

TARA GOLD RESOURCES CORP.  
Form 10-Q  
November 14, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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<br>(State or other<br>jurisdiction of<br>incorporation or<br>organization) | 90-0316566<br>(I.R.S.<br>Employer<br>Identification<br>No.) |
|---|---|

|   |                     |
|---|---------------------|
| 181 Arroyo Grande<br>Blvd. Ste. 140B<br>Henderson, NV<br>(Address of principal<br>executive office) | 89074<br>(Zip code) |
|---|---------------------|

(888) 901-4550  
(Registrant's telephone  
number, including area  
code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 R 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 R

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No R

As of November 12, 2014, the Company had 102,795,119 outstanding shares of common stock.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TARA GOLD RESOURCES CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2014 AND FOR  
THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands of U.S. Dollars)

|  | September 30,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|--|--------------------------------------|----------------------|
| Assets   |                                      |                      |
| Current assets:  |                                      |                      |
| Cash   | \$ 765                               | \$ 82                |
| Other receivables, net   | 320                                  | 306                  |
| Due from related parties, net of due to  | 102                                  | 95                   |
| Other current assets   | 134                                  | 138                  |
| Note receivable, current   | 537                                  | -                    |
| Assets held for disposal, net  | 32                                   | 32                   |
| Total current assets   | 1,890                                | 653                  |
| Property, plant, equipment, mine development and land, net                     | 7,008                                | 7,452                |
| Intellectual property  | 2,745                                | -                    |
| Total assets   | \$ 11,643                            | \$ 8,105             |
| Liabilities and Stockholders' Equity   |                                      |                      |
| Current liabilities:   |                                      |                      |
| Accounts payable and accrued expenses  | \$ 3,136                             | \$ 2,670             |
| Notes and other payables, current portion                                      | 1,244                                | 188                  |
| Convertible notes payable, net   | 260                                  | 76                   |
| Total current liabilities  | 4,640                                | 2,934                |
| Notes and other payables, non-current portion                                  | 1,236                                | 28                   |
| Total liabilities  | 5,876                                | 2,962                |
| Stockholders' equity:  |                                      |                      |
| Common stock: \$0.001 par value; authorized 150,000,000 shares;<br>102,795,119 |                                      |                      |
| shares issued and outstanding, respectively                                    | 103                                  | 103                  |
| Additional paid-in capital   | 10,787                               | 10,787               |
| Accumulated deficit during exploration stage                                   | (28,137)                             | (26,633)             |
| Accumulated other comprehensive loss   | (322)                                | (144)                |
| Total Tara Gold stockholders' deficit  | (17,569)                             | (15,887)             |
| Non-controlling interest   | 23,336                               | 21,030               |
| Total stockholders' equity   | 5,767                                | 5,143                |
| Total liabilities and stockholders' equity                                     | \$ 11,643                            | \$ 8,105             |

See accompanying notes to these Condensed Consolidated Financial Statements.

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
(UNAUDITED)

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

|  | For the Three Months Ended<br>September 30, |             | For the Nine Months Ended<br>September 30, |             |
|--|---|-------------|--|-------------|
|  | 2014  | 2013        | 2014                                       | 2013        |
| <b>Revenues:</b>                                     |   |             |  |             |
| Mining revenues                                      | \$-   | \$-         | \$105                                      | \$-         |
| Total revenues                                       | -   | -           | 105  | -           |
| Cost of revenue                                      | -   | -           | -  | -           |
| Gross margin   | -   | -           | 105  | -           |
| Exploration expenses                                 | 14  | 663         | 490  | 1,217       |
| Operating, general, and administrative expenses      | 1,002                                       | 427         | 2,413                                      | 2,555       |
| Net operating loss                                   | (1,016 )                                    | (1,090 )    | (2,798 )                                   | (3,772 )    |
| <b>Non-operating (loss) income:</b>                  |   |             |  |             |
| Interest income                                      | 30  | 13          | 56   | 38          |
| Interest expense                                     | (21 )                                       | (2 )        | (208 )                                     | (206 )      |
| Settlement loss, net                                 | (5 )-                                       | (203 )      | (5 )-                                      | (1,065 )    |
| Gain on extinguishment of debt, net                  | -   | -           | 5 -  | -           |
| Gain (loss) on sale or disposal of assets            | 13  | -           | (38 )                                      | 1,019       |
| Gain (loss) on bargain acquisition of ACM            | -   | (7 )        | -  | 3,490       |
| Other income   | 20  | -           | 32   | -           |
| Total non-operating (loss) income                    | 37  | (199 )      | (158 )                                     | 3,276       |
| Loss before income taxes                             | (979 )                                      | (1,289 )    | (2,956 )                                   | (496 )      |
| Income tax provision                                 | -   | (1,359 )    | -  | (6,284 )    |
| Net loss   | (979 )                                      | (2,648 )    | (2,956 )                                   | (6,780 )    |
| Net loss attributable to non-controlling interest    | 522   | 1,065       | 1,452                                      | 3,776       |
| Net loss attributable to Tara Gold's shareholders    | (457 )                                      | (1,583 )    | (1,504 )                                   | (3,004 )    |
| <b>Other comprehensive loss:</b>                     |   |             |  |             |
| Foreign currency translation (loss) income           | 71  | (105 )      | (178 )                                     | 221         |
| Total comprehensive loss                             | \$(386 )                                    | \$(1,688 )  | \$(1,682 )                                 | \$(2,783 )  |
| Net loss per share, basic and diluted                | \$(0.01 )                                   | \$(0.03 )   | \$(0.03 )                                  | \$(0.07 )   |
| Weighted average number of shares, basic and diluted | 102,795,119                                 | 102,795,119 | 102,795,119                                | 102,795,119 |

See accompanying notes to these Condensed Consolidated Financial Statements.

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(In thousands of U.S. Dollars)

|  | For the Nine Months Ended<br>September 30, |             |
|--|--|-------------|
|  | 2014                                       | 2013        |
| Cash flows from operating activities:  |  |             |
| Net loss attributable to Tara Gold shareholders  | \$ (1,504 )                                | \$ (3,004 ) |
| Adjustments to reconcile net loss to net cash:   |  |             |
| Depreciation and amortization  | 233  | 242         |
| Allowance for doubtful accounts (recovery)   | (45 )                                      | (277 )      |
| Gain on debt due to extinguishment and conversion, net   | (5 )                                       | -           |
| Deferred tax asset, net  | -  | 6,284       |
| Non-controlling interest in net loss of consolidated subsidiaries                              | (1,452 )                                   | (3,776 )    |
| Amortization of beneficial conversion feature  | 169  | 200         |
| (Gain) loss on the disposal of assets  | 38   | (1,019 )    |
| Common stock of subsidiary issued and option valuation for services                            | -  | 187         |
| Subsidiaries' stock based compensation and stock bonuses                                       | 406  | 60          |
| Settlement loss, net   | 5  | 1,065       |
| Gain on bargain acquisition of ACM   | -  | (3,490 )    |
| Changes in current operating assets and liabilities:   |  |             |
| Other receivables  | 89   | 279         |
| Other assets   | 4  | (75 )       |
| Note receivable  | (537 )                                     | -           |
| Accounts payable and accrued expenses  | 910  | 288         |
| Net cash used in operating activities  | (1,689 )                                   | (3,036 )    |
| Cash flows from investing activities:  |  |             |
| Acquisition of property, plant, equipment, mine development, land and construction in progress | -  | (217 )      |
| Acquisition of intellectual property   | (558 )                                     | -           |
| Proceeds from the sale or disposal of assets   | 15   | 2,200       |
| Purchase of mining concession  | -  | (650 )      |
| Net cash (used in) provided by investing activities  | (543 )                                     | 1,333       |
| Cash flows from financing activities:  |  |             |
| Proceeds from notes payable  | 110  | -           |
| Payments toward notes payable  | (81 )                                      | (22 )       |
| Change in due to/from related parties, net   | (7 )                                       | (6 )        |
| Non-controlling interest – cash from sale of common stock of subsidiaries                      | 3,071                                      | 800         |
| Net cash provided by financing activities  | 3,093                                      | 772         |
| Effect of exchange rate changes on cash  | (178 )                                     | 221         |
| Net increase (decrease) in cash  | 683  | (710 )      |
| Beginning of period cash balance   | 82   | 957         |
| End of period cash balance   | \$ 765                                     | \$ 247      |

See accompanying notes to these Condensed Consolidated Financial Statements.



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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(CONTINUED)  
(In thousands of U.S. Dollars)

|   | For the Nine Months Ended<br>September 30, |        |
|---|--|--------|
|   | 2014                                       | 2013   |
| Supplemental Information:   |  |        |
| Interest paid   | \$ 3                                       | \$ 7   |
| Income taxes paid   | \$ -                                       | \$ -   |
| Non-cash Investing and Financing Transactions:  |  |        |
| Conversion of debt and Iron Ore Financial instrument to common stock, plus accrued interest             | \$ -                                       | \$ 800 |
| Acquisition of intellectual property through options  | \$ 187                                     | \$ -   |
| Acquisition of intellectual property through debt   | \$ 2,000                                   | \$ -   |
| Purchase of property and equipment through debt and common stock  | \$ -                                       | \$ 29  |
| Beneficial conversion feature, convertible debt, related and nonrelated party and financial instruments | \$ 95                                      | \$ -   |
| Construction in progress reclassified to property, plant and equipment                                  | \$ -                                       | \$ 113 |
| Sale of mining concession on credit   | \$ -                                       | \$ 200 |
| Conversion of accrued payroll to note payable   | \$ 275                                     | \$ -   |
| Other   | \$ 10                                      | \$ -   |

See accompanying notes to these Condensed Consolidated Financial Statements.

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TARA GOLD RESOURCES CORP. AND SUBSIDIARIES  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1. Nature of Business and Significant Accounting Policies

Nature of business and principles of consolidation:

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 for the year ended December 31, 2013. Significant accounting policies disclosed therein have not changed except as noted below.

On June 3, 2014 Tara Minerals Corp, the Company's subsidiary, amended its Articles of Incorporation changing its name from Tara Minerals Corp. to Firma Holdings Corp. ("Firma Holdings").

In May 2005, Tara Gold, through its subsidiary Corporacion Amermin S.A. de C.V. ("Amermin"), began acquiring mining properties in Mexico. In May 2006, the Company formed Firma Holdings Corp. ("Firma Holdings"), which owns 99.9% of the common stock of American Metal Mining S.A. de C.V. ("AMM"), a Mexican corporation. Firma Holdings also owns 87% of the common stock of Adit Resources Corp. ("Adit"). Adit in turns owns 99.99% of American Copper Mining, S.A. de C.V. ("ACM"). All of Tara Gold's operations in Mexico are conducted through Amermin, AMM and ACM since Mexican law provides that only Mexican corporations are allowed to own mining properties. The Company's mining segment is conducted through Amermin, American Metal Mining and Adit Resources.

As of September 30, 2014, Tara Gold owned approximately 43% of the outstanding common stock of Firma Holdings.

Tara Gold focuses primarily on gold mining concessions. Firma Holdings has two business segments: mining and agriculture. Firma Holding's focus in the agriculture segment is described in Note 5 below. Firma Holdings' primary focus in the mining segment is also on gold and silver, in addition to industrial minerals, copper, lead, zinc, iron and other associated metals.

Firma Holding's agricultural segment is conducted through its wholly owned subsidiary Firma IP Corp., a Nevada corporation, which was established in May 2014.

On May 25, 2011, Tara Gold commenced distributing its shares of Firma Holdings to its shareholders by distributing one share of Firma Holdings for every 20 outstanding shares of Tara Gold. Tara Gold plans to make additional distributions until all Firma Holdings shares held by Tara Gold have been distributed to Tara Gold's shareholders.

After Tara Gold has distributed all of its Firma Holdings shares, Tara Gold will not have any interest in the business segments of Firma Holdings, AMM, Adit or ACM.

Both Tara Gold and Firma Holdings may continue their efforts to develop mining properties that are thought to contain commercial quantities of gold, silver and other minerals. Additionally, once the distribution has been completed, the consolidated parent and subsidiary relationship between Tara Gold and Firma Holdings will change.

In these financial statements, references to "Company," "we," "our," and/or "us," refer to Tara Gold Resources Corp. and, unless the context indicates otherwise, its consolidated subsidiaries.

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 September 30, 2014 and December 31, 2013, the condensed consolidated results of its operations for the three and nine months ended September 30, 2014 and 2013 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2014 and 2013. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All amounts are in U.S. dollars unless otherwise indicated. All significant inter-company balances and transactions have been eliminated in consolidation.

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The reporting currency of the Company, Firma Holdings 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 income (loss) is recorded as other comprehensive income (loss).

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 for the nine months ended September 30, 2014 and 2013. Mexican pesos per one U.S. dollar:

|  |     |                                   |
|--|-----|-----------------------------------|
|  |     | September 30, 2014<br>(Unaudited) |
| Current exchange rate                                    | Ps. | 13.4891                           |
| Weighted average exchange rate for the nine months ended | Ps. | 13.1166                           |
|  |     | September 30, 2013<br>(Unaudited) |
| Current exchange rate                                    | Ps. | 13.1450                           |
| Weighted average exchange rate for the nine months ended | Ps. | 12.6796                           |

The Company's significant accounting policies are:

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles under the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 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. Management routinely makes judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

#### Recoverable Value-Added Taxes (IVA) and Allowance for Doubtful Accounts

Impuesto al Valor Agregado taxes (IVA) are recoverable value-added taxes charged by the Mexican government on goods sold and services rendered at a rate of 16%. Under certain circumstances, these taxes are recoverable by filing a tax return and as determined by the Mexican taxing authority. Our allowance in association with our receivable from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes.

Each period, receivables are reviewed for collectability. When a receivable has doubtful collectability we allow for the receivable until we are either assured of collection (and reverse the allowance) or assured that a write-off is necessary.

|   | September<br>30, 2014          | December 31,<br>2013 |
|---|--------------------------------|----------------------|
|   | (In thousands of U.S. Dollars) |                      |
|   | (Unaudited)                    |                      |
| Allowance – recoverable value-added taxes | \$ 2,503                       | \$ 2,537             |
| Allowance – other receivables             | 380                            | 391                  |
| <b>Total</b>                              | <b>\$ 2,883</b>                | <b>\$ 2,928</b>      |

AMM received refunds of IVA taxes during January and February 2014 for a total refund of \$40,489.

#### Reclamation and remediation costs (asset retirement obligations)

Reclamation costs are allocated to expense over the life of the related assets and 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 and abandonment costs.

Future remediation costs for reprocessing plant and buildings are accrued based on management's best estimate, at the end of each period, of the undiscounted costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing remediation, maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised. There were no reclamation and remediation costs incurred or accrued as of September 30, 2014 and 2013.

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### Fair Value Accounting

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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;

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).

### Recently Adopted and Recently Issued Accounting Guidance

#### Issued

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The new standard provides guidance as to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

#### Adopted

In June 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-10, “Development Stage Entities (Topic 915), Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, "Consolidation” (“ASU 2014-10”). The amendments in ASU 2014-10 removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from accounting principles generally accepted in the United States of America (“U.S. GAAP”). In addition, the amendments eliminate

the requirements for development stage entities to: (i) present inception-to-date information in the statements of income, cash flows, and shareholder equity; (ii) label the financial statements as those of a development stage entity; (iii) disclose a description of the development stage activities in which the entity is engaged; and (iv) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. The presentation and disclosure requirements in ASC Topic 915, "Development Stage Entities" are no longer required for interim and annual reporting periods beginning after December 15, 2014. The revised consolidation standards will take effect in annual periods beginning after December 15, 2015, however, early adoption is permitted. The Company has elected to early adopt the provisions of ASU 2014-10 for this unaudited condensed consolidated financial statements.

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Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC, did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

Note 2.

## Other Receivables, Net

|   | September<br>30, 2014          | December 31,<br>2013 |
|---|--------------------------------|----------------------|
|   | (In thousands of U.S. Dollars) |                      |
|   | (Unaudited)                    |                      |
| Other receivables – recoverable value-added taxes | \$ 2,566                       | \$ 2,643             |
| Other receivables – Auriferos                     | 167                            | 200                  |
| Other receivables                                 | 470                            | 391                  |
| Total other receivables                           | 3,203                          | 3,234                |
| Allowance – recoverable value-added taxes         | (2,503 )                       | (2,537 )             |
| Allowance – other receivables                     | (380 )                         | (391 )               |
| Total other receivables, net                      | \$ 320                         | \$ 306               |

## Other receivable - Auriferos

In March 2008 the Company obtained the Auriferos V Fraccion 1 and 2 Prospects (“Auriferos Prospect”) after a joint venture agreement was terminated. The agreement with Pershimco contained a clause that any prospects purchased by Pershimco adjacent to the Las Minitas Prospect would revert to the Company.

During 2013 the Company, through its subsidiary, Amermin, sold its Auriferos mining concessions for \$200,000, including the corresponding value added tax, on credit. During the nine months ended September 30, 2014, \$35,000 was received towards the sales price of the property.

Note 3.

## Property, Plant, Equipment, Mine Development and Land, Net

|                                 | September<br>30, 2014          | December 31,<br>2013 |
|---------------------------------|--------------------------------|----------------------|
|                                 | (In thousands of U.S. Dollars) |                      |
|                                 | (Unaudited)                    |                      |
| Land                            | \$ 20                          | \$ 20                |
| Pilar                           | 728                            | 728                  |
| Don Roman (See Note 7)          | 522                            | 522                  |
| Las Nuvias                      | 100                            | 100                  |
| Centenario                      | 636                            | 636                  |
| La Verde                        | 60                             | 60                   |
| La Palma                        | 80                             | 80                   |
| Dixie Mining District           | 650                            | 650                  |
| Picacho Groupings               | 1,571                          | 1,571                |
| Mining concessions              | 4,347                          | 4,347                |
| Property, plant and equipment   | 4,020                          | 4,337                |
|                                 | 8,387                          | 8,704                |
| Less – accumulated depreciation | (1,379)                        | (1,252)              |



\$ 7,008 \$ 7,452

Pilar, Don Roman, Las Nuvias, Centenario, La Palma and La Verde properties are located in Mexico and are known as the Don Roman Groupings.

The Picacho and Picacho Fractions are located in Mexico and are known as the Picacho Groupings.

The Dixie Mining District is located in Idaho.

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Note 4. Note receivable, current

In July 2014, the Company entered into a note receivable with a third party in the agriculture business segment, where the Company funded a total of \$500,000 over 5 separate fundings July – August 2014. The note bears stated interest of 20% per annum (360 day year). The maturity date of the loan is the earlier of (a) 60th day next following the Company’s funding of such loans or (b) the date of payment by the party other than the Borrower of the amount due pursuant to a sale transaction in respect of underlying product purchased by the Borrower through use of the proceeds of such loan. The Company verbally extended the maturity date to December 31, 2014 without additional penalty, but will continue to accrue interest accruing in accordance with the stated interest above. Interest accrued as of September 30, 2014 was \$16,860.

Additionally, the note receivable includes a loan fee amount of 8% of the gross amount of each sale transaction pursuant to product purchased by the Borrower. Loan fees accrued as of September 30, 2014 were \$20,010.

Note 5. Intellectual Property Purchase Agreement

On May 28, 2014, Firma Holdings entered into an agreement with FreshTec, Inc. which provides for Firma Holdings to acquire technology which can be used for the preservation and protection of fresh fruit, vegetables and flowers during extended periods of shipping and storage. The technology is comprised of patents, trademarks and other intellectual property pertaining to systems and methods for packaging bulk quantities of fresh produce and flowers incorporating modified atmosphere packaging.

The technology, currently named SmartPac, will be made available to growers, packers and end-users for the packing, storage and shipment of bulk quantities of produce.

The purchase price for the SmartPac technology is allocated among the following territories:

- United States, Mexico and Canada
- European Union
- All other countries

In addition to the terms described below to acquire the territories, the agreement provided a stock option to FreshTec, Inc. for 1,000,000 shares of Firma Holdings’s common stock, which vest immediate and have a term of 1 year.

The value of the intellectual property purchased follows the guidance as prescribed by both the Intangibles and Business Combinations Topics of the FASB ASC which focuses on capturing the transactional costs of an asset acquisition. As such we have valued the intellectual property based on the hard costs and stock option value of the contract plus legal fees directly related to the purchase. Excluded from the valuation are items that are solely dependent on selling units of the SmartPac product. Such payments are only payable should a unit be sold.

A. To acquire the rights for the United States, Mexico and Canada, Firma Holdings has paid or must pay FreshTec:

- (i) \$500,000 at closing (paid June 2014) .
- (ii) \$0.25 for each SmartPac unit sold in the United States or Mexico by Firma Holdings plus 50% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the United States, Mexico and Canada until such time as FreshTec is paid \$14,500,000,
- (iii) during the six month period following the closing of the transaction, and until Firma Holdings has paid FreshTec \$1,000,000, 25% of the Net Royalties received by Firma Holdings from any licensee having the right to sell SmartPac units in the United States, Mexico or Canada, and

(iv) after the royalties paid to FreshTec equal \$14,500,000, \$0.15 for each SmartPac unit sold by Firma Holdings in the United States, Mexico or Canada plus 25% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the United States, Mexico and Canada.

On prior to the end of the fifteen-year period commencing on the closing date of the transaction, if Firma Holdings has not paid FreshTec royalties of \$14,500,000, Firma Holdings may, at its option, either pay to FreshTec the difference between \$14,500,000 and the royalties paid to FreshTec, or re-convey to FreshTec the rights for the United States, Mexico and Canada.

B. To acquire the rights to countries in the European Union Firma Holdings must pay to FreshTec:

(i) no later than six months after the closing of the transaction, \$1,000,000, less any amounts paid pursuant to A. (iii) above and B. (ii) and (iii) below, or re-convey to FreshTec the rights for the European Union,

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- (ii) \$0.25 for each SmartPac unit sold in the European Union by Firma Holdings plus 50% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the European Union until such time as FreshTec is paid \$14,000,000, and
- (iii) after the royalties paid to FreshTec equal \$14,000,000, \$0.15 for each SmartPac unit sold by Firma Holdings in the European Union plus 25% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the European Union.

If Firma Holdings exercises its right to re-convey the technology pursuant to B. (i) above, FreshTec is required to pay to Firma Holdings any amounts spent by Firma Holdings on maintaining or pursuing any patents pertaining to the countries in the European Union and refund to Firma Holdings any amounts paid to FreshTec pursuant to A (iii).

C. To acquire the rights to all other countries Firma Holdings must pay FreshTec:

- (i) no later than eighteen months after the closing of the transaction, \$1,000,000, less any amounts paid pursuant to C. (ii) and (iii) below, or re-convey to FreshTec the rights for the other countries,
- (ii) \$0.25 for each SmartPac unit sold in the other countries by Firma Holdings plus 50% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the other countries until such time as FreshTec is paid \$9,000,000, and
- (iii) after the royalties paid to FreshTec equal \$9,000,000, \$0.15 for each SmartPac unit sold by Firma Holdings in the other countries plus 25% of the Net Royalties received by Firma Holdings from licensing the rights to use the technology in the other countries.

If Firma Holdings exercises its right to re-convey the technology pursuant to C. (i) above, FreshTec is required to pay to Firma Holdings any amounts spent by Firma Holdings on maintaining or pursuing any patents pertaining to the other countries.

When the last patent pertaining to the SmartPac technology expires, the royalty payable to FreshTec will be reduced to \$0.075 for each SmartPac unit sold and Firma Holdings will no longer be obligated to pay FreshTec any Net Royalties.

For purpose of the agreement:

The term “Net Royalties” means amounts collected from licensing the SmartPac technology to third parties, less (i) costs and expenses incurred in connection with the licensing transaction; (ii) amounts refunded to a licensee; (iii) sale and other excise taxes, use taxes, tariffs, export license fees and duties; and (iv) commissions paid in connection with the licensing transaction. Net Royalties do not include any amount received for sales of SmartPac units by any licensee.

Note 6. Notes Payable and Convertible Notes Payable, Net

The following table represents the outstanding balance of notes payable and convertible notes payable.

|   | September<br>30, 2014          | December 31,<br>2013 |
|---|--------------------------------|----------------------|
|   | (In thousands of U.S. Dollars) |                      |
|   | (Unaudited)                    |                      |
| Mining concessions                      | \$ 150                         | \$ 150               |
| Notes payable                           | 320                            | -                    |
| Convertible notes payable, net          | 260                            | 76                   |
| FreshTec required payments (See Note 5) | 1,968                          | -                    |

|   |          |        |
|---|----------|--------|
| Auto loans  | 42       | 66     |
|   | 2,740    | 292    |
| Less – current portion                                | (1,244 ) | (188 ) |
| Less – current portion convertible notes payable, net | (260 )   | (76 )  |
| Non-current portion                                   | \$ 1,236 | \$ 28  |

During the nine months ended September 30, 2014 the Company converted balances with two vendors to notes payable in the amount of \$80,000 and recognized a gain on debt extinguishment in the amount of \$5,000. The balance as of September 30, 2014 is \$45,700 and is still outstanding. Additionally, the Company entered into a promissory note with a former employee for accrued payroll resulting in an immediate payment of \$31,250 and and payments of \$6,250 for 18 months and payments of \$9,015 for the remaining 18 months.

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During the year ended December 31, 2013 the Company raised \$150,000 through the sale of a convertible note. The note was due in February 2014, extended to July 2014 and again extended until July 2015; bears interest of 16% per year and can be converted to Firma Holdings' stock at \$0.10 per share. The beneficial conversion feature of the note payable was determined to be \$120,000 of which \$120,000 was amortized as of September 30, 2014. Interest expense related to the convertible note was \$20,000 as of September 30, 2014.

During the nine months ended September 30, 2014 the Company raised \$60,000 through the sale of a convertible note. The note was due in May 2014, extended to July 2014 and again extended until July 2015, and can be converted to Firma Holdings' stock at \$0.10 per share. The beneficial conversion feature of the note payable was determined to be \$60,000 of which \$60,000 was amortized as of September 30, 2014. Interest expense related to the convertible note was \$8,000 as of September 30, 2014.

During the nine months ended September 30, 2014 the Company raised \$50,000 through the sale of a convertible note. The note was due in July 2014 but extended to July 2015 and can be converted to Firma Holdings' stock at \$0.10 per share. The beneficial conversion feature of the note payable was determined to be \$34,850 of which \$34,850 was amortized as of September 30, 2014. Interest expense related to the convertible note was \$6,000 as of September 30, 2014.

The five year maturity schedule for notes payable is presented below (in thousands of U.S. dollars) for the year's ending September 30, (unaudited):

|  | 2015    | 2016  | 2017    | 2018 | 2019 | Total   |
|--|---------|-------|---------|------|------|---------|
| Mining concessions                         | \$150   | \$-   | \$-     | \$-  | \$-  | \$150   |
| Auto loans                                 | 25      | 6     | 6       | 5    | -    | 42      |
| Notes payable                              | 101     | 219   | -       | -    | -    | 320     |
| Convertible notes payable, net             | 260     | -     | -       | -    | -    | 260     |
| FreshTec required payments<br>(See Note 5) | 968     | -     | 1,000   | -    | -    | 1,968   |
| Total                                      | \$1,504 | \$225 | \$1,006 | \$5  | \$-  | \$2,740 |

Note 7. Related Party Transactions

Total net due from related parties was \$102,156 at September 30, 2014 and \$95,385 at September 30, 2013.

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.

The following are intercompany transactions that were eliminated during the consolidation of these financial statements:

In January 2007, Amermin, a subsidiary of Tara Gold, made arrangements to purchase the Pilar; Don Roman and Las Nuvias properties listed in Note 3 (part of the Don Roman Groupings) and subsequently sold the concessions to Firma Holdings. At September 30, 2014 Amermin has paid the original note holder in full and Firma Holdings owes Amermin \$535,659 for the Pilar mining concession and \$211,826 for the Don Roman mining concession.

As of September 30, 2014, Amermin had loaned AMM \$1,016,506 at 0% interest, due on demand.

As of September 30, 2014, Tara Gold owed Firma Holdings a total of \$338,648 at 0% interest, due on demand.

During 2012, the Company issued Adit six promissory notes for \$4,286,663. During 2013, the Company issued Adit one promissory note for \$610,000. These notes are unsecured, bear interest at U.S. prime rate plus 3.25% per year and are due and payable between December 2014 and October 2015. As of September 30, 2014, the Company owed Adit \$5,571,810 in interest and principal.

Note 8.

Stockholders' Equity

For the nine months ended September 30, 2014, the Company did not issue any shares of its common stock.

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## Note 9. Non-controlling Interest

All non-controlling interest of the Company is a result of the Company's subsidiaries' stock movement and results of operations. Cumulative results of these activities results in:

|   | September<br>30, 2014          | December 31,<br>2013 |
|---|--------------------------------|----------------------|
|   | (In thousands of U.S. Dollars) |                      |
|   | (Unaudited)                    |                      |
| Common stock for cash   | \$ 19,236                      | \$ 16,165            |
| Common stock for services   | 5,846                          | 5,846                |
| Stock based compensation  | 6,021                          | 5,615                |
| Conversion of debt and Iron Ore Financial instrument to common stock, plus accrued interest | 2,142                          | 2,142                |
| Exploration expenses paid for in subsidiary common stock                                    | 4,146                          | 4,146                |
| Cumulative net loss attributable to non-controlling interest                                | (14,278 )                      | (12,826 )            |
| Treasury stock  | (500 )                         | (500 )               |
| Other non-controlling interests   | 723                            | 442                  |
| Total non-controlling interest  | \$ 23,336                      | \$ 21,030            |

A summary of activity as of September 30, 2014 and changes during the period then ended is presented below (in thousands of U.S. dollars):

|   |    |         |
|---|----|---------|
| Non-controlling interest at December 31, 2013     | \$ | 21,030  |
| Common stock for cash                             |    | 3,071   |
| Stock based compensation                          |    | 406     |
| Other   |    | 281     |
| Net loss attributable to non-controlling interest |    | (1,452) |
| Non-controlling interest at September 30, 2014    | \$ | 23,336  |

## Note 10. Options

The Company does not have any stock option or bonus plans.

Firma Holdings has the following incentive plans which are registered under a Form S-8:

- Incentive Stock Option Plan
- Nonqualified Stock Option Plan
- Stock Bonus Plan

On October 28, 2009, Adit, Firma Holdings's subsidiary, adopted the following incentive plans which have not been registered:

- Incentive Stock Option Plan
- Nonqualified Stock Option Plan
- Stock Bonus Plan

There have been no issuances under the Adit plans in 2014.



On May 28, 2014 Firma Holdings entered into an agreement with FreshTec, Inc. which provides for Firma Holdings to acquire technology which can be used for the preservation and protection of fresh fruit, vegetables and flowers during extended periods of shipping and storage. As part of the terms of the agreement Firma Holdings, provided stock options to FreshTec, Inc. for 1,000,000 shares of Firma Holdings's common stock at an exercise price of \$0.30 per share, which vest immediate and have a term of 1 year. The stock options were valued at \$186,640 using the Black-Scholes option pricing model.

On August 1, 2014, the Company granted 1,400,000 options to an officer for compensation for work performed. The options immediately vested, have an exercise price of \$0.05 and expire December 31, 2017. The stock options were valued at \$346,286 using the Black-Scholes option pricing model.

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The fair value of awards issued is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on volatilities from Firma Holdings's traded common stock. The expected term of the award granted is usually estimated at half of the contractual term as noted in the individual agreements, unless the life is one year or less based upon management's assessment of known factors, and represents the period of time that management anticipates awards granted 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 the grant for bonds with maturity dates at the estimated term of the options. Historically Firma Holdings has had no forfeitures of options or warrants; therefore, Firma Holdings uses a zero forfeiture rate.

|                             | September 30, 2014 | December 31, 2013 |
|-----------------------------|--------------------|-------------------|
| Expected volatility         | 278.03%            | 218.84%           |
| Weighted-average volatility | 278.03%            | 218.84%           |
| Expected dividends          | 0                  | 0                 |
| Expected term (in years)    | 1.57               | 2.00              |
| Risk-free rate              | 0.77%              | 0.22%             |

A summary of option activity as of September 30, 2014 (unaudited) and changes during the period then ended is presented below:

| Vested Options                    | Shares    | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-----------------------------------|-----------|---------------------------------|---|---------------------------|
| Outstanding at December 31, 2013  | 2,750,000 | \$ 0.24                         |   |                           |
| Granted                           | 2,400,000 | 0.18                            |   |                           |
| Exercised                         | -         | -                               |   |                           |
| Forfeited, expired or cancelled   | -         | -                               |   |                           |
| Outstanding at September 30, 2014 | 5,150,000 | \$ 0.23                         | 1.5   | \$ 504,000                |
| Exercisable at September 30, 2014 | 4,990,000 | \$ 0.22                         | 1.5   | \$ 504,000                |

| Non-vested Options               | Options     | Weighted-Average Grant-Date Fair Value |
|----------------------------------|-------------|--|
| Non-vested at December 31, 2013  | 410,000     | \$ 0.48                                |
| Granted                          | 2,400,000   | 0.18                                   |
| Vested                           | (2,650,000) | (0.11)                                 |
| Forfeited, expired or cancelled  | -           | -                                      |
| Non-vested at September 30, 2014 | 160,000     | \$ 0.21                                |

A summary of warrant activity as of September 30, 2014 (unaudited) 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, 2013 | -         | \$ -                            |   |                           |
| Granted                          | 5,000,000 | 0.35                            |   |                           |

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|                                   |           |         |      |      |
|-----------------------------------|-----------|---------|------|------|
| Exercised                         | -         | -       | -    | -    |
| Forfeited, cancelled or expired   | -         | -       | -    | -    |
| Outstanding at September 30, 2014 | 5,000,000 | \$ 0.35 | 1.75 | \$ - |
| Exercisable at September 30, 2014 | 5,000,000 | \$ 0.35 | 1.75 | \$ - |

All warrants vest upon issuance.

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## Note 11. Fair Value

In accordance with authoritative guidance, the table below sets forth Firma Holdings's financial assets and liabilities measured at fair value by level within the fair value hierarchy. 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 September 30, 2014<br>(in thousands of U.S. dollars)<br>(Unaudited) |         |         |          |
|-----------------------|---|---------|---------|----------|
|                       | Total   | Level 1 | Level 2 | Level 3  |
| <b>Assets:</b>        |   |         |         |          |
| Intellectual property | \$ 2,745  | \$ -    | \$ -    | \$ 2,745 |
| <b>Liabilities:</b>   |   |         |         |          |
| None                  | \$ -  | \$ -    | \$ -    | \$ -     |

|   | Fair Value at December 31, 2013<br>(in thousands of U.S. dollars) |         |         |          |
|---|---|---------|---------|----------|
|   | Total   | Level 1 | Level 2 | Level 3  |
| <b>Assets:</b>  |   |         |         |          |
| Fair market value of ACM's net identifiable assets acquired | \$ 1,589  | \$ -    | \$ -    | \$ 1,589 |
| <b>Liabilities:</b>   |   |         |         |          |
| Beneficial conversion feature of note (See Note 6)          | \$ 74   | \$ 74   | \$ -    | \$ -     |

## Note 12. Segment Reporting

Firma Holdings's operating segments are strategic business units that offer different products and services. For the nine months ended September 30, 2014, operating segments of Firma Holdings are agriculture and mining. The agriculture segment consists of Firma Holdings's intellectual property related to the "SmartPac" product and the mining segment consists of gold and industrial metal mining concessions in Mexico and the United States. The agriculture segment became a reportable entity as of September 30, 2014 and was not in existence as of September 30, 2013.

| September 30, 2014 (in thousands of U.S. dollars) (unaudited)   | Agriculture | Mining    |
|---|-------------|-----------|
| Gross profit from external customers                            | \$-         | \$105     |
| Exploration expenses  | -           | (490)     |
| Operating, general, and administrative expenses                 | (28)        | (515)     |
| Compensation expense  | -           | (150)     |
| Professional fees   | (63)        | (249)     |
| Depreciation and amortization                                   | (5)         | (224)     |
| Segment operating loss before taxes and discontinued operations | \$(96)      | \$(1,523) |

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|   | September 30, 2014<br>(in thousands of U.S.<br>dollars)<br>(unaudited) |
|---|--|
| <b>Revenues</b>   |  |
| Total revenues from reportable segments                   | \$ 105   |
| Total other revenues                                      | -  |
| Total corporate revenues                                  | -  |
| Elimination of intercompany corporate revenues            | -  |
| Total consolidated revenues                               | \$ 105   |
| <b>Profit or Loss</b>                                     |  |
| Total profit or loss from reportable segments             | \$ (1,619 )  |
| Other profit or loss                                      | 44   |
| Elimination of intercompany expense                       | -  |
| Unallocated amounts:                                      |  |
| Elimination of intercompany corporate revenues            | -  |
| Corporate expenses  | (1,382 )   |
| Loss on discontinued operations                           | -  |
| Non-controlling interest                                  | 1,452  |
| Net loss before taxes                                     | \$ (1,504 )  |
| <b>Assets</b>   |  |
| Total assets for agriculture segment                      | \$ 2,745   |
| Total assets for mining segment                           | 8,122  |
| Corporate assets  | 776  |
| Other unallocated amounts                                 | -  |
| Consolidated total  | \$ 11,643  |
| <b>Liabilities</b>  |  |
| Accounts payable and accrued expenses agriculture segment | \$ 30  |
| Accounts payable and accrued expenses mining segment      | 2,045  |
| Notes payable agriculture segment                         | 1,968  |
| Notes payable mining segment                              | 512  |
| Corporate accounts payable and accrued expense            | 1,061  |
| Corporate notes payable                                   | 260  |
| Consolidated total  | \$ 5,876   |

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

Tara Gold was incorporated in October 1999.

Beginning in the second quarter of 2014 our subsidiary, Firma Holdings, has two operational business segments: mining and agriculture. As of September 30, 2014 the agricultural segment was in the planning stage with minimal activity, while the mining segment accounts for the majority of Firma Holdings's results of operations in the accompanying financial statements and in the discussion below.

## RESULTS OF OPERATIONS

Material changes of certain items in the Company's Statement of Operations for the three months ended September 30, 2014, as compared to the three months ended September 30, 2013, are discussed below.

| Three Months Ended<br>(In thousands of U.S. Dollars) | September 30,<br>2014 | September 30,<br>2013 |
|--|-----------------------|-----------------------|
| Revenue  | \$ -                  | \$ -                  |
| Cost of revenue                                      | -                     | -                     |
| Exploration expenses                                 | 14                    | 663                   |
| Operating, general and administrative expenses       | 1,002                 | 427                   |
| Net operating loss                                   | \$ (1,016 )           | \$ (1,090 )           |

For the three months ended September 30, 2014, the Company kept all mining concessions in dormant or inactive status while working toward further funding options resulting in exploration expenses for routine maintenance and employee costs; compared to the three months ended September 30, 2013, when the Company focused primarily exploring the Dixie Mining District in Idaho. In 2013 exploration expenses included expenses for preproduction activities, geology consulting, assaying, field supplies and other mine expenses.

Material changes of certain items in the Company's operating, general and administrative expenses for the three months ended September 30, 2014, as compared to the three months ended September 30, 2013, are discussed below.

| Three Months Ended<br>(In thousands of U.S. Dollars)   | September 30,<br>2014 | September 30,<br>2013 |
|--|-----------------------|-----------------------|
| Bad debt expense (recovery)                            | \$ 9                  | \$ (61 )              |
| Compensation, officer employment contracts and bonuses | 534                   | 197                   |
| Professional fees                                      | 146                   | 60                    |

Our allowance in association with our receivables from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes. The increase in bad debt expense for the three months ended September 30, 2013 was due to the allowance in IVA receivables; offset by bad debt recovery due to the sale of La Currita and the ability to use the IVA receivable against the related IVA payable; compared to the three months ended September 30, 2014, when bad debt was only due to the allowance in IVA receivables.

The Company's compensation, officer employment contracts and bonuses expenses includes stock based compensation expense of \$346,286 for the three months ended September 30, 2014; no such expense was recognized in the three

month period ending September 30, 2013. All other costs in this category are flat when compared to prior year.

Professional fees for the three months ended September 30, 2014, were flat compared to the same period in the prior year due to cost cuts and cost containment employed in 2013 primarily related to lowering accounting and security fees at the Mexico office. Legal services, included within professional fees above, relate to the intellectual property post acquisition in 2014; compared to the three months ended September 30, 2013, which consisted of legal services related to the acquisition of additional acres to be added to the Dixie Mining District.

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Material changes of certain items in the Company's Statement of Operations for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, are discussed below.

| Nine Months Ended<br>(In thousands of U.S. Dollars) | September 30,<br>2014 | September 30,<br>2013 |
|---|-----------------------|-----------------------|
| Revenue   | \$ 105                | \$ -                  |
| Cost of revenue                                     | -                     | -                     |
| Exploration expenses                                | 490                   | 1,217                 |
| Operating, general and administrative expenses      | 2,413                 | 2,555                 |
| Net operating loss                                  | \$ (2,798 )           | \$ (3,772 )           |

For the nine months ended September 30, 2014, ore from the exploration process at the Dixie Mining District was sold; compared to the nine months ended September 30, 2013, when the Company had no revenues from mining activity at any of its properties.

For the nine months ended September 30, 2014, the Company kept all mining concessions in dormant or inactive status while working toward further funding options resulting in exploration expenses for routine maintenance and employee costs; compared to the nine months ended September 30, 2013, when the Company focused primarily exploring the Dixie Mining District in Idaho. In 2013 exploration expenses included expenses for preproduction activities, geology consulting, assaying, field supplies and other mine expenses.

Material changes of certain items in the Company's operating, general and administrative expenses for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, are discussed below.

| Nine Months Ended<br>(In thousands of U.S. Dollars)    | September<br>30, 2014 | September<br>30, 2013 |
|--|-----------------------|-----------------------|
| Bad debt expense                                       | \$42                  | \$49                  |
| Compensation, officer employment contracts and bonuses | 1,024                 | 679                   |
| Professional fees                                      | 524                   | 820                   |

Our allowance in association with our receivables from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes. The decrease in bad debt expense for the nine months ended September 30, 2013 was due to the allowance in IVA receivables; offset by bad debt recovery due to the sale of La Currita and the ability to use the IVA receivable against the related IVA payable; compared to the nine months ended September 30, 2014, when bad debt was only due to the allowance in IVA receivables.

The Company's operating, general and administrative expenses includes stock based compensation expense of \$405,931 for the nine months ended September 30, 2014 compared to \$59,645 for the nine month period ending September 30, 2013. All other costs in this category are flat when compared to prior year.

Professional fees for the nine months ended September 30, 2014, decreased primarily due to lower accounting and security fees at the Mexico office. Legal services in 2014 relate to the intellectual property post acquisition; compared to the nine months ended September 30, 2013, which consisted of legal services related to the acquisition of additional acres to be added to the Dixie Mining District and the settlement agreement reached with Carnegie related to the Champinon mining concession.



## LIQUIDITY AND CAPITAL RESOURCES

The following is an explanation of the Company's material sources and (uses) of cash during the nine months ended September 30, 2014 and 2013:

|   | September<br>30, 2014 | September 30,<br>2013 |
|---|-----------------------|-----------------------|
| (In thousands of U.S. Dollars)  |                       |                       |
| Net cash used in operating activities   | \$(1,689 )            | \$ (3,036 )           |
| Acquisition of property, plant, equipment, land and construction in progress  | -                     | (217 )                |
| Acquisition of intellectual property  | (558 )                | -                     |
| Proceeds from the sale or disposal of assets                                  | 15                    | 2,200                 |
| Purchase of mining concession   | -                     | (650 )                |
| Proceeds from notes payable   | 110                   | -                     |
| Payments toward notes payable   | (81 )                 | (22 )                 |
| Change in due to/from related parties, net                                    | (7 )                  | (6 )                  |
| Non-controlling interest – cash from the sale of common stock of subsidiaries | 3,071                 | 800                   |

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Tara Gold anticipates that its capital requirements during the twelve months ending September 30, 2015 will be:

|   |             |
|---|-------------|
| Firma Holdings                                    |             |
| Exploration and Development – Don Roman Groupings | \$ 150,000  |
| Exploration and Development – Picacho Groupings   | 100,000     |
| Property taxes                                    | 135,000     |
| Agriculture division                              | 1,350,000   |
| General and administrative expenses               | 1,000,000   |
| Tara Gold   |             |
| General and administrative expenses               | 375,000     |
| Total   | \$3,110,000 |

As of September 30, 2014 the Paranormous Trust and Investments Ltd. continues to face challenges, and is unable to follow through on its intended funding. The Company's mining division, in spite of un-favorable market conditions, continues to protect the assets and to explore options to advance all projects.

As the mining division of the company continues to explore options to advance all projects, the Company took advantage of an opportunity to acquire packaging technology which can be used for the preservation and protection of fresh fruit, vegetables and flowers during extended periods of shipping and storage. The technology, currently named SmartPac, is comprised of patents, trademarks and other intellectual property pertaining to systems and methods for packaging bulk quantities of fresh produce and flowers incorporating modified atmosphere packaging.

With the acquisition, the Company now has two operating divisions – mining and agriculture, which can include fresh produce, horticulture, and food products. Both divisions will focus on generating sustainable revenue.

The agriculture division plans to focus on two areas that offer scalable revenue:

- The first is from the sale of the SmartPac units. SmartPac packaging cartons will be sold by the Company and licensed partners to growers, packers and end-users for the packing, storage and shipment of bulk quantities of produce and flowers.
- The second is from the sale of food products. In addition to revenue potential, food sales efforts can create opportunities for the Company to demonstrate the SmartPac technology, gives the Company an opportunity to benefit from the system savings available from the use of the SmartPac technology, and results in increased SmartPac unit volumes which will result in lower manufacturing costs.

The Company's agriculture and food division continues to advance towards revenue from sales of SmartPac units, and through participation in the selling of produce and packaged foods.

The Company 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 business segments.

In May 2010 the Securities and Exchange Commission stopped the trading in Tara Gold's common stock due to the fact that Tara Gold was delinquent in filing its 10-K and 10-Q reports. As a result of the SEC's stop trading order, Tara Gold's common stock was removed from the Pink Sheets and until July 18, 2011 traded only on an unsolicited basis. As a result of the Commission's ruling on July 18, 2011, all trading in Tara Gold's stock ceased. In 2012, Tara Gold successfully filed a Form 10 which cleared SEC comments on November 30, 2012. To begin trading once again Tara Gold is working with a securities broker to complete the filings required by FINRA.

On May 25, 2011, Tara Gold distributed one share of Firma Holdings for every 20 issued and outstanding shares of Tara Gold. In the interest of creating liquidity for shareholders, and to free Tara Gold up for new opportunities, the Company plans to accelerate the distributions until all Firma Holdings' shares held by Tara Gold have been distributed to Tara Gold's shareholders. Once this is complete, Tara Gold will not have any interest in the properties owned by Firma Holdings or Adit, and will be exploring new opportunities for the future.

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As of November 12, 2014, Tara Gold is reviewing the Pirita, Tania and Las Viboras Dos properties for continued inclusion as part of Firma Holdings's mining property portfolio. No payments toward these properties were made in 2014. Firma Holdings may decide to terminate the purchase/lease agreements and return the properties. Tara Gold and Firma Holdings are currently reviewing all properties for joint venture, option or sale opportunities.

Tara Gold does not know of any trends, events or uncertainties that have had, or are reasonably expected to have, a material impact on its sales, revenues or income from continuing operations, or liquidity and capital resources except as disclosed above.

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

Tara Gold does not have any other 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.

### Off-Balance Sheet Arrangements

At September 30, 2014, Tara Gold had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

### Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements, we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments.

### Recoverable Value-Added Taxes (IVA) and Allowance for Doubtful Accounts

Impuesto al Valor Agregado taxes (IVA) are recoverable value-added taxes charged by the Mexican government on goods sold and services rendered at a rate of 16%. Under certain circumstances, these taxes are recoverable by filing a tax return and as allowed by the Mexican taxing authority.

Each period, receivables are reviewed for collectability. When a receivable has doubtful collectability we allow for the receivable until we are either assured of collection (and reverse the allowance) or assured that a write-off is necessary. Our allowance in association with our receivable from IVA from our Mexico subsidiaries is based on our determination that the Mexican government may not allow the complete refund of these taxes.

### Property, Plant, Equipment, Mine Development and Land

Mining concessions and acquisitions, exploration and development costs relating to mineral properties with proven reserves are deferred until the properties are brought into production, at which time they will be amortized on the unit of production method based on estimated recoverable reserves. If it is determined that the deferred costs related to a

property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral properties and the related deferred costs are recorded do not necessarily reflect present or future values.

The recoverability of the book value of each property is assessed at least annually for indicators of impairment such as adverse changes to any of the following:

- estimated recoverable ounces of copper, lead, zinc, gold, silver or other precious minerals
- estimated future commodity prices
- estimated expected future operating costs, capital expenditures and reclamation expenditures

A write-down to fair value is recorded when the expected future cash flow is less than the net book value of the property or when events or changes in the property indicate that carrying amounts are not recoverable. The carrying amounts of the Company's mining properties are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication of impairment exists, the asset's recoverable amount will be reduced to its estimated fair value. As of September 30, 2014 and 2013, respectively, no indications of impairment existed. As of the November 14, 2014, no events have occurred that would require the write-down of any assets.

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Certain mining plant and equipment included in mine development and infrastructure are depreciated on a straight-line basis over their estimated useful lives from 3 – 10 years. Other non-mining assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives from 3 – 10 years.

### Financial and Derivative Instruments

Tara Gold periodically enters into financial instruments. Upon entry, each instrument is reviewed for debt or equity treatment. In the event that the debt or equity treatment is not readily apparent, FASB ASC 480-10-S99 is consulted for temporary treatment. Once an event takes place that removes the temporary element the Company appropriately reclassifies the instrument to debt or equity.

Tara Gold periodically assesses its financial and equity instruments to determine if they require derivative accounting. Instruments which may potentially require derivative accounting are conversion features of debt, equity, and common stock equivalents in excess of available authorized common shares, and contracts with variable share settlements. In the event of derivative treatment, the instrument is marketed to market.

### Exploration Expenses and Technical Data

Exploration costs not directly associated with proven reserves on our mining concessions are charged to operations as incurred.

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 is expensed when incurred.

### Reclamation and Remediation Costs (asset retirement obligations)

Reclamation costs are allocated to expense over the life of the related assets and 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 and abandonment costs.

Future remediation costs for reprocessing plant and buildings are accrued based on management's best estimate, at the end of each period, of the undiscounted costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing remediation, maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised.

### Stock Based Compensation

Stock based compensation is accounted for using the Equity-Based Payments to Non-Employee's Topic of the FASB ASC, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. We determine the value of stock issued at the date of grant. We also determine at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Shares issued to employees are expensed upon issuance.

Stock based compensation for employees is accounted for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments granted to employees and will use the Black-Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

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Income Taxes

Income taxes are provided for using the asset and liability method of accounting in accordance with the Income Taxes Topic of the FASB ASC. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized by management. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The computation of limitations relating to the amount of such tax assets, and the determination of appropriate valuation allowances relating to the realization of such assets, are inherently complex and require the exercise of judgment. As additional information becomes available, management continually assesses the carrying value of our net deferred tax assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Francis Richard Biscan, Jr., Tara Gold's Principal Executive Officer and Lynda R. Keeton-Cardno, Tara Gold's Principal Financial and Accounting Officer, have evaluated the effectiveness of Tara Gold'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 Tara Gold's disclosure controls and procedures are effective.

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



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OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

Tara Gold is not involved in any legal proceedings and Tara Gold is not aware of any legal proceedings which are threatened or contemplated.

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

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| Exhibit<br>No. | Description of Exhibit                                  |     |
|----------------|---|-----|
| 31.1           | Rule 13a-14(a) Certifications – CEO                     | (1) |
| 31.2           | Rule 13a-14(a) Certifications - CFO                     | (1) |
| 32.1           | Section 1350 Certifications – CEO                       | (1) |
| 32.2           | Section 1350 Certifications - CFO                       | (1) |
| 101.INS        | XBRL Instance Document                                  | (1) |
| 101.SCH        | XBRL Taxonomy Extension Schema<br>Document              | (1) |
| 101.CAL        | XBRL Taxonomy Calculation Linkbase<br>Document          | (1) |
| 101.DEF        | XBRL Taxonomy Extension Definition<br>Linkbase Document | (1) |
| 101.LAB        | XBRL Taxonomy Label Linkbase Document                   | (1) |
| 101.PRE        | XBRL Taxonomy Presentation Linkbase<br>Document         | (1) |

(1)

Filed with this report.

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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.

Dated: November 14, 2014

By: /s/ Francis Richard Biscan, Jr.  
Francis R. Biscan, Jr., President,  
Chief Executive Officer

Dated: November 14, 2014

By: /s/ Lynda R. Keeton-Cardno  
Lynda R. Keeton-Cardno, CPA  
Principal Financial and Accounting  
Officer