

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

# FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2009

OR

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

Commission File No. – None

## TARA MINERALS CORP

*(Name of Small Business Issuer in its charter)*

Nevada

*(State of incorporation)*

20-5000381

*(IRS Employer Identification No.)*

2162 Acorn Court Wheaton, IL

*(Address of Principal Executive Office)*

60187

*(Zip Code)*

Registrant's telephone number, including Area Code: (630) 462-2079

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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       Non-accelerated filer  (Do not check if a smaller reporting company)  
Accelerated filer       Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the Company (13,771,448 shares) on June 30th, 2009 was \$6,721,000.

As of March 31, 2010, the Company had 54,330,812 issued and outstanding shares of common stock.

Documents incorporated by reference:    None

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes "forward-looking statements". All statements other than statements of historical facts included in this report, regarding Tara Minerals' financial position, business strategy, plans and objectives, are forward-looking statements. Although Tara Minerals believes that the expectations reflected in the forward-looking statements and the assumptions upon which such forward-looking statements are based are reasonable, it can give no assurance that such expectations and assumptions will prove to have been correct.

## **ITEM 1. BUSINESS**

Tara Minerals plans to explore and develop mining properties which may be productive of copper, lead, zinc and other industrial metals. Tara Minerals was incorporated in Nevada on May 12, 2006 and is in the exploration stage.

Tara Gold Resources Corp., which is also engaged in the exploration and development of mining properties in Mexico, owns 80% of Tara Minerals' common stock. The reason Tara Gold formed Tara Minerals was that, in the opinion of Tara Gold, some investors prefer gold and silver projects, while others prefer lead, zinc and silver projects. Consequently, capital may be easier to obtain by separating gold properties from industrial metal properties. In this regard, Tara Gold has the first right to acquire any gold or silver prospects and Tara Minerals has the first right to acquire any industrial metal prospects.

At some point in the future Tara Gold may distribute its shares in Tara Minerals to its shareholders. By doing so, the shareholders of Tara Gold will own two public corporations, one of which is involved in the exploration of gold and silver properties and the other of which is involved in the exploration of industrial metal properties. However, there is no commitment on the part of Tara Gold to distribute its shares in Tara Minerals and the distribution of these shares may never occur.

Tara Minerals plans to acquire low-cost properties that have the potential to yield high returns. After acquiring a property and selecting a possible exploration area through its own efforts or with others, Tara Minerals will typically compile reports, past production records and geologic surveys concerning the area. Tara Minerals may then undertake a field exploration program to determine whether the area merits work. Initial field exploration on a property normally consists of geologic mapping and geochemical and/or geophysical surveys, together with selected sampling to identify host environments that may contain specific mineral occurrences. If an area shows promise, geologic drilling programs may be undertaken in an effort to locate the existence of economic mineralization. If mineralization is delineated, further work will be undertaken to estimate ore reserves, evaluate the feasibility for the development of the mining project, obtain permits for commercial development, and, if the project appears to be economically viable, proceed to place the deposit into commercial production.

The capital required for exploration and development of mining properties is substantial. Tara Minerals plans to finance its future operations through joint venture arrangements with third parties (generally providing that the third party will obtain a specified percentage of Tara Minerals' interest in a certain property in exchange for the expenditure of a specified amount), the sale by Tara Minerals of interests in properties, cash flow from operations and by the sale of common stock.

The exploration and development of properties that are joint ventured with third parties are normally managed by one of the joint venture participants which is designated as the operator. The operator of a mining property generally provides all labor, equipment, supplies and management on a cost plus fee basis and often must perform specific tasks over a specified time period. Separate fees may be charged to the joint venturers by the operator and, once certain conditions are met, the joint venturers are typically required to pay the costs in proportion to their interests in the property.

Tara Minerals' properties will typically consist of a variety of interests including, properties located in foreign countries and unpatented and patented claims held under lease or owned by Tara Minerals. Typically, the rights to properties which Tara Minerals may acquire will be sub-surface rights which will allow Tara Minerals to explore for, and if warranted, develop the property. See "Mexican Mining Laws and Regulations" below for information concerning use of surface rights in Mexico for mining operations.

In connection with the acquisition of a property, Tara Minerals may conduct limited reviews of title and related matters and obtains certain representations regarding ownership. Although Tara Minerals plans to conduct reasonable investigations (in accordance with standard mining practice) of the validity of ownership, it may be unable to acquire good and marketable title to its properties.

Mines have limited lives, which is an inherent risk in the mining business. Although Tara Minerals plans to acquire other mining properties, there is a limited supply of desirable mineral lands available in Mexico where Tara Minerals would consider conducting exploration and/or production activities. In addition, Tara Minerals faces strong competition for new properties from other mining companies, many of which have substantial financial resources, and Tara Minerals may be unable to acquire attractive new mining properties on terms that are considered acceptable.

Tara Minerals owns 99.9% of the capital stock of American Metal Mining S.A. de C.V., a Mexican corporation. All of Tara Minerals' operations in Mexico are conducted through American Metal Mining since Mexican law provides that only Mexican corporations are allowed to own mining properties. However, when the Pillar de Moceribo, Don Roman and Lourdes and Las Nuvias properties were acquired in September and October 2006, American Metal Mining had not been incorporated. As a result, the mining properties owned by Tara Minerals were acquired by Corporacion Amermin, S.A. de C.V., the Mexican subsidiary of Tara Gold. These properties were transferred to American Metal Mining after its formation in December 2006. All references to Tara Minerals include the operations of American Metal Mining.

As of March 25, 2010 Tara Minerals had a 100% interest in the mining properties listed below. Although Tara Minerals believes that each of these properties has deposits of copper, lead or zinc, the properties are in the exploratory state, with the exception of Don Roman that is in the operating stage, do not have any known reserves, and may never produce any of these metals in commercial quantities.

The properties are located in the northern part of the La Reforma Mining District of northeastern Sinaloa State, Mexico. The predominate rocks in the area are Upper Jurassic-Lower Cretaceous carbonate (limestone) rocks and Tertiary granitic intrusives. The La Reforma Mining District has been mined for more than 300 years, with substantial amounts of precious and base metals produced from numerous mines. In the opinion of Tara Minerals, the district has never been properly explored using present day, industry standard, exploration methods, including geochemistry, geophysics, and geology. Tara Minerals feels that this area may potentially host base metals that were never discovered or exploited due in part to market conditions, lack of technology, and lack of funding.

The proposed exploration program for each property will typically consist of rock-chip sampling, soil geochemistry, geological mapping, a geophysical survey, trenching, drilling, and resource calculation. The exploration program will take place in phases, with some phases occurring simultaneously. Rock chip and soil geochemistry may be initiated first to test and define the mineralization. This may be followed up with a CSAMT (Controlled-Source Audio-Frequency Magneto Telluric) to test the extent and depth of sulfide mineralization those would host copper, lead or zinc. The CSAMT is an industry standard geophysical technique that has been used successfully to identify carbonate deposits in Mexico and other locations. Upon completion of the exploration program, and if results are positive, a drilling program may begin. Drilling results will then be evaluated and a mineral resource calculation will be made. Notwithstanding the above, the exploration program for each property will depend on a number of factors, including the property's particular geological conditions and the extent of any prior exploration work.

With the exception of the Don Roman Groupings, as of March 25, 2010 no equipment, plants or other facilities were located on any of the properties. Water and power will be required to further explore and, if warranted, develop Tara Minerals mining prospects.

Tara Minerals will contract with qualified personnel to conduct and supervise all aspects of its exploration program.

The exploration programs on the properties will be funded either through Tara Mineral's cash on hand or from operations, proceeds from the sale of Tara Minerals' common stock, or funds obtained from a joint venture partner.

In Mexico land size is denominated in hectares and weight is denominated in tonnes. One hectares is equal to approximately 2.47 acres and one tonne is equal to 2,200 pounds.

### Don Roman Groupings

The Don Roman Groupings, comprised of 7,032 hectares, were acquired in October 2006 and November 2008 from unrelated third parties for approximately \$2,846,229, plus value added taxes of approximately \$460,311. The Don Roman Groupings consist of the Pilar, Don Roman, Las Nuvias, and the Centanario mining prospects

The remaining payments for the Don Roman Groupings are due according to the following schedule:

| <u>Fiscal Year</u> | <u>Amount Due</u> |
|--------------------|-------------------|
| 2010               | \$ 892,854        |
| 2011               | \$ 546,673        |
| 2012               | \$ 692,330        |

The Don Roman Groupings projects are located approximately 25 kilometres from the town of Choix, Sinaloa State, Mexico. The properties are accessed by driving a 4x4 vehicle on Sinaloa State maintained roads along the north side of the Rio Fuerte River to the village of Altamira, located in the center of the La Reforma Mining District. From Altamira, the road trends due north to the village of Moceribo. The properties can then be reached by hiking two kilometers from the village.

Preliminary and continuing evaluation of the Don Roman Groupings has identified numerous mineralized systems at various locations on the property, some of which include a series of parallel NE trending lead, zinc, silver structures that can be traced for more than 300 meters; an abandoned lead, zinc, silver mine; and historic vein-type gold mineralization. A number of these mineralized structures lie within a complex suite of volcanic-granitic and sedimentary (carbonate) rocks. Preliminary evaluation of the property has indicated the potential for five separate mineral systems each having varying mineral characteristics. Initial sampling has indicated the potential for two lead, zinc, silver systems; two gold copper systems; and one iron ore, gold, copper system.

Permits needed to move towards continued active mining, assessing exploitation options and costs associated with the design of various mining and recovery systems have been obtained. Mining and processing equipment have been purchased and the plant, which will be capable of processing a minimum of 400 tonnes per day, has begun test ore runs on one of three circuits. Water rights for the property have been acquired and a 3" water pump and water 4.5 Km water line has been completed from Huites water reservoir. High voltage electrical service has been supplied to an electrical substation which will supply power to operate the Plant.

Two circuits capable of producing a minimum of 200 tonnes per day have been completed and are systematically increasing the production rate of saleable lead-silver and zinc concentrates while improving recovery rates, which are estimated to be approximately 80%. As of March 25, 2010 concentrates were being stockpiled in anticipation of definitive concentrate sales agreements which were being negotiated with a number of different buyers.

As of December 31, 2009 approximately \$ 3,100,000 has been spent on the processing plant facilities, processing equipment, and related mining equipment.

As of March 25, 2010 work continued on the third ball mill, which will add a minimum of another 100 tonnes of production capacity. After the addition of a fourth ball mill, which will be used as a regrind circuit, the plant is expected to operate at a minimum throughput rate of 400 tonnes per operating day. Ore continues to be hauled from the Don Roman mine to the plant patio where approximately 5,000 metric tonnes of economic grade ore has been stockpiled. Approximately 2,000 tonnes has been crushed to minus 3/8 inch and is ready for processing. A newly discovered gold structure named San Felipe has been channel sampled and returned assays with gold values ranging from 28 to 43 grams gold per metric tonne. Trenching has traced the structure for a strike of a minimum of 850 meters with a minimum depth of 400 meters and is open in all directions. A new road to "San Felipe" is being completed and additional trenching and sampling is underway. A building has been constructed to provide cover to the main portion of the plant equipment and personnel. A warehouse, on site living quarters, and a complete assay lab have also now been completed.

#### Picacho Prospect

Between October 2006 and January 2007 Tara Gold Resources Corp. acquired eight mining claims known as the "Picacho prospect" from Emilio Acuña Peralta. Under the terms of the agreement with Mr. Acuña, Tara Gold had the right to acquire a 100% interest in the property by making payments to Mr. Acuña totaling \$7,000,000 over a five-year period. Due to economic circumstances relating to the current recession, Tara Gold failed to make a payment due in November, 2008. In June, 2009 Tara Minerals agreed to acquire the Picacho claims from Mr. Acuña for \$4,800,000, plus value-added tax of \$720,000. Tara Minerals paid \$575,000 of the purchase price in June, 2009. The \$575,000 paid to Mr. Acuña in June 2009 was borrowed from Tara Gold Resources.

In July 2009 Tara Minerals transferred this prospect to its subsidiary, Adit Resources Corp. Tara Minerals owns 89% of the common stock of Adit Resources.

On March 31, 2010 Adit and Mr. Acuna amended their agreement. Under the revised agreement, Adit paid the vendor \$500,000 in cash (plus applicable taxes); and issued the vendor 320,000 shares of Adit's common stock, which was valued at \$2.50 per share, and 437,500 shares of Tara Minerals' common stock, which was valued at \$4.00 per share.

Adit paid for the Tara Minerals shares by means of a note in the principal amount of \$1,750,000. The note bears interest at 6% per year and will be due and payable on March 31, 2012. At any time after July 1, 2010 Tara Minerals may convert the outstanding principal, plus accrued interest, into shares of Adit's common stock. Tara Minerals will receive one share of Adit's common stock for each \$1.00 of principal and interest converted.

The Picacho property is located on a 3,236 hectare mining concession within the Northern Sierra Madre Gold Belt, 120 kilometers south of the U.S. border, in Sonora, Mexico. The project can be accessed by driving a 4x4 vehicle on Sinaloa State maintained roads along the north side of the Rio Fuerte River to the village of

Altamira, located in the center of the La Reforma Mining District. From Altamira, the road trends due north to the village of Moceribo. The prospect is located two kilometres from Moceribo.

Between June, 2006 and May, 2007, Tara Gold mined a small amount of ore containing gold and silica. The mineralized ore was crushed at the mill and sold to Mexicana del Cobre smelter as flux with gold credits.

The following shows the timing and estimated cost for the present exploration plan for this property:

| <u>Phase</u>  | <u>Projected Completion</u> | <u>Estimated Cost</u> |
|---|-----------------------------|-----------------------|
| Surface Evaluation and Exploration Drilling           | 2010                        | \$ 6,075,000          |
| Development Drilling, Feasibility, Equipment Ordering | 2011                        | \$30,575,000          |
| Development, Construction, Production                 | 2012                        | \$50,328,000          |

### United States Mining Laws and Regulations

In the United States, unpatented mining claims on unappropriated federal land may be acquired pursuant to procedures established by the Mining Law of 1872 and other federal and state laws. These acts generally provide that a citizen of the United States (including corporations) may acquire a possessory right to develop and mine valuable mineral deposits discovered upon unappropriated federal lands, provided that such lands have not been withdrawn from mineral location, e.g., national parks, military reservations and lands designated as part of the National Wilderness Preservation System. The validity of all unpatented mining claims is dependent upon inherent uncertainties and conditions. These uncertainties relate to such non-record facts as the sufficiency of the discovery of minerals, proper posting and marking of boundaries, and possible conflicts with other claims not determinable from descriptions of record. Prior to discovery of a locatable mineral thereon, a mining claim may be open to location by others unless the owner is in possession of the claim.

The domestic exploration programs conducted by Tara Minerals will be subject to federal, state and local environmental regulations. The United States Forest Service and the Bureau of Land Management extensively regulate mining operations conducted on public lands. Most operations involving the exploration for minerals are subject to existing laws and regulations relating to exploration procedures, safety precautions, employee health and safety, air quality standards, pollution of stream and fresh water sources, odor, noise, dust, and other environmental protection controls adopted by federal, state, and local governmental authorities as well as the rights of adjoining property owners. Tara Minerals may be required to prepare and present to federal, state, or local authorities data pertaining to the effect or impact that any proposed exploration or production of minerals may have upon the environment. All requirements imposed by any such authorities may be costly and time-consuming, and may delay commencement or continuation of exploration or production operations.

Future legislation and regulations are expected to continue to emphasize the protection of the environment, and, as a consequence, the activities of Tara Minerals may be more closely regulated to further the cause of environmental protection. Such legislation and regulations, as well as future interpretation of existing laws, may require substantial increases in capital and operating costs to Tara Minerals and may result in delays, interruptions, or a termination of operations, the extent of which cannot be predicted.

Mining operations in the United States are subject to inspection and regulation by the Mine Safety and Health Administration of the Department of Labor (MSHA) under provisions of the Federal Mine Safety and Health Act of 1977.

Tara Minerals' operations will also be subject to regulations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA or Superfund), which regulates and

establishes liability for the release of hazardous substances, and the Endangered Species Act (ESA), which identifies endangered species of plants and animals and regulates activities to protect these species and their habitats. Tara Minerals may incur expenditures for land reclamation pursuant to federal and state land restoration laws and regulations. Under certain circumstances, Tara Minerals may be required to close an operation until a particular problem is remedied or to undertake other remedial actions.

### Mexican Mining Laws and Regulations

In Mexico, Article 27 of the Mexican Constitution grants the ownership of essentially all minerals to the Mexican nation. The right to exploit those minerals is given to private parties through concessions issued by the Mexican government. The current Mining Law of Mexico was enacted in 1992. Concessions are granted on mining lots, the sides of which measure 100 meters, or a multiple of 100, except when adjoining lots (granted when there were no size requirements) require a smaller size. An exploration concession is granted to the first applicant that meets the requirements of the Mining Law, the most important of which is that the claimed area is deemed to be “free land”. Under the Mining Law, areas that are already covered by mining concessions or applications for mining concessions are not free, as well as reserved areas such as the coast and the seabed.

Exploration mining concession applications are filed at government offices. Exploration concessions are valid for six years and give their holders the right to carry out exploration work. While the concessionaire may keep the minerals obtained in the course of the exploration work, the mine may not be put into production. If the concessionaire wishes to continue exploration work beyond six years, or wishes to go into production, the concessionaire may, at any time before the expiration of the six year term, request an exploitation concession, which is valid for 50 years and renewable once for a similar term.

Mining concessions do not grant the holder right to enter or use the surface land of the mining lots. It is therefore necessary to obtain the permission of the surface owner for that purpose. Typically, a verbal authorization with no consideration is granted for prospecting and sample gathering. A simple letter agreement or contract is normally used for drilling, trenching, or basic road building. For more advanced exploration activities, a small monetary consideration is normally required. In some cases the concessionaire is also required to make minor improvements which benefit the local community such as fixing a road or fence or building an earthen dam. Building and operating a mine requires a more formal agreement. If an agreement cannot be reached with the surface owner, the Mining Law gives the concessionaire the right to request a temporary occupation of the land or an expropriation (or an easement for the construction of roads, power lines, water pipes, etc.). Compensation is set through an appraisal made by the federal government.

A concessionaire’s most important obligation is the performance of assessment work on the mining lots. A minimum amount of assessment work measured in monetary terms must be performed each year, depending on the size of the mining lot and, for an exploration mining concession, the number of years elapsed since its issue, pursuant to minimum investment tables established by the Mexican government. Assessment work may be done either through expenditures or the sale of minerals. A report must be filed in May of every year regarding the work for the previous calendar year. Lack of performance of the minimum work will result in the cancellation of the concession; payment to the government in lieu of required assessment of work is not allowed.

Concessionaires must comply with federal environmental regulations which generally require that mining activities be subject to an environmental impact statement authorization. Normally an environmental impact statement authorization can be obtained in six to twelve months from the date of its filing. However,

mining operations which do not exceed levels established by the Mexican government are not required to file an environmental impact statement.

The Mining Law forbids concessionaires from removing mine timbering and supports and requires compliance with all safety rules promulgated by the Mexican government.

Mexican and foreign individuals, as well as Mexican corporations, are allowed to hold mining concessions. Although foreign corporations may not hold mining concessions, foreign corporations may, however, own Mexican corporations.

#### General

Tara Minerals' offices are located at 2162 Acorn Court, Wheaton, IL 60189 and consist of approximately 150 square feet of office space are supplied free of charge by Francis Richard Biscan, Jr., the President of Tara Minerals.

As of March 31, 2010 the only employees of Tara Minerals were its two officers.

Tara Minerals' website is [www.taraminerals.com](http://www.taraminerals.com).

#### **ITEM 2. DESCRIPTION OF PROPERTY**

See Item 1.

#### **ITEM 3. LEGAL PROCEEDINGS.**

Tara Minerals is not involved in any legal proceedings and Tara Minerals does not know of any legal proceedings which are threatened or contemplated.

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

Not Applicable.

#### **ITEM 5. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS.**

Since June, 2008 Tara Minerals' common stock has been quoted on the OTC Bulletin Board under the symbol "TARM". Prior to that date, there was no established trading market for Tara Minerals' common stock.

Shown below are the range of high and low closing prices for Tara Minerals' common stock for the periods indicated as reported by FINRA. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

| <u>Quarter Ended</u> | <u>High</u> | <u>Low</u> |
|----------------------|-------------|------------|
| June 2008            | \$ 0.60     | \$ 0.51    |
| September 30, 2008   | \$ 0.80     | \$ 0.30    |
| December 31, 2008    | \$ 0.53     | \$ 0.08    |
| March 31, 2009       | \$ 0.53     | \$ 0.16    |
| June 30, 2009        | \$ 0.58     | \$ 0.16    |
| September 30, 2009   | \$ 1.09     | \$ 0.47    |
| December 31, 2009    | \$ 1.78     | \$ 1.00    |

As of March 31, 2010, Tara Minerals had 54,330,812 outstanding shares of common stock and 56 shareholders of record. The following table lists additional shares of Tara Minerals' common stock which may be issued.

|  | <u>Number of<br/>Shares</u> | <u>Note<br/>Reference</u> |
|--|-----------------------------|---------------------------|
| Shares issuable upon exercise of options held by Tara Minerals' officers | 3,250,000                   | A                         |
| Shares issuable upon exercise of warrants sold in private offerings      | 3,632,833                   | B                         |

- A. See Item 11 of this report for information concerning the terms of these options.
- B. In 2008, Tara Minerals sold 1,119,167 Units at a price of \$0.60 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$1.20 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. In October 2009, the warrant exercise price was amended so that holders' could exercise the warrant at a price of \$0.90 until October 23, 2009. After October 23, 2009 the warrant exercise price reverted to \$1.20 per share. The warrant expiration date did not change. As of March 31, 2010, 1,096,334 warrants had been exercised. Tara Minerals received proceeds of \$176,000 from the exercise of these warrants.

In 2008 and 2009, Tara Minerals sold 2,800,000 Units at a price of \$0.20 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$0.40 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. As of March 31, 2010, 440,000 warrants had been exercised. Tara Minerals received proceeds of \$1,079,335 from the exercise of these warrants.

In February 2010 Tara Minerals issued 1,000,000 shares of its common stock and 1,000,000 warrants to an investor relations consultant. Each warrant entitles the holder to purchase one share of Tara Minerals' common stock at a price of \$0.001 per share at any time on or before November 5, 2010.

In February 2010 Tara Minerals issued 250,000 shares of its common stock and 250,000 warrants to an investor relations consultant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$0.01 per share at any time on or before November 5, 2010.

With the exception of the shares held by Tara Gold Resources and the share referenced in Note B above, all outstanding shares of Tara Minerals are freely tradable.

Holders of common stock are entitled to receive dividends as may be declared by the Board of Directors. Tara Minerals' Board of Directors is not restricted from paying any dividends but is not obligated to declare a dividend. No dividends have ever been declared and it is not anticipated that dividends will ever be paid.

#### **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

#### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION**

Tara Minerals was incorporated on May 12, 2006. During the period from its incorporation through December 31, 2009 Tara Minerals did not generate any revenue and incurred \$437,435 in exploration expenses and \$4,820,669 in operating and general administration expenses. Included in operating and general and administrative expenses is a non-cash charge of \$1,164,173 pertaining to the issuance of stock options.

Between December 2006 and February 2007 Tara Minerals raised \$2,540,000 from the sale of 5,081,000 shares of its common stock to private investors.

In January 2008 Tara Minerals issued 1,200,000 shares of its common stock to an unrelated third party for mining equipment.

In 2008, Tara Minerals sold 1,119,167 Units at a price of \$0.60 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$1.20 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. In October 2009, the warrant exercise price was amended so that holders' could exercise the warrant at a price of \$0.90 until October 23, 2009. After October 23, 2009 the warrant exercise price reverted to \$1.20 per share. The warrant expiration date did not change. A total of 1,096,334 warrants for \$1,079,935 were exercised as of March 25, 2010.

In 2008 and 2009, Tara Minerals sold 2,800,000 Units at a price of \$0.20 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$0.40 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. A total of 440,000 warrants for \$176,000 were exercised as of March 25, 2010.

Tara Minerals' plan of operation is described in Item 1 of this report.

Tara Minerals anticipates that its capital requirements during the twelve months ending March 31, 2011 will be:

|   |              |
|---|--------------|
| Exploration and Development – Don Roman Groupings | \$ 1,000,000 |
| Property payments and taxes – Don Roman Groupings | 892,854      |
| Exploration and Development - Picacho Prospect    | 6,075,000    |
| Property payments and taxes – Picacho Prospect    | 472,458      |
| General and administrative expenses               | 375,000      |
| Total   | \$ 8,815,312 |

Tara Minerals believes that its cash on hand will satisfy its working capital needs until the end of the September 30, 2010. After that time, Tara Minerals 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.

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

Tara Minerals anticipates that it will need to hire 10 to 15 new employees during the twelve-month period ending March 31, 2011 primarily to run mining operations.

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

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

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

Not applicable.

**ITEM 8 FINANCIAL STATEMENTS**

**TARA MINERALS CORP. AND SUBSIDIARIES**

(A Subsidiary of Tara Gold Resources Corp.)

(An Exploration Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR**

**THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND OCTOBER 31, 2008 AND THE TRANSITION  
PERIOD ENDED DECEMBER 31, 2008**

**And**

**THE PERIOD FROM INCEPTION (MAY 12, 2006) THROUGH DECEMBER 31, 2009**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder  
of Tara Minerals Corp. and Subsidiary

We have audited the accompanying consolidated balance sheets of Tara Minerals Corp. (a Nevada corporation) and subsidiaries as of December 31, 2009 and October 31, 2008, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the fiscal years ended December 31, 2009 and October 31, 2008, and the transition period ended December 31, 2008, and for the period from inception (May 12, 2006) through December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tara Minerals Corp. and subsidiaries as of December 31, 2009 and October 31, 2008, and the results of their operations and their cash flows for the fiscal years ended December 31, 2009 and October 31, 2008, and the transition period ended December 31, 2008, and for the period from inception (May 12, 2006) through December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

**Mendoza Berger & Company, LLP**

/s/ Mendoza Berger & Company, LLP

Irvine, California  
March 31, 2010

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

|   | <u>December 31,</u><br><u>2009</u> | <u>December 31,</u><br><u>2008</u> | <u>October 31,</u><br><u>2008</u> |
|---|------------------------------------|------------------------------------|-----------------------------------|
| <b>Assets</b>   |                                    |                                    |                                   |
| Current assets:   |                                    |                                    |                                   |
| Cash  | \$ 1,230,376                       | \$ 21,012                          | \$ 48,802                         |
| Recoverable value added taxes net of allowance for bad debt of \$114,139<br>\$0 and \$0 at December 31, 2009, December 31, 2008 and October 31,<br>2008 respectively  | 1,618,345                          | 591,200                            | 352,316                           |
| Other receivables   | 42,496                             | 5,608                              | 5,226                             |
| Due from related parties  | 439,308                            | 423,004                            | 430,100                           |
| Prepaid assets  | -                                  | -                                  | 150                               |
| Total current assets  | 3,330,525                          | 1,040,824                          | 836,594                           |
| Property, equipment, mine development and land, net of accumulated<br>depreciation of \$67,008, \$42,608 and \$37,679 at December 31, 2009,<br>December 31, 2008 and October 31, 2008, respectively                     | 11,087,282                         | 4,367,972                          | 2,826,834                         |
| Mining deposits   | 25,000                             | 133,000                            | 133,000                           |
| Goodwill  | 12,028                             | -                                  | -                                 |
| Other assets  | 18,784                             | 1,090                              | 1,170                             |
| Total assets  | \$ 14,473,619                      | \$ 5,542,886                       | \$ 3,797,598                      |
| <b>Liabilities and stockholders' equity</b>   |                                    |                                    |                                   |
| Current liabilities:  |                                    |                                    |                                   |
| Accounts payable  | \$ 17,320                          | \$ 41,409                          | \$ 38,782                         |
| Accrued expenses  | 184,488                            | 83,227                             | 47,773                            |
| Notes Payable, current portion  | 945,814                            | 255,362                            | -                                 |
| Due to related parties, current portion   | 2,770,838                          | 815,794                            | 354,844                           |
| Total current liabilities   | 3,918,460                          | 1,195,792                          | 441,399                           |
| Notes Payable, non-current portion  | 5,273,604                          | 1,512,425                          | -                                 |
| Due to related parties, non-current portion   | -                                  | 87,658                             | 503,388                           |
| Total liabilities   | 9,192,064                          | 2,795,875                          | 944,787                           |
| Commitments and contingencies   | -                                  | -                                  | -                                 |
| Stockholders' equity:   |                                    |                                    |                                   |
| Common stock: \$0.001 par value; authorized 75,000,000 shares; issued<br>and outstanding 51,036,092, 37,910,167 and 37,350,167 shares at<br>December 31, 2009, December 31, 2008 and October 31, 2008,<br>respectively. | 51,036                             | 37,910                             | 37,350                            |
| Additional paid-in capital  | 9,886,201                          | 5,040,263                          | 4,908,823                         |
| Common stock subscribed   | -                                  | -                                  | 88,000                            |
| Other comprehensive loss  | (140,016)                          | (240,916)                          | (172,881)                         |
| Deficit accumulated during exploration stage  | (6,123,835)                        | (2,090,246)                        | (2,008,481)                       |
| Total Tara Minerals stockholders' equity  | 3,673,386                          | 2,747,011                          | 2,852,811                         |
| Non-controlling interest  | 1,608,169                          | -                                  | -                                 |
| Total equity  | 5,281,555                          | 2,747,011                          | 2,852,811                         |
| Total liabilities and equity  | \$ 14,473,619                      | \$ 5,542,886                       | \$ 3,797,598                      |

See Accompanying Notes to these Financial Statements.

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND**  
**COMPREHENSIVE LOSS**

|   | <u>For the<br/>fiscal year<br/>ended<br/>December 31,<br/>2009</u> | <u>For the<br/>fiscal year<br/>ended<br/>October 31,<br/>2008</u> | <u>From<br/>inception<br/>(May 12, 2006) to<br/>December 31,<br/>2009</u> |
|---|--|---|---|
| Mining revenues:                                      | \$ -   | \$ -  | \$ -  |
| Cost of revenue:                                      |  |   |   |
| Exploration expenses                                  | 261,470  | 35,904  | 450,858   |
| Operating, general, and administrative expenses:      |  |   |   |
| Other operating, general, and administrative expenses | <u>2,079,170</u>   | <u>541,966</u>  | <u>4,799,778</u>  |
| Total operating, general, and administrative expenses | 2,079,170  | 541,966   | 4,799,778   |
| Net operating loss                                    | (2,340,640)  | (577,870)   | (5,250,636)   |
| Non-operating (income) expense:                       |  |   |   |
| Interest (income)                                     | (40,043)   | (39,974)  | (109,640)   |
| Interest expense                                      | 1,761,575  | -   | 1,761,639   |
| Other (income)  | <u>(28,584)</u>  | <u>(750,197)</u>  | <u>(789,795)</u>  |
|   | 1,692,948  | (790,171)   | (873,204)   |
| Non-controlling interest                              | -  | -   | 5   |
| Net (loss) income before income taxes                 | (4,033,588)  | 212,301   | (6,123,835)   |
| Income tax (benefit) expense                          | <u>-</u>   | <u>-</u>  | <u>-</u>  |
| Net (loss) income from continuing operations          | (4,033,588)  | 212,301   | (6,123,835)   |
| Other comprehensive income (loss):                    |  |   |   |
| Foreign currency translation                          | <u>100,901</u>   | <u>(184,255)</u>  | <u>(140,016)</u>  |
| Comprehensive income (loss)                           | \$ <u><u>(3,932,687)</u></u>                                       | \$ <u><u>28,046</u></u>   | \$ <u><u>(6,263,851)</u></u>  |
| Net income (loss) per share, basic                    | \$ <u><u>(0.10)</u></u>  | \$ <u><u>0.01</u></u>   |   |
| Net income (loss) per share, diluted                  | \$ <u><u>(0.10)</u></u>  | \$ <u><u>0.01</u></u>   |   |
| Weighted average number of shares, basic              | <u>40,348,227</u>  | <u>37,547,608</u>   |   |
| Weighted average number of shares, diluted            | <u>40,348,227</u>  | <u>38,547,608</u>   |   |

See Accompanying Notes to these Financial Statements.

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND**  
**COMPREHENSIVE LOSS**

|   |    | <b>For the two<br/>Months<br/>transition<br/>period ended<br/>December 31,<br/>2008</b> |
|---|----|---|
|   | \$ |   |
| Mining revenues:                                      | \$ | -   |
| Cost of revenue:                                      |    |   |
| Exploration expenses                                  |    | 29,314  |
| Operating, general, and administrative expenses:      |    |   |
| Other operating, general, and administrative expenses |    | 57,199  |
| Total operating, general, and administrative expenses |    | 57,199  |
| Net operating loss                                    |    | (86,513)  |
| Non-operating (income) expense:                       |    |   |
| Interest (income)                                     |    | (4,810)   |
| Interest expense                                      |    | 64  |
| Other (income)  |    | (2)   |
|   |    | (4,748)   |
| Non-controlling interest                              |    | -   |
| Net loss before income taxes                          |    | (81,765)  |
| Income tax (benefit) provision                        |    | -   |
| Net loss from continuing operations                   |    | (81,765)  |
| Other comprehensive income:                           |    |   |
| Foreign currency translation                          |    | (68,035)  |
| Comprehensive loss                                    | \$ | (149,800)   |
| Net loss per share, basic                             | \$ | (0.00)  |
| Weighted average number of shares, diluted            |    | 37,717,380  |

See Accompanying Notes to these Financial Statements.

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

|  | <b>Common Stock<br/>Shares</b> | <b>Common Stock<br/>Amount</b> | <b>Additional<br/>Paid In<br/>Capital</b> | <b>Common<br/>Stock<br/>Subscribed</b> | <b>Other<br/>Comprehensive<br/>Income</b> | <b>Accumulated<br/>Deficit During<br/>Exploration Stage</b> | <b>Total</b> |
|--|--------------------------------|--------------------------------|---|--|---|---|--------------|
| Balance at inception (May 12, 2006)      | -                              | \$ -                           | \$ -                                      | \$ -                                   | \$ -                                      | \$ -  | \$ -         |
| Founders shares, issued October 31, 2006 | 30,000,000                     | 30,000                         | (30,000)                                  | -                                      | -   | -   | -            |
| Net income                               | -                              | -                              | -   | -                                      | -   | -   | -            |
| Balance at October 31, 2006              | 30,000,000                     | 30,000                         | (30,000)                                  | -                                      | -   | -   | -            |
| Common stock sold for cash               | 5,081,000                      | 5,081                          | 2,535,419                                 | -                                      | -   | -   | 2,540,500    |
| Common stock issued for services         | 1,500,000                      | 1,500                          | 748,500                                   | -                                      | -   | -   | 750,000      |
| Stock based compensation (stock options) | -                              | -                              | 1,164,173                                 | -                                      | -   | -   | 1,164,173    |
| Foreign currency translation             | -                              | -                              | -   | -                                      | 11,374                                    | -   | 11,374       |
| Net loss                                 | -                              | -                              | -   | -                                      | -   | (2,220,782)   | (2,220,782)  |
| Balance at October 31, 2007              | 36,581,000                     | \$36,581                       | \$ 4,418,092                              | \$ -                                   | \$ 11,374                                 | \$ (2,220,782)  | \$ 2,245,265 |

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(CONTINUED)**

|  | <u>Common Stock</u><br><u>Shares</u> | <u>Amount</u>    | <u>Additional</u><br><u>Paid In Capital</u> | <u>Common</u><br><u>Stock</u><br><u>Subscribed</u> | <u>Other</u><br><u>Comprehensive</u><br><u>Income</u> | <u>Accumulated</u><br><u>Deficit During</u><br><u>Exploration Stage</u> | <u>Total</u>        |
|--|--------------------------------------|------------------|---|--|---|---|---------------------|
| Balance at October 31, 2007              | 36,581,000                           | \$ 36,581        | \$ 4,418,092                                | \$ -   | \$ 11,374   | \$ (2,220,782)  | \$ 2,245,265        |
| Common stock sold for cash               | 1,069,167                            | 1,069            | 640,431                                     | -  | -   | -   | 641,500             |
| Common stock issued for equipment        | 1,200,000                            | 1,200            | 598,800                                     | -  | -   | -   | 600,000             |
| Cancelled shares                         | (1,500,000)                          | (1,500)          | (748,500)                                   | -  | --  | -   | (750,000)           |
| Common stock subscribed (340,000 shares) | --                                   | --               | --  | 88,000   | --  | -   | 88,000              |
| Foreign currency translation             | -                                    | -                | -   | -  | (184,255)   | -   | (184,255)           |
| Net income                               | -                                    | -                | -   | -  | -   | 212,301   | 212,301             |
| Balance at October 31, 2008              | <u>37,350,167</u>                    | <u>\$ 37,350</u> | <u>\$ 4,908,823</u>                         | <u>\$ 88,000</u>                                   | <u>\$ (172,881)</u>                                   | <u>\$ (2,008,481)</u>   | <u>\$ 2,852,811</u> |

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(CONTINUED)**

|   | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid In<br>Capital | Common<br>Stock<br>Subscribed | Other<br>Comprehensive<br>Income | Accumulated<br>Deficit During<br>Exploration<br>Stage | Total        |
|---|------------------------|------------------------|----------------------------------|-------------------------------|----------------------------------|---|--------------|
| Balance at October 31, 2008                                     | 37,350,167             | \$ 37,350              | \$ 4,908,823                     | \$ 88,000                     | \$ (172,881)                     | \$ (2,008,481)  | \$ 2,852,811 |
| Common stock sold for cash                                      | 325,000                | 325                    | 64,675                           | (21,000)                      | -                                | -   | 44,000       |
| Common stock subscribed   | 235,000                | 235                    | 66,765                           | (67,000)                      | -                                | -   | -            |
| Foreign currency translation                                    | -                      | -                      | -                                | -                             | (68,036)                         | -   | (68,036)     |
| Net loss  | -                      | -                      | -                                | -                             | -                                | (81,766)  | (81,766)     |
| Balance at December 31, 2008                                    | 37,910,167             | 37,910                 | 5,040,263                        | -                             | (240,917)                        | (2,090,247)   | 2,747,009    |
| Common stock sold for cash                                      | 2,986,667              | 2,987                  | 1,057,014                        | -                             | -                                | -   | 1,060,001    |
| Common stock issued for services                                | 579,894                | 580                    | 223,895                          | -                             | -                                | -   | 224,475      |
| Common stock issued for compensation                            | 808,924                | 809                    | 128,691                          | -                             | -                                | -   | 129,500      |
| Foreign currency translation                                    | -                      | -                      | -                                | -                             | 100,901                          | -   | 100,901      |
| Beneficial conversion feature on convertible debt related party | -                      | -                      | 1,695,000                        | -                             | -                                | -   | 1,695,000    |
| Loan conversion plus accrued interest                           | 8,750,440              | 8,750                  | 1,741,338                        | -                             | -                                | -   | 1,750,088    |
| Net loss  | -                      | -                      | -                                | -                             | -                                | (4,033,588)   | (4,033,588)  |
| Balance at December 31, 2009                                    | 51,036,092             | \$ 51,036              | \$ 9,886,201                     | \$ -                          | \$ (140,016)                     | \$ (6,123,835)  | \$ 3,673,386 |

See Accompanying Notes to these Financial Statements.

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | <b>For the<br/>year ended<br/>December 31,<br/>2009</b> | <b>For the<br/>year ended<br/>October 31,<br/>2008</b> | <b>From<br/>Inception<br/>(May 12, 2006)<br/>through<br/>December 31,<br/>2009</b> |
|--|---|--|--|
|  | <u>          </u>                                       | <u>          </u>                                      | <u>          </u>  |
| <b>Cash flows from operating activities:</b>                                   |   |  |  |
| Net income (loss)  | \$ (4,033,588)  | \$ 212,301   | \$ (6,123,835)   |
| Adjustments to reconcile net loss to net cash used<br>in operating activities: |   |  |  |
| Bad debt expense   | 117,971   | -  | 117,971  |
| Depreciation   | 26,301  | 20,897   | 67,008   |
| Stock based compensation   | 129,500   | -  | 1,293,673  |
| Common stock paid for services   | 224,475   | (750,000)  | 974,475  |
| Cancellation of shares for settlement  | -   |  | (750,000)  |
| Non-controlling interest   | 4   | -  | 5  |
| Expense of mining deposit upon note modification                               | 6,000   | -  | 6,000  |
| Accretion of beneficial conversion feature                                     | 1,695,000   | -  | 1,695,000  |
| Accrued interest converted to common stock                                     | 55,088  | -  | 55,088   |
| Changes in assets and liabilities:   |   |  |  |
| (Increase) in recoverable value added taxes                                    | (471,207)   | (74,286)   | (702,403)  |
| (Increase) in other receivables  | (41,793)  | (331)  | (46,328)   |
| Decrease in prepaid expenses   | -   | 6,753  | -  |
| (Increase) in other assets   | (17,693)  | (1,170)  | (18,783)   |
| Increase (decrease) in accounts payable  | (24,314)  | 32,928   | 17,096   |
| Increase in accrued expenses   | 17,017  | 38,272   | 172,414  |
|  | <u>          </u>                                       | <u>          </u>                                      | <u>          </u>  |
| Net cash used in operating activities  | (2,317,239)   | (514,636)  | (3,242,619)  |
| <b>Cash flows from investing activities:</b>                                   |   |  |  |
| Acquisition of land  | -   | -  | (19,590)   |
| Purchase of mining concession  | (623,111)   | -  | (805,160)  |
| Payments made for construction in progress                                     | (1,498,523)   | (630,547)  | (2,163,485)  |
| Deposits toward mining concessions   | (25,000)  | (133,000)  | (31,000)   |
| Acquisition of machinery   | (107,691)   | (40,791)   | (157,159)  |
| Cash included in business acquisition  | 2,037   | -  | 2,037  |
| Business acquisition goodwill  | (3,758)   | -  | (3,758)  |
|  | <u>          </u>                                       | <u>          </u>                                      | <u>          </u>  |
| Net cash used in investing activities  | (2,256,046)   | (804,338)  | (3,178,115)  |

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(CONTINUED)

|   | <b>For the<br/>year ended<br/>December 31,<br/>2009</b> | <b>For the<br/>year ended<br/>October 31,<br/>2008</b> | <b>From<br/>Inception<br/>(May 12, 2006)<br/>through<br/>December 31,<br/>2009</b> |
|---|---|--|--|
| <b>Cash flows from financing activities:</b>              |   |  |  |
| Cash from the sale of common stock                        | 1,060,001   | 641,500  | 4,374,001  |
| Payments towards notes payable                            | (469,053)   | -  | (469,051)  |
| Payment towards equipment financing                       | -   | -  | (160,026)  |
| Change in due to/from related parties, net                | 3,482,635   | (130,790)  | 2,438,038  |
| Common stock subscribed                                   | -   | 88,000   | -  |
| Non-controlling interest in net assets<br>of subsidiaries | 1,608,165   | -  | 1,608,164  |
|   | <hr/>   | <hr/>  | <hr/>  |
| Net cash provided by financing activities                 | 5,681,748   | 598,710  | 7,791,126  |
| Effect of exchange rate changes on cash                   | 100,901   | (184,255)  | (140,016)  |
| Cash and cash equivalents:                                |   |  |  |
| Net increase (decrease)                                   | 1,209,364   | (904,519)  | 1,230,376  |
| Beginning of period                                       | 21,012  | 953,321  | -  |
|   | <hr/>   | <hr/>  | <hr/>  |
| End of period   | \$ 1,230,376  | \$ 48,802  | \$ 1,230,376   |

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(CONTINUED)

|  | For the<br>year ended<br>December 31,<br>2009 | For the<br>year ended<br>October 31,<br>2008 | From inception<br>(May 12, 2006)<br>through<br>December 31,<br>2009 |
|--|---|--|---|
| Supplemental Information:  |   |  |   |
| Interest paid  | \$ 73,610                                     | \$ 55,050                                    | \$ 128,660  |
| Income taxes paid  | \$ -  | \$ -   | \$ -  |
| Non-cash Investing and Financing Transactions:   |   |  |   |
| Purchase of mining concession paid by<br>debt to related party plus capitalized interest<br>(current period movement due to note modification) | \$ (52,048)                                   | \$ (7,053)                                   | \$ 1,281,655  |
| Purchase of mining concession paid with<br>Notes payable plus capitalized interest   | \$ 4,566,432                                  | \$ -   | \$ 5,650,169  |
| Recoverable value-added taxes incurred through<br>Additional debt and due to related party   | \$ 670,077                                    | \$ -   | \$ 1,030,081  |
| Beneficial conversion value for convertible debt   | \$ 1,695,000                                  | \$ -   | \$ 1,695,000  |
| Convertible debt converted to common stock, plus accrued<br>Interest.  | \$ 1,750,088                                  | \$ -   | \$ 1,750,088  |
| Purchase of mining equipment with common stock   | \$ -  | \$ 600,000                                   | \$ 600,000  |
| Stock-based compensation Issuance of common stock for<br>Equipment   | \$ -  | \$ -   | \$ 1,164,173  |
| Acquisition of property and equipment through debt   | \$ -  | \$ -   | \$ 167,072  |
| Business Combination of American Copper Mining:  |   |  |   |
| Cash   | \$ (2,037)                                    | \$ -   | \$ (2,037)  |
| Due from related parties   | 1,989   | -  | 1,989   |
| Goodwill (from net assets)   | 8,270   | -  | 8,270   |
| Accounts payable and accrued expenses  | 12,071  | -  | 12,071  |

See Accompanying Notes to these Financial Statements.

**TARA MINERALS CORP. AND SUBSIDIARIES**  
**(A Subsidiary of Tara Gold Resources Corp.)**  
**(An Exploration Stage Company)**  
**STATEMENTS OF CASH FLOWS**

|  |    | <b>For the<br/>Two months<br/>transitional<br/>period ended<br/>December 31,<br/>2008</b> |
|--|----|---|
| <b>Cash flows from operating activities:</b>                                   |    |   |
| Net loss   | \$ | (81,765)  |
| Adjustments to reconcile net loss to net cash used<br>in operating activities: |    |   |
| Depreciation   |    | 4,929   |
| Changes in assets and liabilities:   |    |   |
| Decrease in recoverable value added taxes                                      |    | 8,166   |
| (Increase) in other receivables  |    | (382)   |
| Decrease in prepaid expenses   |    | 150   |
| Decrease in other assets   |    | 80  |
| Increase in accounts payable   |    | 2,627   |
| Increase in accrued expenses   |    | 35,455  |
|  |    | (30,740)  |
| <b>Cash flows from investing activities:</b>                                   |    |   |
| Payments made for construction in progress                                     |    | (24,934)  |
| Acquisition of machinery   |    | (396)   |
|  |    | (25,330)  |
| <b>Cash flows from financing activities:</b>                                   |    |   |
| Cash from the sale of common stock   |    | 44,000  |
| Change in due to/from related parties, net                                     |    | 52,315  |
|  |    | 96,315  |
| Effect of exchange rate changes on cash  |    | (68,035)  |
| Cash and cash equivalents:   |    |   |
| Net decrease   |    | (27,790)  |
| Beginning of period  |    | 48,802  |
|  |    | 21,012  |
| End of period  | \$ | 21,012  |

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**STATEMENTS OF CASH FLOWS**

|   |    | <b>For the<br/>Two months<br/>transition<br/>period ended<br/>December 31,<br/>2008</b> |
|---|----|---|
|   |    |   |
| <b>SUPPLEMENT DISCLOSURE OF CASH FLOW INFORMATION</b>                                   |    |   |
| Interest paid   | \$ | -   |
| Income taxes paid   | \$ | -   |
| <b>NON-CASH TRANSACTIONS</b>  |    |   |
| Purchase of mining concession paid with notes payable plus capitalized interest.        | \$ | 1,767,787   |
| Recoverable value-added taxes incurred through additional debt and due to related party | \$ | 247,050   |
| Issuance of common stock for stock subscribed   | \$ | 88,000  |

See Accompanying Notes to these Financial Statements.

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**Note 1. Nature of Business and Significant Accounting Policies**

Nature of business and principles of consolidation:

Tara Minerals Corp. (the “Company”) was organized May 12, 2006 under the laws of the State of Nevada. The Company currently is engaged in the acquisition, exploration and development of mineral resource properties in Mexico. The Company owns 99.9% of the common stock of American Metal Mining, S.A. de C.V. (“AMM”), which was established in December 2006 and operates in México. The Company also owns 90% of the common stock of Adit Resources Corp., which in turns owns 99.9% of American Copper Mining, S.A. de C.V. (“ACM”), which was established in December 2006 and operates in México. Adit Resources Corp. (“Adit”) was organized in June 2009 and ACM was purchased in June 2009. The Company currently has limited operations and, in accordance with the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Development Stage Entities Topic is considered an Exploration Stage Company.

Tara Minerals Corp. is a subsidiary of Tara Gold Resources Corp., a publicly traded company listed on the pink sheets of the U.S. public securities market. As of December 31, 2008, the Company opted to change its year end from October 31 to December 31 to align itself with the year end of its parent company, Tara Gold Resources Corp. Prior to December 31, 2008, the Company’s fiscal year end was October 31.

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

The subsidiary’s functional currency is the Mexican Peso. As a result, the financial statements of the subsidiary 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 non-monetary asset and liability accounts, (iii) historical exchange rates for revenues and expenses associated with non-monetary 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 loss is recorded to other comprehensive income.

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 the subsidiary are as follows for the years ended December 31,2009, December 31, 2008 and October 31,2008 respectively (Mexican peso per one U.S. dollar).

|   |                          |         |
|---|--------------------------|---------|
|   | <u>December 31, 2009</u> |         |
| Period end exchange rate                            | Ps.                      | 13.0437 |
| Weighted average exchange rate for the period ended | Ps.                      | 13.5146 |
|   | <u>December 31, 2008</u> |         |
| Period end exchange rate                            | Ps.                      | 13.7738 |
| Weighted average exchange rate for the period ended | Ps.                      | 13.2518 |

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|   | <u>October 31, 2008</u> |         |
|---|-------------------------|---------|
| Period end exchange rate                            | Ps.                     | 12.8342 |
| Weighted average exchange rate for the period ended | Ps.                     | 10.7471 |

Other comprehensive income (loss) for the years ended December 2009, October 31, 2008 and the two months ended December 2008 is \$ 100,901, \$(184,255) and \$(68,035), respectively, and is primarily the result of foreign currency exchange differences. Inception to date other comprehensive loss is \$140,016.

The Company's significant accounting policies are:

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 and Cash Equivalents

For the Statements of Cash Flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of December 31, 2009 and October 31, 2008.

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 15%. Under certain circumstances, these taxes are recoverable by filing a tax return. Amounts paid for IVA are tracked and held as receivables until the funds are remitted. Periodically, management reviews the receivables for collectibility and records an allowance for doubtful accounts for those amounts deemed not to be collectible from the Mexican government for a variety of reasons.

Each period we analysis our receivables for collectability. When a receivable is determined to not be collectible we allow for the receivable until we are either assured of collection or assured that a write off is necessary. As of December 31, 2009 we have allowed \$114,139 in association with our receivable from Recoverable value added taxes from our Mexico subsidiaries as we have determined that the Mexican government may not allow the complete refund of these taxes.

Property and Equipment and Mining Concessions

Mining concessions and acquisitions, exploration and development costs relating to mineral properties 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.

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

- estimated recoverable ounces of copper, lead, zinc, 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. This analysis is completed as needed, and at least annually. As of the date of this filing no events have occurred that would require the write-down of any assets. In addition, the carrying amounts of the group's assets 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 December 31, 2009 and October 31, 2008, respectively, no indications of impairment existed.

Certain mining plant and equipment included in mine development and infrastructure is 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.

Reclassifications and Adjustments

Certain reclassifications, which have no effect on net (loss) income, have been made in the prior period financial statements to conform to the current presentation.

Revenue recognition

Revenue from the sale of concentrate and industrial metals will be recognized when ownership passes to the purchaser at which time the following conditions are met:

- i) persuasive evidence that an agreement exists;
- ii) the risks and rewards of ownership pass to the purchaser including delivery of the product;
- iii) the selling price is fixed and determinable; or,
- iv) collectivity is reasonably assured.

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 estimates 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 care, 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 accrued as of December 31, 2009 or October 31, 2008.

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Exploration expenses

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

Income taxes

Income taxes are provided for using the liability method of accounting in accordance with the Income Taxes Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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. 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 realizing of such assets, are inherently complex and require the exercise of judgment. As additional information becomes available, we continually assess the carrying value of our net deferred tax assets.

Stock Based Compensation

Stock based compensation is accounted for using the Equity-Based Payments to Non-Employee 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 account 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.

Net Loss per Common Share

Earnings per share is calculated in accordance with the Earnings per Share Topic of the FASB ASC 260-10-45-19. The weighted-average number of common shares outstanding during each period is used to compute basic earnings (loss) per share. Diluted earnings per share is computed using the weighted average number of shares plus dilutive potential common shares outstanding. Potentially dilutive common shares consist of employee stock options, warrants, and other convertible securities, and are excluded from the diluted earnings per share computation in periods where the Company has incurred net loss. During the years ended December 31, 2009, the Company incurred a net loss, resulting in no potentially dilutive common shares.

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The following table reconciles basic earnings per share and diluted earnings per share and the related weighted average number of shares as of October 31, 2008:

|   | For the Year Ended October 31, 2008 |                         |                     |
|---|-------------------------------------|-------------------------|---------------------|
|   | Income<br>(Numerator)               | Shares<br>(Denominator) | Per-Share<br>Amount |
| Net income  | \$ 212,301                          |                         |                     |
| Basic EPS:  |                                     |                         |                     |
| Income available to common stockholders                             | \$ 212,301                          | 37,547,608              | \$ 0.01             |
| Stock options   | -                                   | 1,000,000               |                     |
| Diluted EPS:  |                                     |                         |                     |
| Income available to common stockholders<br>plus assumed conversions | \$ 212,301                          | 38,547,608              | \$ 0.01             |

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).

See footnote 11.

Adopted

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification™ as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB no longer issues new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB issues Accounting Standards Updates. Accounting Standards Updates are not authoritative in their own right as they only serve to update the Codification. These

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changes and the Codification itself do not change GAAP. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the Financial Statements.

In April 2009, the FASB issued authoritative guidance for “Interim Disclosures about Fair Value of Financial Instruments,” which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance also requires those disclosures to be in summarized financial information at interim reporting periods. This guidance is effective for interim reporting periods ending after June 15, 2009. The Company adopted this guidance in the second quarter of 2009 and it did not have a material impact on the financial statements.

In April 2009, the FASB issued authoritative guidance for the “Recognition and Presentation of Other-Than-Temporary Impairments” in order to make existing guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The Company adopted this guidance in the second quarter of 2009 and it did not have a material impact on the financial statements.

In April 2009, the FASB issued authoritative guidance for “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” This guidance provides additional direction for estimating fair value in accordance with established guidance for “Fair Value Measurements,” when the volume and level of activity for the asset or liability have significantly decreased. This guidance also includes direction on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted this guidance in the second quarter of 2009 and it did not have a material impact on the financial statements.

In June 2009, the FASB issued authoritative guidance which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance applies to both interim financial statements and annual financial statements and is effective for interim or annual financial periods ending after June 15, 2009. This guidance does not have a material impact on our financial statements.

Issued

In June 2009, the FASB issued authoritative guidance for “Accounting for Transfers of Financial Assets,” which eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity’s continuing involvement in and exposure to the risks related to transferred financial assets. This guidance is effective for fiscal years beginning after November 15, 2009. The Company will adopt this guidance in fiscal 2010 and does not expect that the adoption will have a material impact on the consolidated financial statements.

In June 2009, the FASB issued authoritative guidance amending existing guidance. The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. This guidance is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company will adopt this guidance in fiscal 2010. The Company does not expect that the adoption will have a material impact on the consolidated financial statements.

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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 become effective on January 1, 2011. The Company has determined that the adoption of these changes will not have an impact on the consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

**Note 2. Property, equipment, mine development and land.**

|                                 | <u>December 31, 2009</u> | <u>December 31, 2008</u> | <u>October 31, 2008</u> |
|---------------------------------|--------------------------|--------------------------|-------------------------|
| Land                            | \$ 19,590                | \$ 19,590                | \$ 19,590               |
| Mining concessions:             |                          |                          |                         |
| Pilar (a)                       | 710,172                  | 767,014                  | 767,013                 |
| Don Ramon (b)                   | 521,739                  | 521,739                  | 521,739                 |
| Las Nuvias (c )                 | 100,000                  | 100,000                  | 100,000                 |
| Centenario (d)                  | 1,905,472                | 1,520,737                | -                       |
| Pirita (e)                      | 245,270                  | -                        | -                       |
| Picacho (f)                     | 4,564,331                | -                        | -                       |
| Mining concessions              | 8,046,984                | 2,909,490                | 1,388,752               |
| Construction in Progress        | 2,163,485                | 664,960                  | 640,027                 |
| Machinery and equipment         | 924,231                  | 816,540                  | 816,144                 |
|                                 | 11,154,295               | 4,419,580                | 2,864,513               |
| Less – accumulated depreciation | (67,008)                 | (42,608)                 | (37,679)                |
|                                 | <u>\$ 11,087,282</u>     | <u>\$ 4,367,972</u>      | <u>\$ 2,826,834</u>     |

- a. In September 2006 another subsidiary of Tara Gold Resources Corp., the Company's parent, acquired the Pilar de Mocaribo Prospect ("Pilar") from an unrelated third party for \$800,000 plus \$120,000 of value added tax. This property was then assigned to AMM in January 2007. In June 2009, AMM and the note holder modified the agreement to return one mining concession under this agreement and reduce the purchase by \$60,870 plus the related \$9,130 of value added tax. The resulting purchase price of the remaining concessions is \$739,130 plus \$110,870 of value added tax. The Company is required to repay the other subsidiary of its parent for this mining concession as follows (including the applicable value added tax):

|                      |                   |
|----------------------|-------------------|
| <u>Calendar Year</u> |                   |
| 2010                 | <u>\$ 530,791</u> |

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In accordance with the Interest Topic of FASB ASC, the future payments of the total payment amount of \$739,130 have been discounted using the incremental borrowing rate of 5.01%. As of December 31, 2009, the present value of future payments is as follows:

|                                  | Debt       | IVA       | Total      |
|----------------------------------|------------|-----------|------------|
| Total remaining debt             | \$ 486,739 | \$ 73,011 | \$ 559,750 |
| Imputed interest                 | (28,959)   | -         | (28,959)   |
| Present value of future payments | \$ 457,780 | \$ 73,011 | \$ 530,791 |

- b. On January 8, 2007 the Company amended its October 2006 agreement to acquire the Don Roman Prospect (Don Roman) from an unrelated third party for \$521,739 plus \$78,261 of value added tax. The purchase price was paid in full in January 2007. This property was assigned to the Company in January 2007 by the Company's parent. In October 2007, the Company purchased five hectares of land adjacent to the Don Roman property to build a mill, equipment yard, and campsite for construction and mining. Construction activities on this land began in October 2007. As of December 31, 2009 and October 31, 2008, construction in progress was valued at \$ 2,163,485 and \$640,027, respectively. In October of 2007, the Company entered into an agreement with an independent third party to purchase construction equipment for the development and operation of the Don Roman Property. Pursuant to this agreement, the Company issued 1,200,000 shares of common stock at a fair value of \$600,000 during the first quarter of 2008.
- c. On January 8, 2007 the Company acquired the Las Nuvias Prospect (Las Nuvias) for \$100,000 plus \$15,000 of value added tax from an unrelated third party. The purchase price was paid in full in January 2007. This property was assigned to the Company in January 2007 by the Company's parent.
- d. In November 2008, AMM executed an agreement to acquire eight mining concessions known as "Centenario" from an independent third party. The properties approximate 5,400 hectares and were purchased for a total of \$1,894,050, 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 we had already paid and recorded as a mining deposit, and 3) apply \$197,956 toward the updated value of the concession which was originally paid by another subsidiary of Tara Gold Resources Corp. These changes resulted in the following 1) additional debt of \$28,044 plus related value added tax for these concessions, 2) the reduction of our 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) and increase in our due to related party of \$197,956 plus related value added tax. Our effective amount financed in relation to this concession \$1,675,044 plus \$251,257 of value added tax.

The resulting debt payment schedule, including applicable value added tax, is as follow:

| Calendar Year |    |           |
|---------------|----|-----------|
| 2010          | \$ | 362,063   |
| 2011          |    | 546,673   |
| 2012          |    | 692,330   |
|               | \$ | 1,601,066 |

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In accordance with the Interest expense Topic of FASB ASC, the future payments of the total payment amount of \$1,675,044 has been discounted using the incremental borrowing rate of 2.97%. As of December 30 2009, the present value of future payments on the Centenario contract is as follows.

|                       | <u>Debt</u>         | <u>IVA</u>        | <u>Total</u>        |
|-----------------------|---------------------|-------------------|---------------------|
| Future payments       | \$ 1,474,429        | \$ 221,165        | \$ 1,695,594        |
| Imputed interest      | (94,528)            | -                 | (94,528)            |
| Present value of debt | 1,379,901           | 221,165           | 1,601,066           |
| Less: current portion | (308,063)           | (54,000)          | (362,063)           |
|                       | <u>\$ 1,071,838</u> | <u>\$ 167,165</u> | <u>\$ 1,239,003</u> |

- e. In June 2009 AMM executed an agreement to acquire three mining concessions known as “Pirita” from an independent third party. The properties approximate 6,700 hectares and were purchased for a total of \$50,000 cash, \$230,000 financed, including \$30,000 in value added taxes.

The resulting debt payment schedule, including applicable value added tax, is as follow:

| <u>Calendar Year</u> |                   |
|----------------------|-------------------|
| 2010                 | \$ 111,292        |
| 2011                 | 85,228            |
|                      | <u>\$ 196,520</u> |

In accordance with the Interest Topic of FASB ASC, the future payments of the total payment amount of \$200,000 have been discounted using the incremental borrowing rate of 2.76%. As of December 31 2009, the present value of future payments on the Pirita contract is as follows:

|                       | <u>Debt</u>   | <u>IVA</u>    | <u>Total</u>  |
|-----------------------|---------------|---------------|---------------|
| Future payments       | \$ 175,000    | \$ 26,250     | \$ 201,250    |
| Imputed interest      | (4,730)       | -             | (4,730)       |
| Present value of debt | 170,270       | 26,250        | 196,520       |
| Less: current portion | (96,292)      | (15,000)      | (111,292)     |
|                       | <u>73,978</u> | <u>11,250</u> | <u>85,228</u> |

- f. In June 2009 ACM executed an agreement to acquire eight mining concessions known as “Picacho” from an independent third party. The properties approximate 3,236 hectares and were purchased for a total of \$500,000 cash, \$4,945,000 financed, including \$645,000 in value added taxes

The resulting debt payment schedule, including applicable value added tax, is as follow:

| <u>Calendar Year</u> |                     |
|----------------------|---------------------|
| 2010                 | 472,458             |
| 2011                 | 483,503             |
| 2012                 | 3,465,870           |
|                      | <u>\$ 4,421,831</u> |

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In accordance with the Interest Topic of FASB ASC, the future payments of the total payment amount of \$4,300,000 have been discounted using the incremental borrowing rate of 2.76%. As of December 31 2009, the present value of future payments on the Picacho contract is as follows:

|                       | Debt                | IVA               | Total               |
|-----------------------|---------------------|-------------------|---------------------|
| Future payments       | \$ 4,050,000        | \$ 607,500        | \$ 4,657,500        |
| Imputed interest      | (235,669)           | -                 | (235,669)           |
| Present value of debt | 3,814,331           | 607,500           | 4,421,831           |
| Less: current portion | (397,458)           | (75,000)          | (472,458)           |
|                       | <u>\$ 3,416,873</u> | <u>\$ 532,500</u> | <u>\$ 3,949,373</u> |

**Note 3. Mining Deposits**

As of October 31, 2008, the Company paid a deposit of \$133,000 toward the involvement in a mining project. In November 2008, the formal agreement relating to the mining project was executed. In June 2009, AMM and the note holder modified the agreement, resulting in a reduction of our mining deposit of \$127,000 and the expense of \$6,000 that AMM also paid but which was not included in the revaluation of the concession.

As of December 31, 2009, the Company paid a deposit of \$25,000 toward the involvement in “El Tigre” mining project.

**Note 4. Income Taxes**

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. We provided a full valuation allowance on any net deferred tax assets, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carry forward period.

Tara Minerals and American Metal Mining

Tara Minerals and American Metal Mining are part of the consolidated Tara Gold Resources Corp. return and as such, all related deferred tax assets or liabilities would be calculated on the consolidated tax return basis and pushed down to the underlying subsidiaries as needed. No tax benefit has been reported in connection with the net operating loss carry forwards as of the date of these financials statement that related to Tara Minerals and American Metal Mining.

Tara Gold Resources Corp. files income tax returns in the United States and Mexican federal jurisdictions. With a few exception, the Company is no longer subject to U.S. federal examination by tax authorities on tax returns filed before January 3,1 2006. Upon tax return filing, the U.S. federal returns are considered open tax years. Tara Gold Resources Corp. will file its U.S. federal return for the year ended December 31, 2009 upon the issuance of this filing. Tara Gold Resources Corp. 2007 U.S. federal return is currently under U.S. Internal Revenue Service audit, no interest and penalties have been accrued as this audit has just commenced.

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Adit Resources, Inc. and American Copper Mining

Adit Resources was organized in June 2009 and will file a separate tax return from the Tara Gold Resources Corp. consolidated federal tax return.

The total net operating loss to be carried forward at December 31, 2009 is \$120,000.

The components of the Company's deferred tax asset as of December 31, 2009 are as follows:

|   | 2009      |
|---|-----------|
| Net operating loss carry forward tax affected | \$ 37,000 |
| Valuation allowance                           | (37,000)  |
| Net deferred tax asset                        | \$ -      |

A reconciliation of the statutory income taxes rates and the effective rate is as follows:

|   | 2009  |
|---|-------|
| Tax at statutory rate (blended US and MX) | 31%   |
| Valuation allowance                       | (31%) |
|   | -%    |

A valuation allowance is recorded when it is more likely than not that the deferred tax assets will be realized. The future use of deferred tax assets is dependent on the future taxable profits which arise from taxable temporary timing differences which are:

- Differences in expenses stock based compensation and stock for investor relation services

The Company does not believe all its deferred tax assets are fully realizable based on management's projections of projected revenue of underlying business activities and therefore a valuation allowance has been provided for the remaining deferred tax assets arising from past net operating losses.

Per Internal Revenue Code Section 382, in the event of a change of ownership, the availability of the Company's net operating loss carry forwards may be subject to an annual limitation against taxable income in future periods, which could substantially limit the eventual utilization of this net operating loss carry forwards. This limitation may not apply pursuant to an ownership change as described in Section 1262 of P.L. 111-5.

The net federal operating loss carry forward will expire in 2029. This carry forward may be limited upon the consummation of a business combination under IRC Section 381 or certain ownership changes, as defined in IRC Section 382.

Adit had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. Adit has not accrued any additional interest or penalties.

Adit will file income tax returns in the United States and Mexican federal jurisdictions. Upon tax return filing, the U.S. federal returns are considered open tax years. No tax returns for American Copper Mining are currently under examination by any tax authorities. Adit will file its U.S. federal return for the year ended December 31, 2009 upon the issuance of this filing.

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**Note 5. Related Party Transactions**

Due to related parties current portion was \$2,770,838 as of December 31, 2009; current and non-current, respectively, at October 31, 2008 were \$354,844 and \$503,388.

The Company is a subsidiary of Tara Gold Resources Corp. In January 2007, another subsidiary of Tara Gold Resources Corp., Corporacion Amermin, S.A. de C.V. (“Amermin”), made the arrangements to purchase the Pilar, Don Roman and Las Nuvias properties listed in Note 2 (part of the Don Roman Grouping). These properties were assigned to the Company’s subsidiary AMM as of January 2007. AMM makes payments to Amermin and Amermin makes payments related to the original purchase agreements. At December 31, 2009, Amermin has paid the original note holder in full but AMM has not paid Amermin. At December 31, 2009, due to related parties, included:

- Pilar mining concession: \$530,790 (inclusive of valued added tax)
- Don Roman concession: \$210,000

As of December 31, 2009 Tara Gold Resources loaned the Company \$1,310,000. There are no terms to this intercompany payable and it is due on demand of the parent.

The remaining due to related parties current as of December 30, 2009 is \$720,048, is due to Amermin, La Escuadra and to Ramiro Trevizo Jr. for other related party loans.

**Note 6. Convertible debt related party**

In June 2009, the Company entered into a convertible debt agreement with its parent Tara Gold Resources Corp., for \$1,695,000, with principle and interest due June 30, 2011. Interest is prime rate plus 3.25% and calculated on a 365-day year. Principle and interest are convertible into the Company’s common stock at a fixed price of \$0.20.

At the date of inception, the debt had a beneficial conversion feature of \$1,695,000. This was recorded as a debt discount and will be accreted to interest expense over the term of the debt. The debt, plus \$55,088 interest, was converted to 8,750,440 shares of common stock in December 2009.

**Note 7. Stockholders’ Equity**

The authorized common stock of the Company consists of 75,000,000 shares with par value of \$0.001.

In January 2007, the Company signed a marketing agreement with an independent third party with compensation of 1,500,000 common shares valued at \$0.50 per share. On October 31, 2007, these shares were issued for a total value of \$750,000. In June 2008, the Company settled a claim against a former vendor. The settlement agreement called for the return of 1,500,000 shares of the Company’s common stock, valued at \$750,000, as payment in full of the Company’s claim. The Company recorded a \$750,000 gain on the settlement, which was recorded as other income on the Consolidated Statement of Operations, and cancelled the shares.

In February 2007, the Company issued stock options to the officers of the Company. There were no stock options issued in 2008. See footnote 9.

In 2007, the Company issued 5,081,000 shares of common stock for cash of \$2,540,500 or \$0.50 a share.

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In 2008, the Company issued 1,200,000 common shares for mining equipment valued at \$600,000 (See Footnote 2) or \$0.50 per share and 1,069,167 common shares for \$641,500 for cash or an average of \$0.60 per share.

In 2008, Tara Minerals sold 1,119,167 Units at a price of \$0.60 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$1.20 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. In October 2009, the warrant exercise price was amended so that holders' could exercise the warrant at a price of \$0.90 until October 23, 2009. After October 23, 2009 the warrant exercise price reverted to \$1.20 per share. The warrant expiration date did not change. As of March 31, 2010, 1,096,334 warrants had been exercised. Tara Minerals received proceeds of \$176,000 from the exercise of these warrants.

In 2008 and 2009, Tara Minerals sold 510,000 and 2,290,000 Units respectively at a price of \$0.20 per Unit. Each Unit consisted of one share of Tara Mineral's common stock and one warrant. Each warrant entitles the holder to purchase one share of Tara Mineral's common stock at a price of \$0.40 per share during the two year period following the sale of the Units. The warrants expire two years after their issuance. As of March 31, 2010, 440,000 warrants had been exercised. Tara Minerals received proceeds of \$1,079,335 from the exercise of these warrants.

April 2009, the Company issued 650,000 shares of common stock valued at \$104,000 or \$0.16 a share for officer bonuses.

In April 2009, the Company issued 150,000 shares of common stock valued at \$24,000 or \$0.16 a share for services.

In May 2009, the Company issued 192,500 shares of common stock valued at \$90,475 or \$0.47 a share for services.

In June 2009, the Company issued 158,924 shares of common stock valued at \$25,500 or \$0.16 a share for salaries.

In June 2009, the Company issued 37,394 shares of common stock valued at \$6,000 or \$0.16 a share for services.

In June 2009, the Company issued 200,000 shares of common stock valued at \$104,000 or \$0.52 a share for services.

In December 2009, the Company issued 50,000 shares of common stock valued at \$20,000 or \$0.40 a share for cash.

In December 2009, the Company issued 646,667 shares of common stock valued at \$582,001 or \$0.90 a share for cash.

In December 2009, the Company issued 8,750,440 shares of common stock valued at \$1,750,088 or \$0.20 a share to convert loan from Tara Gold, the parent company.

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**Note 8. Non-controlling Interest**

In October 2009, the Company's subsidiary, Adit Resources, Corp. initiated a private placement of Adit's common stock for \$0.75 per share up to \$1,500,000. As of December 31, 2009 Adit had \$1,608,169 for 2,144,224 shares of Adit common stock subscribed under this private placement with independent third parties. At December 31, 2009 this represents 10% of the total common shares outstanding or subscribed for.

**Note 9. Stock Compensation**

On February 1, 2007, the Company adopted the following stock option plans:

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

The Company's 2007 stock option plans, which are shareholder approved, permit the grant of share options and shares to its officers for up to 1,000,000 shares of common stock with an exercise price of \$0.05 to two of the Company's officers for compensation which expire February 1, 2012 (as modified in January 2010). The fair value of each option award 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 options 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. The value of the options was charged against operating expense.

|                             |             |
|-----------------------------|-------------|
|                             | <u>2007</u> |
| Expected volatility         | 163.90%     |
| Weighted-average volatility | 163.90%     |
| Expected dividends          | 0           |
| Expected term (in years)    | 2.7         |
| Risk-free rate              | 4.92%       |

A summary of option activity under the Plan as of December 31, 2009 and October 31, 2008, 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 October 31, 2007                       | 1,000,000        |                                 |   |                           |
| Granted   | -                | -                               |   |                           |
| Exercised   | -                | -                               |   |                           |
| Forfeited or expired                                  | -                | -                               |   |                           |
| Outstanding at December 31, 2009 and October 31, 2008 | <u>1,000,000</u> | <u>\$ 0.05</u>                  | <u>2.7</u>                                  | <u>\$ 1,164,173</u>       |
| Exercisable at December 31, 2009 and October 31, 2008 | <u>1,000,000</u> | <u>\$ 0.05</u>                  | <u>2.7</u>                                  | <u>\$ 1,164,173</u>       |

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There were no options granted in 2009 or 2008. All shares were vested at October 31, 2008.

**Note 10. Organization of Adit Resources Corp. and Purchase of American Copper Mining, S.A. de C.V.**

In June 2009, the Company organized Adit Resources Corp. ("Adit"), a Nevada corporation, for the sole purpose of purchasing American Copper Mining, S.A. de C.V. ("ACM"), which also occurred in June 2009.

ACM owns properties which are in the same general area as the properties owned by the Company's AMM subsidiary. Effective June 2009, the Company, through Adit, purchased 99.9% of ACM's common stock for approximately \$3,800. The purpose of purchasing ACM allows the Company to invest in other mining opportunities outside of the original purview of AMM.

As of the date of purchase, ACM was virtually dormant. Also at the date of purchase, ACM was controlled by the President of our Mexico division, but not the Company's CEO in the United States nor did the Company have risk of loss for any transactions conducted by ACM prior to the purchase. The Company had accounted for previous transactions with ACM as related party transactions, which eliminated in consolidation at the date of purchase.

The Company has initially calculated the fair value of the assets purchased and liabilities assumed as follows:

|   |                  |
|---|------------------|
| <b>Assets</b>   | <b>June 2009</b> |
| Cash  | \$ 2,037         |
| Due from related parties and value added tax              | 1,989            |
| <b>Liabilities</b>  |                  |
| Due to related parties                                    | (12,296)         |
| Fair market value of net identifiable assets              | (8,270)          |
| Less: Purchase price of 99.9% of outstanding common stock | (3,758)          |
| Value of assigned goodwill                                | <u>\$ 12,028</u> |

We have finalized this transaction and did not identify any intangible items which qualify for separate disclosure and accounting apart from goodwill.

**Note 11. Fair Value**

In accordance with authoritative guidance, the table below sets forth the Company'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.

|                        | <b>Fair Value at December 31, 2009</b> |                     |                |                |
|------------------------|--|---------------------|----------------|----------------|
|                        | <b>Total</b>                           | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> |
| Assets:                |  |                     |                |                |
| None                   | \$ -                                   | \$ -                | \$ -           | \$ -           |
| Liabilities:           |  |                     |                |                |
| Total notes payable    | \$ 6,218,878                           | \$ 6,218,878        | \$ -           | \$ -           |
| Due to related parties | 2,770,838                              | 2,770,838           | -              | -              |
| Total                  | <u>\$ 8,989,716</u>                    | <u>\$ 8,989,716</u> | <u>\$ -</u>    | <u>\$ -</u>    |

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**Note 12. Subsequent Events**

Management evaluated all activity of the Company through March 31, 2010 (the issue date of the Financial Statements) and concluded the following disclosures are pertinent:

Effective, January 1, 2010, the Mexican taxing authorities increased the effect tax rates for *Impuesto al Valor Agregado* taxes (IVA) from 15% to 16%. This will increase our IVA related to mining concession payments from the accrued amount of \$927,925 at December 31, 2009 to \$989,787 at January 1, 2010.

In January 2010, all outstanding stock options were extended to February 2012.

In January 2010, 2,250,000 options with a total intrinsic value of \$3,430,611 were granted to Officers and Directors of Tara Minerals, options will expire beginning 2015.

In the first quarter of 2010, the Company abandoned the Pirita project.

In the first quarter of 2010, the Company issued common stock as follows:

- 124,000 shares of commons stock for investor relations services valued at \$227,560 or \$0.54 a share.
- 1,250,000 shares of common stock for investor relation and banking services valued at \$2,687,500 or \$0.47 a share, with warrants to purchase 1,250,000 common shares, vesting through out 2010 with a total warrant value of \$2,684,028.
- 954,720 shares of common stock for \$818,340 cash or \$0.86 per share.
- Warrants outstanding at December 31, 2009 were exercised at various rates for 839,667 shares of common stock and \$653,934.

In the first quarter of 2010, the Company accepted stock subscriptions of \$260,482 for 347,309 shares of Adit common stock.

On March 31, 2010 Adit and the note holder/vendor of Picacho amended their agreement. Under the revised agreement, Adit paid the vendor \$500,000 in cash (plus applicable taxes); and issued the vendor 320,000 shares of Adit's common stock, which was valued at \$2.50 per share, and 437,500 shares of Tara Minerals' common stock, which was valued at \$4.00 per share.

Adit paid for the Tara Minerals shares by means of a note in the principal amount of \$1,750,000. The note bears interest at 6% per year and will be due and payable on March 31, 2012. At any time after July 1, 2010 Tara Minerals may convert the outstanding principal, plus accrued interest, into shares of Adit's common stock. Tara Minerals will receive one share of Adit's common stock for each \$1.00 of principal and interest converted.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.**

Not applicable.

**ITEM 9A. and 9A(T). CONTROLS AND PROCEDURES**

Francis Richard Biscan, Jr., Tara Minerals' Principal Executive Officer and Clifford A. Brown, Tara Minerals' Principal Financial Officer, have evaluated the effectiveness of Tara Minerals' 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 Minerals' disclosure controls and procedures are effective.

**Management's Report on Internal Control Over Financial Reporting**

Tara Minerals' management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of Tara Minerals' principal executive officer and principal financial officer and implemented by Tara Minerals' Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Tara Minerals' financial statements in accordance with U.S. generally accepted accounting principles.

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

Tara Minerals' management evaluated the effectiveness of its internal control over financial reporting as of December 31, 2009 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of Tara Minerals' internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this evaluation, Tara Minerals' management concluded that Tara Minerals' internal control over financial reporting was effective as of December 31, 2009.

There was no change in Tara Minerals' internal control over financial reporting that occurred during the quarter ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, Tara Minerals' internal control over financial reporting.

This report does not include an attestation report of Tara Minerals' independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by Tara Minerals' independent registered public accounting firm pursuant to temporary rules of the SEC that permit Tara Minerals to provide only management's report on internal control in this report.

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

Not applicable.

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS**

| <u>Name</u>            | <u>Age</u> | <u>Position</u>                                 |
|------------------------|------------|---|
| Francis R. Biscan, Jr. | 49         | President, Chief Executive Officer and Director |
| Clifford A. Brown      | 59         | Principal Financial Officer and Director        |
| Ramiro Trevizo         | 53         | Director  |

The directors of Tara Minerals serve in such capacity until the first annual meeting of Tara Minerals' shareholders and until their successors have been duly elected and qualified. The officers of Tara Minerals serve at the discretion of Tara Minerals' directors.

The principal occupations of Tara Minerals' officers and directors during the past several years are as follows:

**Francis R. Biscan, Jr.** has been an officer and director of Tara Minerals since May 2006. Between 1997 and August 2003 Mr. Biscan was an independent financial consultant, providing advice to public and private companies in the areas of capital formation and mergers and acquisitions. Mr. Biscan has also been an officer and director of Tara Gold Resources Corp. since August 2003.

**Clifford A. Brown** has been an officer and director of Tara Minerals since May 2006. Since 1989 Mr. Brown has been the President of Clifford A. Brown and Co., a firm which provides accounting and consulting services and sells accounting software. Since 1993 Mr. Brown has served as the treasurer and Board member of Restoration Ministries, Inc., a non-profit corporation with 33 different ministries in Chicago. Mr. Brown has also been an officer and director of Tara Gold Resources Corp. since November 2004. Mr. Brown has been a certified public accountant since 1981.

**Ramiro Trevizo** has been a director of Tara Minerals since May 2008. Mr. Trevizo has been the president of Adit's Mexican subsidiary, American Copper Mining, since 2007 Mr. Trevizo has also been the President of Corporacion Amermin, S.A. de C.V., the Mexican subsidiary of Tara Minerals Corp., since 2005. Between 2003 and 2005 Mr. Trevizo was the President of Grupo Constructor de Desierto, S.A., an engineering company based in Chihuahua, Mexico. Between 2002 and 2004 Mr. Trevizo was a regional manager for D&B Engineering of Phoenix, Arizona. Mr. Trevizo was a project manager for Concord, California based OSP Consultants from 1999 to 2002.

Tara Minerals does not have a compensation committee. Tara Minerals' Board of Directors serves as its Audit Committee. Clifford A. Brown is Tara Minerals' financial expert. Since Mr. Brown is an officer and director of Tara Minerals, Mr. Brown is not independent as that term is defined in section 803 of the listing standards of the NYSE Amex.

None of Tara Minerals' directors are independent as that term is defined in section 803 of listing standards of the NYSE Amex.

Tara Minerals has adopted a Code of Ethics applicable to its principal executive, financial, and accounting officers and persons performing similar functions.

## ITEM 11. EXECUTIVE COMPENSATION

The following table shows the compensation paid or accrued during the two years ended December 31, 2009 to the executive officers of Tara Minerals.

| Name and Principal Position                              | Fiscal Year | Salary (1) | Bonus (2) | Stock Awards (3) | Option Awards (4) | All Other Annual Compensation (5) | Total     |
|--|-------------|------------|-----------|------------------|-------------------|-----------------------------------|-----------|
| Francis R. Biscan, President and Chief Executive Officer | 2009        | \$40,000   | -         | \$15,000         | -                 | -                                 | \$ 55,000 |
|  | 2008        | -          | -         | -                | -                 | -                                 | -         |
|  | 2007        | -          | -         | -                | \$ 873,130        | -                                 | \$873,130 |
| Clifford A. Brown, Principal Financial Officer           | 2009        | \$20,000   | -         | \$ 7,500         | -                 | -                                 | \$ 27,500 |
|  | 2008        | -          | -         | -                | -                 | -                                 | -         |
|  | 2007        | -          | -         | -                | \$ 291,043        | -                                 | \$291,043 |

- (1) The dollar value of base salary (cash and non-cash) received.
- (2) The dollar value of bonus (cash and non-cash) received.
- (3) During the periods covered by the table, the value of Tara Mineral's shares issued as compensation for services to the persons listed in the table.
- (4) The value of all stock options granted during the periods covered by the table. See Note \_\_ to the financial statements included as part of this report for details concerning the assumptions used in determining the value of these options. See the "Stock Option and Bonus Plans - Summary" section below for other information concerning these stock options.
- (5) All other compensation received that Tara Minerals could not properly report in any other column of the table.

The following shows the amounts that Tara Minerals expects to pay to its officers during the twelve month period ending December 31, 2010, and the time these persons plan to devote to Tara Minerals' business. Tara Minerals has employment agreements with its officers.

| Name                        | Proposed Compensation | Time to be Devoted to Tara Minerals' Business |
|-----------------------------|-----------------------|---|
| Francis Richard Biscan, Jr. | \$ 60,000             | 20 hours / week                               |
| Clifford A. Brown           | \$ 30,000             | 20 hours / week                               |

Long-Term Incentive Plans. Tara Minerals does not provide its officers or employees with pension, stock appreciation rights, long-term incentive or other plans and has no intention of implementing any of these plans for the foreseeable future.

Employee Pension, Profit Sharing or other Retirement Plans. Tara Minerals does not have a defined benefit, pension plan, profit sharing or other retirement plan, although it may adopt one or more of such plans in the future.

Compensation of Directors. Tara Minerals' directors did not receive any compensation for their services as directors during the fiscal year ended December 31, 2009.

### Stock Option and Bonus Plans

Tara Minerals has adopted stock option and stock bonus plans. A summary description of these plans follows. In some cases these Plans are collectively referred to as the "Plans".

Incentive Stock Option Plan. Tara Minerals' Incentive Stock Option Plan authorizes the issuance of shares of Tara Minerals' common stock to persons that exercise options granted pursuant to the Plan. Only Tara Minerals employees may be granted options pursuant to the Incentive Stock Option Plan. The option exercise price is determined by Tara Minerals' directors but cannot be less than the market price of Tara Minerals' common stock on the date the option is granted.

Non-Qualified Stock Option Plan. Tara Minerals' Non-Qualified Stock Option Plan authorizes the issuance of shares of Tara Minerals' common stock to persons that exercise options granted pursuant to the Plan. Tara Minerals' employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plan, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

Stock Bonus Plan. Tara Minerals' Stock Bonus Plan allows for the issuance of shares of common stock to its employees, directors, officers, consultants and advisors. However bona fide services must be rendered by the consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

Summary. The following lists, as of March 25, 2010, the options granted and the bonus shares issued pursuant to the Plans. Each option represents the right to purchase one share of Tara Minerals' common stock.

| Name of Plan                    | Total<br>Shares<br>Reserved<br>Under Plans | Shares<br>Reserved for<br>Outstanding<br>Options | Shares<br>Issued as<br>Stock Bonus | Remaining<br>Options/Shares<br>Under Plans |
|---------------------------------|--|--|------------------------------------|--|
| Incentive Stock Option Plan     | 1,000,000                                  | 750,000  | N/A                                | 250,000                                    |
| Non-Qualified Stock Option Plan | 3,000,000                                  | 2,500,000  | N/A                                | 500,000                                    |
| Stock Bonus Plan                | 750,000                                    | N/A  | 750,000                            | -  |

Tara Minerals' stock option and bonus plans have not been approved by its shareholders.

The following table shows the weighted average exercise price of the outstanding options granted pursuant to Tara Minerals Non-Qualified Stock Option Plan as of December 31, 2009.

| <u>Plan category</u>            | <u>Number of Securities to be Issued Upon Exercise of Outstanding Options</u> | <u>Weighted-Average Exercise Price of Outstanding Options</u> | <u>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column of This Table)</u> |
|---------------------------------|---|---|--|
| Non-Qualified Stock Option Plan | 1,000,000   | \$0.05  | 2,000,000  |

The following lists the unexercised options which were outstanding as of March 25, 2010 and held by the Tara Minerals' officers and directors.

| <u>Name</u>            | <u>Date of Grant</u> | <u>Shares underlying unexercised options which are</u> |                      | <u>Exercise Price</u> | <u>Expiration Date</u> |
|------------------------|----------------------|--|----------------------|-----------------------|------------------------|
|                        |                      | <u>Exercisable</u>                                     | <u>Unexercisable</u> |                       |                        |
| Francis R. Biscan, Jr  | 2/1/07               | 750,000  | --                   | \$ 0.05               | 2/01/12                |
| Francis R. Biscan, Jr. | 1/5/10               | 62,500   | 437,500              | \$ 1.57               | 2015-2020              |
| Francis R. Biscan, Jr  | 1/5/10               | 1,000,000  | --                   | \$ 0.05               | 1/5/15                 |
| Clifford A. Brown      | 2/1/07               | 250,000  | --                   | \$ 0.05               | 2/01/12                |
| Clifford A. Brown      | 1/5/10               | 62,500   | 187,500              | \$ 1.57               | 2015-2018              |
| Clifford A. Brown      | 1/5/10               | 250,000  | --                   | \$ 0.05               | 1/5/15                 |
| Ramiro Trevizo         | 1/5/10               | 250,000  | --                   | \$ 0.05               | 1/5/15                 |

The following lists the shares issued pursuant to Tara Minerals Stock Bonus Plan:

| <u>Name</u>            | <u>Date</u> | <u>Shares Issued</u> |
|------------------------|-------------|----------------------|
| Francis R. Biscan, Jr. | 4/23/09     | 250,000              |
| Francis R. Biscan, Jr. | 1/05/10     | 50,000               |
| Clifford A. Brown      | 4/23/09     | 200,000              |
| Clifford A. Brown      | 1/05/10     | 25,000               |
| Ramiro Trevizo         | 4/23/09     | 200,000              |
| Ramiro Trevizo         | 1/05/15     | 25,000               |

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS**

The following table lists, as of March 25, 2010, those persons owning beneficially 5% or more of Tara Minerals' common stock, the number and percentage of outstanding shares owned by each director and officer of Tara Minerals and by all officers and directors as a group. Unless otherwise indicated, each owner has sole voting and investment powers over his shares of common stock.

| Name and Address  | Number of Shares (1) | Percent of Class |
|---|----------------------|------------------|
| Francis Richard Biscan, Jr. (2)<br>2162 Acorn Court<br>Wheaton, IL 60187                            | 2,200,986            | 4%               |
| Clifford A. Brown (2)<br>313 Arbor Avenue<br>West Chicago, IL 60185                                 | 834,242              | 1.5%             |
| Ramiro Trevizo<br>Calle Oregon #2432<br>Quintas del Sol, Chihuahua<br>Chihuahua, CP 31214<br>Mexico | 475,000              | 0.9%             |
| Tara Gold Resources Corp. (2)<br>2162 Acorn Court<br>Wheaton, IL 60187                              | 40,897,440           | 76.5%            |
| All officers and directors as a group (3 persons)   | 44,407,668           | 83%              |

(1) Includes shares issuable, prior to May 31, 2010, upon the exercise of options held by the following persons:

| Name                   | Shares Issuable Upon<br>Exercise of Options | Exercise<br>Price | Expiration<br>Date |
|------------------------|---|-------------------|--------------------|
| Francis R. Biscan, Jr. | 750,000                                     | \$ 0.05           | 2/01/12            |
| Francis R. Biscan, Jr. | 62,500                                      | \$ 1.57           | 2015-2020          |
| Francis R. Biscan, Jr. | 1,000,000                                   | \$ 0.05           | 1/5/15             |
| Clifford A. Brown      | 250,000                                     | \$ 0.05           | 2/01/12            |
| Clifford A. Brown      | 62,500                                      | \$ 1.57           | 2015-2020          |
| Clifford A. Brown      | 250,000                                     | \$ 0.05           | 1/5/15             |
| Ramiro Trevizo         | 250,000                                     | \$ 0.05           | 1/5/15             |

(2) Francis Richard Biscan, Jr., and Clifford A. Brown control Tara Gold Resources Corp.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The following table lists the shares of Tara Minerals' common stock, which have been issued or sold as of March 25, 2010 to the officers, directors & affiliates of Tara Minerals.

| Shareholder               | Number of Shares | Date     | Consideration   |
|---------------------------|------------------|----------|---|
| Tara Gold Resources Corp. | 30,000,000       | 5/25/06  | \$0 Founders' Shares  |
| Officers and Directors    | 650,000          | 4/23/09  | (1)   |
| Francis R. Biscan, Jr.    | 93,486           | 6/11/09  | Accrued salary in the amount of \$15,000.                             |
| Clifford A. Brown         | 46,742           | 6/11/09  | Accrued salary in the amount of \$7,500.                              |
| Tara Gold Resources Corp. | 8,750,440        | 12/31/09 | Conversion of debt and accrued interest in the amount of \$1,750,088. |
| Officers and Directors    | 100,000          | 3/25/10  | (1)   |

(1) Shares were issued pursuant to Tara Minerals Stock Bonus Plan for services rendered. See Item 11 of this report for more information concerning the issuance of these shares.

Tara Gold Resources Corp., the controlling shareholder of Tara Minerals, is also engaged in the exploration and development of mining properties in Mexico. Tara Gold Resources has the first right to acquire any gold or silver mining prospects. Tara Minerals has the first right to acquire any mining prospect which may be productive of metals other than gold or silver.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Mendoza Berger & Company, LLP. audited Tara Mineral's financial statements for the year ended December 31, 2009 the transition period for the two months ended December 31, 2008, and the year ended October 31, 2008. The following table shows the aggregate fees billed to Tara Minerals for these periods by Mendoza Berger.

|   | Year ended<br>December 31,<br>2009 | Two months<br>ended December<br>31, 2008 | Year ended<br>October 31,<br>2008 |
|---|------------------------------------|--|-----------------------------------|
| Audit Fees  | \$ 68,565                          | \$ 14,220                                | \$ 63,433                         |
| Audit-Related Fees  | -                                  | -  | -                                 |
| Financial Information Systems<br>Design and Implementation Fees | -                                  | -  | -                                 |
| Tax Fees  | -                                  | -  | -                                 |
| All Other Fees  | -                                  | -  | -                                 |

Audit fees represent amounts billed for professional services rendered for the audit of Tara Mineral's annual financial statements and the review of Tara Mineral's interim financial statements. Before Mendoza Berger was engaged by Tara Minerals to render these services, the engagement was approved by Tara Mineral's Directors.

## ITEM 15. EXHIBITS

### Exhibit

| <u>Number</u> | <u>Exhibit Name</u>  |    |
|---------------|--|----|
| 3.1           | Articles of Incorporation  | *  |
| 3.2           | Bylaws   | *  |
| 4.1           | Incentive Stock Option Plan  | *  |
| 4.2           | Non-Qualified Stock Option Plan                                    | *  |
| 4.3           | Stock Bonus Plan   | *  |
| 10.1          | Acquisition Agreement – Pilar de Moceribo property                 | *  |
| 10.2          | Acquisition Agreement – Don Ramon property                         | *  |
| 10.3          | Acquisition Agreement – Las Nuvias property                        | *  |
| 10.4          | Consulting Agreement with Qualico Capital                          | *  |
| 10.5          | Assignments of mining properties                                   | *  |
| 10.6          | Acquisition Agreement – Centenario Prospect                        | ** |
| 10.7          | Service Agreement with Roadshows International                     |    |
| 10.8          | Consulting Agreement with Lions Gate International                 |    |
| 10.9          | Consulting Agreement with Sudhir Khanna                            |    |
| 10.10         | Consulting Agreement with Mayfair Associates                       |    |
| 10.11         | Settlement Agreement with Lions Gate Capital 5/1/09                |    |
| 10.12         | Sales Contract of Common Stock from Ramiro Trevizo Ledezma to ACM  |    |
| 10.13         | Sales Contract of Common Stock from Ramiro Trevizo Gonzales to ACM |    |
| 21            | Subsidiaries   | *  |
| 31.1          | Rule 13a-14(a) Certifications –CEO                                 |    |
| 31.2          | Rule 13a-14(a) Certifications – CFO                                |    |
| 32            | Section 1350 Certifications  |    |

\* Incorporated by reference to the same exhibit filed with Tara Minerals' registration statement on Form SB-2 (File #333-143512)

\*\* Incorporated by reference to the same exhibit filed with Tara Minerals' report on Form 10-K for the year ended October 31, 2008.

## SIGNATURES

In accordance with Section 13 or 15(a) of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 6<sup>th</sup> day of April 2010.

### TARA MINERALS CORP.

By /s/ Francis R. Biscan, Jr.

Francis R. Biscan, Jr., President and Principal Executive Officer

By /s/ Clifford A. Brown

Clifford A. Brown, Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

|   | <u>Title</u> | <u>Date</u>                  |
|---|--------------|------------------------------|
| <u>/s/ Francis R. Biscan, Jr.</u><br>Francis R. Biscan, Jr. | Director     | April 6 <sup>th</sup> , 2010 |
| <u>/s/ Clifford A. Brown</u><br>Clifford A. Brown           | Director     | April 6 <sup>th</sup> , 2010 |
| <u>/s/ Ramiro Treviso</u><br>Ramiro Trevizo                 | Director     | April 6 <sup>th</sup> , 2010 |