10.25 Amendment to Mining Exploration and Exploitation Agreement dated between Don David Gold, S.A. de C.V. and Jose Perez Reynoso effective November 22, 2010 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.16, File No. 001-34857).
- 10.26 Amendment to Mining Exploration and Exploitation Agreement between Don David Gold Mexico, S.A. de C.V. and Jose Perez Reynoso effective August 3, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed on August 9, 2012, Exhibit 10.17, File No. 001-34857).
- 10.27\* Contract Services Agreement between the Company and Richard Irvine dated February 16, 2012.
- 10.28\* Office Lease between Don David Gold Mexico, S.A. de C.V. and Inmobiliaria & Construcciones Stipa S.A. de C.V. effective January 1, 2012.
- 10.29\* Office Lease between the Company and Lincoln ASB Colorado Center LLC effective November 1, 2012.
- 10.30\* Amendment to Purchase Contracts 103-11CMX-019-0-P, 203-11CMX-020-1-P, and 303-11CMX-028-1-P between Don David Gold, S.A. de C.V. and Consorcio Minero de Mexico Cormin Mexico, S.A. de C.V. effective January 1, 2013.
- 21\* Subsidiaries of the Company.
- 23.1\* Consent of StarkSchenkein, LLP, Independent Registered Public Accounting Firm.
- 31.1\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William W. Reid.
- 31.2\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Bradley J. Blacketor.
- 32\* Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William W. Reid and Bradley J. Blacketor.
- 101\*\* The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2012 are furnished herewith, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Other Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.



\* filed herewith

\*\* furnished herewith and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and not incorporated by reference into Registration Statements or other documents filed with the Securities and Exchange Commission except as otherwise expressly stated in such filing.

**CONTRACT SERVICES AGREEMENT**

This Contract Services Agreement ("**Agreement**") is effective as of February 16th, 2012 between Gold Resource Corporation, a Colorado corporation (the "**Company**"), and Rick Irvine (the "**Contractor**") (collectively, the "**Parties**").

**WITNESSETH**

WHEREAS, the Company wishes to engage the Contractor to provide services upon the terms and conditions hereinafter set forth; and

WHEREAS, the Contractor wishes to provide such services upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and mutual promises set forth below, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Contract Services. Beginning April 1, 2012 or such other date as mutually agreed to by the Parties. Contractor shall provide services to the Company acting as the Chief Operating Officer (COO) of the Company. Contractor shall be responsible for performing such duties as are customarily performed by the COO, including but not limited to, executing the Company business plan and mineral production goals, supervising milling operations, open pit and underground mine operations, engineering, planning, safety programs, implementing various systems, procedures and documentation to improve the Company's projects and operations, assisting the Company with evaluation of its properties and prospects within and out of its Oaxaca Mining Unit and evaluation of opportunities in mining friendly jurisdictions around the globe. The COO position reports to the Chief Executive Officer ("**CEO**"), President and Board of Directors. The Contractor shall at all times report to and take direction from the CEO, President and Board of Directors and shall perform such additional duties not inconsistent with his position as shall be designated from time to time by the Company.

2. Best Efforts. The Contractor agrees to use his best efforts to promote the interests of the Company and shall, except for illness, reasonable vacation periods and leaves of absence, devote his full business time and energies to the business and affairs of the Company. The Contractor shall be permitted to perform material outside business endeavors only with the approval of the CEO, President, provided that such outside activities do not interfere with the performance of the Contractor's duties.

3. Term of Agreement. The term of this Agreement shall commence on the date first written above and shall continue, unless earlier terminated in accordance with the provisions of Section 5, for a period of three years (the "**Term**"). The Term of this Agreement shall thereafter be automatically extended for a period of one year if at least 90 days prior to expiration of the Term, neither Party receives a Notice of Termination (hereinafter defined) from the other Party.

4. Compensation.

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4.1 Base Compensation. Upon commencement of Contractor's services rendered hereunder, the Company shall pay to the Contractor an annual rate equal to three hundred thousand dollars (\$300,000.00) (the "**Base Compensation**"). The Base Compensation shall be payable to the Contractor on a monthly basis in accordance with the Company's standard policies.

4.2 Incentive Compensation. With respect to each calendar year or portion thereof, beginning with calendar year 2012, the Contractor shall be eligible to receive incentive compensation, including but not limited to, bonuses, stock options and other perquisites, payable solely in the discretion of the Board of Directors of the Company.

4.3 Benefits. The Contractor shall be reimbursed by the Company for reasonable health, dental and life insurance from a provider in Bolivia and vacation pay. The Contractor shall also be reimbursed for reasonable and necessary business expenses incurred in the course of his duties with the Company pursuant to Company policies established from time to time. Reimbursement shall be made to the extent such expenses are deductible by the Company in accordance with applicable Internal Revenue Service rules. Contractor shall be entitled to three weeks' vacation per year and all holidays.

4.4 Cellular Phone. The Company shall, during the Term of this Agreement, provide the Contractor with and pay for the Contractor's use of a cellular phone for business and reasonable personal use.

4.5 Transportation, Office, Equipment and Assistance. The Company shall provide for the Contractor all facilities, equipment and services suitable to his position and adequate for the performance of his duties. The Contractor will be required to perform the services described in Section 1 at the Company's operations in Oaxaca Mexico, at the Corporate office in Colorado Springs and site visits to mining friendly jurisdictions around the world.

5. Termination of Contractual Relationship.

5.1 Death. This Agreement shall terminate immediately upon the death of the Contractor. In such event, the Company shall pay Contractor's estate an amount equal to twelve (12) months Base Compensation, such amount being payable within 90 days after his death.

5.2 Termination by the Company. This Agreement may be terminated by the Company for "Cause" and, in such event, this Agreement shall terminate at the termination date designated by the Company. For the purpose of this paragraph, "**Termination for Cause**" or "**Cause**" shall include the following:

- (a) Failure by the Contractor to substantially perform the services required hereunder;
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(b) Conviction of criminal conduct by the Contractor that adversely affects the reputation of the Contractor or the Company or adversely impacts the ability of the Contractor to perform the services required hereunder;

(c) Engagement by the Contractor in the use of narcotics or alcohol to the extent that the performance of his duties is materially impaired;

(d) Material breach of the terms of this Agreement by the Contractor or failure to substantially comply with proper instructions of the CEO, President or Board of Directors;

(e) Willful misconduct by the Contractor which is materially injurious to the Company, other than business decisions made in good faith; or

(f) Any act or omission on the part of the Contractor not described above, but which constitutes material and willful misfeasance, malfeasance, or gross negligence in the performance of services to the Company.

5.3 Termination by the Contractor. The Contractor may terminate this Agreement for "Good Reason." For purposes of this paragraph, "**Good Reason**" shall mean:

(a) Any assignment to the Contractor of any duties materially inconsistent with the position described in Section 1 hereof;

(b) Any removal of the Contractor from the position described in Section 1 hereof without the Contractor's written consent, except in connection with termination of the Contractor pursuant to Section 5.1 or 5.2 hereof;

(c) A reduction in the Contractor rate of compensation.

(d) Other material breach of this Agreement by the Company.

5.4 Change in Control. The Contractor may terminate this Agreement following a "Change of Control" of the Company. For purposes of this paragraph, a "**Change of Control**" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 50% or more of the outstanding voting securities of the Company; (ii) the sale of 50% or more of the outstanding voting securities of the Company in a single transaction or a series of transactions occurring during a period of not more than twelve months; (iii) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 50% of the outstanding securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company, as the same shall have existed immediately prior to such merger or consolidation; or (iv) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary.

Any termination by the CEO, President or Board of Directors pursuant to Section 5.2 or 5.3 or by the Contractor pursuant to Section 5.4 shall be communicated by written Notice of

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Termination to the other Party hereto. "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Contractor's Contract under the provision so indicated.

The Contractor's obligations under Section 6 regarding confidentiality shall survive any termination of this Agreement by the Contractor, by the Company or otherwise.

#### 5.5 Payment Upon Termination.

(a) If this Agreement is terminated by the Company for Cause, or the Contractor terminates the Contract without Good Reason, during the Term of the Contract, the Contractor shall not be entitled to severance pay of any kind but shall be entitled to be reimbursed for all reasonable business expenses incurred by the Contractor and shall be paid the Base Compensation earned by the Contractor prior to the effective date of termination.

(b) In the event this Agreement is terminated without Cause or with Good Reason, the Company shall pay to the Contractor an amount equal to twelve (12) months Base Compensation at the rate prevailing for the Contractor prior to such termination as severance pay within 90 days from the date of termination of the Contract.

(c) In the event this Agreement is terminated following a Change in Control, the Company shall pay the Contractor thirty-five (35) months Base Compensation at the rate prevailing for the Contractor immediately prior to such termination as severance pay, payable within 90 days of the date of termination of the Contract. The Contractor shall also be entitled to receive benefits to which he was entitled immediately preceding the date of termination for a similar 35-month period, including but not limited to reimbursement for health and dental insurance.

#### 6. Confidentiality and Non-Disclosure.

6.1 Confidential Information. The Contractor and the Company recognize that due to the nature of his engagement under this Agreement, and the relationship of the Contractor to the Company, the Contractor has had access to and has acquired or will have access to and will acquire, and has assisted in and may assist in developing, confidential and proprietary information relating to the business and operations of the Company and its affiliates, including trade secrets as defined in the Colorado Uniform Trade Secrets Act and information with respect to their present and prospective products, services, systems, software, data, customers, agents, processes, and sales and marketing methods. The Contractor acknowledges that such information has been and will continue to be of central importance to the business of the Company and its affiliates and that disclosure of it to or its use by others could cause substantial loss to the Company. The Contractor will keep confidential any trade secrets or confidential or proprietary information of the Company and its affiliates which are now known to him or which hereafter may become known to him as a result of this Agreement or association with the Company and shall not at any time directly or indirectly disclose any such information to any person, firm or

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corporation, or use the same in any way other than in connection with the business of the Company or its affiliates during and at all times after the expiration of the Term of the Contract

6.2 Remedy. In the event of a breach or threatened breach by the Contractor of any of the provisions of this Section 6, the Company shall be entitled to injunctive relief, restraining the Contractor and any business, firm, partnership, individual, corporation, or entity participating in such breach or attempted breach, from engaging in any activity which would constitute a breach of this Section 6. Nothing herein, however, shall be construed as prohibiting the Company from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages. The provisions of this Section 6 shall survive the termination of this Agreement.

7. Relationship of the Parties. Notwithstanding any provision hereof, for all purposes of this Agreement each Party shall be and act as an independent contractor and not as partner, joint venturer, or agent of the other and shall not bind nor attempt to bind the other to any contract. Contractor is an independent contractor and is solely responsible for all taxes, withholdings, and other statutory or contractual obligations of any sort.

8. Miscellaneous.

8.1 Assignability. The Contractor may not assign his rights and obligations under this Agreement without the prior written consent of the Company, which consent may be withheld for any reason or for no reason.

8.2 Severability. In the event that any of the provisions of this Agreement shall be held to be invalid or unenforceable, the remaining provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein.

8.3 Entire Agreement. This Agreement, and any attachments hereto, constitute the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements or understandings among the Parties hereto with respect to the subject matter hereof.

8.4 Amendments. This Agreement shall not be amended or modified except by a writing signed by both Parties hereto.

8.5 Waiver. The failure of either Party at any time to require performance of the other Party of any provision of this Agreement shall in no way affect the right of such Party thereafter to enforce the same provision, nor shall the waiver by either Party of any breach of any provision hereof be taken or held to be a waiver of any other or subsequent breach, or as a waiver of the provision itself. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado without regard to the conflict of laws of such State. The benefits of this Agreement may not be assigned nor any duties under this Agreement be delegated by the Contractor without the prior written consent of the Company, except as contemplated in this Agreement. This Agreement and all of its rights, privileges, and obligations will be binding upon the Parties and all successors and agreed to assigns thereof

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8.6 Binding Agreement. This Agreement shall be effective as of the date hereof and shall be binding upon and inure to the benefit of the Contractor, his heirs, personal and legal representatives, guardians and permitted assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon any successor or assignee of the Company, including any entity that may be merged with or into the Company.

8.7 Headings. The headings or titles in this Agreement are for the purpose of reference only and shall not in any way affect the interpretation or construction of this Agreement.

8.8 No Conflict. The Contractor represents and warrants that he is not subject to any agreement, order, judgment or decree of any kind which would prevent him from entering into this Agreement or performing fully his obligations hereunder.

8.9 Survival. The rights and obligations of the Parties shall survive the term of this Agreement to the extent that any performance is required under this Agreement after the expiration or termination of this Agreement.

8.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same document.

8.11 Notices. Any notice to be given hereunder by either Party to the other may be effected in writing by personal delivery, or by mail, certified with postage prepaid, or by overnight delivery service. Notices sent by mail or by an overnight delivery service shall be addressed to the Parties at the addresses appearing following their signatures below, or upon the employment records of the Company but either Party may change its or his address by written notice in accordance with this paragraph.

8.12 Opportunity to Consult Counsel. The Parties hereto represent and agree that, prior to executing this Agreement, each has had the opportunity to consult with independent counsel concerning the terms of this Agreement.

8.13 Attorney Fees. In the event of any dispute, arbitration, litigation between the Parties or proceeding before any court of competent jurisdiction, the prevailing Party shall be entitled to reasonable attorney fee, costs and expenses.

***[Signatures on following page]***

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LEASE AGREEMENT ENTERED INTO BY AND BETWEEN **SOCIEDAD INMOBILIARIA & CONSTRUCCIONES STIPA, S.A. DE C.V.**, HEREIN REPRESENTED BY PAULINO I. HEREDIA PACHECO, CPA, AS PARTY OF THE FIRST PART, HEREINAFTER REFERRED TO AS **"THE LESSOR,"** AND THE COMPANY **DON DAVID GOLD, S.A. DE C.V.**, HEREIN REPRESENTED BY **ENGINEER JUAN MANUEL FLORES CARRILLO**, AS PARTY OF THE SECOND PART, HEREINAFTER REFERRED TO FOR THE PURPOSES OF THIS AGREEMENT AS **"THE LESSEE."**

SUBJECT TO THE FOLLOWING STATEMENTS AND CLAUSES:

**WITNESSETH:**

**I. "THE LESSOR" STATES:**

I.1. Whereas it is a business organization legally established on October 28, 2010, pursuant to Public Deed No. 543, Volume No. 16, which bears the same date, and is herein represented by its Sole Manager Paulino I. Heredia Pacheco, CPA, who proves his legal personality by means of the above-referenced notarial document.

I.2. Whereas it is domiciled for tax-related purposes at Calle Sabinos 321 Altos Colonia Reforma C.P. 68050.

I.3. Whereas it is filed with the Federal Taxpayers Registry under No. IAC101028FQ5.

I.4. Whereas it is legally empowered to give under lease the property located at Calle de Las Rosas 713 Col. Reforma CP 68050, Oaxaca, considering that it holds the right of use over the same as per contract dated December 1, 2011.

**II. "THE LESSEE" STATES:**

II.1. Whereas it is a Mexican company legally established pursuant to the laws of the United States of Mexico, as it arises from public deed 39613 dated September 19, 1997, delivered before Mr. Adrián R. Iturbide Galindo, Notary Public No. 139 of the Federal District.

II.2. Whereas it is herein legally represented by Engineer Juan Manuel Flores Carrillo, acting in his capacity as General Representative and attesting his legal personality by means of Public Deed No. 6346, dated January 20, 2011, submitted before Mr. Guillermo A. Vigil Chapa, Notary Public No. 247, of the city of Oaxaca, in which it is filed with the Public Registry of Property and Commerce of the city of Oaxaca de Juárez.

II.3. Whereas it is filed with the Federal Taxpayers Registry under No. DDG970919GL3.

II.4. Whereas the entity that it represents is a company whose corporate purpose includes Mining.

II.5. Whereas it is well aware of the features and specifications of the property and that, as it suits its interest, it takes it under lease for the purpose of establishing its office.

II.6. Whereas for the purposes of this agreement, it establishes its domicile at Macedonio Alcalá No. 201 Interior 105, Centro Oaxaca C.P. 68000 telephone 01 951 51 6 82 58.

**III. THE PARTIES STATE:**

III.1. Therefore, they mutually accept the capacity and legal standing with which they have come to enter into this agreement, subject to the following:

**CLAUSES:**

**ONE. "THE LESSOR"** gives under lease to **"THE LESSEE"** the property located at de Las Rosas 339 Colonia Reforma CP 68050, Oaxaca.

**TWO.** The parties executing this agreement agree that the effective period of this agreement will be 10 years starting from the execution hereof.

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**THREE.** “**THE LESSOR**” authorizes “**THE LESSEE**” to install on the front of the property one or more signs bearing its name, as well as to use the structure of the property to install any facilities that it needs to operate provided that the municipal or state regulations and provisions are met and that no damage is caused to the structure of the property.

The foregoing does not imply that “**THE LESSOR**” authorizes any special sublease agreement, either in full or in part, of the leased property. Therefore, the special sublease agreement is not allowed, subject to the provisions of section 2361 of the Civil Code currently in force in the State.

**FOUR.** “**THE LESSEE**” agrees to pay on a monthly basis, in advance and within the first seven calendar days of the month, on account of rent for the property specified in clause one of this agreement the amount of US Dollars six thousand (USD 6,000) plus the pertinent value added tax, against delivery by the lessor of a receipt compliant with tax regulations. Delivery of the pertinent tax receipt will be a condition for payment of subsequent rents.

**FIVE.** Electricity, gas, telephone and other utilities that “**THE LESSEE**” engages or decides to engage will be at its expense and “**THE LESSEE**” promises to deliver to “**THE LESSOR**” on completion of the effective term of this agreement a certificate of absence of debt for all the utilities that it engages.

**SIX.** “**THE LESSOR**” authorizes the other party to introduce all the necessary improvements so that the property can be used to develop its corporate purpose, as set forth hereunder and provided that the current structure and construction are not impaired.

Notwithstanding the foregoing, all the necessary improvements, whether functional or ornamental, that “**THE LESSEE**” introduces in the property will remain incorporated for its benefit and will not entitle the latter to claim any compensation or to withhold rents from “**THE LESSOR**” on account of such improvements at the end of the effective term of the agreement, unless written consent has been given to make such improvements.

**SEVEN.** “**THE LESSOR**” will be entitled at all times to inspect the property hereunder to verify how it is being used and to check compliance with the obligations in charge of “**THE LESSEE**,” provided that inspection takes place within business hours.

**EIGHT.** “**THE LESSOR**” will not be held liable for damages caused by fire or any other act of God or force majeure, which occurrence may affect the leased property, and “**THE LESSEE**” agrees to contract on its own account and expense broad insurance coverage against any loss caused by any act of God or force majeure that may affect the leased property as well as against any property and/or physical damage that its negligence may cause to third parties.

**NINE.** To ensure the performance of its obligations, “**THE LESSEE**” will pay a deposit in an amount equivalent to two monthly rents, which will be returned at the end of the term of the agreement once it has been checked that the property is surrendered in the same conditions in which it was received, excluding regular tear and wear, and provided that no amounts are owed for payment of utility bills as stated in clause five of this agreement. Along with the deposit, a month’s rent must be paid in advance.

**TEN.** Nonperformance of any obligation established hereunder will lead to termination, without entailing any liability for the party that has performed its obligations. Failure to pay a single month’s rent will also be grounds for termination of this agreement.

**ELEVEN.** “**THE LESSEE**” agrees to procure from the pertinent authorities any applicable licenses and permits related to its own business activity. In this regard, it is forbidden to use explosives, pollutants or any other material that may entail a risk for the leased property or for adjoining neighbors.

**TWELVE.** Should “**THE LESSOR**” decide to sell the property, “**THE LESSEE**” will have the first option to purchase.

**THIRTEEN.** The parties hereto state that they have entered into this agreement by their own free will, that the same must be construed according to the literal meaning of its clauses, that they are informed and aware of their scope and binding nature, and that for its construction, performance and enforcement they expressly submit to the jurisdiction and competence of the courts of the city of Oaxaca, State of Oaxaca, hereby expressly waiving any other jurisdiction to which they might be entitled by virtue of their current or future domicile.

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This agreement is executed in two counterparts, one for each party, in the city of Oaxaca, state of Oaxaca, on January 1, 2012.

SOCIEDAD INMOBILIARIA & CONSTRUCCIONES STIPA, S.A. DE C.V.

/s/ Paulino I. Heredia Pacheco  
Paulino I. Heredia Pacheco, CPA

DON DAVID GOLD, S.A. DE C.V.

/s/ Juan Manuel Flores  
Ing. Juan Manuel Flores

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# OFFICE LEASE AGREEMENT

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**EXHIBITS:**

- (A) PREMISES
- (B) BUILDING RULES AND REGULATIONS
- (C) PARKING RULES AND REGULATIONS
- (D) TENANT IMPROVEMENTS
- (E) CONFIRMATION OF COMMENCEMENT DATE
- (F) RENEWAL OPTION

## OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT, dated November 15, 2012, is made and entered into by LINCOLN ASB COLORADO CENTER, LLC, a Delaware limited liability company (the "Landlord") and GOLD RESOURCE CORPORATION, a Colorado corporation (the "Tenant"). In consideration of the mutual promises and representations set forth in this Lease, Landlord and Tenant agree as follows:

### ARTICLE 1. SUMMARY AND DEFINITION OF CERTAIN LEASE PROVISIONS AND EXHIBITS

1.1 The following terms and provisions of this Lease, as modified by other terms and provisions hereof, are included in this Section 1.1 for summary and definitional purposes only. If there is any conflict or inconsistency between any term or provision in this Section 1.1 and any other term or provision of this Lease, the other term or provision of this Lease shall control:

(a) Landlord: LINCOLN ASB COLORADO CENTER, LLC, a Delaware limited liability company

(b) Address of Landlord for Notices:

2000 South Colorado Boulevard  
Tower One, Suite 3700  
Denver, Colorado 80222  
Attention: Property Manager

With a copy to:

ASB Capital Management  
7501 Wisconsin Ave., Suite 200  
Bethesda, MD 20814  
Attention: Aaron Duncan

(c) Tenant:

Gold Resource Corporation, a Colorado corporation

(d) Address of Tenant for Notices:

(Include Main/Hdq. Address)  
Gold Resource Corporation  
2000 South Colorado Boulevard  
Tower One, Suite 10200  
Denver, Colorado 80222  
Attn: Brad Blacketer

(e) Lease Term or Term: Thirty-Six (36) months, plus the remainder of any partial calendar month in which the Lease Term commences, commencing on the earlier of: (a) the date on which Tenant occupies any portion of the Premises and begins conducting business therein; or (b) November 1, 2012 (as modified pursuant to Section 3, the "Commencement Date"); provided, that if Landlord is unable to deliver possession of the Premises to Tenant by such date, then, as provided in Section 3 of the Lease, Tenant shall accept possession of the Premises on the date Landlord tenders possession thereof to Tenant, which date will then be the "Commencement Date".)

(f) Building: The office building located at 2000 South Colorado Boulevard, Tower One, Denver, Colorado 80222 (the "Building").

(g) Premises: Suite 10200 on the Tenth (10<sup>th</sup>) floor of the Building, as shown on Exhibit A, consisting of approximately 2,502 Rentable Square Feet.

(h) Minimum Monthly Rent:

<u>Lease Months</u>	<u>Rental Rate per RSF</u>	<u>Minimum Monthly Rent</u>
1 – 12	\$22.50	\$4,691.25
13 – 24	\$23.00	\$4,795.50
25 – 36	\$23.50	\$4,899.75

plus applicable Rent Tax.

(i) Security Deposit: A Security Deposit of \$4,899.75 is required and shall be deposited with Landlord at the time the Lease is signed by Tenant.

(j) Parking: Nine (9) unreserved spaces in the Tower One structured parking garage at a rental for the initial 12 months of the term of \$60.00 if unreserved, \$75.00 if VIP per space per month in accordance with Exhibit C (plus applicable Rental Taxes). Upon commencement of the 13<sup>th</sup> month of the term, the rates are subject to change.

(k) Building Hours: 7:00 a.m. to 6:00 p.m. on Business Days and 8:00 a.m. to 12:00 p.m. on Saturdays, exclusive of holidays. Closed Sundays and all legal holidays. "Business Day" shall mean Monday through Friday of each week, exclusive of holidays.

1.2 The following exhibits (the "Exhibits") and addenda are attached hereto and incorporated herein by this reference:

Exhibit A	Premises
Exhibit B	Rules and Regulations
Exhibit C	Parking Rules and Regulations
Exhibit D	Tenant Improvements
Exhibit E	Confirmation of Commencement Date
Exhibit F	Renewal Option

The Office Lease Agreement and the Exhibits are collectively referred to herein as the "Lease."

## ARTICLE 2. PREMISES/RIGHT TO USE COMMON AREAS

2.1 Landlord leases to Tenant and Tenant leases from Landlord the Premises, for and subject to the terms and provisions set forth in this Lease. This Lease is subject to all liens, encumbrances, parking and access easements, restrictions, covenants, and all other matters of record, the Rules and Regulations described in Article 14 and the Parking Rules and Regulations described in Article 6. Tenant and Tenant's agents, contractors, customers, directors, employees, invitees, officers, and patrons (collectively, the "Tenant's Permitees") have a non-exclusive privilege and license, during the Lease Term, to use the non-restricted Common Areas in common with all other authorized users thereof.

2.2 For purposes of this Lease, the following terms have the definitions set forth below:

(a) "Automobile Parking Areas" means all areas designated for automobile parking upon the land in the Project. Automobile Parking Areas are Common Areas, but certain parking areas, such as surface parking lots, are restricted. (See Parking Rules & Regulations).

(b) "Base Year" means calendar year 2013.

- (c) “Common Areas” means those areas within the Building and Project not leased to any tenant and which are intended by Landlord to be available for the use, benefit, and enjoyment of all occupants of the Building; provided Landlord may temporarily close any part of the Common Area for such periods of time as may be necessary to make repairs, alterations or to construct new buildings or structures thereon, or to prevent the public from obtaining prescriptive rights.
- (d) “Interior Common Facilities” means lobbies, corridors, hallways, elevator foyers, restrooms, mail rooms, mechanical and electrical rooms, janitor closets, and other similar facilities used by tenants or for the benefit of tenants on a non-exclusive basis. Access to certain Interior Common Facilities is restricted.
- (e) “Project” or “Complex” shall collectively refer to the Building, the land upon which the Building sits, and all existing and future buildings, structures, driveways, parking facilities (surface and structured), and similar improvements and easements associated with the foregoing or the operation thereof, including without limitation the Common Areas (as defined in Section 2.2(c)), all of which comprise a multi-building Complex owned by Landlord.
- (f) “Rentable Square Footage” means (1) with respect to the Building, the sum of the total area of all floors in the Building (including Interior Common Facilities but excluding stairs, elevator shafts, vertical shafts, parking areas and exterior balconies), computed by measuring to the exterior surface of permanent outside walls; and (2) with respect to the Premises, the area of the Premises (or other space occupiable by tenants as the case may be) computed by measuring to the exterior surface of permanent outside walls, to the midpoint of corridor and demising walls and to the Tenant side of permanent interior walls and Interior Common Facilities walls (other than corridor walls).
- (g) “Tenant’s Proportionate Share” 1.392%, which is the percentage obtained by dividing (a) the number of Rentable Square Feet in the Premises as stated above by (b) the Rentable Square Feet in the Building at the time a respective charge was incurred, which at the time of execution of this Lease is 179,733 Rentable Square Feet. Landlord and Tenant stipulate that the number of Rentable Square Feet in the Premises and in the Building set forth above is conclusive as to the square footage in existence on the date of this Lease and shall be binding upon them.

### ARTICLE 3. TERM

The term of this Lease and the Commencement Date shall be as specified in Section 1.1. Landlord shall provide the Premises per the attached space plan (Exhibit “A”) on or before the Commencement Date. If there are delays, which delays are not caused by Tenant, and the Premises are not substantially complete enough that Tenant can reasonably take occupancy of the Premises on or before the scheduled Commencement Date, Landlord shall not be deemed in default of the Lease, and the parties agree to amend the Commencement Date and Rent (as defined herein) schedule, accordingly. If the Premises are not substantially complete enough that Tenant can reasonably take occupancy of them within 120 days after the scheduled Commencement Date, Tenant’s sole remedies shall be to either enter into a mutually acceptable revision of the appropriate terms of the Lease with Landlord, or to cancel the Lease with ten (10) days written notice to Landlord. Notwithstanding the foregoing, if said delays are caused by Tenant, then the Lease, and all of the obligations therein, shall commence on the Commencement Date. By occupying the Premises, Tenant shall be deemed to have accepted the Premises in their condition as of the date of such occupancy, subject to the performance of punch-list items that remain to be performed by Landlord, if any. Prior to occupying the Premises, Tenant shall execute and deliver to Landlord a letter substantially in the form of Exhibit E hereto confirming: (1) the Commencement Date (as defined in the Basic Lease Information) and the expiration date of the initial Term (as defined in the Basic Lease Information); (2) that Tenant has accepted the Premises; and (3) that Landlord has performed all of its obligations with respect to the Premises (except for punch-list items specified in such letter); however, the failure of the parties to execute such letter shall not defer the Commencement Date or otherwise invalidate this Lease. Tenant’s failure to execute such document within ten (10) days of receipt thereof from Landlord shall be a default by Tenant under this Lease and shall be deemed Tenant’s agreement to the contents

of such document. Occupancy of the Premises by Tenant prior to the Commencement Date (“Early Occupancy”) shall be subject to all of the provisions of this Lease, including the payment of Minimum Monthly Rent prorated on a per diem basis for each day of Early Occupancy.

#### **ARTICLE 4. MINIMUM MONTHLY RENT**

Tenant shall pay to Landlord, without deduction, setoff, prior notice, or demand, the Minimum Monthly Rent, payable in advance, by check or electronic funds transfer, on the first day of each calendar month during the Lease Term. The obligations of Tenant to pay, in U.S. dollars, Minimum Monthly Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. The first (1st) monthly installment of Minimum Monthly Rent shall be payable contemporaneously with the execution of this Lease; thereafter, Minimum Monthly Rent shall be payable on the first (1st) day of each month beginning on the first (1st) day of the second (2nd) full calendar month of the Term. If the Lease Term commences on a date other than the first day of a calendar month, the Minimum Monthly Rent for that month shall be prorated on a per diem basis and be paid to Landlord on or before the Commencement Date.

#### **ARTICLE 5. ADDITIONAL RENT**

Tenant shall pay as additional rent each year Tenant’s Proportionate Share of the amount, if any, by which the Operating Costs in the Building during each Operating Year of the Lease Term exceed the actual annual Operating Costs in the Building for the Base Year (“Operating Cost Rent”). Landlord may make a good faith estimate of the Operating Cost Rent to be due by Tenant for any Operating Year or part thereof during the Lease Term. During each Operating Year or partial Operating Year of the Lease Term after the Base Year, Tenant shall pay to Landlord, in advance concurrently with each monthly installment of Minimum Monthly Rent, an amount equal to the estimated Operating Cost Rent for such Operating Year or part thereof divided by the number of months therein. From time to time, typically, no more than once per year, Landlord may estimate and re-estimate the Operating Cost Rent to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Operating Cost Rent payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the Operating Year in question, Tenant shall have paid all of the Operating Cost Rent as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Operating Costs are available for each Operating Year. In the event the Building is not fully occupied during any Operating Year, an adjustment shall be made by Landlord in calculating the Operating Costs for such Operating Year so that the Operating Costs shall be adjusted to the amount that would have been incurred had the Building been occupied to the extent of 100% during such Operating Year. Because the Building is one of several buildings in the Project, Operating Costs may be allocated among the buildings of the Project, as reasonably determined by Landlord. By May 1 of each Operating Year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Operating Costs for the previous year, adjusted as provided above (the “Operating Costs Statement”). If Tenant’s payments of estimated Operating Cost Rent for the year covered by the Operating Costs Statement exceed Tenant’s Proportionate Share of such items as indicated in the Operating Costs Statement, then Landlord shall promptly credit Tenant for such excess; likewise, if Tenant’s estimated payments of Operating Costs for such year are less than Tenant’s share of such items as indicated in the Operating Costs Statement, then Tenant shall promptly pay Landlord such deficiency, notwithstanding that the Term has expired and Tenant has vacated the Premises. For purposes of this Lease (a) “Operating Costs” means and includes all costs of management, maintenance, and operation of the Project, including but not limited to the costs of cleaning, repairs, utilities, air conditioning, heating, plumbing, elevator, parking, landscaping, insurance, property taxes and special assessments, and all other costs which can properly be considered operating expenses but excluding costs of property additions, alterations for tenants, leasing commissions, advertising, depreciation, interest, income taxes and administrative costs not specifically incurred in the management, maintenance and operation of the Project; and (b) “Operating Year” means a year beginning January 1 and ending December 31. Tenants with leases expiring or terminating prior to the end of the Operating Year shall be responsible for their portion of Operating Costs above the Operating Costs for the Base Year based on Landlord’s estimate of Operating Costs.

#### **ARTICLE 6. PARKING**

Nothing contained herein shall be deemed to create liability upon Landlord for any damage to motor vehicles of Tenant's Permittees, or from loss of property from within such motor vehicles while parked in the Automobile Parking Areas. Tenant's Unassigned Spaces (as defined in Exhibit C) shall be in the structured parking garage. Tenant's Permittees are expressly prohibited from parking in any of the surface parking lot spaces located in the Automobile Parking Areas. Landlord has the right to establish and to enforce against all users of the Automobile Parking Areas, reasonable rules and regulations (the "Parking Rules and Regulations"). Landlord shall assign and identify reserved parking spaces, if any. Landlord will not police nor be responsible for any vehicle parked in Tenant's reserved parking spaces, if any.

#### **ARTICLE 7. RENT TAX AND PERSONAL PROPERTY TAXES**

Tenant shall pay to Landlord, in addition to, and simultaneously with, any other amounts payable to Landlord under this Lease, a sum equal to the aggregate of any municipal, county, state, or federal excise, sales, use, or transaction privilege taxes now or hereafter legally levied or imposed against, or on account of, any amounts payable under this Lease by Tenant or the receipt thereof by Landlord (collectively, "Rent Tax"). Tenant shall pay, prior to delinquency, all taxes levied upon fixtures, furnishings, equipment, and personal property placed on the Premises by Tenant.

#### **ARTICLE 8. PAYMENT OF RENT/LATE CHARGES/INTEREST ON PAST-DUE OBLIGATIONS**

Tenant shall pay the rent and all other charges specified in this Lease to Landlord at the address set forth on Section 1.1 of this Lease, or to another person and at another address as Landlord from time to time designates in writing. All monetary obligations of Tenant, including Minimum Monthly Rent, additional rent, or other charges payable by Tenant to Landlord under the terms of this Lease shall be deemed "Rent", and any Rent not received within five (5) days after the due date (the "Delinquency Date") thereof shall automatically (and without notice) incur a late charge of five percent (5%) of the delinquent amount. Except as otherwise provided herein, any Rent due to Landlord not paid when due shall bear interest, from the date due, at the maximum rate then allowable by law or judgments. Payment of such interest shall in no way excuse or cure any default by Tenant under this Lease; provided, however, that interest shall not be payable on late charges incurred by Tenant.

#### **ARTICLE 9. SECURITY DEPOSIT**

Contemporaneously with the execution of this Lease, Tenant shall pay to Landlord the Security Deposit (as defined in the Basic Lease Information), which shall be held by Landlord to secure Tenant's performance of its obligations under this Lease. The Security Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages upon an Event of Default (as hereinafter defined). Landlord may, at Landlord's discretion, from time to time following an Event of Default and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation Tenant fails to perform hereunder or in connection with Landlord's remedies under this Lease. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Subject to the requirements of, and conditions imposed by, Laws applicable to security deposits under commercial leases, Landlord shall, within sixty (60) days after the termination of this Lease, return to Tenant the portion of the Security Deposit remaining after deducting all damages, charges and other amounts permitted by Law. Landlord and Tenant agree that such deductions shall include, without limitation, all damages and losses that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach of this Lease by Tenant. Unless required otherwise by applicable Law, the Security Deposit may be commingled with other funds, and no interest shall be paid thereon. If Landlord transfers its interest in the Premises, Landlord may assign the Security Deposit to the transferee and, upon such transfer (and the delivery to Tenant of an acknowledgement of the transferee's responsibility for the Security Deposit if required by Law), Landlord thereafter shall have no further liability for the return of the Security Deposit.

#### **ARTICLE 10. CONSTRUCTION OF THE PREMISES**

Except as otherwise set forth on Exhibit D, if any, attached hereto, Landlord shall construct Tenant's leasehold improvements in accordance with plans and specifications prepared by Landlord's architect.] Prior to the Commencement Date, any work performed by Tenant or any fixtures or personal property moved onto the Premises shall be at Tenant's own risk, Tenant's entry, related to work performed by Tenant, onto the Premises shall be subject to all provisions of the Lease (other than the payment of Minimum Monthly Rent and additional rent) and neither Landlord nor Landlord's agents or contractors shall be responsible to Tenant for damage or destruction of Tenant's property.

#### ARTICLE 11. UNION LABOR/ALTERATIONS

- 11.1 All contractors and subcontractors at any tier performing any construction, repair, refurbishment or restoration ("Project Work") at the Project or Complex, as applicable, including, without limitation, tenant improvements, build-out, alterations, additions, improvements, renovations, repairs, remodeling, painting and installations of fixtures, mechanical, electrical, plumbing, data, security, telecommunication, low voltage or elevator equipment or systems or other equipment, or with respect to any other construction work in, on, or to the Project or Complex, as applicable (including Project Work performed by any person providing any services to the Project or Complex, as applicable such as DSL, cable, communications, telecommunications or similar services) are required to be approved in advance by ASB Real Estate Investments ("ASB"), on behalf of Landlord, and the business manager of the applicable local AFL-CIO Building and Construction Trades Council. ASB will only approve such contractors or subcontractors that: (i) are bound by and signatory to a collective bargaining agreement with a labor organization (a) whose jurisdiction covers the type of work to be performed at the Project or Complex, as applicable, and (b) that is an Approved Building Trades Department Contractor or Subcontractor; and (ii) observe area standards for wages and other terms and conditions of employment, including fringe benefits. For purposes hereof, an "Approved Building Trades Department Contractor or Subcontractor" is a contractor or subcontractor that is currently affiliated with the Building and Construction Trades Department of the AFL-CIO (the "BCTD") or, if no such BCTD-affiliated contractor or subcontractor is available for a particular trade (e.g., carpentry work), a contractor or subcontractor that is affiliated with a national trade union which was formerly affiliated with the BCTD and which recognizes (and will recognize and respect, for its work at the Project or Complex, as applicable), the jurisdictional limitations established by the local BCTD. Further, Tenant shall comply with any contractor selection and payment policy promulgated by either ASB or Landlord from time to time. Upon the request of ASB, each such contractor and subcontractor shall provide written certification that all work performed by such contractor or subcontractor was performed in compliance with this policy. Contractors may not engage any subcontractor that does not satisfy the provisions of clauses (i) and (ii) above. If at any time a contractor or subcontractor does not satisfy clauses (i) and (ii) above, such contractor or subcontractor shall not be considered to be approved by ASB.
- 11.2 After completion of Landlord's construction obligations under Article 10, Tenant shall not make or cause to be made any Project Work (which shall also include any Utility Installations or repairs in, on or about the Premises, the Building or the Project) without the prior written consent of Landlord and in accordance with this Article 11. As used in this Article, the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term, Landlord may require the removal of any and all of said Project Work, additions, alterations, improvements or Utility Installations (except Tenant shall have the right, but shall have no obligation to remove its cabling, security system, phone equipment or other telecommunication equipment), and the restoration of the Premises, Building and Project to their prior condition, at Tenant's expense. Should Landlord permit Tenant to perform any Project Work or make its own additions, alterations, improvements or Utility Installations, Tenant may only use such contractor as has been expressly approved by Landlord (as ASB set forth above), and Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Landlord against any liability for mechanic's and materialmen's liens and to insure completion of the work. All construction work done by Tenant within the Premises shall be performed in a good and workmanlike manner, with new materials of first-class quality, lien-free and in compliance with all Laws, and in such manner as to cause a minimum of interference with other construction in progress and

with the transaction of business in the Project or Complex, as applicable. Tenant agrees that any agreement between it and its contractor shall contain a provision that requires that such contractor shall not engage any subcontractor that cannot or does not satisfy the requirements contained herein with respect to Union Labor. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Landlord; Landlord's property management company; and ASB Capital Management, LLC, Chevy Chase Trust Company, ASB Allegiance Real Estate Fund, ASB Allegiance Holdings, LLC, and ASB Allegiance Investments, LLC (collectively, the "Fund"), as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require. Tenant agrees to indemnify, defend and hold Landlord harmless against any loss, liability or damage resulting from such work, and Tenant shall, if requested by Landlord, furnish a bond or other security satisfactory to Landlord against any such loss, liability or damage. The foregoing indemnity shall survive the expiration or earlier termination of this Lease. Landlord's consent to or approval of any alterations, additions or improvements (or the plans therefor) shall not constitute a representation or warranty by Landlord, nor Landlord's acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable laws, and Tenant shall be solely responsible for ensuring all such compliance. Should Tenant make any additions, alterations, improvements or Utility Installations without the prior approval of Landlord, or use a contractor not expressly approved by Landlord, Landlord may, at any time during the Lease Term, require that Tenant remove any part or all of the same. All Project Work, additions, alterations, improvements and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Tenant), which may be made to the Premises by Tenant, including but not limited to, floor coverings, paneling, doors, drapes, built-ins, moldings, sound attenuation, and lighting and telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Lease Term, unless Landlord requires their removal as described above. Provided Tenant is not in default, notwithstanding the provisions of this Article, Tenant's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or Building or Project, and other than Utility Installations, shall remain the property of Tenant and may be removed by Tenant as provided herein. Tenant shall provide Landlord with as-built plans and specifications for any Project Work, additions, alterations, improvements or Utility Installations.

#### **ARTICLE 12. PERSONAL PROPERTY/SURRENDER OF PREMISES**

All personal property located in the Premises shall remain the property of Tenant and may be removed by Tenant not later than the Expiration Date or the earlier termination of the Lease Term. Tenant shall promptly repair, at its own expense, any damage resulting from such removal. All cabinetry, built-in appliances, wall coverings, floor coverings, window coverings, electrical fixtures, plumbing fixtures, conduits, lighting, and other special fixtures that may be placed upon, installed in, or attached to the Premises by Tenant shall, at the termination of this Lease be the property of Landlord unless Landlord requires its removal as set forth in [Article 11](#). At the Expiration Date or upon the earlier termination of the Lease Term, Tenant shall surrender the Premises in good condition, reasonable wear and tear excepted, and shall deliver all keys to Landlord.

#### **ARTICLE 13. LIENS**

Tenant shall keep the Premises, Building, and the Project free from any liens arising out of work performed, material furnished, or obligations incurred due to the actions of Tenant or Tenant's Permittees or the failure of Tenant to comply with any law. In the event any such lien does attach against the Premises, Building, or Project, and Tenant does not discharge the lien or post bond (which under law would prevent foreclosure or execution under the lien) within ten (10) days after demand by Landlord, such event shall be a default by Tenant under this Lease and, in addition to Landlord's other rights and remedies, Landlord may take any action necessary to discharge the lien at Tenant's expense.

#### **ARTICLE 14. USE OF PREMISES/RULES AND REGULATIONS**

- 14.1 Without the prior approval of Landlord, Tenant shall not use the Premises for any use other than for general business office purposes (the "Permitted Use") and Tenant agrees that it will use the Premises in such manner as to not interfere with or infringe on the rights of other tenants in the Building or Project. Tenant agrees to comply with all applicable laws, ordinances and regulations in connection with its use of the Premises, agrees to keep the Premises in a clean and sanitary condition, and agrees not to perform any act in the Building which would increase any insurance premiums related to the Building or Project or would cause the cancellation of any insurance policies related to the Building or Project. Tenant shall not use, generate, manufacture, store, or dispose of, in, under, or about the Premises, the Building, the or the Project or transport to or from the Premises, the Building, the or the Project, any Hazardous Materials. For purposes of this Lease, "Hazardous Materials" includes, but is not limited to: (i) flammable, explosive, or radioactive materials, hazardous wastes, toxic substances, or related materials; (ii) all substances defined as "hazardous substances," "hazardous materials," "toxic substances," or "hazardous chemical substances or mixtures" in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq., as amended by Superfund Amendments and Re-authorization Act of 1986; the Hazardous Materials Transportation Act, 49 U.S.C. § 1901, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; (iii) those substances listed in the United States Department of Transportation Table (49 CFR 172.10 and amendments thereto) or by the Environmental Protection Agency (or any successor agent) as hazardous substances (40 CFR Part 302 and amendments thereto); (iv) any material, waste, or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyl's, (D) designated as a "hazardous substance" pursuant to § 311 of the Clean Water Act, 33 U.S.C. S 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to the Clean Water Act (33 U.S.C. § 1317); (E) flammable explosives; or (F) radioactive materials; and (v) all substances defined as "hazardous wastes" in the statutes of the state in which the Premises are located.
- 14.2 Tenant shall comply with the rules and regulations of the Building which are attached hereto as Exhibit B. Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Building and related facilities, provided that such changes are applicable to all tenants of the Building, will not unreasonably interfere with Tenant's use of the Premises and are enforced by Landlord in a non-discriminatory manner. Tenant shall be responsible for the compliance with such rules and regulations by any assignees claiming by, through, or under Tenant; any subtenants claiming by, through, or under Tenant; and any of their respective agents, contractors, employees, and invitees.

#### **ARTICLE 15. RIGHTS RESERVED BY LANDLORD**

In addition to all other rights, Landlord has the following rights, exercisable without notice to Tenant and without effecting an eviction, constructive or actual, and without giving right to any claim for set off or abatement of rent: (a) to decorate and to make repairs, alterations, additions, changes, or improvements in and about the Building during Building Hours; (b) to approve the weight, size, and location of heavy objects in and about the Premises and the Building, and to require all such items to be moved into and out of the Building and Premises in such manner as Landlord shall direct in writing; (c) to prohibit the placing of vending machines in or about the Premises without the prior written consent of Landlord; (d) to take all such reasonable measures for the security of the Building and its occupants (provided that Landlord shall have no obligation to provide any such security unless required by law); (e) during any renewal or extension term to relocate the Premises to another location of substantially equivalent size and location in the Building upon not less than sixty (60) days prior written notice provided such relocation does not increase the Minimum Monthly Rent or other costs payable by Tenant under this Lease; and (f) to temporarily block off parking spaces for maintenance or construction purposes. If Landlord elects under (e) above to move Tenant, the suite into which Tenant is re-located shall have substantially similar leasehold improvements as were in the original Premises and Landlord will pay Tenant's reasonable costs of moving to the new location, including incidental costs such as reprinting existing stock of stationery and new signage, but Landlord will have no other liability to Tenant with respect to the relocation. Tenant shall be required to move into the relocation premises no later than thirty (30) days following the date of Landlord's relocation notice.

#### ARTICLE 16. QUIET ENJOYMENT

Landlord agrees that, provided a default by Tenant has not occurred, Landlord will do nothing that will prevent Tenant from quietly enjoying and occupying the Premises during the Lease Term. Tenant agrees this Lease is subordinate to the Rules and Regulations described in Article 14, and the Parking Rules and Regulations described in Article 6.

#### ARTICLE 17. MAINTENANCE AND REPAIR

- 17.1 Landlord shall, subject to reimbursement for Operating Costs, keep and maintain in good repair and working order, subject to reasonable wear and tear: (1) structural elements of the Building; (2) standard mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building generally, together with air filters provided by Landlord for the HVAC serving the Premises, if any and standard light fixtures provided by Landlord to the Premises, if any; (3) Common Areas; (4) the roof of the Building; (5) exterior windows of the Building; and (6) elevators serving the Building, reasonable wear and tear excepted. Tenant waives all rights to make repairs at the expense of Landlord. If Landlord would be required to perform any maintenance or make any repairs because of: (a) modifications to the roof, walls, foundation, and floor of the Building from that set forth in Landlord's plans and specifications which are required by Tenant's design for improvements, alterations and additions; (b) installation of Tenant's improvements, fixtures, or equipment; (c) a negligent or wrongful act of Tenant or Tenant's Permittees; or, (d) Tenant's failure to perform any of Tenant's obligations under this Lease, Landlord may perform the maintenance or repairs and Tenant shall pay Landlord the cost thereof.
- 17.2 Tenant agrees to: (a) pay Landlord's cost of maintenance and repair, including additional janitorial costs of any non-building standard improvements and non-building standard materials and finishes as additional rent hereunder; (b) repair or replace all ceiling and wall finishes (including painting) and floor or window coverings which require repair or replacement during the Lease Term, at Tenant's sole cost; and (c) at Tenant's sole cost, maintain and repair interior partitions; doors; electronic, phone and data cabling and related equipment that is installed by or for the benefit of Tenant and located in the Premises or other portions of the Building or Project; supplemental air conditioning units, private showers and kitchens, including hot water heaters, plumbing, dishwashers, ice machines and similar facilities serving Tenant exclusively; phone rooms used exclusively by Tenant; alterations performed by contractors retained by or on behalf of Tenant; and all of Tenant's furnishings, trade fixtures, equipment and inventory.
- 17.3 Notwithstanding anything in this Lease to the contrary, to the extent the terms and provisions of Article 22 conflict with, or are inconsistent with, the terms and provisions of this Article 17, the terms and provisions of Article 22 shall control. Tenant shall take all reasonable precautions to insure that the Premises are not subjected to excessive wear and tear, i.e. chair pads should be utilized by Tenant to protect carpeting. Tenant shall be responsible for touch-up painting in the Premises throughout the Lease Term.

#### ARTICLE 18. UTILITIES AND JANITORIAL SERVICES

Landlord agrees to furnish to the Premises during normal Building Hours as defined in Section 1.1, and subject to the Rules and Regulations, electricity suitable for general office use of the Premises, heat and air conditioning required in Landlord's judgment for normal use and occupation of the Premises, and during such hours as determined by Landlord, janitorial services for the Premises and Common Areas. Landlord further agrees to furnish hot and cold water to those areas provided for general use of all tenants in the Building. Landlord will use diligent efforts to provide continuous elevator service for the Building. If Tenant shall require electric current, water, heating, cooling, or air outside of normal Building Hours or which will result in excess consumption of such utilities or services, Tenant shall first obtain the written consent of Landlord to the use thereof. If, in Landlord's reasonable discretion, Tenant consumes any utilities or services in excess of the normal consumption of such utilities and services for general office use or outside of normal Building Hours, Tenant agrees to pay Landlord for the cost of such excess consumption of utilities or services as additional rent, upon receipt of a statement of such costs from Landlord, at the same time as payment of the Minimum Monthly Rent is made. Landlord shall have the right to

install separate electrical meters, at Landlord's expense, to measure excess consumption or establish another basis for determining the amount of excess consumption of electrical current. Further, Landlord shall have the right to install electronic HVAC over-time hour meters for Tenant's convenience. These meters shall be used, in part, by Landlord to determine Tenant's excess HVAC consumption for purposes of billing Tenant for such excess charges. If Tenant desires HVAC at a time other than Building Hours: (i) Tenant shall give Landlord such prior notice as Landlord shall from time to time establish as appropriate of Tenant's desired use; (ii) Landlord shall supply such after-hours HVAC to Tenant at such hourly costs to Tenant as Landlord shall from time to time establish; and (iii) Tenant shall pay such cost as additional rent within ten (10) days after billing. Landlord shall not be liable for damages nor shall rent or other charges abate in the event of any failure or interruption of any utility or service supplied to the Premises, Building or Project by a regulated utility or municipality, or any failure of a Building system supplying any such service to the Premises (provided Landlord uses diligent efforts to repair or restore the same) and no such failure or interruption shall entitle Tenant to abate rent or terminate this Lease.

#### **ARTICLE 19. ENTRY AND INSPECTION**

Landlord shall have the right to enter into the Premises at reasonable times for the purpose of inspecting the Premises and reserves the right, during the last twelve months of the term of the Lease, to show the Premises at reasonable times to prospective tenants. Landlord shall be permitted to take any action under this Article without causing any abatement of rent or liability to Tenant for any loss of occupation or quiet enjoyment of the Premises, nor shall such action by Landlord be deemed an actual or constructive eviction.

#### **ARTICLE 20. ACCEPTANCE OF THE PREMISES/LIABILITY INSURANCE**

- 20.1 All personal property and fixtures belonging to Tenant shall be placed and remain on the Premises at Tenant's sole risk. Upon taking possession of the Premises and thereafter during the Lease Term, the Tenant shall, at Tenant's sole cost and expense, maintain insurance coverage with limits not less than the following: (a) Worker's Compensation Insurance, minimum limit as defined by applicable laws; (b) Employer's Liability Insurance, minimum limit \$5,000,000; (c) Commercial General Liability Insurance, Bodily Injury/Property, Damage Insurance (including the following coverages: Premises/Operations, Independent Contractors, Broad Form Contractual in support of the indemnification obligations of Tenant under this Lease, and Bodily and Personal Injury Liability), minimum combined single limit \$5,000,000, which shall apply on a per location basis; (d) Automobile Liability Insurance, minimum limit \$5,000,000; and (e) terrorism coverage. All such policies shall include a waiver of subrogation in favor of Landlord and shall name Landlord; Landlord's property management company, the Fund, and such other party or parties as Landlord may require as additional insureds. Tenant's insurance shall be primary, with any insurance maintained by Landlord to be considered excess. Tenant's insurance shall be maintained with an insurance company qualified to do business in the State of Colorado and having a current A.M. Best manual rating of at least A-X or better. Before entry into the Premises and before expiration of any policy, evidence of these coverages represented by Certificates of Insurance issued by the insurance carrier must be furnished to Landlord. Certificates of Insurance should specify the additional insured status, the waiver of subrogation, and that such insurance is primary, and any insurance by Landlord is excess. The Certificate of Insurance shall state that Landlord will be notified in writing thirty (30) days before cancellation, material change, or non-renewal of insurance.
- 20.2 During the entire Lease Term, Landlord agrees to maintain public liability insurance in such forms and amounts as Landlord shall determine. The cost of the insurance obtained under this Section 20.2 shall be an Operating Cost under Article 5 of this Lease.

#### **ARTICLE 21. CASUALTY INSURANCE**

- 21.1 Tenant shall maintain fire and extended coverage insurance (full replacement value) with a business interruption and extra expense endorsements, on personal property and trade fixtures owned or used by Tenant.

- 21.2 Landlord shall maintain property insurance for the Building's replacement value, less a commercially reasonable deductible if Landlord so chooses including endorsements as determined by Landlord throughout the Lease Term on the Building (excluding Tenant's trade fixtures and personal property). At Landlord's option, the policy of insurance may include a business interruption insurance endorsement for loss of rents. The cost of the insurance obtained under this Section 21.2 shall be an Operating Cost under Article 5 of this Lease.

#### **ARTICLE 22. DAMAGE AND DESTRUCTION OF PREMISES**

- 22.1 If the Premises or the Building are damaged by fire or other casualty (a "Casualty"), Landlord shall use good faith efforts to deliver to Tenant within sixty (60) days after such Casualty a good faith estimate (the "Damage Notice") of the time needed to repair the damage caused by such Casualty.
- 22.2 If a material portion of the Premises is damaged by Casualty such that Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates that the damage caused thereby cannot be repaired within one hundred eighty (180) days after Landlord's receipt of all necessary permits for the reconstruction of the Premises (the "Repair Period"), then Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant.
- 22.3 If a Casualty damages the Premises or a material portion of the Building and: (1) Landlord estimates that the damage to the Premises cannot be repaired within the Repair Period; (2) the damage to the Premises exceeds fifty percent (50%) of the replacement cost thereof (excluding foundations and footings), as estimated by Landlord, and such damage occurs during the last two (2) years of the Term; (3) regardless of the extent of damage to the Premises, Landlord makes a good faith determination that restoring the Building would be uneconomical; or (4) Landlord is required to pay any insurance proceeds arising out of the Casualty to a Landlord's Mortgagee, then Landlord may terminate this Lease by giving written notice of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant.
- 22.4 If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Premises and shall proceed with reasonable diligence to restore the Premises to substantially the same condition as they existed immediately before such Casualty; however, other than building standard leasehold improvements Landlord shall not be required to repair or replace any alterations, Project Work or betterments within the Premises (which shall be promptly and with due diligence repaired and restored by Tenant at Tenant's sole cost and expense) or any furniture, equipment, trade fixtures or personal property of Tenant or others in the Premises or the Building, and Landlord's obligation to repair or restore the Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question. If this Lease is terminated under the provisions of this Article 22, Landlord shall be entitled to the full proceeds of the insurance policies providing coverage for all alterations, improvements, Project Work and betterments in the Premises.
- 22.5 If the Premises are damaged by Casualty, Rent for the portion of the Premises rendered untenantable by the damage shall be abated on a reasonable basis from the date of damage until the completion of Landlord's repairs (or until the date of termination of this Lease by Landlord or Tenant as provided above, as the case may be), unless Tenant or a Tenant Permittee caused such damage, in which case, Tenant shall continue to pay Minimum Monthly Rent and all other rent without abatement and Tenant shall be liable to Landlord for the cost and expense of the repair and restoration of the Premises or the Building caused thereby to the extent that costs and expense is not covered by insurance proceeds.

#### **ARTICLE 23. EMINENT DOMAIN**

- 23.1 If the entire Building or Premises are taken by right of eminent domain or conveyed in lieu thereof (a "Taking"), this Lease shall terminate as of the date of the Taking.

- 23.2 If any part of the Building becomes subject to a Taking and such Taking will prevent Tenant from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking for a period of more than one hundred eighty (180) days, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within thirty (30) days after the Taking, and Rent shall be apportioned as of the date of such Taking. If Tenant does not terminate this Lease, then Rent shall be abated on a reasonable basis as to that portion of the Premises rendered untenable by the Taking.
- 23.3 If any material portion, but less than all, of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds arising from a Taking to a Landlord's Mortgagee, then Landlord may terminate this Lease by delivering written notice thereof to Tenant within thirty (30) days after such Taking, and Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease, then this Lease will continue, but if any portion of the Premises has been taken, Rent shall abate as provided in Section 22.5.
- 23.4 If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Land, the Building, and other improvements taken; however, Tenant may separately pursue a claim (to the extent it will not reduce Landlord's award) against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business, and other claims it may have.

#### **ARTICLE 24. ASSIGNMENT AND SUBLETTING**

Tenant agrees not to assign, mortgage, or pledge this Lease, and shall not sublet the Premises without Landlord's prior written consent, which shall not be unreasonably withheld if Landlord does not elect to terminate this Lease as provided herein. Without limitation, it is agreed that Landlord's consent shall not be considered unreasonably withheld if: (1) the proposed transferee's financial condition does not meet the criteria Landlord uses to select Building tenants having similar leasehold obligations; (2) the proposed transferee's use is not suitable for the Building considering the business of the other tenants and the Building's prestige, or would result in a violation of another tenant's rights; (3) the proposed transferee is a governmental agency or occupant of the Project; (4) Tenant is in default after the expiration of the notice and cure periods in this Lease; (5) any portion of the Premises or Building would likely become subject to additional or different laws as a consequence of the proposed assignment or subletting; (6) the proposed transferee will not use the Premises for the Permitted Use (thus, excluding without limitation, uses for credit processing and telemarketing) or will use the Premises in any manner that would conflict with any exclusive use agreement or other similar agreement entered into by Landlord with any other tenant of the Project or Complex, as applicable; or (7) the proposed transferee would use the Premises, Project or Complex in a manner that would materially increase the pedestrian or vehicular traffic to the Premises, Project or Complex. Tenant shall not be entitled to receive any monetary damages based upon a claim that Landlord unreasonably withheld its consent to a proposed sublease or assignment and Tenant's sole remedy shall be an action to enforce any provision through specific performance or declaratory judgment. Any attempted sublease or assignment in violation of this Article shall, at Landlord's option, be void. Consent by Landlord to one or more subleases or assignments shall not operate as a waiver of Landlord's rights to approve any subsequent subleases or assignments. Any assignment or subletting hereunder shall not release or discharge Tenant of or from any liability under this Lease, and Tenant shall continue to be fully liable thereunder. As part of its request for Landlord's consent to a sublease or assignment, Tenant shall provide Landlord with financial statements for the proposed transferee, a complete copy of the proposed sublease, assignment and other contractual documents and such other information as Landlord may reasonably request. Landlord shall, by written notice to Tenant within thirty (30) days of its receipt of the required information and documentation, either: (1) consent to the sublease or assignment by the execution of a consent agreement in a form reasonably designated by Landlord or reasonably refuse to consent to the sublease or assignment in writing; or (2) exercise its right to terminate this Lease with respect to the portion of the Premises that Tenant is proposing to sublease or assign. Any such termination by Landlord shall be effective on the proposed effective date the sublease or assignment for which Tenant requested consent. Landlord's failure to respond to Tenant's request for consent within the thirty (30) day window set forth above shall conclusively mean the Landlord does not consent to the proposed transfer. If Tenant shall assign or sublet the Lease or request the consent of Landlord to any assignment or subletting or if Tenant shall request the consent of Landlord for any act Tenant

proposes to do, then Tenant shall pay Landlord's reasonable costs and expenses incurred in connection therewith, including attorneys', architects', engineers' or other consultants' fees, which fee shall be no less than \$500.00. Consent by Landlord to one assignment, subletting, occupation, or use by another person shall not be deemed to be consent to any subsequent assignment, subletting, occupation, or use by another person. Tenant shall pay fifty percent (50%) of all rent and other consideration which Tenant receives as a result of a sublease or assignment that is excess of the Rent payable to Landlord for the portion of the Premises and Lease Term covered by the sublease or assignment. Tenant shall pay Landlord for Landlord's share of any excess within thirty (30) days after Tenant's receipt of such excess consideration. Tenant may deduct from the excess all reasonable and customary expenses directly incurred by Tenant attributable to the sublease or assignment (other than Landlord's costs and expenses), including brokerage fees, legal fees and construction costs. If Tenant is a corporation, an unincorporated association or a partnership, unless listed on a national stock exchange, the transfer, assignment or hypothecation of any stock or interest in such corporation, association or partnership in the aggregate in excess of fifty percent (50%) shall be deemed an assignment of this Lease. Tenant agrees to immediately notify Landlord in writing of any change in its ownership.

#### **ARTICLE 25. SALE OF PREMISES BY LANDLORD**

In the event of any sale of the Building or the property upon which the Building is located or any assignment of this Lease by Landlord (or a successor in title), the assignee or purchaser shall be deemed, without any further agreement between the parties, to have assumed and agreed to carry out any and all of the covenants and obligations of Landlord under this Lease, and shall be substituted as Landlord for all purposes from and after the sale or assignment; and Landlord (or such successor) shall automatically be entirely freed and relieved of all liability under any and all of Landlord's covenants and obligations contained in this Lease or arising out of any act, occurrence, or omission occurring after such sale or assignment.

#### **ARTICLE 26. SUBORDINATION/ATTORNMEN/ MODIFICATION/ASSIGNMENT**

Tenant's interest under this Lease is subordinate to all terms of and all liens and interests arising under any ground lease, deed of trust, or mortgage now or hereafter placed on the Landlord's interest in the Premises, the Building, or the Project. Tenant consents to an assignment of Landlord's interest in this Lease to Landlord's lender as required under such financing. If the Premises or the Building is sold as a result of a default under the mortgage, or pursuant to a transfer in lieu of foreclosure, Tenant shall, at the mortgagee's, purchaser's or ground lessor's sole election, attorn to the mortgagee or purchaser. This Article is self-operative. However, Tenant agrees to execute and deliver, if Landlord, any deed of trust holder, mortgagee, or purchaser should so request, such further instruments necessary to subordinate this Lease to a lien of any mortgage or deed of trust, to acknowledge the consent to assignment and to affirm the attornment provisions set forth herein. Landlord agrees to use commercially reasonable efforts to obtain a subordination and non-disturbance agreement from any Landlord's mortgagee on such mortgagee's then-current form.

#### **ARTICLE 27. LANDLORD'S DEFAULT AND RIGHT TO CURE**

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently pursues the same to completion.

#### **ARTICLE 28. ESTOPPEL CERTIFICATES**

Tenant agrees at any time and from time to time upon request by Landlord, to execute, acknowledge, and deliver to Landlord, within ten (10) calendar days after demand by Landlord, a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force

and effect as modified and stating such modifications), (b) the dates to which the Minimum Monthly Rent and other rent and charges have been paid in advance, if any, (c) Tenant's acceptance and possession of the Premises, (d) the commencement of the Lease Term, (e) the rent provided under the Lease, (f) that Landlord is not in default under this Lease (or if Tenant claims such default, the nature thereof), (g) that Tenant claims no offsets against the rent, and (h) such other information as may be requested with respect to the provisions of this Lease or the tenancy created by this Lease. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, and (iii) that not more than one month's rent has been paid in advance.

#### **ARTICLE 29. TENANT'S DEFAULT AND LANDLORD'S REMEDIES**

29.1 Tenant will be in default under the Lease if any of the following occurs, and same shall be deemed an "Event of Default":

- (a) If Tenant fails to pay the Minimum Monthly Rent or make any other payment required by the Lease within three (3) working days after Landlord sends Tenant a written notice or demand for payment (said notice being in lieu of, and not in addition to, any notice required as a prerequisite to the Colorado statutory requirements for forcible entry and detainer or similar action for possession of the Premises).
- (b) If Tenant assigns the Lease or mortgages its interest in the Lease or sublets any part of the Premises without first obtaining Landlord's written consent, as required by Article 24.
- (c) If Tenant abandons the Premises, or ceases to operate its business on the Premises, or becomes bankrupt or insolvent, or makes any general assignment of all or a substantial part of its property for the benefit of creditors, or if a receiver is appointed to operate Tenant's business or to take possession of all or a substantial part of Tenant's property.
- (d) If a lien attaches to the Lease or to Tenant's interest in the Premises, and Tenant fails to post a bond or other security or to have the lien released within ten (10) days of its notification thereof, or if a mortgagee institutes proceedings to foreclose its mortgage against Tenant's leasehold interest or other property and Tenant fails to have the foreclosure proceedings dismissed within ten (10) calendar days after the entry of any judgment or order declaring the mortgage to be valid and Tenant to be in default on the obligation secured thereby, or directing enforcement of the mortgage.
- (e) If Tenant fails to maintain any of the insurance as required by the Lease.
- (f) If Tenant breaches any other provision of the Lease and fails to cure the breach within fifteen (15) days after Landlord sends it written notice of the breach, or if the breach cannot be cured within fifteen (15) days, then if Tenant does not proceed with reasonable diligence to cure the breach within such additional time as may be reasonably necessary under the circumstances, not to exceed sixty (60) days.

29.2 If Tenant is in default, then Landlord may take any one or more of the following actions:

- (a) Landlord may re-enter and take possession of all or any part of the Premises and remove Tenant and any person claiming under Tenant from the Premises, using reasonable force, if necessary, and without committing a trespass or becoming liable for any loss or damage that may be occasioned thereby. Landlord may also change the locks to the Premises without notice at Tenant's expense. Re-entry and possession of the Premises will not by themselves terminate the Lease.

- (b) Landlord may remove any property, including fixtures, from the Premises and store the same at Tenant's expense in a warehouse or any other location, or Landlord may lease the property on the Premises pending sale or other disposition. If Landlord leaves the property on the Premises or stores it at another location owned or controlled by Landlord, then Landlord may charge Tenant a reasonable fee for storing and handling the property comparable to what Landlord would have had to pay to a third party for such services. Landlord will not be liable under any circumstance to Tenant or to anyone else for any damage to the property. Landlord may proceed to sell Tenant's property, which shall be sold in accordance with the laws of the state in which the Premises are located.
- (c) Landlord may collect any rents or other payments that become due from any subtenant, concessionaire or licensee, and may in its own name or in Tenant's name bring suit for such amounts, and settle any claims therefore, without approving the terms of the sublease or Tenant's agreement with the concessionaire or licensee and without prejudice to Landlord's right to terminate the sublease or agreement without cause and remove the subtenant, concessionaire or licensee from the Premises.
- (d) Landlord may appoint, or have appointed through appropriate court proceedings, a receiver to take possession of the Premises and operate Tenant's business in accordance with the terms of the Lease, with full power to exercise all rights and privileges Tenant has under the Lease, including the power to collect the income and pay the expenses of the business, or with such limited powers as Landlord or the court appointing the receiver may deem advisable. The receiver will not be required to post any bond, and will be entitled to obtain insurance to protect itself against any liability from his errors and omissions or otherwise arising in the course of performing his duties. The fees and expenses of the receiver, including the cost of any errors and omissions or liability insurance, will be charged to Tenant.
- (e) Landlord may relet the Premises at whatever rent and on whatever terms and conditions it deems advisable. The term of any new lease may be shorter or longer than the remaining term of this Lease. In reletting the Premises, Landlord may make any alterations or repairs to the Premises it feels necessary or desirable; may subdivide the Premises into more than one unit and lease each portion separately; may sell Tenant's improvements, fixtures and other property located on the Premises to the new tenant, or include such improvements, fixtures and property as part of the Premises without additional cost; may advertise the Premises for sale or lease; may hire brokers or other agents; and, may do anything else it deems necessary or helpful in reletting the Premises. Tenant will be liable to Landlord for all costs and expenses of the reletting including but not limited to rental concessions to the new tenant, broker's commissions and tenant improvements, and will remain liable for the Minimum Monthly Rent and all other charges arising under the Lease, less any income received from the new tenant, unless the Lease is terminated as set forth below. In the event an existing tenant of the project is moved into the Premises, Tenant will be liable for the damages suffered by Landlord (as calculated herein) as the result of the vacancy of the premises occupied by the existing tenant.
- (f) Landlord may terminate the Lease at any time after Tenant defaults by sending a written notice to Tenant expressly stating that the Lease is being terminated. Termination will be effective on the date of the notice or on any other date set forth in the notice. Until Landlord sends Tenant such a notice, the Lease will remain in full force and effect, and Tenant will remain liable for paying the Minimum Monthly Rent and other charges that come due under the Lease and for performing all other terms and conditions of the Lease. No other action by Landlord, including repossession of the Premises, removing or selling Tenant's separate property, reletting the Premises, or filing suit for possession or for damages, will terminate the Lease or release Tenant from its continuing liability for complying with the terms and conditions.

- (g) Landlord may recover from Tenant all actual costs and expenses Landlord incurs as a direct consequence of Tenant's breach, including the cost of storing and selling Tenant's property, reletting the Premises, and bringing suit against Tenant for possession or damages. If in the future, during this initial term or any renewal or extension term, Landlord made or paid for any improvements to the Premises, or granted Tenant any improvement allowance or credit against the Minimum Monthly Rent or other charges due hereunder for Tenant's improvements, then Landlord shall also be entitled to recover the unamortized portion of the cost of such improvements or the amount of such allowance or credit, determined by multiplying the total amount of such cost or allowance or credit by a fraction, the denominator of which is the total number of months of the initial Lease Term and the numerator of which is the number of months of the Lease Term remaining at the time of Tenant's default. Also, if the Lease provides for any months for which no Minimum Monthly Rent or a reduced Minimum Monthly Rent is payable, or for any other rent concession to Tenant, then, upon default, Tenant shall become liable for the full amount of the Minimum Monthly Rent (or other rent concession), plus applicable taxes, for such months, and Landlord shall be entitled to recover as additional rent the amount that would have been payable by Tenant for such months if the Minimum Monthly Rent provided for herein had been payable by Tenant throughout the entire Lease Term. Unless Landlord terminates the Lease, Tenant will also remain liable for any difference between the Minimum Monthly Rent and other charges called for by the Lease and the rent and other charges collected by Landlord from any new tenant. For any month in which Landlord collects less from a successor tenant than is payable under this Lease, Landlord may demand that Tenant immediately make up the difference, and Landlord may bring suit against Tenant if Tenant fails to do so. If Landlord does terminate the Lease, then Tenant will no longer be liable on a continuing monthly basis for the Minimum Monthly Rent and other charges that would have become due under the Lease thereafter, but Tenant will remain liable for all sums accrued under the Lease to the date of termination, as well as for all costs and expenses incurred by Landlord, and any other damages sustained by Landlord, as a consequence of Tenant's breach. Also Landlord may recover from Tenant the greater of (i) one year's Rent or (ii) the difference between the present value at the date of termination to the end of the Lease Term and the present value of the Minimum Monthly Rent and other charges Landlord could have obtained if Landlord had rented the Premises for the same period at its fair rental value at the end of termination. The present value of the amounts referred to in the preceding sentence shall be computed using a discount rate equal to the prime rate charged by Wells Fargo Bank (or its successor) at the date of termination.
- (h) Landlord may sue Tenant for possession of the Premises, for damages for breach of the Lease, and for other appropriate relief, either in the same or in separate actions. Landlord may recover all costs and expenses it incurs in any such suit, including reasonable attorneys' fees.
- (i) Landlord may exercise any other right or remedy available at law or in equity for breach of contract, damages or other appropriate relief. The rights and remedies described herein are cumulative, and Landlord's exercise of any one right will not preclude the simultaneous exercise of any other right or remedy.

29.3 Intentionally Deleted.

#### **ARTICLE 30. TENANT'S RECOURSE**

Anything in this Lease to the contrary notwithstanding, Tenant agrees to look solely to the estate and property of Landlord in the Building and the Project, subject to prior rights of any ground lessor, mortgagee, or deed of trust of the Building and the Project or any part thereof, for the collection of any judgment requiring the payment of money by Landlord in the event of any default by Landlord under this Lease. Tenant agrees that it is prohibited from using any other procedures for the satisfaction of Tenants' remedies. Neither Landlord nor any of its respective officers, directors, employees, heirs, successors, or assigns, shall have any personal liability of any kind or nature, directly or indirectly, under or in connection with this Lease.

### ARTICLE 31. HOLDING OVER

Subject to prior written consent by Landlord, if Tenant holds over after the Expiration Date, or any extension thereof, Tenant shall be a tenant at sufferance, the Minimum Monthly Rent shall be increased to 150% of the then current lease rate at the Building or the Tenant's lease rate at the time the Lease expired, whichever is higher, plus any amounts due under Article 5, which shall be payable in advance on the first day of such holdover period and on the first day of each month thereafter. If Landlord gives its express written consent to a holdover by Tenant, Tenant will be considered to be on a month-to-month basis during such holdover period.

### ARTICLE 32. GENERAL PROVISIONS

- 32.1 This Lease is construed in accordance with the laws of the state in which the Premises are located.
- 32.2 If Tenant is composed of more than one person or entity, then the obligations of such entities or parties are joint and several.
- 32.3 If any term, condition, covenant, or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, conditions, covenants, and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.
- 32.4 The various headings and numbers herein and the grouping of the provisions of this Lease into separate articles and sections are for the purpose of convenience only and are not be considered a part hereof.
- 32.5 Time is of the essence of this Lease.
- 32.6 Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war (declared or undeclared), acts of terrorism, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.
- 32.7 In the event either party initiates legal proceedings or retains an attorney to enforce any right or obligation under this Lease or to obtain relief for the breach of any covenant hereof, the party ultimately prevailing in such proceedings or the non-defaulting party shall be entitled to recover all costs and reasonable attorneys' fees.
- 32.8 This Lease, and any Exhibit or Addendum attached hereto, sets forth all the terms, conditions, covenants, provisions, promises, agreements, and undertakings, either oral or written, between the Landlord and Tenant. No subsequent alteration, amendment, change, or addition to this Lease is binding upon Landlord or Tenant unless reduced to writing and signed by both parties.
- 32.9 Subject to Article 24, the covenants herein contained shall apply to and bind the heirs, successors, executors, personal representatives, legal representatives, administrators, and assigns of all the parties hereto.
- 32.10 No term, condition, covenant, or provision of this Lease shall be waived except by written waiver of Landlord, and the forbearance or indulgence by Landlord in any regard whatsoever shall not constitute a waiver of the term, condition, covenant, or provision to be performed by Tenant to which the same shall apply, and until complete performance by Tenant of such term, condition, covenant, or provision, Landlord shall be entitled to invoke any remedy available under this Lease or by law despite such forbearance or indulgence. The waiver by Landlord of any breach or term, condition, covenant, or provision hereof shall apply to and be limited to the specific instance involved and shall not be deemed to apply to any other

instance or to any subsequent breach of the same or any other term, condition, covenant, or provision hereof. Acceptance of rent by Landlord during a period in which Tenant is in default in any respect other than payment of rent shall not be deemed a waiver of the other default. Any payment made in arrears shall be credited to the oldest amount outstanding and no contrary application will waive this right.

- 32.11 The use of a singular term in this Lease shall include the plural and the use of the masculine, feminine, or neuter genders shall include all others.
- 32.12 Landlord's submission of a copy of this Lease form to any person, including Tenant, shall not be deemed to be an offer to lease or the creation of a lease unless and until this Lease has been fully signed and delivered by Landlord.
- 32.13 Every term, condition, covenant, and provision of this Lease, having been negotiated in detail and at arm's length by both parties, shall be construed simply according to its fair meaning and not strictly for or against Landlord or Tenant.
- 32.14 If the time for the performance of any obligation under this Lease expires on a Saturday, Sunday, or legal holiday, the time for performance shall be extended to the next succeeding day which is not a Saturday, Sunday, or legal holiday.
- 32.15 If requested by Landlord, Tenant shall execute written documentation with signatures acknowledged by a notary public, to evidence when and if Landlord or Tenant has met certain obligations under this Lease.
- 32.16 Upon an Event of Default Landlord may, at its sole election, revoke any signage rights granted hereunder and order the removal of any such signage at Tenant's sole cost and expense. The Tenant, upon vacation of the Premises, or the removal or alteration of its sign for any reason, shall be responsible for the repair, painting or replacement of the Building fascia surface or other portion of the Building where signs are attached. If Tenant fails to do so, or if Tenant fails to remove any signage upon Landlord's order, Landlord may have the sign removed and the cost of removal plus fifteen percent (15%) as an administrative fee shall be payable by Tenant within ten (10) days of invoice.

#### **ARTICLE 33. NOTICES**

Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to or on the other, such notice or demand shall be in writing and shall be given or served and shall not be deemed to have been duly given or served unless (a) in writing; (b) either (1) delivered personally, (2) deposited with the United States Postal Service, as registered or certified mail, return receipt requested, bearing adequate postage, or (3) sent by overnight express courier (including, without limitation, Federal Express, DHL Worldwide Express, Airborne Express, United States Postal Service Express Mail) with a request that the addressee sign a receipt evidencing delivery; and (c) addressed to the party at its address in Section 1.1. Either party may change such address by written notice to the other. Service of any notice or demand shall be deemed completed forty-eight (48) hours after deposit thereof, if deposited with the United States Postal Service, or upon receipt if delivered by overnight courier or in person.

#### **ARTICLE 34. BROKER'S COMMISSIONS**

Tenant represents and warrants that it has had no dealing with any broker or agent in connection with the negotiation or execution of this Lease except Lincoln Property Company Commercial, which has acted as Landlord's leasing agent and Newmark Knight Frank Frederick Ross ("Tenant's Broker"), which has acted as Tenant's broker and which shall be paid a commission by Landlord pursuant to a separate agreement. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with this Lease (excepting commissions or fees approved or authorized in writing by Landlord). Tenant shall indemnify, defend and hold Landlord harmless for, from and against all costs, expenses, attorneys' fees, liens and other liability for commissions

or other compensation claimed by any broker or agent claiming the same by, through or under Tenant. The foregoing indemnity shall survive the expiration or earlier termination of the Lease.

#### **ARTICLE 35. INDEMNIFICATION/WAIVER OF SUBROGATION**

- 35.1 Tenant shall indemnify, defend, and hold Landlord, its property manager, the Fund, any subsidiary or affiliate of the foregoing, and their respective officers, directors, shareholders, partners, employees, managers, contractors, attorneys and agents harmless against all Claims (as defined below) and costs incurred by Landlord arising from: (a) any act or omission of Tenant or Tenant's Permittees which results in personal injury, loss of life, or property damage sustained in and about the Premises, the Building, or the Project; (b) attachment or discharge of a lien upon the Premises, the Building, or the Project; (c) Tenant's and Tenant's Permittees' use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Premises, the Building, or the Project; (d) any default of Tenant under this Lease; and (e) any claims for brokerage commissions or finder's fees in connection with this Lease (excepting commissions or fees authorized in writing by Landlord). As used in this Lease, "Claims" means any claim, suit, proceeding, action, cause of action, responsibility, demand, judgment and execution, and attorneys' fees and costs related thereto or arising therefrom.
- 35.2 Tenant hereby releases, discharges, and waives any right of recovery from Landlord, the Fund, and Landlord's agents, directors, officers, and employees, and Landlord hereby releases, discharges, and waives any right of recovery from Tenant and Tenant's Permittees, from all Claims, liabilities, losses, damages, expenses, or attorneys' fees and costs incurred arising from or caused by any peril required to be covered by insurance obtained by Landlord or Tenant under this Lease, or covered by insurance in connection with (a) property on the Premises, the Building, or the Project; (b) activities conducted on the Premises, the Building, or the Project; and (c) obligations to indemnify under this Lease, regardless of the cause of the damage or loss. Landlord and Tenant shall give their respective insurance carriers notice of these waivers and shall secure an endorsement from each carrier to the effect that the waivers given in this Article 35 shall not adversely affect or impair the policies of insurance or prejudice the right of the named insured on the policy to recover thereunder. These waivers apply only to the extent such Claims, liabilities, losses, damages, expenses, or attorneys' fees are covered by insurance required pursuant to this Lease.
- 35.3 Notwithstanding anything in this Lease to the contrary, Landlord shall not be responsible or liable to Tenant for any Claims for loss or damage caused by the acts or omissions of any persons occupying any space elsewhere in the Building.

#### **ARTICLE 36. WAIVER OF TRIAL BY JURY**

Landlord and Tenant waive any right to a trial by jury in any action or proceeding based upon, or related to, the subject matter of this Lease or the use and occupancy of the Premises. This Waiver is knowingly, intentionally and voluntarily made by Tenant, and Tenant acknowledges that neither Landlord or any person acting on behalf of Landlord has made any representations of fact to induce this Waiver of Trial by Jury or in any way to modify or nullify its effect. Tenant further acknowledges that it has been represented (or has had the opportunity to be represented) in the signing of this Lease and in the making of this Waiver by independent legal counsel, selected of its own free will, and that Tenant has had the opportunity to discuss this Waiver with counsel. Tenant further acknowledges that it has read and understands the meaning and ramifications of this Waiver provision, as evidenced by its signature below.

#### **ARTICLE 37. USA PATRIOT ACT AND ANTI-TERRORISM LAWS**

- 37.1 Tenant represents and warrants to, and covenants with, Landlord that neither Tenant nor any of its respective constituent owners or affiliates currently are, or shall be at any time during the Term hereof, in violation of any laws relating to terrorism or money laundering (collectively, the "Anti-Terrorism Laws"), including without limitation Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten

to Commit, or Support Terrorism (the "Executive Order") and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the "USA Patriot Act").

- 37.2 Tenant covenants with Landlord that neither Tenant nor any of its respective constituent owners or affiliates is or shall be during the Term hereof a "Prohibited Person," which is defined as follows: (i) a person or entity that is listed in the Annex to, or is otherwise subject to, the provisions of the Executive Order; (ii) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a person or entity with whom Landlord is prohibited from dealing with or otherwise engaging in any transaction by any Anti-Terrorism Law, including without limitation the Executive Order and the USA Patriot Act; (iv) a person or entity who commits, threatens or conspires to commit or support "terrorism" as defined in Section 3(d) of the Executive Order; (v) a person or entity that is named as a "specially designated national and blocked person" on the then-most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, <http://www.treas.gov/offices/eotffc/ofac/sdn/t11sdn.pdf>, or at any replacement website or other replacement official publication of such list; and (vi) a person or entity who is affiliated with a person or entity listed in items (i) through (v), above.
- 37.3 At any time and from time-to-time during the Term, Tenant shall deliver to Landlord, within ten (10) days after receipt of a written request therefor, a written certification or such other evidence reasonably acceptable to Landlord evidencing and confirming Tenant's compliance with this Section 37.

#### ARTICLE 38. ADDITIONAL PROVISIONS

**OSHA Regulations.** Tenant acknowledges that it has been notified of the presence or potential presence of asbestos-containing materials ("ACM") and materials designated by the Occupational Safety and Health Administration ("OSHA") as presumed asbestos-containing materials ("PACM") located in the Premises, the Building or the Complex. The following materials must, in accordance with OSHA regulations, be treated as PACM: any thermal system insulation and surfacing material that is sprayed on, troweled on, or applied in some other manner, as well as any resilient flooring material installed in 1980 or earlier. Upon written request by Tenant, Landlord shall provide Tenant with copies of any information pertaining to ACM or PACM in Landlord's files.

LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, DEMAND, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

[Signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Lease as of the day and year first above written.

LANDLORD

TENANT

LINCOLN ASB COLORADO CENTER, LLC, a  
Delaware limited liability company

GOLD RESOURCE CORPORATION,  
a Colorado corporation

By: Lincoln - Colorado Center LLC, its managing  
member

By: [Signature]

Its: CFO

By: Lincoln Non-Member Manager, Inc.,  
its manager,

Date: Nov 15, 2012

By: [Signature]  
Name: BRUCE SCOTT CAUSSELL  
Title: SR VP

ATTEST:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: 11/15/12

Date: \_\_\_\_\_



**EXHIBIT "B"**

**BUILDING RULES AND REGULATIONS**

The following rules and regulations shall apply to the Premises, the Building, the parking garage associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building. Bicycles shall not be permitted in the offices, halls, corridors stairways, corridors and elevators of the Building. An exterior bicycle rack shall be provided by Landlord for tenant and guest use.

2. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

3. No sign, picture, advertisements, notices, name notice or other object shall be displayed or affixed off or to any part of the outside or inside of the Building (including all common areas and facilities in the Building or the tenant's lease premises (including the window sills) which is visible from outside of the tenant's leased premises without the prior written consent of Landlord and Landlord shall have the right to remove any object without notice to and at the expense of Tenant. Any signage permitted by Landlord, upon an event of default by tenant, may, at Landlord's sole election, be ordered removed from the Building and/or tenant's premises, as the case may be. The directory of the Building will be provided exclusively for the display of the name and location of Tenant only and Landlord reserves the right to include or exclude any others therefrom.

4. Landlord may retain a passkey to the Premises. Tenant shall not alter any lock or install a new lock or deadbolt on any door of the Premises without the prior written consent of Landlord. Tenant shall not duplicate keys provided by Landlord. Additional keys shall be provided to Tenant by Landlord at Tenant's sole expense. Loss and replacement of a card access key for Tenant or Tenant's employees shall be provided by Landlord at a charge of \$10.00 each. If the card is found, no refund will be issued by Landlord, tenant shall upon termination of the Lease or of Tenant's possession, surrender all card access keys to the Premises to Landlord. Tenant may be assessed \$10.00 for each card access key not surrendered to Landlord. Tenant shall notify Landlord of each employee no longer in their employ in order to reprogram access to the Building. Landlord will provide to Tenant passkeys to the Premises upon commencement of the Lease.

5. If the Building is multi-tenant, movement in or out of the Building of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Building entrances or lobby shall be conducted under Landlord's supervision at such times and in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.

6. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. If any Tenant desires to place in the Building any unusually heavy equipment including large files, safes and electronic data processing equipment shall first obtain written approval of Landlord for such placement within the Building including the location and the use of the Building elevators. The Landlord shall have the power to prescribe the weight and position of any equipment that may exceed the weight load limits for the building structure. All damages to the Building caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

7. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals (other than seeing eye and hearing dogs) shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.

8. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant odors in the Building or otherwise interfere in any way with other tenants or persons having business with them. No noise, including the playing of musical instruments, radio or television, which, in the judgment of the Landlord, might disturb other tenants in the Building, shall be made or permitted by any Tenants, and no cooking shall be done in the Premises or the Building except as expressly approved by Landlord. All electrical equipment used by Tenants shall be U.L. approved. Nothing shall be done or permitted in Tenant's Premises, and nothing shall be brought into or kept in the Premises which would impair or interfere with any of the Building set-vices or the proper and economic heating cooling, cleaning or other servicing of the Building or the Premises or the use or enjoyment by any other Tenant within the Building. Tenant may have a microwave oven in its suite.

9. No machinery of any kind (other than normal office equipment) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Building any flammable or explosive fluid or substance (other than typical office supplies [e.g., photocopier toner] used in compliance with all Laws).

10. Tenant shall permit the janitor, who shall be bonded, contracted and approved by Landlord, to clean their Premises. Landlord shall not be responsible for lost or stolen personal property, equipment, jewelry, money or any article taken from the Premises or Building, regardless of how or when loss occurs when the area is locked against entry or not. In the event Tenant must dispose of boxes, etc. which will not fit into office wastepaper baskets, Tenant shall clearly mark them "TRASH" Tenant shall not leave any refuse in the public corridors or other areas of the Building for disposal. Janitorial service shall be provided five (5) nights per week except For Building recognized holidays and shall include ordinary dusting and cleaning. Services shall not include cleaning of carpets or rugs, and other special services which can be provided by Landlord at Tenant's expense.

11. No vending or dispensing machines of any kind may be maintained in any leased premises without the prior written permission of Landlord, other than those used for Tenant's employees.

12. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like, and shall not do any act tending to injure the reputation of the Building or the Premises.

13. No tenant may enter into phone rooms, electrical rooms, mechanical rooms, or other service areas of the Building unless accompanied by Landlord or the Building manager.

14. Smoking is **not** allowed in the interior of the Building nor at the entries/exits at the exterior of the Building. Tenant shall not permit its employees, invitees or guests to smoke in the Premises or the lobbies, passages, corridors, elevators, vending rooms, rest rooms, stairways or any other area shared in common with other tenants in the Building. Nor shall the tenant permit its employees, invitees, or guests to loiter at the Building entrances for the purposes of smoking. Landlord may, but shall not be required to, designate an area for smoking outside the Building.

15. Canvassing, soliciting or peddling in or about the Premises or the Property is prohibited and Tenant shall cooperate to prevent same.

16. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of the Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building, or causes or creates a public nuisance.

17. Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of tenant except as Tenant's business address without the prior written consent of Landlord.

18. Tenant shall not have access to the roof of the Building, nor make any installations upon or through the roof, walls or plenums of the Building without prior written consent of the Landlord. If any tenant desires radio signal, communication antenna satellite dish, alarm or other utility or service connection installed or changed, such work shall be done at the expense of Tenant, with prior written consent by Landlord. Landlord reserves the right to disconnect any such installation when, in Landlord's opinion, such installation apparatus interferes with the proper operation of the Building or systems within the Building.

19. Tenant shall not permit any contractor or other person to perform any Project Work or make any alterations, additions, repairs or installations within the Premises nor to use life hallways, lobbies or corridors as storage or work areas without the prior approval of Landlord. Tenant shall use Building approved contractors through the services of the Landlord unless otherwise agreed to in writing.

20. All large supplies, goods, materials, packages, equipment furniture and all such items of every kind are to be delivered through the dock and to the Tenant's space through the freight elevator only. All such items moved in or out of the Building shall be done at such time and in such manner as designed by Landlord. All hand trucks shall be equipped with rubber tires only.

21. Tenant agrees to use chair pads to be furnished by Tenant under all rolling and ordinary desk chairs in the carpeted areas throughout the Premises.

22. Tenant shall give Landlord prompt notice of all accidents to or problems with air conditioning, heating venting, plumbing or electrical equipment in their Premises or common areas of the Building. All plumbing fixtures, including, but not limited to water closets, waste lines, sinks and dishwashers installed within the Tenant Premises shall be the responsibility of the Tenant after any and all warranty periods; however, Landlord shall repair at Tenant's sole expense.

23. Landlord reserves the right by written notice to Tenant to rescind, modify or waive any rule or regulation at any time prescribed for the Building when, in Landlord's reasonable judgment it is necessary, desirable or proper for the best interest of the Building and its Tenants.

**EXHIBIT "C"**

**PARKING RULES AND REGULATIONS**

A. During the initial Term of this Lease, Tenant shall have the right to use NINE (9) unassigned parking spaces (the "Unassigned Spaces") consisting of NINE (9) spaces located in the Tower One parking structure constructed at the Complex, on the terms and conditions contained herein. The rights of Tenant to the Unassigned Spaces as granted by Landlord shall be referred to as the "Parking Privileges".

B. Tenant's right to the Parking Privileges shall commence at the commencement of the Term or on the date Tenant takes possession of the Premises for the purpose of conducting its usual business therein and shall continue for the initial Term of the Lease unless sooner terminated or extended, or unless Tenant fails to timely pay the Fee as set forth below. The Parking Privileges shall automatically terminate upon the expiration or earlier termination of the Term or any extensions thereof.

C. Tenant shall pay to Landlord a parking fee for the Unassigned Spaces (the "Fee") regardless of whether such spaces are actually used by Tenant, in an amount equal to the monthly charge per parking space established by Landlord from time to time multiplied by the number of Unassigned Spaces to which Tenant is then entitled. For the initial twelve months of the lease Tenant shall pay a monthly fee per parking space of Sixty Dollars (\$60.00) for unassigned spaces and Seventy-Five (\$75.00) for VIP parking spaces. Landlord shall be entitled to increase or decrease the charge per parking space from time to time upon the commencement of the 13<sup>th</sup> month of the term upon not less than one month's written notice to Tenant of such increase or decrease. Operator (as hereinafter defined) shall separately invoice Tenant, concurrently with the regular Rent invoice, for the Fee, and any other parking related charges, as Additional Rent. All payments of the Fee shall be made in advance, without notice or set off, by written check or electronic funds transfer to Operator at such address as Operator shall designate. Tenant shall pay the Fee on the first day of the Term and on the first day of each succeeding calendar month during the Term or any extension thereof. If Tenant takes occupancy of the Premises on a day other than the first day of a calendar month, the Fee for the fractional month shall be prorated on a daily basis and shall be paid on the date Tenant takes occupancy of the Premises. If Tenant fails to pay the Fee in a timely manner, Landlord, at its election, may cancel Tenant's right to use the number of Unassigned Spaces for which Tenant has failed to pay and shall notify Tenant of such cancellation. If the Parking Privileges, or a portion thereof, are cancelled, Tenant shall remain liable to Landlord for all Fees and other sums accrued and unpaid hereunder to the date of such cancellation. The Fee for the Unassigned Spaces shall be due and payable in full each month regardless of whether Tenant actually uses all or only a portion of the Unassigned Spaces allocated for Tenant each month. Notwithstanding the foregoing, Landlord agrees to reduce the Fee for the Unassigned Spaces to Sixty Dollars (\$60.00) for unassigned spaces and Seventy-Five Dollars (\$75.00) for VIP parking spaces for the first twelve (12) months of the Term. Commencing on November 1, 2013, Tenant shall pay the then-current monthly Fee for the Unassigned Spaces as provided herein.

D. Landlord shall have the right at any time to change the arrangement or location of or to regulate the use of Unassigned Spaces without incurring any liability to Tenant or entitling Tenant to any abatement of the Fee. Among other things, Landlord shall be entitled to assign designated areas of the parking structure and surface lot for use by particular persons or groups of persons and Tenant shall refrain from parking in such spaces. Tenant acknowledges that the Unassigned Spaces will not be individually designated or reserved for use by Tenant and that Tenant will use the Unassigned Spaces in the parking structure in common with all persons to whom or which Landlord grants the right to use the parking structure.

E. In addition to the Rules and Regulations set forth in Exhibit B to the Lease, the use of the Unassigned Spaces is subject to the following rules:

1. Tenant shall designate use of the Unassigned Spaces to specific individuals employed by Tenant ("Designated Users"), but Tenant shall remain responsible for payment of the Fee and all other obligations hereunder. Within five (5) business days after Landlord's request, Tenant agrees to provide Landlord with a listing of all vehicles of Designated Users, including names of vehicle owners, vehicle models, colors, and license plate numbers, and Tenant shall provide Landlord with revised listing promptly after any change to the listing. Tenant

shall deliver to Tenant's Designated Users parking decals provided by Landlord which decals shall at all times be displayed prominently on the vehicles of Designated Users. Landlord shall have the right to directly ban any Designated User from further use of any of the parking spaces for violation of the rules for the use of Unassigned Spaces.

2. Tenant and Designated Users shall park only in parking spaces and not on ramps, corridors, approaches, or other areas designated as "no parking" areas. Further Tenant, Designated Users, and Tenant's Permittees are expressly prohibited from parking in any of the surface parking lot spaces located at the Complex. Tenant shall inform its employees, visitors and invitees of the surface parking prohibition and place a sign in the appropriate break rooms and/or kitchens expressing the same.

3. Tenant and Designated Users shall observe the special hours of opening, closing, and non-use of the parking structure and the surface lot when closings are necessitated for repairs, cleaning, and rehabilitations. Should any repair or rehabilitation result in Tenant not being provided the Unassigned Spaces in the parking structure, surface lot, or designated alternate parking facility, the abatement of Tenant's obligation to pay the Fee during the period the same are unavailable shall constitute Tenant's sole remedy in the event of such unavailability.

4. Tenant and Designated Users shall use the Unassigned Spaces only for automobile parking.

5. Tenant and Designated Users shall observe all posted vehicle height limitations.

6. Tenant and Designated Users shall not allow unauthorized vehicles to use the Unassigned Spaces and, except for emergencies, shall not repair nor authorize service to vehicles parked in the parking structure or in the surface parking area.

7. The Parking Privileges are only available during Building Hours.

F. If any portion of the parking structure or the surface lot shall be damaged by fire or other casualty or shall be taken by right of eminent domain or by condemnation or shall be conveyed in lieu of any such taking, then the Parking Privileges shall automatically cease and terminate and the Fee and all other sums payable hereunder shall be duly apportioned to the date of such casualty, taking, or conveyance. Tenant thereupon shall surrender to Landlord the Unassigned Spaces and all interest therein, and Landlord may re-enter and take possession of the Unassigned Spaces.

G. Tenant shall not be permitted to assign the Unassigned Spaces or any interest herein or permit the Unassigned Spaces or any part thereof to be used by others without the prior written consent of Landlord, which consent may be granted or withheld in Landlord's sole discretion. Notwithstanding the foregoing, if a proposed assignee or user is a permitted assignee, sublessee, or occupant under the terms of this Lease, Landlord's consent as to such assignment or sublease shall be deemed consent to the assignment of the Unassigned Spaces. Tenant shall remain primarily liable for the performance of the obligations of the Tenant hereunder notwithstanding any assignment or occupancy arrangement permitted or consented to by Landlord.

H. Neither Landlord nor its agents or employees shall be liable for any damage, fire, theft or loss to vehicles or other properties or injuries to persons occurring in the parking structure or service parking area or arising out of the use of the Unassigned Spaces whether caused by theft, collision, moving vehicle, explosion or any other activity of occurrence in such parking areas. Tenant and/or its Designated Users of the Spaces assume the risk of such loss or damage and shall indemnify, defend and hold Landlord, its agents and employees harmless from and against any and all claims and damages incurred by Landlord, its agents and employees arising from Tenant's or its Designated Users' use of the parking areas or the Unassigned Spaces, including all costs, attorneys' fees, expenses and liability arising out of any such claim or action. Tenant, at Landlord's request, shall obtain a written agreement from each Designated User agreeing to the terms of this Exhibit C and Landlord's rules for operation of the parking areas. If Tenant shall fail to obtain such agreement and deliver it to Landlord, Tenant shall assume all obligations set forth in this Exhibit C or Landlord's rules for such Designated User.

I. Landlord has entered into an agreement for the management of the parking structure and Landlord agrees to use commercially reasonable efforts to preserve any pre-existing Parking Privileges of Tenant as contained herein. If necessary in connection with such parking structure management agreement, Tenant shall enter into a parking agreement directly with the company which manages the parking garage associated with the Building. Tenant acknowledges that a default by Tenant under this Lease shall be a default under such parking agreement, and a default under such parking agreement shall be a default under this Lease. If necessary in connection with the parking structure management agreement, the parking garage operator (the "Operator") shall provide to Tenant an allocation of parking contracts (computed based on the Parking Ratio) for use by Tenant and its employees in the parking structure, provided that Tenant notifies the Operator in writing of its desire to obtain all or a specified number of said parking contracts, and Tenant enters into said contracts with the Operator within sixty (60) days after the Commencement Date. In such instance, Tenant shall be directly responsible to the Operator for the payment of any and all fees or charges thereunder, and Landlord shall be under no obligation to pay the Operator for said parking contracts. The parking contracts shall contain the same terms and conditions as are usually contained in such contracts with other monthly parking customers of the Operator, and the monthly rate to be paid by Tenant shall be the prevailing monthly rate charged to other monthly parking customers, said rate to increase and decrease as the prevailing monthly parking rate for other applicable monthly parking customers increases and decreases from time to time. If Tenant fails to execute with the Operator the monthly parking contracts within the sixty (60) day period, or subsequently relinquishes in any manner its parking contracts, then the Operator shall be under no obligation to restore the relinquished contracts or waive Tenant's failure to execute said contracts prior to expiration of the applicable sixty (60) day period.

The parking rules & regulations are designed to assure our tenants and visitors safe use and enjoyment of the facilities. Please remove or hide any personal items of value from plain sight to avoid temptation leading to vandalism of vehicles. Please exercise added caution when using parking lot at night. Please keep vehicle locked at all times. Please report violations of these rules to the Landlord immediately. Please report any lights out or other possibly dangerous situations to the Landlord as soon as possible.

Violations of rules & regulations may result in towing from the Project. Towing from the Project can only be ordered by Landlord or Landlord's property manager. Charges for towing are to be paid by vehicle owner.

**EXHIBIT "D"**

**TENANT FINISH-WORK: AS-IS**

Tenant hereby accepts the Premises in their "AS-IS" condition, and Landlord shall have no obligation to perform any work therein (including demolition of any improvements existing therein or construction of any tenant finish-work or other improvements therein), and shall not be obligated to reimburse Tenant or provide an allowance for any costs related to the demolition or construction of improvements therein. If Tenant performs any work in the Premises, before Tenant may occupy the Premises to conduct its business therein, Tenant shall, at its expense, obtain and deliver to Landlord a certificate of occupancy from the appropriate governmental authority for the Premises.

**EXHIBIT "E"**

**CONFIRMATION OF COMMENCEMENT DATE**

\_\_\_\_\_, 2012

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Lease Agreement (the "Lease") dated October \_\_\_\_\_, 2012, between LINCOLN ASB COLORADO CENTER, LLC, a Delaware limited liability company ("Landlord"), and GOLD RESOURCE CORPORATION, a Colorado corporation ("Tenant"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

1. **Condition of Premises.** Tenant has accepted possession of the Premises pursuant to the Lease. Any improvements required by the terms of the Lease to be made by Landlord have been completed to the full and complete satisfaction of Tenant in all respects and Landlord has fulfilled all of its duties under the Lease with respect to such initial tenant improvements. Furthermore, Tenant acknowledges that the Premises are suitable for the Permitted Use.

2. **Commencement Date.** The Commencement Date of the Lease is November 1, 2012.

3. **Expiration Date.** The Term is scheduled to expire on the last day of the Thirty-Sixth (36<sup>th</sup>) full calendar month of the Term, which date is October 31, 2015.

4. **Contact Person.** Tenant's contact person in the Premises is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Telecopy: \_\_\_\_\_

5. **Ratification.** Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant.

6. **Binding Effect; Governing Law.** Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

LINCOLN ASB COLORADO CENTER, LLC,  
a Delaware limited liability company

By: Lincoln - Colorado Center LLC, its managing  
member

By: Lincoln Non-Member Manager, Inc., its  
manager

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Agreed and accepted:

GOLD RESOURCE CORPORATION,  
a Colorado corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT "F"**

**RENEWAL OPTION**

If Tenant has not committed an Event of Default at any time during the Term, and Tenant is occupying the entire Premises at the time of such election, Tenant may renew this Lease for one (1) additional period of THREE (3) years, by delivering written notice of the exercise thereof to Landlord not earlier than twelve (12) months nor later than nine (9) months before the expiration of the Term. The Base Rent payable for each month during such extended Term shall be the prevailing rental rate (the "Prevailing Rental Rate"), at the commencement of such extended Term, for renewals of space in the Building, Complex or southeast Denver I-25 corridor and Denver Technological Center areas, if applicable, of equivalent quality, size, utility and location, with the length of the extended Term and the credit standing of Tenant to be taken into account. Within thirty (30) days after receipt of Tenant's notice to renew, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Base Rent, if any, and the other terms and conditions offered. Tenant shall, within ten (10) days after receipt of Landlord's notice, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate.

If Tenant rejects Landlord's determination of the Prevailing Rental Rate, Tenant may elect (A) not to renew this Lease by providing written notice of the same to Landlord, or (B) Tenant may notify Landlord, within ten (10) days after Landlord delivers notice of the Prevailing Rental Rate to Tenant, of the rental rate that Tenant asserts as the Prevailing Rental Rate ("Tenant's Rate") applicable hereunder, in which case Tenant shall be obligated to renew this Lease. In the event Tenant chooses the latter, the parties shall have a period of thirty (30) days after the date Tenant delivers Tenant's Rate to Landlord to attempt to agree in good faith upon a Prevailing Rental Rate. If (i) Tenant accepts Landlord's determination of the Prevailing Rental Rate, or (ii) the parties otherwise agree on the Prevailing Rental Rate, then Tenant and Landlord shall thereafter execute an amendment to this Lease using the Prevailing Rental Rate, as so determined. If Landlord and Tenant are unable to agree on the Prevailing Rental Rate within the 30-day period, then each party shall, within ten (10) days after the expiration of the 30-day period designate by written notice to the other party one (1) qualified real estate broker of good reputation, having at least five (5) years' experience in the Denver metropolitan area real estate market. The two (2) brokers so designated shall, together immediately select a third (3rd) similarly qualified broker and within twenty (20) days after such selection, each of the three (3) brokers shall independently and simultaneously make a determination as to what each believes to be the Prevailing Rental Rate. The Prevailing Rental Rate for purposes of the renewal term shall be the average of the two (2) closest (to each other) determinations of the Prevailing Rental Rate as asserted by the three (3) brokers. Each party shall bear the costs and fees of the broker they select and the costs and fees of the third (3rd) broker shall be shared equally by the Landlord and Tenant. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate or the Prevailing Rental Rate is determined as provided above, then, on or before the commencement date of the extended Term, Landlord and Tenant shall execute an amendment to the Lease extending the Term on the same terms provided in this Lease, except as follows: (a) Base Rent shall be adjusted to the Prevailing Rental Rate; (b) Tenant shall have no further renewal option unless expressly granted by Landlord in writing; (c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements; and (d) Tenant shall pay for the parking spaces which it is entitled to use in accordance with Exhibit H hereof.

Tenant's rights under this Exhibit shall terminate if (1) this Lease or Tenant's right to possession of the Premises is terminated, (2) Tenant assigns any of its interest in this Lease or sublets any portion of the Premises, (3) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof, or (4) Landlord determines, in its sole but reasonable discretion, that Tenant's financial condition or creditworthiness has materially deteriorated since the date of this Lease.



**CONSORCIO MINERO DE MÉXICO CORMIN MEX, S.A. de C.V.**  
A TRAFIGURA GROUP COMPANY

CMX-71/12

México, December 12th, 2012

**DON DAVID GOLD S.A. de C.V.**

**Att : Mr. Bill Ried / Mr. Jason Reid**

Ref. : Proposal Improvement over Contracts No. 103-11CMX-019-0-P Zinc Concentrates, No. 203-11CMX-020-1-P Lead Concentrates, 303-11CMX-028-1-P Copper Concentrates

Dear Sirs,

On behalf of Trafigura Group through its wholly owned subsidiary Cormin Mexico, we are glad to submit to the improvement in terms and conditions over our existing contract and its extension until December 2013.  
As per following terms and conditions:

**ZINC CONCENTRATES**

**1. QUALITY**

El Aguila's zinc concentrates, with assays estimated as follows:

Zn	50-55%
Ag	350-500 grm
Au	4-8 grms
Pb	1-2%
Sb	0.07%
Cd	0.41%
Bi	0.004%
As	0.1-0.2%
S	30%
Fe	3-5%
F	170-200 ppm
SiO <sub>2</sub>	3-4%
Hg	8-20 ppm
Ni	20-30 ppm
Se	130-150 ppm
Te	20-30 ppm
Co	15-25 ppm

The concentrate shall otherwise be free from deleterious impurities harmful to the smelting and / or refining processes. In the event of a significant deviation both parties shall agree to discuss a solution in good faith in line with the prevailing market.

2. **TONNAGE**

100% of El Aguila's zinc concentrates production estimated between 1500 to 2000 wmt per month between January 2013 to December 2013

In case of production increases, Seller shall inform Buyer in order to agree on a shipping schedule based on the actual production rate

3. **PRICE**

**Deductions**

**Treatment Charge**

US\$ 190 /dmt delivered DAP Manzanillo or parity

This treatment charge is based on a zinc price of US\$ 2,000 /dmt and will increase by US\$ 0.12 for each US\$1.0 dollar that the final zinc price is over US\$ 2,000 /dmt

4. **WEIGHING, SAMPLING AND MOISTURE DETERMINATION**

The operations of weighing, sampling and moisture determination shall be carried out by Impala Warehousing S.A. de C.V. in Manzanillo, Colima, Mexico in the usual technical manner in accordance with standard international practices. Sampling shall be done on top of the truck doing 60 increments with a drill for quality sample and 5 increments for moisture sample. The moisture and the wet weight thus determined, less a weight franchise at 0.5% (zero point thirty percent), shall be final and binding for settlement purposes, save for fraud or manifest error.

Seller shall have the right to appoint an internationally recognized supervision company to conduct supervision of these operations. The costs of these operations shall be borne by the Seller.

The size of the lots for sampling purposes shall be approximately 300 (three hundred) wet metric tons.

The final contents for all elements shall be calculated on a lot-by-lot basis. The sum of the individual lot contents will constitute the total of the shipment.

The samples are taken, prepared and sealed in the presence of Seller's surveyor. Each party shall give their sample dispatch instructions and can receive 3 sets of samples for every composite lot prepared.

Reserve samples are kept in case of an eventual umpire and are dispatched directly from Impala to the appointed third party Lab as per instructions received by both Buyer and Seller

5. **OTHERS**

Other terms and conditions remain as per our contract 103-11CMX-19-O-P and its amendments.

## LEAD CONCENTRATES

1. QUALITY

El Aguila's lead concentrates, with assays estimated as follows:

Pb	38-57%
Ag	3000-5000 grm
Au	18-40 grms
Zn	8-12%
Sb	0.4/0.6%
Cd	0.09%
Bi	0.01%
As	0.2-0.3%
S	30%
Fe	10-15%
F	170-200 ppm
SiO2	4-5%
Hg	15-20 ppm
Ni	40-50 ppm
Te	20-30 ppm
Co	60-70 ppm

The concentrate shall otherwise be free from deleterious impurities harmful to the smelting and / or refining processes. In the event of a significant deviation both parties shall agree to discuss a solution in good faith in line with the prevailing market.

2. TONNAGE

100% of El Aguila's Lead concentrates production estimated between 400 and 500 wmt per month between January 2013 to December 2013

In case of production increases, Seller shall inform Buyer in order to agree on a shipping schedule based on the actual production rate

3. PRICEDeductionsTreatment Charge

US\$ 354 /dmt delivered DAP Manzanillo or parity

This treatment charge is based on a lead price of US\$ 2,000 /dmt and will increase by US\$ 0.10 for each US\$1.0 dollar that the final lead price is over US\$ 2,000 /dmt

**Refining Charge**

Silver: US\$ 2.6 ( two point six) per payable troy ounce of silver  
 Basis in a price of US\$24 (twenty four) per ounce, and increase US\$0.085( zero point zero eight five)  
 per each US 1.00/MT the final AG price is above US\$24 ( twenty four) per ounce

**4. WEIGHING, SAMPLING AND MOISTURE DETERMINATION**

The operations of weighing, sampling and moisture determination shall be carried out by Impala Warehousing S.A. de C.V. in Manzanillo, Colima, Mexico in the usual technical manner in accordance with standard international practices. Sampling shall be done on top of the truck doing 80 increments with a drill for quality sample and 5 increments for moisture sample. The moisture and the wet weight thus determined, less a weight franchise at 0.5% (zero point thirty percent), shall be final and binding for settlement purposes, save for fraud or manifest error.

Seller shall have the right to appoint an internationally recognized supervision company to conduct supervision of these operations. The costs of these operations shall be borne by the Seller. The size of the lots for sampling purposes shall be approximately 150 (one hundred and fifty) wet metric tons. The final contents for all elements shall be calculated on a lot-by-lot basis. The sum of the individual lot contents will constitute the total of the shipment.

The samples are taken, prepared and sealed in the presence of Seller's surveyor. Each party shall give their sample dispatch instructions and can receive 3 sets of samples for every composite lot prepared. Reserve samples are kept in case of an eventual umpire and are dispatched directly from Impala to the appointed third party Lab as per instructions received by both Buyer and Seller

**5. OTHERS**

Other terms and conditions remain as per our contract 203-11CMX-20-O-P and its amendment Nro 1

**COPPER CONCENTRATES****1. QUALITY**

El Aguila's copper concentrates, with assays estimated as follows:

Cu	24-26%
Ag	15,000-20,000 grm
Au	25-40 grms
Zn	1.5-2%
Pb	10-13% max 15%
Sb	1.7%
Cd	200-300 ppm
Bi	0.1%
As	0.6-0.8%
S	28-30%
Fe	28-30%
F	110-120 ppm
Hg	15-20 ppm

The concentrate shall otherwise be free from deleterious impurities harmful to the smelting and / or refining processes. In the event of a significant deviation both parties shall agree to discuss a solution in good faith in line with the prevailing market.

2. **TONNAGE**

100% of El Aguila's copper concentrates production estimated between 250 and 300 wmt per month between January 2013 to December 2013

In case of production increases, Seller shall inform Buyer in order to agree on a shipping schedule based on the actual production rate

3. **PRICE**

**Deductions**

**Treatment Charge**

US\$ 340 /dmt delivered DAP Manzanillo or parity

**Refining Charges**

**Copper**

US \$cent 34 (thirty four per payable per payable pound of copper. This refining charge shall be increased by 10% (ten percent) for each US\$ 1.00 (US\$ one) the final copper price exceeds US\$ 3.75 (US\$ three point seventy five) per pound.

**Silver**

US \$2 (two) per payable troy ounce of silver

Basis in a price if US\$ 35( thirty five) per ounce, and increase of US \$0.085 ( zero point zero eight five) per each USD \$1/mt ( one) the final price is above US\$35( thirty five) per ounce

4. **Penalties**

**Lead + Zinc**

USD \$2.5 ( two point five) per dry metric ton of the concentrate for each 1% ( one percent ) the final combined lead plus zincs content exceeds 3%( three percent)

5. **WEIGHING, SAMPLING AND MOISTURE DETERMINATION**

The operations of weighing, sampling and moisture determination shall be carried out by Impala Warehousing S.A. de C.V. in Manzanillo, Colima, Mexico in the usual technical manner in accordance with standard international practices. Sampling shall be done on top of the truck doing 80 increments with a drill for quality sample and 5 increments for moisture sample. The moisture and the wet weight thus determined, less a weight franchise at 0.5% (zero point thirty percent), shall be final and binding for settlement purposes, save for fraud or manifest error.

Seller shall have the right to appoint an internationally recognized supervision company to conduct supervision of these operations. The costs of these operations shall be borne by the Seller. The size of the lots for sampling purposes shall be approximately 150 (one hundred and fifty) wet metric tons. The final contents for all elements shall be calculated on a lot-by-lot basis. The sum of the individual lot contents will constitute the total of the shipment.

The samples are taken, prepared and sealed in the presence of Seller's surveyor. Each party shall give their sample dispatch instructions and can receive 3 sets of samples for every composite lot prepared. Reserve samples are kept in case of an eventual umpire and are dispatched directly from Impala to the appointed third party Lab as per instructions received by both Buyer and Seller

6. OTHERS

Other terms and conditions remain as per our contract 303-11CMX-28-O-P and its amendments

Both parties agree to discuss in good faith a off take agreement for 2014 , this discussion shall be done during last quarter 2013 by both parties in order to establish a mutual agreement in good faith for the terms and conditions for the next period . The International market terms from the main mining and smelter companies in the world will take into consideration to determinate the terms and conditions of the off take agreement. The previous one will be subject to a satisfactory agreement to both parties.

The contract will be renew in a monthly basis during the first three months of 2013 due to a trial of weight and sampling procedures. If the trial is satisfactory the contract will be signed for the rest of the year. The commercial terms will remain the same for 2013 year.

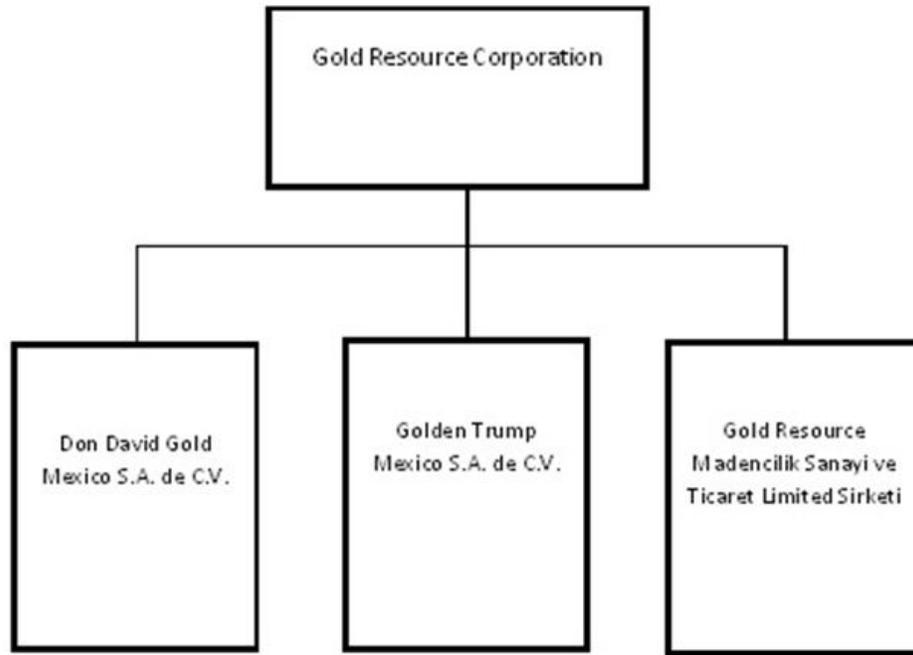
If you have any question or comments, please don't hesitate to contact me

Best Regards,



Maribel Balandrano and Edmundo Vidal  
Consortio Minero de Mexico, Cormin Mex S.A. de C.V.  
a Trafigura Group Company

Gold Resource Corporation and Subsidiaries



**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Gold Resource Corporation

We consent to the incorporation by reference in registration statement No. 333-171779 on Form S-8 and registration statement No. 333-170101 on Form S-3 of Gold Resource Corporation of our report dated March 13, 2013 with respect to the consolidated balance sheets of Gold Resource Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the three years ended December 31, 2012, which report appears in the annual report on Form 10-K of Gold Resource Corporation for the year ended December 31, 2012.

/s/ StarkSchenkein, LLP

StarkSchenkein, LLP

Denver, Colorado

March 14, 2013

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**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William W. Reid, certify that:

1. I have reviewed this Form 10-K of Gold Resource Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2013

/s/ William W. Reid

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William W. Reid  
Chief Executive Officer

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**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bradley J. Blacketor, certify that:

1. I have reviewed this Form 10-K of Gold Resource Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2013

/s/ Bradley J. Blacketor

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Bradley J. Blacketor  
Chief Financial Officer

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**CERTIFICATION  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, William W. Reid, Chief Executive Officer, and I, Bradley J. Blacketor, Chief Financial Officer of Gold Resource Corporation (the "Company") certify that:

1. I have reviewed the annual report on Form 10-K of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this annual report.

Date: March 14, 2013

/s/ William W. Reid

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William W. Reid  
Chief Executive Officer

Date: March 14, 2013

/s/ Bradley J. Blacketor

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Bradley J. Blacketor  
Chief Financial Officer

Date: March 14, 2013

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