

GOLD RESERVE INC  
Form 10-Q  
May 13, 2011

**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, 2011**

**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)

(I.R.S. Employer

Identification No.)

**926 West Sprague Avenue, Suite 200, Spokane, Washington**

**99201**

(Address of principal executive offices)

Zip Code

**(509) 623-1500**

Edgar Filing: GOLD RESERVE INC - Form 10-Q

(Registrant's Telephone, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 12, 2011, 58,969,018 Class A common shares, no par value per share, and 500,236 Class B common shares, no par value per share, were issued and outstanding.

**Item 1. Financial Statements**  
**(Unaudited)**

---

**CONSOLIDATED BALANCE SHEETS****March 31, 2011 (unaudited)**

	<b>March 31,</b>	<b>December 31,</b>	
<b>U.S. Dollars</b>		<b>2011</b>	
<b>2010</b>			
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Note 4) 58,186,478		\$ 64,240,198	\$
Assets held for sale (Note 7) 7,968,813			
Marketable equity securities (Note 5) 2,263,923		2,049,311	
Deposits, advances and other 1,507,822		1,465,145	
Total current assets 69,927,036		67,754,654	
Property, plant and equipment, net (Note 7) 28,503,330		28,474,743	
Total assets 98,430,366		\$ 96,229,397	\$
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses 1,633,150		\$ 1,486,303	\$
Accrued interest 234,550		1,641,849	
Total current liabilities 1,867,700		3,128,152	

March 31, 2011 (unaudited)

Convertible notes (Note 12) 100,754,404	100,997,600
Total liabilities 102,622,104	104,125,752

Measurement uncertainty (Note 1)

**SHAREHOLDERS' EQUITY**

Serial preferred stock, without par value, none issued

Common shares and equity units, without par value 243,582,458	243,899,961
--	-------------

Contributed Surplus 5,171,603	5,171,603
----------------------------------	-----------

Stock options (Note 9) 14,518,570	15,970,882
--------------------------------------	------------

Accumulated deficit (268,571,593)	(273,737,215)
--------------------------------------	---------------

Accumulated other comprehensive income 1,217,915	909,105
---	---------

KSOP debt (Note 8) (110,691)	(110,691)
---------------------------------	-----------

Total shareholders' deficit (4,191,738)	(7,896,355)
--	-------------

Total liabilities and shareholders' deficit 98,430,366	\$ 96,229,397	\$
---	---------------	----

**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, 2011 and 2010 (*unaudited*)

U.S. Dollars 2010	2011
<b>OTHER INCOME</b>	
Interest 64,519	\$ 44,048 \$
Gain on disposition of marketable securities 106,551	198,191
Gain on sale of equipment 361,208            55,874	
Foreign currency gain 3,586            82,244	
	607,033
309,188	
<b>EXPENSES</b>	
Corporate general and administrative 973,437	2,704,361
Venezuelan operations 450,117	347,741
Equipment holding costs 340,754	464,305
Corporate communications 130,114	183,220
Legal and accounting 127,151	87,508

Arbitration (Note 3)	335,025	
1,079,269		
	4,122,160	
3,100,842		
Loss before interest expense		
and income tax	(3,515,127)	
(2,791,654)		
Interest expense	(1,650,495)	
(1,633,905)		
Loss before income tax	(5,165,622)	
(4,425,559)		
Income tax benefit		
1,694		
Net loss for the period	\$ (5,165,622)	\$
(4,423,865)		
Net loss per share, basic and diluted	\$ (0.09)	\$
(0.08)		
Weighted average common		
shares outstanding	59,358,254	
57,529,117		

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS



**For the Three Months Ended March 31, 2011 and 2010 (unaudited)**

<b>U.S. Dollars</b>	2011	
2010		
Net loss for the period (4,423,865)	\$ (5,165,622)	\$
Other comprehensive income, net of tax:		
Unrealized gain (loss) on marketable securities 221,762	(110,619)	
Adjustment for realized gains included in net loss (106,551)	(198,191)	
Other comprehensive income (loss) 115,211	(308,810)	
Comprehensive loss for the period (4,308,654)	\$ (5,474,432)	\$

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2011 and 2010 (*unaudited*)

U.S. Dollars 2010	2011
<b>Cash Flows from Operating Activities:</b>	
Net loss for the period \$ (4,423,865)	\$ (5,165,622)
Adjustments to reconcile net loss to net cash used by operating activities:	
Stock option compensation 1,454,790           70,599	
Depreciation 23,981           40,143	
Gain on sale of equipment (361,208)           (55,874)	
Amortization of premium on marketable debt securities 47,020	
Accretion of convertible notes 243,196           226,607	
Other (5,256)	
Net gain on disposition of marketable securities (198,191)           (106,551)	
Shares issued for compensation 311,400           57,000	

Changes in non-cash working capital:

Net decrease (increase) in deposits and advances  
 42,677 (350,210)

Net increase in accounts payable  
 and accrued expenses  
 1,260,452 439,206

Net cash used in operating activities  
 (2,388,525) (4,061,181)

**Cash Flows from Investing Activities:**

Proceeds from disposition of marketable securities  
 558,941 609,592

Purchase of marketable securities  
 (454,948) (421,535)

Purchase of property, plant and equipment  
 (2,513) (498,440)

Proceeds from sales of equipment  
 8,337,140 3,865,641

Decrease in restricted cash  
 494,076

Net cash provided by investing activities  
 8,438,620 4,049,334

**Cash Flows from Financing Activities:**

Net proceeds from the issuance of common shares  
 3,625 32,384

Net cash provided by financing activities  
 3,625 32,384

**Change in Cash and Cash Equivalents:**

Net increase in cash and cash equivalents  
 6,053,720 20,537

Cash and cash equivalents - beginning of period  
 58,186,478 60,962,813

Cash and cash equivalents - end of period \$ 64,240,198 \$  
 60,983,350

**Cash Flows from Operating Activities:**

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

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Three Months Ended March 31, 2011 and the Year Ended December 31, 2010 (unaudited)

Common Shares		Accumulated			Contributed	and Equity	
Units	Stock	<u>Common Shares and Equity Units</u>					
Affiliates	Options	Accumulated Deficit	Other Comprehensive income	KSOP Debt	Surplus	Held by	
Balance, December 31, 2009			57,694,997	500,236	\$ 242,207,200	\$ 5,171,603	\$ (636,267)
\$ 14,448,889	\$(246,934,463)	\$ (277,225)	\$(110,691)				
Net loss	(21,637,130)						
Other comprehensive income	1,495,140						
Stock option compensation	99,532						
Fair value of options exercised		(29,851)			29,851		
Common shares issued for:							
Cash			150,554			43,661	
Services			924,300			1,503,566	
Decrease in shares held							
by affiliates	(201,820)		636,267				

Edgar Filing: GOLD RESERVE INC - Form 10-Q

Balance, December 31, 2010	58,769,851	500,236	243,582,458	
5,171,603	-	14,518,570	(268,571,593)	1,217,915 (110,691)
Net loss				(5,165,622)
Other comprehensive loss				(308,810)
Stock option compensation				1,454,790
Fair value of options exercised				2,478
				(2,478)
Common shares issued for:				
Cash	12,500			3,625
Services	180,000			311,400
Balance, March 31, 2011	58,962,351	500,236	\$ 243,899,961	\$ 5,171,603
\$-	\$ 15,970,882	\$(273,737,215)	\$ 909,105	\$(110,691)

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

## Selected Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2011 and 2010 (unaudited)

Expressed in U.S. Dollars

### 1. The Company and Significant Accounting Policies

**The Company.** Gold Reserve Inc. (the “Company”) is engaged in the business of acquiring, exploring and developing mining projects. The Company is an exploration stage company incorporated in 1998 under the laws of the Yukon Territory, Canada and is the successor issuer to Gold Reserve Corporation which was incorporated in 1956.

In February 1999, the shareholders of Gold Reserve Corporation approved a plan of reorganization whereby Gold Reserve Corporation became a subsidiary of Gold Reserve Inc., the successor issuer (the “Reorganization”). Generally, each shareholder of Gold Reserve Corporation received one Gold Reserve Inc. Class A common share for each common share owned of Gold Reserve Corporation. Certain U.S. holders of Gold Reserve Corporation elected, for tax reasons, to receive equity units in lieu of Gold Reserve Inc. Class A common shares. An equity unit is comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share. Each equity unit is substantially equivalent to a Class A common share and is immediately convertible into a Gold Reserve Inc. Class A common share, upon compliance with certain procedures. Equity units are not listed for trading on any stock exchange, but, subject to compliance with applicable federal, provincial and state securities laws, may be transferred. Unless otherwise noted, general references to common shares of the Company include Class A common shares and Class B common shares as a combined group.

From 1992 to 2008 the Company focused substantially all of its management and financial resources on the development of the Brisas gold and copper project located in the Kilometre 88 mining district of the State of Bolivar in south-eastern Venezuela (which we refer to as the “Brisas Project” or “Brisas”). As further detailed in Note 3, we discontinued development of the Brisas Project after it was seized by the Bolivarian Republic of Venezuela (“Venezuela”). While we are resolving our investment dispute, either through arbitration or settlement with Venezuela, we are also seeking to invest in or acquire alternative mining projects. The Company has no revenue producing mining operations at this time. All amounts shown herein are expressed in U.S. dollars unless otherwise noted.

**Basis of Presentation.** For fiscal years commencing in 2011, the Company changed its basis of accounting and financial reporting from Canadian GAAP to comply with US GAAP. The Company has accounted for this change in presentation on a retroactive basis. The balance sheet amounts as of December 31, 2010 and the comparative operating results for the three months ended March 31, 2010 were restated accordingly. A reconciliation of Canadian GAAP to US GAAP is included in Note 19 of the Company’s financial statements as of December 31, 2010 and for the year then ended.

These unaudited interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. The unaudited interim financial statements reflect all normal adjustments which in the opinion of management are necessary for a fair statement of the results for the periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2010.

**Principles of Consolidation.** These consolidated financial statements include the accounts of the Company, Gold Reserve Corporation, four Venezuelan subsidiaries, two Barbadian subsidiaries and one Aruban subsidiary which were formed to hold the Company’s interest in its foreign subsidiaries or for future transactions. All subsidiaries are wholly owned. All intercompany accounts and transactions have been eliminated on consolidation. The Company’s policy is to consolidate those subsidiaries where control exists. Prior to 2011, the consolidated financial statements

also included the accounts of two domestic subsidiaries, Great Basin Energies, Inc. ("Great Basin") and MGC Ventures Inc. ("MGC Ventures"). Great Basin and MGC Ventures were 45% and 44% owned, respectively until December 2010 when the Company disposed of its equity interest in the subsidiaries. See Note 10 to the consolidated financial statements.

**Cash and Cash Equivalents.** The Company considers short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents for purposes of reporting cash equivalents and cash flows. Cash and cash equivalents are designated as held-for-trading and recorded at fair value. The Company manages the exposure of its cash and cash equivalents to credit risk by diversifying its holdings into major Canadian and U.S. financial institutions.

**Exploration and Development Costs.** Exploration costs incurred in locating areas of potential mineralization are expensed as incurred. Exploration costs of properties or working interests with specific areas of potential mineralization are capitalized at cost pending the determination of a property's economic viability. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and equipment. Costs related to staffing and maintenance of offices and facilities in Venezuela are charged to operations. Property holding costs are charged to operations during the period if no significant exploration or development activities are being conducted on the related properties. Upon commencement of production, capitalized exploration and development costs would be amortized based on the estimated proven and probable reserves benefited. Properties determined to be impaired or that are abandoned are written-down to the estimated fair value. Carrying values do not necessarily reflect present or future values.



## Selected Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2011 and 2010 (unaudited)

Expressed in U.S. Dollars

**Property, Plant and Equipment.** Property, plant and equipment are recorded at cost less accumulated depreciation. Replacements and major improvements are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any resulting gain or loss is reflected in operations. Depreciation is provided using straight-line and accelerated methods over the lesser of the useful life or lease term of the related asset.

**Assets Held for Sale.** Long-Lived assets are classified as held for sale in the period in which certain criteria are met. Assets held for sale are measured at the lower of carrying amount or fair value less cost to sell and are not depreciated as long as they remain classified as held for sale.

**Impairment of Long Lived Assets.** The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future net cash flows to be generated from the use or disposition of a long-lived asset (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to fair value. Fair value is generally determined by discounting estimated cash flows, using quoted market prices where available or making estimates based on the best information available.

**Foreign Currency.** The U.S. dollar is the Company's and its foreign subsidiaries' functional currency. Accordingly, foreign currency amounts are translated into U.S. dollars using the temporal method. Non-monetary assets and liabilities are translated at historical rates, monetary assets and liabilities are translated at current rates and revenue and expense items are translated at average exchange rates during the reporting period, except for depreciation which is translated at historical rates. Translation gains and losses are included in operating expenses.

**Stock Based Compensation.** The Company uses the fair value method of accounting for stock options. The fair value of options granted to employees is computed using the Black-Scholes method as described in Note 9 and is expensed over the vesting period of the option. For non-employees, the fair value of stock based compensation is recorded as an expense over the vesting period or, if earlier, upon completion of performance. Consideration paid for shares on exercise of share options, in addition to the fair value attributable to stock options granted, is credited to capital stock. Fair value of restricted stock issued as compensation is based on the grant date market value and expensed over the vesting period. The Company also maintains the Gold Reserve Director and Employee Retention Plan. Units granted under the plan become fully vested and payable upon a change of control. Each Unit granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A Common Share (1) on the date the Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater.

**Income Taxes.** The Company uses the liability method of accounting for income taxes. Future tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those amounts reported in the financial statements. The future tax assets or liabilities are calculated using the enacted tax rates expected to apply in the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

**Use of 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, 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.

**Measurement Uncertainty.** The realizable value of the remaining processing and related equipment, originally purchased for the Brisas Project, may be different than management's current estimate. Any operations we may have are subject to the effects of changes in legal, tax and regulatory regimes, political, labor and economic developments, social and political unrest, currency and exchange controls, import/export restrictions and government bureaucracy in the countries in which we may operate. The Company operates and files tax returns in a number of jurisdictions. The preparation of such tax filings requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

**Net Loss Per Share.** Net loss per share is computed by dividing net loss by the combined weighted average number of Class A and B common shares outstanding during each year. In periods in which a loss is incurred, the effect of potential issuances of shares under options and convertible notes would be anti-dilutive, and therefore basic and diluted losses per share are the same.

**Convertible Notes.** Convertible notes are classified as a liability and are initially recorded at face value, net of issuance costs. The notes are subsequently accreted to face value using the effective interest rate method over the expected life of the notes, currently estimated to be June 15, 2012, with the resulting charge recorded as interest expense.

**Comprehensive Income.** Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include unrealized gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign currency gains and losses from self sustaining foreign operations. The Company presents comprehensive income and its components in the consolidated statements of comprehensive loss.

## **Selected Notes to Consolidated Financial Statements**

**For the Three Months Ended March 31, 2011 and 2010 (unaudited)**

*Expressed in U.S. Dollars*

**Financial Instruments.** The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable, accrued expenses and convertible notes. Cash and cash equivalents are classified as held for trading and any changes in fair value are charged to the statement of operations. Marketable equity securities are classified as available for sale with any unrealized gain or loss recorded in other comprehensive income. Marketable debt securities are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Other financial liabilities are accounted for at cost or amortized cost.

### **2. New Accounting Policies**

In January 2010, the FASB issued new guidance (ASU 2010-06) that requires new disclosures for fair value measurements and provides clarification for existing disclosures requirements. More specifically, it requires reporting entities to 1) disclose separately the amount of significant transfers into and out of Level 1 and Level 2 fair-value measurements and to describe the reasons for the transfers, and 2) provide information on purchases, sales, issuances and settlements on a gross basis rather than net in the reconciliation of Level 3 fair-value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 fair-value measurements disclosures that are effective for fiscal years beginning after December 15, 2010. The adoption of the updated guidance did not have an effect on the Company's financial statements.

### **3. Expropriation of Brisas Project by Venezuelan Government and Related Arbitration**

From 1992 to 2008 the Company focused substantially all of its management and financial resources on the development of the Brisas gold and copper project located in the Kilometer 88 mining district of the State of Bolivar in south-eastern Venezuela. After approval of the Brisas operating plan by the Ministry of Mines and the Environmental and Social Impact Study by the Ministry of Environment in 2003 and early 2007, respectively, the Ministry of Environment issued in March 2007, the Authorization to Affect which authorized the commencement of construction activities on the Brisas Project. In April 2008, the Ministry of Environment revoked the Authorization to Affect without prior notification.

On October 21, 2009 the Company filed a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID"), against Venezuela ("Respondent"). On October 26, 2009, Venezuelan government personnel arrived at the Brisas Project camp site, claimed ownership of the Brisas Alluvial Concession, seized assets, expelled our personnel and took physical possession of the property. Subsequently, on November 4, 2009, Venezuela notified the Company through the issuance of an Administrative Act, dated October 20, 2009, of its intent to cancel the Company's underlying hard rock concession which was formally cancelled in June 2010.

In November 2009 the Company's Request for Arbitration was registered by ICSID (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1)). The Company is seeking compensation of \$1.98 billion in the arbitration for all of the loss and damage resulting from Venezuela's wrongful conduct which includes the full market value of the legal rights to develop the Brisas Project. In compliance with the schedule set by the Tribunal, the Company filed its initial written submission, known as the Memorial, on September 24, 2010 and more recently the Respondent submitted its reply or Counter-Memorial to the Company on April 14, 2011. The Company will submit its reply to the Respondent's Counter-Memorial on or before July 15, 2011. Subsequently on October 15, 2011, the Respondent is required to file its final submission. The oral hearings are scheduled to commence on February 6, 2012.

See “Part II- Other Information- Item 1. Legal Proceedings- Arbitration.”

**4. Cash and Cash Equivalents**

December 31,		March 31,	
2011	2010		
Bank deposits 52,307,918		\$ 58,871,373	\$
Money market funds <u>5,878,560</u>		<u>5,368,825</u>	
Total 58,186,478		\$ 64,240,198	\$

At March 31, 2011 and December 31, 2010, the Company had approximately \$7,000 and \$39,000 respectively, in Venezuela and banks outside Canada and the U.S.

**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars***5. Marketable Equity Securities**

December 31,		March 31,	
2011	2010		
Fair value at beginning of year 598,825		\$ 2,263,923	\$
Acquisitions 778,144		454,948	
Dispositions, at cost (667,166)		(360,750)	
Realized gain on sale (241,621)		(198,191)	
Unrealized gain (loss) <u>1,795,741</u>		<u>(110,619)</u>	
Fair value at balance sheet date 2,263,923		\$ 2,049,311	\$

The Company's marketable equity securities are classified as available-for-sale and are recorded at quoted market value with gains and losses recorded within other comprehensive income until realized. As of March 31, 2011 and December 31, 2010 marketable securities had a cost basis of \$1,140,206 and \$1,046,009, respectively.

**6. Financial Instruments**

Edgar Filing: GOLD RESERVE INC - Form 10-Q

The fair values as at March 31, 2011 and December 31, 2010 along with the carrying amounts shown on the consolidated balance sheets for each classification of financial instrument are as follows:

<u>2010</u>			<u>March 31, 2011</u>		<u>December 31,</u>	
Carrying	Fair		Carrying	Fair		
Value		Classification	Amount	Value	Amount	
Cash and cash equivalents 58,186,478		held for trading	\$ 64,240,198	\$ 64,240,198	\$ 58,186,478	\$
Marketable equity securities 2,263,923		available for sale	2,049,311	2,049,311	2,263,923	
A/P and accruals 1,633,150	1,633,150	other financial liabilities	1,486,303	1,486,303		
Accrued interest 234,550	234,550	other financial liabilities	1,641,849	1,641,849		
Convertible notes 69,477,790		other financial liabilities	100,997,600	69,496,477	100,754,404	

Fair value estimates for marketable securities are made at the balance sheet date by reference to recent market transactions. The convertible notes are not listed on an exchange but are traded on a limited basis in a grey market. Fair value estimates for convertible notes are based on an assessment of available market information.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability and Level 3 inputs are unobservable inputs for the asset or liability that reflect the entity's own assumptions.

	Fair value			
	March 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 64,240,198	\$ 64,240,198		

Edgar Filing: GOLD RESERVE INC - Form 10-Q

Marketable equity securities	2,049,311	2,049,311
------------------------------	-----------	-----------

Fair value

	December 31, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 58,186,478	\$ 58,186,478		
Marketable equity securities	2,263,923	2,263,923		

**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars*

The Company is exposed to various risks including credit risk, liquidity risk, currency risk and interest rate risk as described below:

a) Credit risk is the risk that a counter party will fail to meet its obligations to the Company. The Company's primary exposure to credit risk is through its cash and cash equivalents. The Company diversifies its cash holdings into major Canadian and U.S. financial institutions.

b) Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company has historically managed this risk by maintaining adequate cash balances through equity and debt offerings to meet its current and foreseeable obligations. The following table presents the Company's payments due on accounts payable and accrued expenses and its undiscounted interest and principal payments due on its convertible notes, based on the estimate that the term of the notes will end on June 15, 2012. If the notes were to reach their contractual maturity date of June 15, 2022, additional interest payments would amount to \$56.3 million over the additional ten year term of the notes.

	Total	Payments due by Period		
		Less than 1 Year	1-3 Years	More Than 4-5 Years 5 Years
A/P and accruals	\$ 1,486,303	\$ 1,486,303		
Interest	8,443,793	5,629,195	\$ 2,814,598	
Principal	102,349,000		102,349,000	
Total	\$ 112,279,096	\$ 7,115,498	\$ 105,163,598	

c) The Company is subject to currency risk mainly due to its operations in Venezuela, which are limited. Transactions denominated in foreign currency are exposed to exchange rate fluctuations which have an impact on the statement of operations. The Company's cash and other monetary assets and liabilities that are held in Venezuelan and Canadian currency are subject to fluctuations against the US dollar. A 10% weakening of those currencies against the US dollar would have increased the Company's net gain from the translation of foreign currency denominated financial instruments, for the three months ended March 31, 2011 and 2010, by the amounts shown below.

	2011	2010
Venezuelan Bolívar	\$ 46,722	\$ 20,417
Canadian dollar	568	4,252

For the Three Months Ended March 31, 2011 and 2010 (unaudited)



Total	\$ 47,290	\$ 24,669
-------	-----------	-----------

The Company limits the amount of currency held in non-U.S dollar accounts, but does not actively use derivative instruments to limit its exposure to fluctuations in foreign currency rates.

d) The Company is subject to the risk that changes in market interest rates will cause fluctuations in the fair values of its financial instruments. Cash and cash equivalents earn floating market rates of interest. Other current financial assets and liabilities are generally not exposed to this risk because of their immediate or short-term maturity. The interest rate on the Company's convertible notes is fixed and therefore the interest payments are not subject to changes in market rates of interest.

**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars***7. Property, Plant and Equipment**

	Cost	Depreciation	Net	Accumulated	
<b>March 31, 2011</b>					
<b>United States</b>					
Machinery and equipment			\$ 28,071,469	\$	\$
28,071,469					
Furniture and office equipment			508,852		
(443,796)	65,056				
Leasehold improvements			41,190		
(39,338)	1,852				
			\$ 28,621,511	\$	(483,134)
\$ 28,138,377					
<b>Venezuela</b>					
Buildings			\$ 403,286	\$	(293,462)
\$ 109,824					
Furniture and office equipment			480,751		
(467,177)	13,574				
Transportation equipment			164,482		
(160,895)	3,587				
Machinery and equipment			497,808		
(288,427)	209,381				
			1,546,327		
(1,209,961)	336,366				
Total			\$ 30,167,838	\$	(1,693,095)
28,474,743					\$

For the Three Months Ended March 31, 2011 and 2010 (unaudited)

	Cost	Depreciation	Net	Accumulated	
<b>December 31, 2010</b>					
<b>United States</b>					
Machinery and equipment			\$ 28,071,469	\$	\$
28,071,469					
Furniture and office equipment			506,339		
(435,224)	71,115				
Leasehold improvements			41,190		
(38,874)	2,316				
			\$ 28,618,998	\$	(474,098)
\$ 28,144,900					
<b>Venezuela</b>					
Buildings			\$ 403,286	\$	(285,696)
\$ 117,590					
Furniture and office equipment			480,751		
(462,208)	18,543				
Transportation equipment			214,112		
(201,196)	12,916				
Machinery and equipment			497,808		
(288,427)	209,381				
			1,595,957		
(1,237,527)	358,430				
Total			\$ 30,214,955	\$	(1,711,625)
28,503,330					\$

Machinery and equipment includes amounts paid for equipment previously intended for use on the Brisas project. At December 31, 2010 certain equipment with a carrying value of approximately \$8.0 was reclassified to assets held for sale. During the first quarter of 2011, this equipment was sold for \$8.3 million and the Company recorded a gain on

sale of \$0.3 million.

**8. KSOP Plan**

The KSOP Plan, adopted in 1990 for the benefit of employees, is comprised of two parts, (1) a salary reduction component, or 401(k), and (2) an employee share ownership component, or ESOP. Unallocated shares are recorded as a reduction to shareholders' equity. Allocation of common shares or cash contributions to participants' accounts, subject to certain limitations, is at the discretion of the Company's board of directors. The fair market value of the shares when allocated is recorded in the statement of operations with a reduction of the KSOP debt account. The Company made cash contributions to eligible participants for the Plan years 2011, 2010, and 2009 of \$0, \$175,174, and \$57,292, respectively. As of March 31, 2011, 22,246 common shares remain unallocated to plan participants.

**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars***9. Stock Based Compensation**Equity Incentive Plans

The Company has two equity incentive plans; the 1997 Equity Incentive Plan (last amended in March 2006 and last re-approved by the shareholders in June 2009, the 1997 Plan ) and the 2008 Venezuelan Equity Incentive Plan (approved by the shareholders in June 2008, the Venezuelan Plan ). Both plans permit the grants of stock options, stock appreciation rights and restricted stock, or any combination thereof, and each shall be 10% of the Company's outstanding shares, from time to time. The grants will be for terms up to ten years with vesting periods ranging from immediate to up to 3 years.

Combined share option transactions for the three months ended March 31, 2011 and 2010 are as follows:

	2011		2010		
				Weighted	Weighted
Average				Average	
Exercise				Exercise	
		Shares		Price	Shares
Price					
Options outstanding at beginning of period		3,178,102		\$ 2.39	4,573,318
2.67					\$
Options exercised		(12,500)		0.29	(111,666)
0.29					
Options expired					(40,000)
3.69					
Options forfeited					(71,917)
					2.74
Options granted		2,843,000		1.82	
Options outstanding at end of period		6,008,602		2.13	4,349,735
2.72					
Options exercisable at end of period		3,876,352		\$ 2.29	3,921,946
2.99					\$

For the Three Months Ended March 31, 2011 and 2010 (unaudited)

29

Options available for

grant at end of period

under 1997 plan 821,826 2,232,890

Options available for

grant at end of period

under Venezuelan plan 5,062,090 5,088,955

The following table relates to stock options at March 31, 2011:

Exercise Price Range	Number	Outstanding Options			Exercisable Options			
		Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
\$0.29 - \$0.29	1,109,189	\$0.29	\$1,575,048	2.68	1,109,189	\$0.29	\$1,575,048	2.68
\$0.73 - \$0.73	535,000	\$0.73	524,300	2.96	535,000	\$0.73	524,300	2.96
\$1.82 - \$1.82	2,843,000	\$1.82		4.76	710,750	\$1.82		4.76
\$3.95 - \$4.19	686,000	\$4.12		0.52	686,000	\$4.12		0.52
\$4.30 - \$4.62	298,500	\$4.57		0.67	298,500	\$4.57		0.67
\$4.83 - \$4.83	257,913	\$4.83		0.16	257,913	\$4.83		0.16
\$5.07 - \$5.36	279,000	\$5.19		0.67	279,000	\$5.19		0.67
\$0.29 - \$5.36	6,008,602	\$2.13	\$2,099,348	3.14	3,876,352	\$2.29	\$2,099,348	3.14

**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars*

The Company recorded compensation expense during the three months ended March 31, 2011 and 2010 of \$1.5 million and \$0.1 million, respectively, for stock options granted. As of March 31, 2011, \$2.5 million of compensation expense related to unvested options remains to be recognized. During the three months ended March 31, 2011 and 2010, 2,843,000 and 0 new options were granted, respectively. The weighted average grant date fair value of options granted in 2011 was calculated at \$1.39 and the total fair value of options vested during 2011 was \$1.0 million. The fair value of options granted in 2011 was determined using the Black-Scholes model based on the following assumptions:

Weighted average risk free interest rate	1.88%
Expected Term years	4.7
Expected volatility	107%
Dividend yield	nil

**Retention Units Plan**

In addition to the equity incentive plans, the Company also maintains the Gold Reserve Director and Employee Retention Plan. Units granted under the plan become fully vested and payable upon achievement of certain milestones related to the Brisas project or in the event of a change of control. The Company's Board of Directors is currently evaluating modifying the vesting provisions of the units to more adequately reflect the current business objectives of the Company including successful arbitration, settlement of our dispute with Venezuela, reacquiring an interest in the Brisas Project and successful acquisition of a new business opportunity meeting specific parameters. Each Unit granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A Common Share (1) on the date the Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. As of March 31, 2011 an aggregate of 1,607,500 unvested Units have been granted to directors and executive officers of the Company and 315,000 Units have been granted to other employees. The Company currently does not accrue a liability for these units as events required for vesting of the units have not yet occurred. The value of these units, based on the grant date value of the Class A shares, was approximately \$8.4 million.

**10. Related Party Transactions:**

**MGC Ventures.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of MGC Ventures. On December 15, 2010, the non-affiliated shareholders of MGC Ventures approved the redemption of all of the shares of MGC Ventures common stock held by Gold Reserve. Gold Reserve received \$0.9 million and recorded a gain on sale of subsidiary of \$0.2

million. Prior to the redemption, Gold Reserve owned 12,062,953 common shares of MGC Ventures which represented 44% of its outstanding shares. MGC Ventures owned 258,083 common shares of the Company at March 31, 2011 and December 31, 2010. During the last three years, the Company sublet a portion of its office space to MGC Ventures for \$6,000 per year.

**Great Basin.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of Great Basin. On December 15, 2010, the non-affiliated shareholders of Great Basin approved the redemption of all of the shares of Great Basin common stock held by Gold Reserve. Gold Reserve received \$1.2 million and recorded a gain on sale of subsidiary of \$0.3 million. Prior to the redemption, Gold Reserve owned 15,661,595 common shares of Great Basin which represented 45% of its outstanding shares. Great Basin owned 491,192 common shares of the Company at March 31, 2011 and December 31, 2010. During the last three years, the Company sublet a portion of its office space to Great Basin for \$6,000 per year.



**Selected Notes to Consolidated Financial Statements****For the Three Months Ended March 31, 2011 and 2010 (unaudited)***Expressed in U.S. Dollars***11. Shareholder Rights Plan**

The Company instituted a shareholder rights plan (the "Rights Plan") in 1999. Since the original approval by the shareholders, the Rights Plan and the Rights Plan agreement have been amended and continued from time to time. In June 2009, the shareholders approved certain amendments to the Rights Plan including continuing the Shareholder Rights Plan until June 30, 2012. The Rights Plan is intended to give adequate time for shareholders of the Company to properly assess the merits of a take-over bid without pressure and to allow competing bids to emerge. The Rights Plan is designed to give the Board of Director's time to consider alternatives to allow shareholders to receive full and fair value for their common shares. One right is issued in respect of each outstanding share. The rights become exercisable only when a person, including any party related to it or acting jointly with it, acquires or announces its intention to acquire 20% or more of the Company's outstanding shares without complying with the "permitted bid" provisions of the Rights Plan. Each right would, on exercise, entitle the holder, other than the acquiring person and related persons, to purchase Class A common shares of the Company at a 50% discount to the market price at the time.

**12. Convertible Notes**

In May 2007, the Company issued \$103,500,000 aggregate principal amount of its 5.50% Senior subordinated convertible notes. The notes are unsecured, bear interest at a rate of 5.50% annually, pay interest semi-annually in arrears and are due on June 15, 2022. The notes are convertible into Class A common shares of the Company at the initial conversion rate, subject to adjustment, of 132.626 shares per \$1,000 principal amount (equivalent to a conversion price of \$7.54). Upon conversion, the Company will have the option, unless there has occurred and is then continuing an event of default under the Company's indenture, to deliver common shares, cash or a combination of common shares and cash for the notes surrendered.

The note holders have the option to require the Company to repurchase the notes on June 15, 2012, at a price equal to 100% of the principal amount of the notes plus accrued but unpaid interest. The Company may elect to satisfy its obligation to pay the repurchase price, in whole or in part, by delivering Common Shares. In the event of a change of control of the Company, the Company may be required to offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued but unpaid interest unless there has occurred and is continuing certain events of default under the Company's indenture.

At any time on or after June 16, 2010, and until June 15, 2012, the Company may redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest if the closing sale price of the Common Shares is equal to or greater than 150% of the conversion price then in effect and the closing price for the Company's Common Shares has remained above that price for at least twenty trading days in the period of thirty trading days preceding the Company's notice of redemption. Beginning on June 16, 2012, the Company may, at its option, redeem all or part of the notes for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest.

The covenants contained in the 5.50% convertible note indenture are limited to administrative issues such as payments of interest, maintenance of office or agency location, delivery of reports and other related issues. Likewise, events of default are defined as failure to pay interest and principal amounts when due, default in the performance of covenants, failure to convert notes upon holder's exercise of conversion rights and similar provisions or the Company's failure to give notice of a fundamental change which is generally defined as events related to a change of control in the

Company.

The notes are classified as a liability and were initially recorded at face value, net of issuance costs. The notes are accreted to face value using the effective interest rate method over the expected life of the notes, currently estimated to be June 15, 2012, with the resulting charge recorded as interest expense. The Company capitalized interest and accretion on the notes until October, 2009, when the Company filed for arbitration and when Venezuela seized the Brisas Project. Thereafter all interest and accretion on the notes has been expensed. As of March 31, 2011, convertible notes with a face value of \$1,151,000 had been settled in cash or repurchased by the Company at a total cost of approximately \$451,000.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

This Management's Discussion and Analysis of Financial Condition and Results of Operations, dated May 12, 2011 is intended to assist in understanding and assessing our results of operations and financial condition and should be read in conjunction with the consolidated financial statements and related notes.

Gold Reserve, an exploration stage company, is engaged in the business of acquiring, exploring and developing mining projects. From 1992 to 2008 we focused substantially all of our management and financial resources on the development of the Brisas gold and copper project located in the Kilometer 88 mining district of the State of Bolivar in south-eastern Venezuela (which we refer to as the "Brisas Project" or "Brisas").

On October 26, 2009, in apparent response to our filing on October 21, 2009 of a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID") against the Bolivarian Republic of Venezuela ("Venezuela"), government personnel arrived at the project site, claimed ownership of the Brisas Alluvial Concession, seized assets, expelled our personnel, and took physical possession of the property. Subsequently, on November 4, 2009, Venezuela notified us through the issuance of an Administrative Act, dated October 20, 2009, of its intent to cancel our underlying hard rock concession which it formally completed in June 2010. See Part II, Item 1. Legal Proceedings – Arbitration.

The Company's historical results of operations and current financial position are a product of the Company's decision to incur substantial operating deficits and project development costs since 1992 and more recently, subsequent to the issuance of the Authorization to Affect, to place orders to acquire approximately \$125 million of equipment, raise \$183 million through the issuance of convertible notes and common shares in our quest to develop the Brisas Project into an operating mine. Likewise, our October 2009 Request for Arbitration under the Additional Facility Rules of ICSID and the write-off of the costs associated with our Venezuelan operations continues to influence the financial position and results of operations of the Company. We expect the arbitration process, which commenced in April 2009 when we advised Venezuela of our claims pursuant to the Canada – Venezuela Bilateral Investment Treaty (the "Canada – Venezuela Treaty"), to last three to five years from commencement and consume substantial management time and financial resources.

Consistent with our 2010 efforts, our primary 2011 objectives are to manage the arbitration claim against Venezuela, to accelerate its completion and to minimize costs to the extent possible. Our other major objectives for 2011 are to continue to: (1) pursue an amicable settlement with Venezuela that may include a monetary agreement and/or project participation; (2) dispose of previously purchased Brisas Project assets, which originally cost approximately \$39 million and are recorded on the balance sheet at their estimated net realizable value of \$28 million; (3) pursue alternative industry opportunities for participation; and (4) evaluate the Company's options to redeem, restructure or otherwise modify the terms of the 5.50% convertible notes the outcome of which, among other things, is subject to the sale of the Brisas Project assets.

The successful execution of these objectives will be facilitated by the Company's senior management team, which has extensive technical, financial and administrative experience in the mining industry- substantially all of whom have been employed by the Company for over 15 years with a single focus of developing the Brisas Project. These individuals not only possess valuable historical knowledge related to the Brisas Project which is important to the

successful execution of our arbitration efforts but they also play a critical role in the Company's ongoing evaluation and monitoring of mining opportunities for potential participation by the Company. The timing of any such new investment or transaction if any, and the amounts that may be required cannot be determined at this time and are subject to available cash, sale of equipment originally slated for the Brisas Project and/or future financings, if any.

In October 2010, the Company attended a meeting with representatives from the Venezuelan Attorney General's office and the Ministry of Basic Industry and Mines ("MIBAM") to discuss our dispute and possible resolutions. Shortly after our meeting, the Attorney General's office experienced a change in personnel which limited our ability in the short term to conduct further formal discussions. However, in early 2011 the Company informally communicated a number of times with a member of the Attorney General's Office who participated in the October 2010 meeting and we expect to continue more formal efforts with the appropriate government representatives to continue our discussions in the near future.

In December 2010, Venezuela filed a request with the Tribunal for the production of documents over and above the 33 volumes of hard copy exhibits and thousands of pages of electronic appendices which accompanied the Company's September 24, 2010 Memorial and also filed a jurisdictional objection claiming that Gold Reserve did not have the right to present a claim under the Canada -Venezuela Treaty. Venezuela further requested a suspension of the proceedings on the merits so that the jurisdictional objections could be treated as a preliminary matter separate from the merits.

In February 2011, the Tribunal issued a procedural order granting in part Venezuela's request for the production of certain documents while granting view-only access to documents deemed to be proprietary by the Company. In a subsequent February procedural order, the Tribunal denied Venezuela's petition to bifurcate the arbitration into a jurisdiction phase and a merits phase ruling that Venezuela's jurisdictional objections would be addressed together with the merits. During this time period the Tribunal also established a revised schedule for the remaining written submissions including granting Venezuela a five week extension from March 7, 2011 to April 14, 2011 to file its response or Counter-Memorial to the Company's Memorial. The oral hearing date of February 6, 2012 remains unchanged.

On April 14, 2011 Venezuela submitted its Counter Memorial, expert testimony and witness statements to ICSID. Management, its arbitration counsel and expert advisors are fully engaged in fulfilling the Company's obligation to respond to Venezuela by submitting its reply to ICSID on or before July 15, 2011.

**The Company no longer characterizes historically reported mineralization as "reserves". The information contained in this Quarterly Report on Form 10-Q relating to our past development efforts, regulatory process and reported mineral reserves for the Brisas Project and Choco 5 property are presented only for informational and historical purposes and should not be construed as an indication of our expectations regarding the future development and operation of these properties or the outcome of the arbitration proceedings.**

We have no commercial production at this time and, as a result, we have no revenue or cash flows from mining operations and continue to experience losses from operations, a trend we expect to continue unless and until the investment dispute regarding Brisas is resolved favorably to the Company and/or we acquire or invest in an alternative project. Historically we have financed the Company's operations through the issuance of common stock, other equity securities and convertible debt. The Company has only one operating segment, the exploration and development of mineral properties.

For fiscal years commencing in 2011, the Company changed its basis of accounting and financial reporting to comply with accounting principles generally accepted in United States. See Note 1 to the consolidated financial statements. Investors are urged to read our filings with U.S. and Canadian securities regulatory agencies, which can be viewed on-line at [www.sec.gov](http://www.sec.gov), [www.sedar.com](http://www.sedar.com) or at the Company's website, <http://www.goldreserveinc.com> which also includes the Company's corporate governance policies. Additionally, you can request a copy of any of these documents directly from us.

## **Financial Overview**

### Cautionary Statement Regarding Forward-Looking Statements

The information presented or incorporated by reference in this Quarterly Report on Form 10-Q contains both historical information and forward-looking statements (within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Securities Act (Ontario)) that may state our intentions, hopes, beliefs, expectations or predictions for the future. In this report, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies. We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause our actual financial results, performance, or achievements of the Company to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward-looking statements.

These forward-looking statements involve risks and uncertainties, as well as assumptions that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause our results to differ materially from those expressed or implied by such forward-looking statements. The words “believe,” “anticipate,” “expect,” “intend,” “estimate,” “plan,” “may,” “could” and other similar expressions that are predictions of or indicate future events and future trends which do not relate to historical matters, identify forward-looking statements. Any such forward-looking statements are not intended to give any assurances as to future results. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. Due to risks and uncertainties, including the risks and uncertainties identified in our Annual Report on Form 10-K- “Part I- Item 1A. Risk Factors”, actual results may differ materially from current expectations.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the outcome of our arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes of the World Bank, in Washington D.C. to determine compensation claimed by us resulting from our claims against the Venezuelan government and its agents and agencies;
- the realizable value of the remaining processing and related equipment may be different than management’s current estimate
- corruption and uncertain legal enforcement;
- political and social instability;
- requests for improper payments;
- competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations;
- regulatory, political and economic risks associated with Venezuela including changes in laws and legal regimes;
- the result or outcome of the litigation regarding the enjoined hostile takeover bid for us;
- impact of currency, metal prices and metal production volatility;
- our dependence upon the abilities and continued participation of certain key employees;

- the value of our 5.50% senior subordinated convertible notes due on June 15, 2022 and potential volatility of our Class A common shares (also referred to herein as Common Shares ), including potential dilution as a result of the conversion of the convertible notes into our common shares by either us or the holder;
- the prospects for exploration and development of other mining projects by us;
- and risks normally incident to the exploration, development and operation of mining properties.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in our affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents filed periodically with securities regulators or documents presented on our website. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this notice. We disclaim any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to our disclosure obligations under applicable rules promulgated by the relevant securities regulators.

## Liquidity and Capital Resources

At March 31, 2011 the Company had cash and cash equivalents of approximately \$64.2 million which represents an increase from December 31, 2010 of approximately \$6.1 million. The increase was primarily due to proceeds from sales of equipment of \$8.3 million offset by cash used by operations of \$2.4 million. The components of changes in cash are more fully described in the Operating, Investing and Financing Activities section below.

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Cash and cash equivalents	\$ 64,240,198	\$ 58,186,478	\$ 6,053,720

As of March 31, 2011, our total financial resources, which include cash and cash equivalents and marketable securities, totaled approximately \$66.3 million. In addition to cash and cash equivalents and investments, the Company holds Brisas Project related equipment that it intends to dispose of in 2011. This equipment is carried at its estimated net realizable value of approximately \$28.1 million (historical cost of approximately \$39 million).

The primary future obligation of the Company is the \$103.5 million 5.50% convertible notes which may be settled in cash or common shares in the event the holder chooses the one-time option to put the notes back to the Company for repurchase on June 15, 2012. See Note 12 to the consolidated financial statements and Contractual Obligations below. With the ability to settle any call for redemption of the convertible notes with common shares, we believe that cash and investment balances and funds available from potential future equipment sales will be sufficient to enable us to fund our activities through 2012. As of May 12, 2011 we had approximately \$65 million in cash and investments which are held primarily in US dollar denominated accounts.

The timing and extent of additional funding, if any, depends on a number of important factors, including, but not limited to the timing and outcome of our investment dispute with Venezuela, the timing and the amount of proceeds, if any, from the sale of Brisas Project related equipment, the extent of future acquisitions or investments, if any, status of the financial markets and our share price.

### Operating Activities

Cash flow used by operating activities in the quarter ended March 31, 2011 was approximately \$2.4 million compared to approximately \$4.1 in 2010. Cash flow used by operating activities in the quarter ended March 31, 2011 consisted of a net operating loss of approximately \$5.2 million (the components of which are more fully discussed below) adjusted for certain non-cash income and expense items primarily related to gains on sale of equipment and marketable securities, accretion of convertible notes, stock options and common shares issued in lieu of cash compensation and certain non-cash changes in working capital. Cash flow used by operating activities during the quarter ended March 31, 2011 represented a decrease from the prior comparable period of approximately \$1.7 million which is primarily attributable to: 1) a decrease in costs associated with arbitration as a result of the reduction in hours incurred by arbitration counsel and 2) a net increase in accounts payable and accrued expenses which is related to the timing of payments for costs already incurred but not yet paid.

### Investing Activities

During the quarter ended March 31, 2011, net cash provided by investing activities amounted to approximately \$8.4 million, a \$4.4 million increase over the comparable period in 2010. This change was primarily due to the further sale of Brisas Project related equipment which the Company has been actively engaged in efforts to dispose of since the revocation of the Authorization to Affect. As of March 31, 2011, with no remaining equipment purchase commitments related to the Brisas Project, the Company held approximately \$28.1 million of equipment intended for future sale.

	2011	2010	Change
Proceeds (net of purchases) of marketable securities	\$ 103,993	\$ 188,057	\$ (84,064)
Purchase of property, plant and equipment	(2,513)	(498,440)	495,927
Proceeds from sale of equipment	8,337,140	3,865,641	4,471,499
Decrease in restricted cash		494,076	(494,076)
	\$ 8,438,620	\$ 4,049,334	\$ 4,389,286



## Financing Activities

The Company had no significant financing activities in 2011 and 2010. Net proceeds from the issuance of common shares relate to the exercise of employee stock options and totaled \$3,625 and \$32,384 during the first quarter of 2011 and 2010, respectively.

## Contractual Obligations

The following table sets forth information on the Company's material contractual obligation payments for the periods indicated as of March 31, 2011:

	Payments due by Period			
	Total	Less than 1 Year	1-3 Years	More Than 5 Years
Convertible Notes <sup>(1)</sup>	\$110,792,793	\$5,629,195	\$105,163,598	

<sup>1</sup> In May 2007, the Company issued \$103,500,000 aggregate principal amount of its 5.50% convertible notes. As of March 31, 2011, \$102,349,000 remains outstanding. The notes pay interest semi-annually and are due on June 15, 2022. The notes are recorded on the balance sheet at amortized cost of approximately \$101 million. Subject to certain conditions, the notes may be converted into Class A common shares of the Company, redeemed or repurchased.

The note holders have the option to require the Company to repurchase the notes on June 15, 2012, at a price equal to 100% of the principal amount of the notes plus accrued but unpaid interest. The Company may elect to satisfy its obligation to pay the repurchase price, in whole or in part, by delivering Common Shares. If in the future we elect to repurchase the notes with common shares, we would be required to issue shares based on the share price on June 15, 2012.

At any time on or after June 16, 2010, and until June 15, 2012, the Company may redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest if the closing sale price of the Common Shares is equal to or greater than 150% of the conversion price then in effect and the closing price for the Company's Common Shares has remained above that price for at least 20 trading days in the period of 30 trading days preceding the Company's notice of redemption. Beginning on June 16, 2012, the Company may, at its option, redeem all or part of the notes for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest.

The convertible notes are trading in the gray market often at a significant discount to face value. The terms of the indenture provide that the Company may repurchase the convertible notes in open market purchases or negotiated transactions. As of March 31, 2011, \$1,151,000 face value of convertible notes have been settled in cash or repurchased by the Company at a total cost of \$451,000. The amounts shown above include the interest and principal payments due based on the estimate that the term of the notes will end on June 15, 2012. If the notes were to reach their contractual maturity date of June 15, 2022, additional interest payments would amount to \$56.3 million over the additional ten year term of the notes.

The covenants contained in the 5.50% convertible note indenture are limited to administrative issues such as payments of interest, maintenance of office or agency location, delivery of reports and other related issues. Likewise, events of default are defined as failure to pay interest and principal amounts when due, default in the performance of covenants,

failure to convert notes upon holder's exercise of conversion rights and similar provisions or the Company's failure to give notice of a fundamental change which is generally defined as events related to a change of control in the Company. In the event of a change of control of the Company, the Company will be required to offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued but unpaid interest with cash or Common Shares unless there has occurred and is continuing certain events of default under the Company's indenture.

## Results of Operations

### Summary Results of Operations

Consolidated net loss for the three months ended March 31, 2011 was approximately \$5.2 million or \$0.09 per share compared to a net loss for the three months ended March 31, 2010 of \$4.4 million or \$0.08 per share.

	2011	2010	Change
Other Income	\$ 607,033	\$ 309,188	\$ 297,845
Total expenses	(5,772,655)	(4,733,053)	(1,039,602)
Net Loss	\$(5,165,622)	\$ (4,423,865)	\$ (741,757)

### Other Income

We have no commercial production at this time and as a result, other income is often variable from period to period due to one-time or otherwise variable sources of income such as gains on disposition of marketable securities and sales of equipment. As noted below, the increase in other income was primarily due to an increase in gain on sale of equipment and gain on disposition of marketable securities of \$0.3 million and \$0.1 million, respectively. These increases were partially offset by decreases in interest income and foreign currency gain.

	2011	2010	Change
Interest	\$ 44,048	\$ 64,519	\$ (20,471)
Gain on disposition of marketable securities	198,191	106,551	91,640
Gain on sale of equipment	361,208	55,874	305,334
Foreign currency gain	3,586	82,244	(78,658)
	\$ 607,033	\$ 309,188	\$ 297,845

### Expenses

Total expenses increased to \$5.8 million from \$4.7 million in the three months ended March 31, 2011 and 2010, respectively, a net increase of approximately \$1.0 million. This increase was primarily comprised of a non-cash increase in costs associated with the issuance of stock options and restricted shares from both Plans totaling approximately \$1.8 million partially offset by a decrease in arbitration costs of approximately \$0.8 million. Substantially all of the increase in corporate general and administrative and corporate communications expense is due to non-cash costs associated with the issuance of stock options and to a lesser degree restricted shares.

A total of approximately 2.6 million share purchase options expired in 2010 or will expire by the end of 2011 and be returned to the plans. During the quarter ended March 31, 2011, the Company issued approximately 3.0 million share purchase options and restricted shares. Pursuant to generally accepted accounting principles, the Company records a

non-cash expense associated with the issuance of options using the fair value method of accounting which is computed using the Black-Scholes method and expensed over the vesting period of the option (see Note 9, Stock Based Compensation). The Company does not recover any of the previously expensed amounts associated with expired share purchase options.

Excluding non-cash charges associated with the issuance of stock options and restricted shares, expenditures during the three months ended March 31, 2011 compared to the same period in 2010 decreased by approximately \$0.8 million, primarily due to a reduction in costs associated with the arbitration effort and Venezuelan operations, partially offset by increases in equipment holding costs.

With the filing of Venezuela's Counter Memorial on April 14, 2011, management expects costs associated with the arbitration to again increase as we prepare and submit our response on or before July 15, 2011, but not to the extent of the costs incurred during 2010 related to our effort to prepare and submit our initial filing or Memorial in September 2010.

	2011	2010	Change
Corporate general and administrative	\$ 2,704,361	\$ 973,437	\$ 1,730,924
Venezuelan expenses	347,741	450,117	(102,376)
Corporate communications	183,220	130,114	53,106
Legal and accounting	87,508	127,151	(39,643)
	3,322,830	1,680,819	1,642,011
Equipment holding costs	464,305	340,754	123,551
Arbitration	335,025	1,079,269	(744,244)
Interest expense	1,650,495	1,633,905	16,590
Income tax benefit	-	(1,694)	1,694
	2,449,825	3,052,234	(602,409)
Total Expenses for the Period	\$ 5,772,655	\$ 4,733,053	\$ 1,039,602

### Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

### Adoption of US GAAP in 2011

For fiscal years commencing in 2011, the Company changed its basis of accounting and financial reporting to comply with US GAAP. The Company has accounted for this change in presentation on a retroactive basis. The balance sheet amounts as of December 31, 2010 and the comparative operating results for the three months ended March 31, 2010 were restated accordingly. A reconciliation of Canadian GAAP and US GAAP is included in Note 19 of the Company's financial statements as of December 31, 2010 and for the year then ended.

### Transactions with Related Parties

**MGC Ventures.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of MGC Ventures. On December 15, 2010, the non-affiliated shareholders of MGC Ventures approved the redemption of all of the shares of MGC Ventures common stock held by Gold Reserve. Gold Reserve received \$0.9 million and recorded a gain on sale of subsidiary of \$0.2 million. Prior to the redemption, Gold Reserve owned 12,062,953 common shares of MGC Ventures which represented 44% of its outstanding shares. MGC Ventures owned 258,083 common shares of the Company at March 31, 2011 and December 31, 2010. During the last three years, the Company sublet a portion of its office space to MGC Ventures for \$6,000 per year.

**Great Basin.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of Great Basin. On December 15, 2010, the non-affiliated shareholders of Great Basin approved the redemption of all of the shares of Great Basin common stock held by Gold Reserve. Gold Reserve received \$1.2 million and recorded a gain on sale of subsidiary of \$0.3 million. Prior to the redemption, Gold Reserve owned 15,661,595 common shares of Great Basin which represented 45% of its outstanding shares. Great Basin owned 491,192 common shares of the Company at March 31, 2011 and December 31,

2010. During the last three years, the Company sublet a portion of its office space to Great Basin for \$6,000 per year.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is exposed to various risks including credit risk, liquidity risk, currency risk and interest rate risk as described below:

Credit risk is the risk that a counter party will fail to meet its obligations to the Company. The Company's primary exposure to credit risk is through its cash and cash equivalents. The Company diversifies its cash holdings into major Canadian and U.S. financial institutions and corporations.

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company has historically managed this risk by maintaining adequate cash balances through equity and debt offerings to meet its current and foreseeable obligations.

The Company is subject to currency risk mainly due to its operations in Venezuela. Transactions denominated in foreign currency are exposed to exchange rate fluctuations which have an impact on the statement of operations. The Company's cash and other monetary assets and liabilities that are held in Venezuelan and Canadian currency are subject to fluctuations against the US dollar. The Company limits the amount of currency held in non-U.S dollar accounts, but does not actively use derivative instruments to limit its exposure to fluctuations in foreign currency rates.

The Company is subject to the risk that changes in market interest rates will cause fluctuations in the fair values of its financial instruments. Cash and cash equivalents earn floating market rates of interest. Other current financial assets and liabilities are generally not exposed to this risk because of their immediate or short-term maturity. The interest rate on the Company's convertible notes is fixed and therefore the interest payments are not subject to changes in market rates of interest.

#### **ITEM 4. CONTROLS AND PROCEDURES**

During the fiscal period covered by this report, the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and are designed to ensure that information required to be disclosed in its reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

#### **Arbitration**

On October 21, 2009 we filed a Request for Arbitration under the Additional Facility Rules of ICSID, against the Bolivarian Republic of Venezuela (“Respondent”). In November 2009 our Request for Arbitration was registered by ICSID (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1)). The Tribunal held its first session with the parties on April 23, 2010 during which time several procedural matters were agreed to, including the time schedule for the Arbitration. In compliance with that schedule, we filed our initial written submission, known as the Memorial, on September 24, 2010. The Company is seeking US \$1.928 billion compensation in the arbitration for all of the loss and damage resulting from Venezuela’s wrongful conduct which includes the full market value of the legal rights to develop the Brisas Project. The Respondent filed its reply to the Company’s Memorial, known as the Counter-Memorial, on April 14, 2011. The Company will submit its reply to the Respondent’s Counter-Memorial on or before July 15, 2011. Subsequently on October 15, 2011, the Respondent is required to file its final submission. The oral hearings are scheduled to commence on February 6, 2012.

The Canada-Venezuela Treaty requires as a precondition to bringing an arbitration claim under the Treaty that an investor and any enterprise the investor owns directly or indirectly that has suffered losses that form the basis of a claim by the investor to "waive[ ] its right to initiate or continue any other proceedings in relation to the measure that is alleged to be in breach of [the Treaty] before the courts or tribunals of the Contracting Party concerned or in a dispute settlement procedure of any kind." As a result, the Company and its relevant subsidiaries waived their right to commence or continue before Venezuelan courts or tribunals with other legal or administrative challenges to the conduct that forms the basis of the ICSID claim, including the revocation of the Authorization to Affect and the denial of the extension of the Brisas Alluvial and El Pauji Concessions.

#### **Litigation**

On December 15, 2008, Rusoro Mining Ltd. (“Rusoro”) commenced an unsolicited offer to acquire all of the outstanding shares and equity units of the Company in consideration for three shares of Rusoro for each Company share or equity unit. On December 16, 2008, the Company filed an action in the Ontario Superior Court of Justice against Rusoro and Rusoro’s financial advisor Endeavour Financial International Corporation (“Endeavour”) seeking an injunction restraining Rusoro and Endeavour from proceeding with Rusoro’s unsolicited offer, significant monetary damages, and various other items. Endeavour was the Company’s financial advisor from 2004 until shortly after the commencement of Rusoro’s offer.

On February 10, 2009, the Ontario Superior Court of Justice granted an interlocutory injunction restraining Rusoro from proceeding with any hostile takeover bid to acquire the shares of the Company until the conclusion and disposition at trial of the action commenced by the Company. The injunction was granted by the Court following a motion by the Company on the basis that Rusoro had access to or benefited from the use of the Company’s confidential information as a result of Rusoro’s relationship with Endeavour. The Court also issued an interlocutory injunction restraining Endeavour from having any involvement with a hostile takeover bid for the Company. The Court further required that Rusoro, Endeavour and their agents return to the Company both all the confidential information of the Company and also anything produced from that confidential information and pay the court costs. Following the issuance of the interlocutory injunctions, Rusoro withdrew its unsolicited offer to acquire the outstanding shares and



equity units of the Company.

On February 15, 2009, Rusoro and Endeavour both served a motion with the Ontario Superior Court of Justice seeking permission to appeal to the Divisional Court the February 10, 2009 order that was granted against them. The Company opposed these motions which were heard in Toronto on April 2, 2009 and on April 6, 2009 the permission to appeal was denied. Rusoro has filed a counterclaim against the Company for, among other things, damages of Cdn \$102.5 million allegedly arising from the Company's successful motion for an interlocutory injunction. Endeavour has filed a \$0.5 million counter claim against the Company relating to the lost opportunity to earn a success fee from the successful completion of the Rusoro offer. In 2010, the Company developed its strategy for the execution of this action, added two additional defendants and amended the claim for monetary damages and collected all its relevant documents, including electronically stored information and began the process of proceeding to depositions. More recently in 2011, management with the assistance of counsel has begun developing strategies related to claims for monetary damages.

**ITEM 1A. RISK FACTORS**

The risk factors for the quarter ended March 31, 2011 are substantially the same as those disclosed and discussed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS - None**

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES - None**

**ITEM 4. [REMOVED AND RESERVED]**

**ITEM 5. OTHER INFORMATION- None**

**ITEM 6. EXHIBITS**

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

EXHIBIT 31.1

CERTIFICATION OF THE CEO PURSUANT TO SECTION 302

I, Rockne J Timm, certify that:

1. I have reviewed this report on Form 10-Q of Gold Reserve Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Rockne J. Timm

Rockne J. Timm

Chief Executive Officer

May 12, 2011

EXHIBIT 31.2

CERTIFICATION OF THE CFO PURSUANT TO SECTION 302

I, Robert A. McGuinness, certify that:

1. I have reviewed this report on Form 10-Q of Gold Reserve Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert A. McGuinness

Robert A. McGuinness

Vice President Finance and Chief Financial Officer

May 12, 2011

EXHIBIT 32.1 CERTIFICATION OF THE CEO PURSUANT TO SECTION 906

**Certification of Principal Executive Officer**

**Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Rockne J. Timm, Chief Executive Officer of Gold Reserve Inc., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended March 31, 2011 of Gold Reserve Inc. that:

(1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Gold Reserve Inc.

/s/ Rockne J. Timm

Rockne J. Timm

Chief Executive Officer

May 12, 2011

EXHIBIT 32.2 CERTIFICATION OF THE CFO PURSUANT TO SECTION 906

**Certification of Principal Financial Officer**

**Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Robert A. McGuinness, Vice President Finance and Chief Financial Officer of Gold Reserve Inc., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended March 31, 2011 of Gold Reserve Inc. that:

(1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Gold Reserve Inc.

/s/ Robert A. McGuinness

Robert A. McGuinness

Vice President Finance and Chief Financial Officer

May 12, 2011



