

GOLD RESERVE INC
Form 10-Q
May 13, 2010

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number: **001-31819**

GOLD RESERVE INC.

(Exact name of Registrant as specified in its charter)

Yukon Territory, Canada

NA

(Jurisdiction of incorporation or organization
Identification No.)

(I.R.S. Employer

926 West Sprague Avenue, Suite 200, Spokane, Washington

99201

(Address of principal executive offices)

Zip Code

(509) 623-1500

(Registrant's Telephone, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of May 13, 2010, 57,781,663 Class A common shares, no par value per share, and 961 Class B common shares, no par value per share, were issued and outstanding.

Item 1. Financial Statements
(Unaudited)

CONSOLIDATED BALANCE SHEETS**March 31, 2010 (unaudited)**

	March 31,	December 31,	
U.S. Dollars		2010	
2009			
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 4)		\$ 60,983,350	
\$ 60,962,813			
Marketable debt securities (Note 5)			
10,128,000	10,175,020		
Marketable equity securities (Note 6)		632,530	
598,825			
Assets held for sale (Notes 9, 20)			
4,615,312			
Deposits, advances and other		916,693	
566,483			
Total current assets		77,275,885	
72,303,141			
Property, plant and equipment, net (Note 10)		30,155,320	
38,122,102			
Restricted cash (Note 14)		8,995,701	
9,489,777			
Total assets		\$ 116,426,906	\$
119,915,020			
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses		\$ 2,821,910	\$
3,790,003			
Accrued interest		1,641,849	
234,550			

March 31, 2010 (unaudited)

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Total current liabilities	4,463,759
4,024,553	
Convertible notes (Note 17)	94,485,747
93,693,168	
Minority interest in consolidated subsidiaries	2,274,443
2,279,699	
Total liabilities	101,223,949
99,997,420	

Measurement uncertainty (Note 1)

Commitments and contingencies (Notes 12, 14)

SHAREHOLDERS' EQUITY

Serial preferred stock, without par value, none issued

Common shares and equity units, without par value (Note 16)	248,016,755
247,905,231	
Equity component of convertible notes (Note 17)	28,652,785
28,652,785	
Less common shares held by affiliates	(636,267)
(636,267)	
Stock options (Note 12)	10,062,595
10,014,136	
Accumulated deficit	(270,620,206)
(265,630,369)	
Accumulated other comprehensive income (loss)	(162,014)
(277,225)	
KSOP debt (Note 11)	(110,691)
(110,691)	
Total shareholders' equity	15,202,957
19,917,600	

Current Liabilities:

Total liabilities and shareholders' equity	\$ 116,426,906	\$
119,915,020		

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

Approved by the Board of Directors:

s/ Chris D. Mikkelsen

s/

Patrick D. McChesney

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended March 31, 2010 and 2009 (unaudited)

U.S. Dollars 2009	2010
OTHER INCOME	
Interest 79,942	\$ 64,519
Gain on extinguishment of debt 601,936	\$
Gain on disposition of marketable securities 106,551	
Gain on sale of equipment 55,874	
Foreign currency gain (loss) (21,950)	82,244
	309,188
659,928	
EXPENSES	
Corporate general and administrative 1,185,662	978,693
Venezuelan expenses 782,470	450,117
Equipment holding costs 340,754	
35,458	
Corporate communications 194,269	130,114
Legal and accounting 127,151	
787,069	
Arbitration (Note 3) 1,079,269	

Takeover defense (Note 18)	
1,453,655	
	3,106,098
4,438,583	
Loss before minority interest,	
interest expense and income tax	(2,796,910)
(3,778,655)	
Minority interest	5,256
(2,681)	
Interest expense	
(2,199,877)	
Loss before income tax	(4,991,531)
(3,781,336)	
Income tax benefit	1,694
70,130	
Net loss for the period	\$ (4,989,837)
\$(3,711,206)	
Net loss per share, basic and diluted	\$ (0.09)
\$ (0.07)	
Weighted average common	
shares outstanding	57,529,117
56,959,277	

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

CONSOLIDATED STATEMENTS OF DEFICIT

For the Three Months Ended March 31, 2010 and 2009 *(unaudited)*

U.S. Dollars

Deficit, December 31, 2009 (265,630,369)	\$
Net loss for the period (4,989,837)	
Deficit, March 31, 2010 (270,620,206)	\$
Deficit, December 31, 2008 (100,180,541)	\$
Net loss for the period (3,711,206)	
Deficit, March 31, 2009 (103,891,747)	\$

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Three Months Ended March 31, 2010 and 2009 *(unaudited)*

U.S. Dollars
2009

2010

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Net loss for the period (3,711,206)		\$ (4,989,837)	\$
Other comprehensive income, net of tax:			
Unrealized gain on marketable securities 134,825		221,762	
Adjustment for realized gains included in net loss (106,551)	–		
Other comprehensive income 134,825		115,211	
Comprehensive loss for the period (3,576,381)		\$ (4,874,626)	\$

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2010 and 2009 (unaudited)

U.S. Dollars 2009	2010
Cash Flows from Operating Activities:	
Net loss for the period \$ (3,711,206)	\$ (4,989,837)
Adjustments to reconcile net loss to net cash used by operating activities:	
Stock option compensation 70,599 184,836	
Depreciation 40,143 54,093	
Gain on extinguishment of debt (601,936)	
Gain on sale of equipment (55,874)	
Amortization of premium on marketable debt securities 47,020	
Accretion of convertible notes 792,579	
Foreign currency loss 72,492	
Minority interest in net (income) loss of consolidated subsidiaries (5,256) 2,681	

