

TARA GOLD RESOURCES CORP.
Form 10-Q
May 23, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

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

FOR THE TRANSITION FROM _____ TO _____.

COMMISSION FILE NUMBER 000-29595

TARA GOLD RESOURCES CORP.

(Exact Name of Registrant as Specified in its Charter)

Nevada

90-0316566

(State or other
jurisdiction of

(I.R.S. Employer

incorporation or
organization)

Identification No.)

2162 Acorn Court

Wheaton, IL

60189

(Address of principal
executive office)

(Zip code)

Issuer's telephone
number: (630)
462-2079

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§233.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and

post such files). Yes ☐ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

Yes ☐ No ☐

As of May 20, 2011 the Company had 102,795,119 outstanding shares common stock.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR

THE THREE MONTHS ENDED MARCH 31, 2011

AND

THE PERIOD FROM INCEPTION (OCTOBER 14, 1999) THROUGH MARCH 31, 2011

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars)

**March 31,
2011**

**December 31,
2010**

(Unaudited)

(Audited)

(Restated)

Assets

Current assets:

Cash

\$

136

\$

193

Other
receivables, net
of \$2,723 and

\$2,010 of
allowance as of
March 31, 2011
and

December
31, 2010,
respectively

423

1,212

Marketable
securities

450

450

Other
current assets

1

1

Total current
assets

1,010

1,856

Property, plant,
equipment,
mine
development
and land, net of
accumulated
depreciation of
\$424 and \$361
as of March 31,
2011 and
December 31,
2010,
respectively

10,922

12,359

Mining deposits

59

53

13

Deferred tax,
non-current
portion

2,931

2,931

Goodwill

12

12

Other assets

136

160

Total Assets

\$

14

15,070

\$

17,371

**Liabilities and
Stockholders
Equity**

Current
liabilities:

Accounts
payable and
accrued
expenses

2,782

2,675

Notes
payable, current
portion

402

994

Notes
payable related
party, current
portion

100

100

16

Due to
related parties,
net of due from
of \$36 and \$36
as of March 31,
2011 and

December
31, 2010,
respectively

306

259

Total current
liabilities

3,590

4,028

Long-term
accrued
liabilities

288

418

17

Notes payable,
non-current
portion

1,740

2,603

Total
liabilities

5,618

7,049

Commitments
and

contingencies

-

-

Stockholders
deficit:

Common
stock; \$0.001
par value
150,000,000
shares
authorized
102,795,119
issued and

outstanding at
March 31, 2011
and December
31, 2010,
respectively

103

103

Additional
paid-in capital

12,175

12,175

Accumulated
deficit during
exploration
stage

(19,218)

(17,060)

Other
comprehensive
loss

(580)

(514)

Total Tara
Gold
stockholders
deficit

(7,520)

(5,296)

Non-controlling
interest

16,972

15,618

Total equity

9,452

10,322

Total
liabilities and
equity

\$

15,070

\$

17,371

See Accompanying Notes to these Condensed Consolidated Financial Statements.

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

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

Three Months
Ended March
31, 2011

Three Months
Ended March
31, 2010

From Inception
October 14,
1999 to March
31, 2011

(Restated)

Revenues

Revenue
from website
development
and software

\$

-

\$

-

\$

168

Mining revenues	-
	-
	557

Total revenues	-
	-
	725

Cost of revenue	-
	-
	759
	26

Gross
margin

-

-

(34)

Exploration
expenses

923

1,603

7,274

Operating,
general, and
administrative
expenses

1,717

7,287

35,987

Net operating
loss

(2,640)

(8,890)

(43,295)

Non-operating
(income)

expense:

Interest
(income)

(7)

(7)

(320)

Interest
expense

5

-

1,216

29

Settlement
expense

-

-

(134)

Loss on
extinguishment
of debt, net

-

-

766

Gain on
deconsolidation
of joint venture

-

-

(8,661)

Gain on sale
of joint venture
interest

-

-

(3,112)

Gain on
dissolution of
joint venture

-

-

(9,163)

Loss on
disposal of
assets

4

-

403

Gain on
acquisition of
mining
concession

-

-

(100)

Loss on
conversion of
note payable

-

-

783

Realized
loss on the sale
of marketable
securities

-

-

4,710

Gain on sale
of net cash flow
interest

-

-

(197)

Other
(income)

(11)

(263)

(1,336)

Total
non-operating
(income)
expense

(9)

(270)

(15,145)

Loss before
income taxes

(2,631)

(8,620)

(28,150)

Income tax
benefit, net of
expense

-

-

(2,317)

Loss from
continuing
operations

(2,631)

(8,620)

(25,833)

Discontinued
operations

Income
from operations
of discontinued
oil properties
(including loss
on disposal of
\$7)

-

-

17

Loss from
operations of La
Escuadra

-

-

36

(1,038)

Net loss

(2,631)

(8,620)

(26,854)

Net loss
attributable to
non-controlling
interest

473

2,185

7,636

Net loss
attributable to

Tara Gold
shareholders

(2,158)

(6,435)

(19,218)

Other
comprehensive
income (loss):

Foreign
currency
translation

(66)

42

(580)

Unrealized
gain, net on
marketable
securities

-

103

-

Total
comprehensive
loss

40

\$
(2,224)
\$
(6,290)
\$
(19,798)

Net loss per
share, basic and
diluted

\$
(0.03)
\$
(0.06)

Weighted
average number
of shares, basic
and diluted

102,795,119

102,795,119

See Accompanying Notes to these Condensed Consolidated Financial Statements.

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands of U.S. Dollars)

**Three Months
Ended March 31,
2011**

**Three Months
Ended March 31,
2010**

**From Inception
October 14, 1999
to March 31, 2011**

(Restated)

**Cash flows from
operating
activities:**

Net loss
attributable to Tara
Gold shareholders

\$

(2,158)

\$

(6,435)

\$

(19,218)

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

Depreciation
and amortization

75

50

743

Allowance for
doubtful accounts

713

51

3,351

Allowance for
mining deposits
deemed
uncollectible

-

46

-

29

Common stock
issued for services
and other expenses

-

-

2,599

Stock based
compensation and
stock bonuses

-

-

126

Gain on
deconsolidation of
joint venture

47

-

-

(8,661)

Non-cash
expense due to
deconsolidation of
joint venture

-

-

216

Gain on sale of
joint venture
interest

-

-

(2,862)

Gain on
dissolution of joint

venture

-

-

(8,688)

Loss on
extinguishment of
debt, net

-

-

746

Loss on
disposed and
discontinued
operations

-

-

1,001

Deferred tax
asset, net

-

-

(2,931)

Non-controlling
interest in net loss
of consolidated
subsidiaries

(473)

(2,185)

(7,636)

Amortization of
beneficial
conversion

-

-

650

Loss on the
disposal of assets

4

-

222

Realized loss
on the sale of
marketable
securities

-

-

4,604

Common stock
of subsidiary
issued and option
valuation for
services

100

51

2,936

7,716

Subsidiaries
stock based
compensation and
stock bonuses

219

3,563

6,259

Exploration
expenses paid with
stock of
subsidiaries

745

1,224

1,969

Lawsuit
settlement payable
in stock

-

-

315

Cancellation of
common stock for
settlement (Tara
Minerals)

-

-

(750)

Assets acquired
from La Escuadra

-

-

(330)

Gain on
acquisition of
mining concession

-

-

(100)

Gain on sale of
net cash flow
interest

-

-

(197)

Accrued
interest converted
to subsidiary's
common stock

-

-

29

Loss on
conversion of debt
to subsidiary's
common stock

-

-

783

Rent expense
reclassified from
capital lease

12

-

12

Changes in
operating assets
and liabilities:

Other
receivables

(133)

(204)

(1,170)

Other assets

24

(2)

(910)

Accounts
payable and
accrued expenses

109

259

56

3,182

Deferred joint
venture income

-

-

(33)

Net cash used in
operating activities

(763)

(743)

(18,934)

**Cash flows from
i n v e s t i n g
activities:**

Proceeds from
sales of oil & gas
properties

-

-

6

Acquisition of
property, plant and
equipment

-

(129)

(2,828)

Purchase of land
and office building

-

-

(415)

Proceeds from
the sale of
marketable
securities

-

-

6,278

Proceeds from
the sale or disposal
of assets

29

-

760

Purchase of
mining concession

-

(25)

189

Mining deposits

(6)

-

(6)

Proceeds from
note receivable
payments

-

-

(7)

L o a n s t o
unrelated third
parties

-

-

(380)

Cash included in
business
acquisition

-

-

2

Business
acquisition
goodwill

-

-

(4)

Cash in
discontinued
operations

-

-

(3)

Net cash (used)
provided by in
investing activities

23

(154)

3,592

**Cash flows from
f i n a n c i n g
activities:**

Proceeds from
short term debt

-

-

72

6

Proceeds from
notes payable,
related party

-

-

150

Proceeds from
notes payable

-

-

480

Payments
toward short term
debt

-

-

(22)

Payments
toward notes
payable

(62)

(712)

(10,840)

Change in due
to/from related
parties, net

48

(58)

426

Non-controlling
interest cash
from sale of sale

65

of common stock
of subsidiaries

763

1,100

9,724

Payments from
joint venture
partners

-

-

9,920

Stock offering
costs

-

-

(13)

Cash acquired
i n r e v e r s e
acquisition

-

-

4

Cash from the
sale of common
stock

-

-

5,753

N e t c a s h
p r o v i d e d b y
f i n a n c i n g
activities

749

330

67

15,654

E f f e c t o f
e x c h a n g e r a t e
c h a n g e s o n c a s h

(66)

42

(176)

Net (decrease)
increase

(57)

(525)

136

Cash, beginning
of period

193

1,451

-

Cash, end of
period

\$

136

\$

926

\$

136

**Supplemental
Information:**

Interest paid

\$

-

\$

25

\$

838

Income taxes
paid

\$

-

\$

-

\$

10

**Non-cash
Investing and
Financing
Transactions:**

Conversion of
debt to common
stock or payable,
plus accrued
interest

\$

-

\$

-

\$

1,341

Share
receivable for
debt

\$

-

\$

-

71

\$

27

Issuance of
common stock
for assets

\$

-

\$

-

\$

304

Issuance of
common stock
under share
receivable for
services

\$

-

\$

-

\$

35

Purchase of or
(reduction) in
purchase of
concession notes
payable, stock
and warrants plus
capitalized

72

interest

\$

(1,311)

\$

(3,324)

\$

18,186

Beneficial
conversion
feature,
convertible debt

\$

-

\$

-

\$

32

Beneficial
conversion
feature,
convertible
related party debt

\$

-

\$

-

\$

Recoverable
value-added taxes
incurred through
additional debt
and due to related
party, net of
mining
concession
modification

\$

(218)

\$

(509)

\$

1,190

Purchase of La
Escuadra with
debt

\$

-

\$

-

\$

1,370

Receipt of
stock for Joint
Venture
Payments and
Fee Income

\$
-
\$
-
\$
2,301

Acquisition of
property and
equipment
through debt

\$
-
\$
-
\$
414

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

\$
-
\$
103
\$
10,648

Accrued and
capitalized
interest

\$

16

\$

15

\$

385

Subsidiary
common stock
payable for debt
Non-controlling
interest

\$

-

\$

-

\$

783

Construction
in progress
reclassified to
property, plant
and equipment

\$

-

\$

2,163

76

\$

2,163

Receivable
reclassified to
mining deposit

\$

-

\$

-

\$

28

See Accompanying Notes to these Condensed Consolidated Financial Statements.

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1.

Nature of Business and Significant Accounting Policies

Basis of Presentation and Organization

The accompanying Condensed Consolidated Financial Statements of Tara Gold Resources Corp. (the Company) should be read in conjunction with the Company's Annual Report on Form 10-K, as may be amended, for the year ended December 31, 2010. Significant accounting policies disclosed therein have not changed except as noted below.

The accompanying Condensed Consolidated Financial Statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the condensed consolidated balance sheets of the Company as of March 31, 2011 and December 31, 2010, the condensed consolidated results of its operations for the three months ended March 31, 2011 and 2010 and the condensed consolidated statements of cash flows for the three months ended March 31, 2011 and 2010. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

The Company is engaged in the acquisition, exploration and development of mineral resource properties in United States of America and Mexico. The Company owns 99.9% of the common stock of Corporacion Amermin, S.A. de C.V. In May 2006, the Company established Tara Minerals Corp, which owns 99.9% of American Metal Mining (AMM). Tara Minerals organized Adit Resources (Adit) in June 2009 and owns 87% Adit's common stock as of March 31, 2011. Adit in turns owns 99.9% of American Copper Mining, S.A. de C.V. (ACM), which was established in December 2006; ACM operates in Mexico and was purchased in June 2009. Corporacion Amermin and AMM are Mexican corporations. As of March 31, 2011 and December 31, 2010 the Company owned 70% and 70%, respectively, of the outstanding shares of Tara Minerals.

As used in these Notes to the Condensed Consolidated Financial Statements, the terms the Company, we, us, our similar terms refer to Tara Gold Resources, Corp. and, unless the context indicates otherwise its consolidated subsidiaries. The Company's subsidiaries include Corporacion Amermin, S.A. de C.V., which operates in México (Amermin) and Tara Minerals Corp.

Unless otherwise indicated, all references to the Company include the operation of its subsidiaries and all references to Adit include the operations of its subsidiary.

The reporting currency of the Company, Tara Minerals and Adit is the U.S. dollar. The functional currency of Amermin, AMM and ACM is the Mexican Peso. As a result, the financial statements of the subsidiaries have been re-measured from Mexican pesos into U.S. dollars using (i) current exchange rates for monetary asset and liability accounts, (ii) historical exchange rates for nonmonetary asset and liability accounts, (iii) historical exchange rates for revenues and expenses associated with nonmonetary assets and liabilities and (iv) the weighted average exchange rate of the reporting period for all other revenues and expenses. In addition, foreign currency transaction gains and losses resulting from U.S. dollar denominated transactions are eliminated. The resulting re-measurement gain or loss is recorded as other comprehensive income (loss).

The financial statements of the Mexican subsidiaries should not be construed as representations that Mexican pesos have been, could have been or may in the future be converted into U.S. dollars at such rates or any other rates. Current and historical exchange rates are not indicative of what future exchange rates will be and should not be construed as such.

Relevant exchange rates used in the preparation of the financial statements for Amermin, AMM and ACM are as follows the three months ended March 31, 2011 and 2010 (denoted in Mexican pesos per one U.S. dollar):

2011

Current
exchange rate
at March 31,

Ps. 11.9219

Weighted
average
exchange rate
for the three
months ended
March 31,

Ps. 12.0782

2010

Current
exchange rate
at March 31,

Ps. 12.4145

Weighted
average
exchange rate
for the three
months ended
March 31,

Ps. 12.7873

Allowance for doubtful accounts

Each period the Company analyzes its receivables for collectability. When a receivable is determined to not be collectible the receivable is allowed for until there is assurance of its collection or that a write off is necessary. At March 31, 2011 and December 31, 2010 the Company has allowed for \$2,723,304 and \$2,009,548, respectively, relating to other receivables, since it was determined that the Mexican government may not allow the complete refund of value added taxes (VAT) previously paid by the Company

Reclassification

Certain reclassifications reported in prior records, which have no effect on net loss, have been adjusted to conform to the current presentation. Specifically, certain items in the Operating Activities section of the Statement of Cash Flows have been reclassified between categories in the inception to date column for clearer presentation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents and Marketable Securities

All highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of March 31, 2011 or December 31, 2010.

Investments with stated maturities of greater than three months and traded on an active markets that are accessible at the measurement date are classified as available-for-sale marketable securities. In accordance with the Comprehensive Income topic of the FASB ASC, the Company has accounted for unrealized gain (loss) as a component of other comprehensive income. There was no unrealized gain or loss in other comprehensive income for the three months ended March 31, 2011.

Purchase of Technical Data

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

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In October 2009, the FASB issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or

estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and expand the disclosures related to multiple-deliverable revenue arrangements. These changes became effective on January 1, 2011. The Company has determined that the adoption of these changes do not have an impact on its consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

Issued

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

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

Note 2.

Property, plant, equipment, mine development and land

March 31, 2011

December 31, 2010

Land

\$
19,590

\$
19,590

La Currita
1,253,439

1,253,439

Las Minitas
2,365,801

2,351,027

Pilar
728,313

728,313

Don Roman
521,739

521,739

Las Nuvias
100,000

100,000

Picacho and Picacho
Fractions

1,456,718

1,456,718

Centenario

635,571

1,946,545

Las Brisas

3,134

3,134

Mezquite and
Mariana

169,405

168,480

Auriferos

100,000

100,000

Pirita

246,455

246,455

La Palma

79,974

-

7,660,549

8,875,850

Property, plant and
equipment

3,665,353

3,823,812

Construction in
progress

-

-

Less accumulated
depreciation

(423,768)

(361,086)

\$

10,921,724

\$

12,358,166

a.

Mining Concessions

Mining concessions as of March 31, 2011 are as follows:

i)

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

As of March 31, 2011, the resulting debt payment schedule, including applicable value added tax, is as follow:

	2011
\$	
	22,500
	2012
	1,968,397
\$	
	1,990,897

In accordance with the Interest Expense topic of FASB ASC, the future payments of the remaining debt amount has been discounted using the incremental borrowing rate of 3.56%. As of March 31, 2011, the present value of future payments on the Las Minitas contract is as follows:

Debt
IVA
Total
Future payments
\$
1,750,000

\$	
	302,500
\$	
	2,052,500
Imputed interest	
	(61,603)
	-
	(61,603)
Present value of debt	
	1,688,397
	302,500
	1,990,897
Less: current portion	
	-
	(22,500)
	(22,500)
\$	

1,688,397

\$

280,000

\$

1,968,397

In addition to the \$2,150,000 above, the Company capitalized \$173,913 in payments made toward the original agreement. Pursuant to the agreement signed in April 2007 this payment could not be applicable to the purchase price. Accordingly, the effective purchase price of the properties is \$2,663,913.

As of May 20, 2011 the Company was reviewing the Minitas property for continued inclusion as part of the Company's mining property portfolio. No payments toward this property have been made in 2011 and the Company may decide to terminate the purchase agreement and return the property.

ii)

In November 2008, AMM acquired eight mining concessions known as Centenario from an independent third party. The properties approximate 5,400 hectares and were purchased for \$1,941,041, including \$247,050 in value added taxes.

In June 2009, AMM and the note holder modified the agreement to 1) revalue the entire Centenario concession to \$2,000,000, 2) apply \$127,000 toward the purchase price which had already been paid and recorded as a mining deposit, and 3) apply \$197,956 toward the new price of the concession which was originally paid by another subsidiary of the Company. These changes resulted in the following 1) additional debt of \$28,044 plus related value added tax for these concessions, 2) the reduction of the amount of the mining deposit of \$127,000, 3) the expense of \$6,000 that AMM also paid but which was not included in the revaluation of the concession, and 4) the increase in Due to Related Party of \$197,956 plus related value added tax. The effective amount financed in relation to this concession is \$1,675,044 plus \$251,257 of value added tax.

In March 2011, AMM and the note holder agreed to reduce the purchase of the Centenario concession to \$635,571. These changes resulted in the following: 1) decrease debt by \$1,310,974; and 2) decrease recoverable value added taxes by \$218,309. At March 31, 2011 the amended purchase price was paid in full.

In March 2011, Tara Minerals purchased technical data pertaining to Centenario from the former owner in consideration for 416,100 shares of Tara Minerals common stock and \$100,000 cash. The parties agreed that the value of the stock for the technical data was \$2.00 per share for the Tara Minerals common stock. Tara Minerals has accounted for the shares at their fair market value as follows: 416,100 shares of Tara Minerals common stock were valued at \$0.85. All fair market values were determined based on contemporaneous stock issuances for cash or if the stock was quoted on an exchange, it's closing stock price. All stock was issued April 2011.

iii)

In March 2008, Pershimco Resources transferred the Mariana and Mezquite properties to Tara Gold, as well as the remaining debt payments of \$190,000, which includes value added taxes of \$25,907 owed to a third party.

The remaining debt payment including applicable value added tax is \$147,955 in 2011.

In accordance with the Interest Expense topic of FASB ASC, the future payments of the remaining debt amount has been discounted using the incremental borrowing rate of 2.97%. As of March 31, 2011, the present value of future payments on the Mariana and Mezquite contract is as follows:

Debt	
IVA	
Total	
Future payments	
\$	
	129,310
\$	
	20,690
\$	
	150,000

Imputed interest
(2,045)

-

(2,045)

Present value of
debt

127,265

20,690

147,955

Less: current
portion

(127,265)

(20,690)

(147,955)

\$

-

\$

-

\$

-

As of May 20, 2011 the Company was reviewing the Mariana and Mezquite property for continued inclusion as part of the Company's mining property portfolio. No payments toward this property have been made in 2011 and the Company may decide to terminate the purchase agreement and return the property.

iv)

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

In March 2011, Tara Minerals purchased technical data pertaining to the La Palma from the former owner for 460,000 shares of Tara Minerals' common stock. The parties agreed that the value of the stock for the technical data was \$2.00 per share for Tara Minerals common stock. Tara Minerals has accounted for the shares at their fair market value as follows: 460,000 shares of Tara Minerals common stock were valued at \$0.85. All fair market values were determined based on contemporaneous stock issuances for cash or if the stock was quoted on an exchange, it's closing stock price. All stock was issued April 2011.

b Other Fixed Assets

For the three months ended March 31, 2011, Tara Minerals disposed of and sold equipment and other fixed assets, for a \$4,260 loss on disposal and sale of assets.

Note 3.

Other Assets

In September 2010, Tara Minerals signed an agreement to purchase three real estate properties for a price of \$1,000,000. In order to hold these properties Tara Minerals made a cash deposit of \$60,000. Tara Minerals is obligated to pay all the expenses, fees and general expenditures relating to the sale, which expenses, up to a maximum of \$500,000, which are deductible from the sales price. In March 2011, Tara Minerals received notification from Pacemaker Silver Mining S.A. de C.V. a wholly-owned Mexican subsidiary of El Tigre, indicating that they also had surface rights related to being able to work claims they held mining rights too. Although this does not effect our

specific right to the tailing piles, there could be an issue as to who would have specific areas and specific times. Until the difference can be determined, the deposit was expensed as of March 31, 2011.

Note 4.

Notes Payable

The following table represents the outstanding balance of notes payable.

	March 31, 2011	December 31, 2010
Mining concessions		
\$		
		2,064,081
\$		
		3,404,582
Auto loans		
		78,003
		119,766
Equipment		
		-
		72,848

	2,142,084
	3,597,196
Less	current portion
	(401,616)
	(993,531)
Total long term notes payable	
\$	
	1,740,468
\$	
	2,603,665

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

During the three months ended March 31, 2011, one of the vehicles purchased in 2010 was stolen, the insurance claim was processed and the note payable and the fixed asset removed from the AMM's books.

During the three months ended March 31, 2011, AMM defaulted on an equipment capital lease entered into on July 21, 2010. The equipment was returned and removed from Tara Minerals' balance sheet and treated as an operating lease.

Note 5.

Related Party Transactions

Due to related parties, net of due from related parties and related allowance for doubtful accounts was \$305,532 and \$259,407 as of March 31, 2011 and December 31, 2010, respectively. Due from related parties consists of \$1,074,659 and \$992,664; allowance for doubtful accounts was \$1,038,269 and \$956,716 as of March 31, 2011 and December 31, 2010, respectively.

All transactions with related parties have occurred in the normal course of operations and Mexico based related party transactions are measured at the foreign exchange amount.

As of March 31, 2011 the Company loaned Tara Minerals \$1,588,257. There are no interest and payment terms to this intercompany payable and it is due on demand. This is an intercompany transaction that eliminates during the consolidation of these financial statements.

Note 6.

Stockholders Equity

The authorized common stock of the Company consists of 150,000,000 shares of common shares with par value of \$0.001.

For the three months ended March 31, 2011, the Company did not issue shares of common stock.

Note 7.

Non-controlling Interest

During the three months ended March 31, 2011 Adit issued the following to third parties resulting in an increase in non-controlling interest of the Company:

.

500,000 shares at a price of \$1.00 per unit to Yamana Gold Inc. Each unit consisted of one share of Adit's common stock and one half warrant. Each full warrant entitles Yamana to purchase one share of Adit's common stock at a price of \$1.50 per share at any time on or before January 28, 2014.

In connection with the sale of the units, Adit also signed a letter of intent that grants Yamana an option to acquire up to a 70% interest in Adit's Picacho gold/silver project. A definitive agreement is expected to be completed May 31, 2011. Upon completion of the definitive agreement, Adit will sell an additional 2,500,000 units to Yamana at a price of \$1.00 per unit. The units will be identical to the units sold on January 28, 2011. From the

\$3,000,000 received from Yamana, Adit will be required to spend \$2,000,000 in exploration work on the Picacho project within 12 months of signing the definitive agreement.

Yamana can earn a 51% interest in the project by spending an additional \$5,000,000 on the project within 30 months of the date of the definitive agreement and paying Adit an additional \$1,000,000. Yamana can increase its interest to 70% by spending an additional \$9,000,000 on the project and paying Adit an additional \$2,000,000.

During the three months ended March 31, 2011 Tara Minerals issued the following to third parties resulting in an increase in non-controlling interest of the Company:

•

125,000 shares for cash by exercising warrants valued at \$ 50,000 or \$0.40 per share.

•

1,118,699 shares subscribed at December 31, 2010 for conversion of debt, valued at \$1,342,439 or \$1.20 per share.

•

Received \$212,744 cash for stock receivable at December 31, 2010, shares were issued in 2010.

At March 31, 2011, Tara Minerals' share subscriptions consist of:

•

100,000 shares payable to an Officer of the Company, valued at \$100,000, for payment of services.

•

416,100 shares payable, valued at \$353,685 for the purchase of Centenario's technical data. See Note 2 above.

•

460,000 shares payable, valued at \$391,000 for the purchase of La Palma's technical data. See Note 2 above.

**Non-controlling
interest at March 31,
2011**

**Non-controlling
interest at December
31, 2010**

January 2007 private
placement

\$

2,540,500

\$

2,540,500

Equipment

600,000

600,000

Shares issued with
warrants and exercised
warrants

2,356,181

2,306,181

Shares issued for
services and bonuses

3,898,625

3,898,625

March 2009 private
placement

458,000

	458,000
March 2010 private placement	
	1,393,606
	1,393,606
Shares acquired by the Company from a third party	
	(1,073,875)
	(1,073,875)
Converted debt to common stock	
	1,342,439
	-
Cumulative statement of operations pickup through December 31, 2010	
	(6,458,445)
	(6,458,445)
Statement of operations pickup 2011	
	(466,444)
	-
Exploration expenses paid	
	984,375
	984,375
Warrants and options to third parties (see footnote 9)	

8,001,756

7,782,667

Share subscriptions,
net

844,685

1,129,696

Adit:

July 2009 private
placement

1,499,500

1,499,500

Finder's fees

95,215

95,215

Cumulative statement
of operations pickup
through December 31,
2010

(400,368)

(400,368)

Statement of
operations pickup 2011

(6,370)

-

Exploration expenses
paid with stock

240,000

	240,000
Stock bonuses and options to officers	-
	622,475
Stock issued for cash (not in a private placement)	500,000
	-
ACM:	
Non-controlling interest	4
	4
Total non-controlling interest	
\$	
	16,971,863
\$	
	15,618,160

Note 8.

Options and Warrants

In January 2010, the Tara Minerals granted two of its officer's options under its Incentive Stock Option Plan for the purchase of 750,000 shares of common stock. The options are exercisable at a price of \$1.57 per share and vest at various dates until January 2017. The options expire at various dates beginning January 2015. As of March 31, 2011 options that vested in 2011 were valued at \$182,735.

In September 2010, Tara Minerals granted options for 200,000 shares of common stock to an unrelated third party for investor relations services. The options have an exercise price of \$1.00 per share, vest between September 2010 and March 2011 and expire two years from the date of vesting. As of March 31, 2011 options that vested in 2011 were valued at \$36,353.

No options or warrants were issued in the first quarter 2011.

The fair value of each option award discussed above is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on volatilities from the Company's traded common stock. The expected term of options granted is estimated at half of the contractual term as noted in the individual option agreements and represents the period of time that management anticipates option granted are expected to be outstanding. The risk-free rate for the periods within the contractual life of the option is based on the U.S. Treasury bond rate in effect at the time of grant for bonds with maturity dates at the estimated term of the options.

<u>2010</u>
<u>(date of grant)</u>
Expected volatility
208.37% - 319.79%
Weighted-average volatility
159.17%
Expected dividends

0

Expected term (in years)

0.75 4.50

Risk-free rate

0.30% - 2.37%

A summary of option activity under the Plan as of March 31, 2011 and changes during the period then ended is presented below:

Options
Shares
Weighted-
Average
Exercise
Price
Weighted-
Average
Remaining
Contractual
Term
Aggregate
Intrinsic
Value
Outstanding at
December 31,
2010
4,630,000
\$

0.05

Granted

-

-

Exercised

-

-

Forfeited or
expired

-

-

Outstanding at
March 31, 2011

4,630,000

\$

0.05

3.5

\$2,025,000

Exercisable at
March 31, 2011

3,330,000

\$

0.46

3.5

\$

2,025,000

**Nonvested
Options**

Options

Weighted

-Average

Grant-Date

Fair Value

Nonvested at
December 31,
2010

1,475,000

\$

1.37

Granted

-

-

Vested

(175,000)

1.22

107

Forfeited

-

-

Nonvested at
March 31, 2011

1,300,000

\$

0.86

A summary of warrant activity under the Plan as of March 31, 2011, and changes during the period then ended is presented below:

Warrants
Shares
Weighted-
Average
Exercise
Price
Weighted-
Average
Remaining
Contractual
Term
Aggregate
Intrinsic
Value
Outstanding at December 31, 2010
4,271,999
\$
0.65

Granted

-

-

Exercised

(125,000)

0.40

Forfeited,
cancelled or
expired

-

-

Outstanding
at March 31,
2011

4,146,999

\$

0.85

1.5

\$

580,590

Exercisable
at March 31,
2011

110

4,146,999

\$

0.85

1.5

\$

580,590

All warrants at March 31, 2011 were vested.

Note 9.

Fair Value

The Company's financial assets and liabilities, measured at fair value by level within the fair value hierarchy, are shown below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**Fair Value at
March 31,
2011**

Total

Level 1

Level 2

Level 3

Assets:

None	
\$	-
\$	-
\$	-
\$	-

Liabilities:

Total due to related parties, net	
\$	305,532
\$	305,532

\$	-
\$	-
Total long term accrued liabilities	288,334
	288,334
	-
	-
Total notes payable	2,242,084
	2,242,084
	-
	-
Total	\$
	2,835,950
\$	
	2,835,950
\$	
	-
\$	
	-

**Fair Value at
December 31,
2010**

Total

Level 1

Level 2

Level 3

Assets:

None

\$

-

\$

-

\$

-

\$

-

Liabilities:

Total due to
related parties,
net

\$

259,407

\$

259,407

\$

-

\$

-

Total long term
accrued
liabilities

418,309

418,309

-

-

Total notes
payable

3,697,169

3,697,169

-

Total

\$

4,374,885

\$

4,374,885

\$

-

\$

-

Note 10.

Subsequent Events

Management evaluated all activity of the Company and concluded the following disclosures are pertinent:

a.

In April 2011, Tara Minerals and AMM signed a letter of intent with Springbok Development-Claridge-Hanlon Resource Engineering, SD-CHRE and/or Nominee or any of its subsidiaries to grant them an option to acquire up to an undivided forty-nine percent (49%) interest in and to all of the mining concessions known as the Don Roman grouping located in the State of Sinaloa, Mexico. The Don Roman grouping now totals approximately 10,000 hectares in close proximity to the existing mill, which includes the Don Roman, Centenario, and the newly acquired La Verdes concessions. The grouping lies 15 km SW of the historically prolific La Reforma silver/zinc/lead district. Key personnel from SD-CHRE have worked on Mining, Commercial, Government and Infrastructure projects for over 20-years.

The Letter of Intent is non-binding and requires SD-CHRE, as the mine and mill operator, to make a \$250,000 cash payment to Tara Minerals within 45 days of the signing. To earn its 49% interest, SD-CHRE will incur a minimum of \$2 million to start-up the existing mill and achieve a production rate of 120 tonnes per day within 120 days; incur another \$2 million to achieve a production rate of 360 tonnes per day within 6 months; and incur an additional minimum \$4 million to achieve and maintain a minimum production rate, as the parties may agree upon within the Definitive Agreement, not to be less than 480 tonnes per day, within twelve months.

The net revenue generated from the project will be shared on a 50% SD-CHRE and 50% the Company basis. The LOI envisions an assessment and design period of 45-60 days and a Definitive Agreement within 90 days.

b.

In April 2011, Tara Minerals entered into an agreement to acquire 100% of the La Verdes gold, silver, zinc and lead project grouping. The 2,200 hectares property consists of eight concessions 13-18 km from the Don Roman mine and mill. The concessions were being mined as late as 2010, with the extracted material grading 0.5-1.5 g/t gold, 300-600 g/t silver, 14-15% zinc, 6-8% lead, and 2.1-2.6% copper. Recent channel samples across the workings assayed similar grades. A road from the groupings, to the Don Roman mill, has also been completed. Tara Minerals now controls over 10,000 hectares in close proximity to the mill.

Tara Minerals is acquiring the grouping for \$1.8 million plus applicable taxes. \$1.66 million of the acquisition cost will be paid by the issuance of Tara Minerals restricted shares valued at \$2 per share, with the remainder being paid in cash. This includes concessions acquired in March 2011, known as La Palma, purchased for a total of \$92,800. Tara minerals also purchased technical data pertaining to La Palma and issued 460,000 shares as payment in April 2011 (see Note 2).

The La Verdes grouping comprises of an extensive area of hydrothermal alteration that hosts numerous precious and base metal occurrences along the western part of the Northern Sierra Madre Gold Belt. The property lies 30 km SW of the historically prolific La Reforma Pb-Zn-Ag District that is now the focus of concerted exploration by Peñoles. The grouping has 50 m of tunnels and 14 known showings of old workings. Numerous gold/silver/zinc/lead vein structures have been identified with three being well defined. These veins are approximately 1.5-8 meters wide and are comprised of 80% sulfides. The strike length of some of these structures have already been traced to a combined total of over 5 kilometers.

c.

In May 2011, Tara Minerals reached an agreement for the right to mine the 3,233 hectare Tania Iron Ore property located in Manzanillo, State of Colima, Mexico. Tara Minerals has the right to remove 6 million tonnes of salable concentrate from the property, with perpetual renewal rights, extending through the life of the property. Tara Minerals will pay the vendor \$6 per salable tonne for the first 500,000 tonnes removed from the property and \$7 per tonne thereafter. A total of \$100,000 will be advanced to the vendor against future royalty payments.

Tara Minerals is announced that it raised \$750,000 through a royalty rights offering to advance the project. A portion of the funds will be used to secure appropriate environmental permits, export permits, and recovery process engineering.

The Tania property is located 33 km from the port of Manzanillo. The Iron is contained within decomposed granite with little overburden. On the surface, the mineralized zone is estimated to be 2 km wide and approximately 1 km in length. The zone is continuous and sampled 30-40% Iron. The property has not been subjected to modern exploration methods or concentrating processes.

d.

In May 2011, Tara Minerals increased its authorized shares to 200,000,000.

e.

In May 2011, Tara Minerals sold 1,643,333 Units at a price of \$0.30 per Unit. Each Unit consisted of one share of the Tara Minerals common stock and one warrant. Each warrant entitles the holder to purchase one share of the Tara Minerals common stock at a price of \$1.00 per share during the one year period following the sale of the Units. All warrants expire May 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION

Tara Gold was incorporated on May 12, 2006. During the period from its incorporation through March 31, 2011 Tara Gold generated revenue of approximately \$725,000 and incurred expenses of approximately \$759,000 in cost of sales; approximately \$7,274,000 in exploration expenses and approximately \$35,366,000 in operating and general administration expenses. Included in operating and general and administrative expenses is a non-cash charge of approximately \$7,868,000 pertaining to the issuance of stock options.

Tara Gold anticipates that its capital requirements during the twelve months ending May 31, 2012 will be:

Exploration and
Development
Centenario

\$

250,000

Property payments
and taxes
Centenario

25,000

Exploration and
Development
Choix/Pilar

100,000

Property payments
and taxes
Choix/Pilar

30,500

Exploration and
Development La
Verde

500,000

Property Payments
and taxes La Verde

62,000

Exploration and
Development Don
Roman Groupings

650,000

Property payments
and taxes Don
Roman Groupings

3,500

Exploration and
Development -
Picacho Prospect

2,500,000

Property payments
and taxes Picacho
Prospect

40,000

General and
administrative
expenses

500,000

Total

\$

4,661,000

The capital requirements shown above include capital required by Tara Gold Corp. and subsidiaries.

Tara Gold will need to obtain additional capital if it is unable to generate sufficient cash from its operations or find joint venture partners to fund all or part of its exploration and development costs.

In 2011, Tara Gold has sought to expand and advance the Don Roman Groupings project by acquiring additional highly prospective mineral claims; and by opening up the project to numerous parties that have expressed an interest in the possibility of becoming an operating partner in the further development of the Don Roman Groupings. In April 2011, Tara Minerals signed a Letter of Intent (LOI) that would provide the capital and expertise to restart the operations at Don Roman and explore the full potential of the land package we have assembled. Interest from various parties have also been expressed towards El Oro (a concession within the Don Roman Groupings), Tara Minerals iron ore, gold, copper prospect. Based on this interest, Tara Minerals has been investigating the economic merits surrounding the iron ore market, and has found favorable results. The Company has now signed an agreement on one highly prospective property named Tania, which meets a number of the qualifications we have been looking for; close proximity to port; the potential for several million tonnes of Iron Ore; and good

infrastructure, which would allow for a near term production strategy. Coinciding with this acquisition, the Company has raised what it believes to be sufficient capital to reach production within the coming months.

As of May 16, 2011 Tara Gold was reviewing the Pirita, Las Minitas and Mariana & Mezquite properties for continued inclusion as part of the Company's mining property portfolio. No payments toward these properties have been made in 2011 and the Company may decide to terminate the purchase agreement and return the property due to its current focus as described above.

Tara Gold's future plans will be dependent upon the amount of capital available to Tara Gold, the amount of cash provided by its operations, and the extent to which Tara Gold is able to have joint venture partners pay the costs of exploring and developing its mining properties.

Tara Gold does not have any commitments or arrangements from any person to provide Tara Gold with any additional capital. If additional financing is not available when needed, Tara Gold may continue to operate in its present mode or Tara Gold may need to cease operations. Tara Gold does not have any plans, arrangements or agreements to sell its assets or to merge with another entity

Beginning in 2011, Tara Gold Resources Corp. will begin to distribute all of its shares in Tara Minerals to its shareholders at a rate of one Tara Minerals common share for every 20 outstanding shares of Tara Gold Resources Corp. The ex-dividend date is May 18, 2011, the record date is May 20, 2011 and the payment date is May 27, 2011. Additional distributions will be announced over the next 24 months until all Tara Minerals shares, held by Tara Gold, are distributed to Tara Gold shareholders.

See Note 1 to the financial statements included as part of this report for a description of Tara Gold's accounting policies and recent accounting pronouncements.

ITEM 4. CONTROLS AND PROCEDURES

Francis Richard Biscan, Jr., the Company's Principal Executive Officer and Lynda R. Keeton-Cardno, the Company's Principal Financial and Accounting Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report, and in their opinion the Company's disclosure controls and procedures are effective.

There were no changes in the Company's internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 13, 2010, Tara Gold announced that it had entered into a tentative agreement with Tara Minerals which provided Tara Minerals would acquire all of the outstanding shares of Tara Gold by exchanging one share of Tara Mineral s common stock for two Tara Gold shares.

On September 20, 2010 Chris Columbo filed a lawsuit in the District Court for Carson City Nevada, against Tara Gold, Tara Gold s officers and directors and Tara Minerals. The essence of the lawsuit was to obtain the fairest price for Tara Gold, whether from Tara Minerals or a third party. On October 25, 2010 Mr. Columbo voluntarily dismissed his lawsuit against Tara Gold and other defendants.

On October 22, 2010 Patricia J. Root filed a lawsuit in the Circuit Court for Dupage County, Illinois, against, Tara Gold, Tara Gold s directors and Tara Minerals. The essence of the lawsuit was to prevent Tara Mineral s proposed acquisition of Tara Gold.

Tara Gold believes the lawsuit filed by Ms. Root was premature since, as noted in the September 13, 2010 press release, the transaction is tentative and is subject to the approval of the shareholders of Tara Gold who are not officers or directors of Tara Gold. No binding agreement between Tara Gold and Tara Minerals was ever signed. In April 2011 Ms. Root subsequently dismissed her lawsuit against Tara Gold and other defendants.

On May 6, 2010, the Securities and Exchange Commission temporarily suspended trading in Tara Gold s securities due to the failure of Tara Gold to file its 10-Q and 10-K reports pursuant to Section 13 of the Securities and Exchange Act of 1934.

On the same day the Commission issued an Order Instituting Proceedings whereby the Commission sought to revoke Tara Gold s registration of its common stock pursuant to Section 12(g) of the Exchange Act.

On September 7, 2010 an administrative law judge issued an Initial Decision revoking Tara Gold's registration of its common stock. On September 24, 2010 Tara Gold filed a Petition to Review the decision of the administrative law judge. On September 30, 2010 the Commission granted Tara Gold's Petition for Review. On November 1, 2010 Tara Gold filed a brief in support of its petition with the Commission. As all briefs and replies were filed on December 15, 2010. The Commission will now decide if Tara Gold's registration pursuant to Section 12(g) of the Exchange Act should be revoked.

Other than the foregoing, Tara Gold is not involved in any legal proceedings and Tara Gold does not know of any legal proceedings which are threatened or contemplated

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.

**Description
of Exhibit**

31.1

Rule
13a-14(a)
Certifications
CEO

(1)

31.2

Rule
13a-14(a)
Certifications
- CFO

(1)

32

Section 1350
Certifications

(1)

101.INS

XBRL
Instance
Document

(1)

101.SCH

XBRL
Taxonomy
Extension
Schema
Document

(1)

101.CAL

XBRL
Taxonomy
Calculation
Linkbase
Document

(1)

101.DEF

XBRL
Taxonomy
Extension
Definition
Linkbase
Document

(1)

101.LAB

XBRL
Taxonomy
Label
Linkbase
Document

(1)

101.PRE

XBRL
Taxonomy
Presentation
Linkbase
Document

(1)

(1)

Filed with this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TARA GOLD RESOURCES CORP.

Dated: May 20, 2011

By: /s/ Francis Richard Biscan, Jr.

Francis R. Biscan, Jr., President and

Chief Executive Officer

Dated: May 20, 2011

By: /s/ Lynda R. Keeton-Cardno

Lynda R. Keeton-Cardno,

Principal Financial and Accounting Officer