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GOLD RESERVE INC

Form 6-K

May 12, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2005

GOLD RESERVE INC.

Commission file number 0001-31819  
Address of Principal Executive Offices:  
926 West Sprague Avenue Suite 200  
Spokane, Washington 99201

Indicate by check mark whether the registrant files or will file annual  
reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of  
1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant  
in connection with Rule 12g3-2(b):

GOLD RESERVE INC.  
March 31, 2005  
Interim Financial Report  
U.S. Dollars

Forward Looking Statements

The information presented or incorporated by reference in this interim  
report, including management's discussion and analysis of financial  
condition and results of operations, contains both historical information  
and forward-looking statements (within the meaning of Section 27A of the  
United States Securities Act of 1933, as amended (the Securities Act), and  
Section 21E of the United States Securities Exchange Act of 1934, as amended  
(the Exchange Act)). These forward-looking statements involve risks and  
uncertainties, as well as assumptions that, if they never materialize, prove  
incorrect or materialize other than as currently contemplated, could cause  
the results of the Company and its consolidated subsidiaries to differ  
materially from those expressed or implied by such forward-looking  
statements.

Numerous factors could cause actual results to differ materially from those  
in the forwardlooking statements, including without limitation, our ability  
to obtain additional funding for the development of the Brisas Project, in  
the event any key findings or assumptions previously determined by our  
experts in the final feasibility study significantly differ or change as a

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result of actual results in our expected construction and production at the Brisas Project, the risk that actual mineral reserves may vary considerably from estimates presently made, the impact of currency, metal prices and metal production volatility, concentration of operations and assets in Venezuela, the regulatory, political and economic risks associated with Venezuelan operations, changes in proposed development plans (including technology used), our dependence upon the abilities and continued participation of certain key employees, and the risks normally incident to the operation and development of mining properties.

The words "believe," "anticipate," "expect," "intend," "estimate," "plan," "assume," "positioned," "may," "will," "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.

Investors are cautioned not to put undue reliance on forward-looking statements, and should not infer that there has been no change in the affairs of the Company 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 Company website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Investors are urged to read the Company's 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, [www.goldreserveinc.com](http://www.goldreserveinc.com). Additionally, you can request a copy directly from the Company.

### Operations Overview

#### Brisas Project

Our primary mining asset, the Brisas Project, is a gold/copper deposit located in the Km 88 mining district of the State of Bolivar in southeastern Venezuela. The Brisas Project consists of the Brisas alluvial concession, the Brisas hardrock concession beneath the alluvial concession, applications for other mineralization contained in these concessions, and contracts, land use permits and concessions for mineralization (primarily gold, copper and molybdenum) on land parcels contiguous to the existing concessions.

In early 2005, a bankable feasibility study with respect to the construction and operation of the Brisas Project was completed. Based on the positive conclusions contained in the bankable feasibility study, the Board of Directors approved proceeding with the financing and construction of the mine to produce gold doré on-site and ship gold/copper concentrate to an off-site smelter. We are currently exploring financing options for the Brisas Project and have retained Endeavour Financial to assist in our efforts.

The bankable feasibility study, which was prepared by Aker Kvaerner Metals, Inc., a subsidiary of the international engineering and construction services group, Aker Kvaerner ("Aker Kvaerner"), includes work performed by other independent consultants under the coordination of Aker Kvaerner. The geology, mineral resources, proven and probable reserves, mining sections and the financial analysis for the study were performed by Pincock Allen and Holt ("PAH"). SGS Lakefield Research conducted metallurgical pilot plant test work with guidance from Aker Kvaerner. Aker Kvaerner designed the metallurgical process flowsheet and Vector Colorado LLC ("Vector") performed the tailings

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facility design, hydrology study, geotechnical analysis and geochemical analysis. AATA International, Inc. ("AATA") of Fort Collins, Colorado, and Ingenieria Caura, SA of Venezuela, are conducting the environmental fieldwork in Venezuela and are in the final stages of preparing the Venezuelan Environmental and Social Impact Assessment (V-ESIA) and the International Environmental and Social Impact Assessment (I-ESIA) for the financial institutions.

The feasibility study operating plan assumes a large open pit mine and anticipates utilizing conventional truck and shovel mining methods with the processing of ore at full production of 70,000 tonnes per day, yielding an average annual production of 486,000 ounces of gold and 63 million pounds of copper over an estimated mine life of approximately 16 years. The operating plan further assumes proven and probable reserves of approximately 9.2 million ounces of gold and 1.2 billion pounds of copper in 414 million tonnes of ore grading 0.69 grams of gold per tonne and 0.13% copper, at a revenue cutoff grade of \$2.76 per tonne using a gold price of \$350 per ounce and a copper price of \$0.90 per pound.

Initial costs to put the Brisas Project into production (construction and related development costs) are estimated to be approximately \$552 million. The feasibility study assumed an economic base case utilizing \$400 per ounce gold and \$1.00 per pound copper. At such prices, total cash operating costs (net of copper credits) are estimated at \$154 per ounce of gold and total costs per ounce, including operating costs and initial and sustaining capital would be \$263 per ounce of gold. Costs of certain Venezuelan taxes and import duties are not currently included in the initial cost of the project due to the expected exoneration of such items.

Following completion of environmental studies, receipt of necessary permits and obtaining sufficient funding, construction of the planned facility is expected to take 24-26 months, with commissioning and achievement of commercial production shortly thereafter.

The following are the key assumptions contained in the feasibility study:

|  |  |
|--|--|
| Proven Reserves                              | 193.2 million tonnes; 0.71 g/t gold and 0.12% copper   |
| Probable Reserves                            | 221.3 million tonnes; 0.68 g/t gold and 0.13% copper   |
| Strip ratio<br>(waste:ore)                   | 1.81:1   |
| Mine Life (minimum)                          | 16 years   |
| Mill throughput                              | 70,000 tonnes per day "Hardrock" ore<br>6,000 tonnes per day "Sulfide" saprolite<br>6,000 tonnes per day "Oxide" saprolite |
| Plant Metal recoveries                       | gold 83.1%<br>copper 87.0%   |
| Net payable Metals                           | gold 82.4%<br>copper 83.0%   |
| Life of Mine Production<br>(payable metals)  | gold 7.59 million ounces<br>copper 979 million pounds  |
| Average annual gold production               | 486,000 ounces   |
| Average annual copper production             | 63 million pounds  |
| Average annual copper concentrate production | 124,000 mt   |

Preliminary Economic Indicators (Pre-Tax)

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|  |                      |
|--|----------------------|
| Gold price                                       | \$400 per ounce      |
| Copper price                                     | \$1.00 per pound     |
| Total cash operating cost (on site and off site) | \$5.26 per tonne ore |

|                           |                         |
|---------------------------|-------------------------|
| Initial capital cost      | \$552.4 million         |
| Working capital           | \$39.3 million          |
| Ongoing capital           | \$132.3 million         |
| Cash Operating cost*      | \$154 per ounce of gold |
| Production Taxes          | \$13 per ounce of gold  |
| Total Cash costs*         | \$167 per ounce of gold |
| Capital Cost Amortization | \$96 per ounce of gold  |
| Total Cost                | \$263 per ounce of gold |

|                                     |                     |
|-------------------------------------|---------------------|
| Internal rate of return (Pre-Tax)   | 12.0%               |
| Project net present value (Pre-Tax) | @ 0% \$1.04 billion |
|                                     | @ 5% \$388 million  |
| Project payback                     | 8 years             |

\* Net of copper by product credit

### Mineral Resource and Reserve Estimates

PAH reviewed the methods and procedures utilized by the Company at the Brisas Project to gather geological, geotechnical, and assaying information and found them reasonable and meeting generally accepted industry standards for a bankable feasibility study. PAH believes that the Brisas Project has conducted exploration and development sampling and analysis programs using standard practices, providing generally reasonable results and that the data can effectively be used in the estimation of resources and reserves.

PAH calculated the mineral resource and reserve estimates in February 2005. The mineral reserves have been calculated in accordance with National Instrument 43-101, as required by Canadian Securities regulatory authorities. We believe that the calculation of such mineral reserves is substantially the same as those under the U.S. Securities and Exchange Commission Industry Guide 7, except for references to "Inferred Mineral Resources." We advise U.S. investors that while this term is recognized and required by National Instrument 43-101 under Canadian regulations, the U.S. Securities and Exchange Commission pursuant to Industry Guide 7 does not recognize such term. U.S. investors are cautioned not to assume that any part or all of an inferred mineral resource exists or is economically or legally mineable.

The qualified persons involved in the property evaluation and resource and reserve estimate were Raul Borrastero, C.P.G. and Susan Poos P.E. of PAH and Brad Yonaka, Exploration Manager for Gold Reserve.

### Mineral Resource Estimate

Based on work completed by PAH for the Brisas bankable feasibility study, using an off-site smelter process for treating copper concentrates, the Brisas project is estimated to contain a measured and indicated mineral resource of 10.97 million ounces of gold and approximately 1.4 billion pounds of copper (based on 0.4 gram per tonne gold equivalent cut-off). The February 2005 estimated measured and indicated mineral resource utilizing an off-site smelter process is summarized in the following table:

| (kt=1,000 tonnes) | Measured |    | Indicated |    | Measured and Indicated |    |
|-------------------|----------|----|-----------|----|------------------------|----|
| Au Eq             | Au       | Cu | Au        | Cu | Au                     | Cu |

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| Cut-off Grade | kt      | (gpt) | (%)   | kt      | (gpt) | (%)   | kt      | (gpt) | (%)   |
|---------------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
| 0.40          | 217,883 | 0.700 | 0.118 | 284,941 | 0.662 | 0.132 | 502,824 | 0.678 | 0.126 |

| (In Millions) | Measured |     | Indicated |     | Measured and Indicated |       |
|---------------|----------|-----|-----------|-----|------------------------|-------|
| Au Eq         | Au       | Cu  | Au        | Cu  | Au                     | Cu    |
| Cut-off Grade | oz.      | lb. | oz.       | lb. | oz.                    | lb.   |
| 0.40          | 4.905    | 566 | 6.066     | 827 | 10.971                 | 1,393 |

The inferred mineral resource, based on an off-site smelter process (0.4 gram per tonne gold equivalent cut-off), is estimated at 126.5 million tonnes containing 0.65 grams gold per tonne and 0.13 percent copper, or 2.64 million ounces of gold and 370 million pounds of copper. The mineral resource estimate has been calculated in accordance with CSA National Instrument 43-101. The mineral resource and gold equivalent (AuEq) cut-off is based on \$350 per gold ounce and \$0.90 per pound copper.

### Mineral Reserve Estimate

Based on work completed by PAH for the Brisas bankable feasibility study, using an off-site smelter process for treating copper concentrates, the Brisas project is estimated to contain a proven and probable mineral reserve of approximately 9.2 million ounces of gold and 1.2 billion pounds of copper. The February 2005 estimated proven and probable mineral reserve utilizing traditional flotation and off-site smelter processes is summarized in the following table:

| Class    | Reserve tonnes (thousands) | Au Grade (gpt) | Cu Grade (%) | Au ounces (thousands) | Cu pounds (millions) | Waste tonnes (thousands) | Total tonnes (thousands) |
|----------|----------------------------|----------------|--------------|-----------------------|----------------------|--------------------------|--------------------------|
| Proven   | 193,248                    | 0.71           | 0.123        | 4,399                 | 525                  |                          |                          |
| Probable | 221,315                    | 0.68           | 0.133        | 4,808                 | 654                  |                          |                          |
| Total    | 414,563                    | 0.69           | 0.129        | 9,207                 | 1,179                | 748,333                  | 1,162,895                |

The mineral reserve (within a pit design) has been estimated in accordance with the SME Reporting Guide and CIMM Standards as adopted by CSA National Instrument 43-101, which we believe is substantially the same as SEC Industry Guide 7. The mineral reserve was estimated using metal prices of U.S. \$350 per ounce gold and U.S. \$0.90 per pound copper with an internal revenue cut-off of \$2.76 per tonne.

### Brisas Project Work To Date.

Considerable work has taken place to establish the mineral resource and reserve. Over \$80 million has been expended on the Brisas project including property and mineral rights, acquisition costs, equipment expenditures, litigation settlement costs and exploration costs. Other activities on the property include: extensive geology, geophysics and geochemistry, approximately 860 drill holes or approximately 200,000 meters of core drilling, independent audits of our drilling, sampling, assaying procedures and ore reserves methodology, environmental baseline work/socioeconomic studies, hydrology studies, geotechnical studies, mine planning, advanced

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stage grinding and metallurgical test work, tailings dam designs, milling process flow sheet designs, bench scale testing of an on-site copper process and a final bankable feasibility study.

2005 Brisas Work Plan.

Management has developed a critical-path plan for obtaining the required permits (most notable is the permits for construction and operation), obtaining funding and commencing construction. This plan includes the development and implementation of project related contracts such as engineering, procurement and construction management, port facilities, concentrate sales contracts, electricity and fuel supply contracts, final permit approvals and a number of other agreements related to the construction and operation of the Brisas Project. Concurrent with these activities, management will also devote substantial time and effort on obtaining financing for the Brisas Project.

Proposals have been solicited and received from a number of major engineering, procurement and construction management firms (EPCM) with international experience for the detailed design and construction management and geotechnical consultants required for the final tailings dam design. Management anticipates the completion of this selection process in the second quarter of 2005. Detailed engineering for earthwork activities, the construction camp and other early construction facilities would commence thereafter and run concurrently, depending upon our obtaining permits and sufficient financing. In addition, orders for equipment that require long lead times for manufacturing and delivery will be prepared in anticipation of financing. Likewise, negotiations will be concluded for electrical power, concentrate smelting agreements and final port arrangements.

An International Environmental and Social Impact Assessment (I-ESIA) is in process, which is expected to meet IFC and World Bank standards for financing international projects. Baseline data for the ESIA was collected over the past several years. The environmental and social analysis and assessment is scheduled for completion in the second quarter of 2005. Also, a Venezuelan Environmental and Social Impact Assessment (V-ESIA) is being completed to satisfy Venezuelan requirements to obtain an "Authorization to Affect Natural Resources (AANR)" (AutorizaciUn de AfectaciUn de Recursos Naturales), which is granted by the Ministry of the Environment and Natural Resources (the MARN). Final assessments of air emissions, water quality, geochemistry of tailings and waste rock and other environmental impacts and mitigation are ongoing.

In late 2004, the Company completed an additional drilling program consisting of 32 holes totaling approximately 15,000 meters and costing approximately \$800,000. The focus of the drilling program was to test the down-dip extension of the ore body and convert inferred ore tonnes to measured and indicated. The results of the drill program have been compiled throughout the first quarter of 2005 and will be incorporated in a mineral reserve update during the second quarter. In addition, condemnation drilling on the property has commenced and will continue throughout 2005.

In January 2005, the Company announced the addition of five key managerial personnel to its operations and technical staff: Corporate- Metallurgist, Manager, Technical Services; Venezuela - Manager, Special Projects; Manager, Logistics; and Institutional Relations Manager. Management is in the process of identifying additional personnel that will be needed to construct and operate the Brisas Project.

We continue to expand our participation in various social, cultural and environmental programs in the immediate and surrounding areas near Brisas. Our social work has most recently focused on providing a better environment for the youth in nearby communities. These efforts have included the

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construction of new recreational facilities such as parks, refurbishment of multiple-use sport courts and year-round cultural and sport programs, all of which have received a very favorable response from the community. The Company continues to work on its proposal to the Ministry of Basic Industries and Mines (MIBM) to implement a support program within the framework of Mission Piar, one of President Chavez's social initiatives which includes the local small miners and encompasses technical assistance and training to explore and minimize the impact to the environmental as well as their integration into the formal economy.

### Choco 5 Property

The Choco 5 property, a grass-roots gold exploration target, is located in the El Callao mining district in the State of Bolivar, southeastern Venezuela. Since acquiring the property in 2000, the Company has invested approximately \$200,000 on acquisition and exploration costs and expects to expend up to \$500,000 beginning in mid 2005, on further exploration. Exploration activities will include the following: environmental permitting, additional geologic mapping and reconnaissance, comprehensive grid of soil geochemical sampling, exploration drilling, geophysical testing of established gold anomalies in the eastern sector of the property, trenching and selective diamond drilling of gold anomalies, and construction of access roads to facilitate the above activities.

### Financial Overview

Overview. The following discussion of financial position as of March 31, 2005 and results of operations for the three months ended March 31, 2005 and 2004 are to be read in conjunction with the Company's unaudited consolidated financial statements and related notes, included herein. We prepare our consolidated financial statements in U.S. Dollars in accordance with accounting principles generally accepted in Canada. These financial statements together with the following management's discussion and analysis, dated May 11, 2005, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the Company's potential future performance. Additional information on the Company can be found in the Company's Annual Information Form filed with Canadian Securities Regulators at [www.sedar.com](http://www.sedar.com) and its Form 20F filed with the US Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

The Company is engaged in the business of exploration and development of mining projects and is presently focusing its financial resources on its most significant asset, the Brisas project, and to a lesser extent the exploration of its Choco 5 property, both located in Bolivar State, Venezuela. The Company has no commercial production at this time. As a result, the Company has not recorded revenue or cash flow from its mining operations and has experienced losses from operations for each of the last five years, a trend we expect to continue until the Brisas project is fully developed and put into commercial production. The Company has historically financed its operations through the sale of common stock and other equity securities. Management expects the Brisas project, if constructed, to be similarly financed along with project and corporate debt financing.

Venezuela has experienced high levels of inflation during the last several years as well as political and civil unrest. During this period Venezuela has experienced a decline in industrial output and foreign investment. Despite this political and economic turmoil, we have not experienced any significant adverse impact to date on our operations in Venezuela nor have we curtailed our investment activities in the country. However, our operations and investments in Venezuela could be adversely affected in the future.

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As noted elsewhere, Aker Kvaerner and a number of other consultants, including PAH and Vector, completed a bankable feasibility study with respect to the construction and operation of the Brisas Project. Based on the results of the study, the feasibility study operating plan assumes a large open pit mine and anticipates utilizing conventional truck and shovel mining methods with the processing of ore at full production of 70,000 tonnes per day. The study anticipates the Brisas Project will yield an average annual production of 486,000 ounces of gold and 63 million pounds of copper over an estimated mine life of approximately 16 years. Initial costs to construct and place the Brisas Project into production are currently estimated to be \$552 million. Construction of the planned facility, the start of which is primarily dependant upon receiving the required permits and obtaining sufficient financing, is expected to take 24-26 months, with commissioning and achievement of commercial production shortly thereafter. Obtaining the required permits and the necessary funding for the Brisas project will continue to be the Company's primary focus during the remainder of 2005 and into 2006.

Results of Operations. The Company's results of operation are a product of operating expenses, primarily related to the development of the Brisas project, net of investment income. Consolidated net loss for the three months ended March 31, 2005 amounted to \$2,123,523 or \$0.06 per share compared to consolidated net loss of \$1,212,008 or \$0.04 per share for the same period in 2004. Other income for the three month period ended March 31, 2005 increased by \$89,157 over the comparable three month period in 2004. The change was primarily due to an increase in the amount of invested cash. Operating expenses for the three months ended March 31, 2005 increased by \$1,000,672 over the comparable three month period in 2004. The change was primarily due to the cost of implementing directors' and officers' insurance, increases in consulting costs associated with the development of the Brisas project, increased compensation expense primarily as a result of new hires and overall increases in expenditures as a result of the increased corporate management activity associated with the development of the Brisas Project and financing activities.

### Liquidity and Capital Resources.

The Company had no significant investing activities during the three months ended March 31, 2005, other than the purchase and sale or maturity of marketable securities, which, on a net basis, totaled approximately \$1.2 million in sales and maturities of marketable securities. The total financial resources of the Company, cash plus marketable securities, decreased \$1 million from December 31, 2004 to approximately \$32 million as of March 31, 2005. As of the date of this report, the Company had the following shares, equity units, warrants and share options issued:

|  |            |
|--|------------|
| Class A common                           | 34,649,819 |
| Equity units 1                           | 1,157,397  |
| Class A common share purchase warrants 2 | 2,680,500  |
| Class A common share purchase options 3  | 3,190,085  |

1) An equity unit consists of one class B common share of Gold Reserve Inc. and one class B common share of Gold Reserve Corporation. Equity units are convertible into Class A common shares of Gold Reserve Inc. on a one to one basis.

2) Consist of 5,361,000 Class A common share purchase warrants exercisable for one-half share or 2,680,500 Class A Common Shares, exercisable at Cdn \$5.40 per whole share and expiring in November 2006.

3) Exercisable at between \$0.57 and \$4.90 per share.



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With the completion of the bankable feasibility in early 2005, our efforts are focused primarily on identifying suitable funding sources, completion of detailed project engineering, development and implementation of project related contracts such as engineering, procurement and construction management, port facilities, concentrate sales contracts, electricity and fuel supply contracts, and a number of other agreements related to the construction and operation of the Brisas Project and completion of the Brisas Project Environmental and Social Impact Assessment Study, obtaining the required permits (primarily the permits to construct and operate). Initial capital expenditures required to put the Brisas Project into production as presently proposed in the Brisas bankable feasibility study, is estimated to be approximately \$552 million over a 24-26 month construction period. Commencement of the construction of the Brisas Project is primarily dependant upon obtaining the required permits and obtaining sufficient financing.

As of May 11, 2005, the Company held approximately \$31 million in cash and investments. In the near-term, management believes that cash and investment balances are sufficient to enable the Company to fund its pre-construction activities through 2006 (excluding substantial Brisas Project construction activities). The timing and extent of additional funding or project financing, if any, depends on a number of important factors, including, but not limited to the actual timetable of our 2005-2006 work plan, our assessment of the financial markets, the political and economic conditions in Venezuela, our share price and the price of gold and copper. Management provides no assurances that it will be able to obtain the substantial additional financing that will be needed to construct the Brisas Project. Failure to raise the required funds will mean the Company is unable to construct and operate the Brisas Project.

### CONSOLIDATED BALANCE SHEETS

March 31, 2005 (unaudited) and December 31, 2004

| U.S. Dollars                                   | March 31,<br>2005 | December 31,<br>2004 |
|--|-------------------|----------------------|
| <b>ASSETS</b>                                  |                   |                      |
| Current Assets                                 |                   |                      |
| Cash and cash equivalents                      | \$ 27,836,332     | \$ 27,178,705        |
| Marketable securities                          | 4,314,299         | 5,528,776            |
| Deposits, advances and other                   | 339,845           | 336,128              |
| Accrued interest                               |                   | 13,444               |
| <br>Total current assets                       | <br>32,490,476    | <br>33,057,053       |
| Property, plant and equipment, net             | 53,374,363        | 52,535,018           |
| Other  | 956,881           | 1,013,460            |
| <br>Total assets                               | <br>\$ 86,821,720 | <br>\$ 86,605,531    |
| =====  |                   |                      |
| <b>LIABILITIES</b>                             |                   |                      |
| Current Liabilities:                           |                   |                      |
| Accounts payable and accrued expenses          | \$ 683,075        | \$ 1,307,635         |
| <br>Total current liabilities                  | <br>683,075       | <br>1,307,635        |
| Minority interest in consolidated subsidiaries | 1,125,083         | 1,121,838            |
| <br>Total liabilities                          | <br>1,808,158     | <br>2,429,473        |
| -----  |                   |                      |
| <b>SHAREHOLDERS' EQUITY</b>                    |                   |                      |
| Serial preferred stock, without par value      |                   |                      |

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|  |              |              |
|--|--------------|--------------|
| Common shares and equity units,<br>without par value | 139,671,362  | 136,907,516  |
| Less common shares held by affiliates                | (674,598)    | (674,598)    |
| Stock options  | 1,201,378    | 1,004,197    |
| Accumulated deficit                                  | (55,079,257) | (52,955,734) |
| KSOP debt  | (105,323)    | (105,323)    |

|                            |            |            |
|----------------------------|------------|------------|
| Total shareholders' equity | 85,013,562 | 84,176,058 |
|----------------------------|------------|------------|

|  |               |               |
|--|---------------|---------------|
| Total liabilities and shareholders' equity | \$ 86,821,720 | \$ 86,605,531 |
|--|---------------|---------------|

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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, 2005 and 2004 (unaudited)

| U.S. Dollars   | 2005           | 2004           |
|--|----------------|----------------|
| <b>OTHER INCOME</b>  |                |                |
| Interest   | \$ 217,982     | \$ 128,825     |
|  | -----          | -----          |
|  | 217,982        | 128,825        |
| <b>EXPENSES</b>  |                |                |
| General and administrative   | 1,318,688      | 675,170        |
| Technical services   | 763,262        | 383,724        |
| Corporate communications   | 149,290        | 222,090        |
| Legal and accounting   | 6,283          | 24,677         |
| Foreign currency loss  | 88,276         | 40,239         |
| Loss on sale of marketable securities                                  | 12,461         |                |
| Minority interest in net income<br>(loss) of consolidated subsidiaries | 3,245          | (5,067)        |
|  | 2,341,505      | 1,340,833      |
| Net loss   | \$ (2,123,523) | \$ (1,212,008) |
|  | -----          | -----          |
| Net loss per share   | \$ (0.06)      | \$ (0.04)      |
|  | -----          | -----          |
| Weighted average common<br>shares outstanding                          | 34,267,324     | 28,226,672     |
|  | -----          | -----          |

### CONSOLIDATED STATEMENTS OF DEFICIT

For the Three Months Ended March 31, 2005 and 2004 (unaudited)

U.S. Dollars

|  |                 |
|--|-----------------|
| Deficit, December 31, 2004                                     | \$ (52,955,734) |
| Net loss   | (2,123,523)     |
|  | -----           |
| Deficit, March 31, 2005  | \$ (55,079,257) |
|  | -----           |
| Deficit, December 31, 2003                                     | \$ (47,054,004) |
| Adjustment for stock option<br>compensation from 2002 and 2003 | (419,101)       |
| Net loss   | (1,212,008)     |

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 Deficit, March 31, 2004 \$ (48,685,113)  
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The accompanying notes are an integral part of  
 the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the Three Months Ended March 31, 2005 and 2004 (unaudited)

| U.S. Dollars   | 2005           | 2004           |
|--|----------------|----------------|
| -----  |                |                |
| Cash Flows from Operating Activities:  |                |                |
| Net loss   | \$ (2,123,523) | \$ (1,212,008) |
| Adjustments to reconcile net loss to net cash<br>used by operating activities: |                |                |
| Stock option compensation  | 197,181        | 302,934        |
| Depreciation   | 19,424         | 11,991         |
| Amortization of premium on<br>marketable securities                            | 3,226          | 37,158         |
| Foreign currency loss  | 88,276         | 40,239         |
| Minority interest in net income (loss) of<br>consolidated subsidiaries         | 3,245          | (5,067)        |
| Net loss on sale of marketable securities                                      | 32,245         |                |
| Shares issued for compensation   | 435,920        | 13,279         |
| Changes in non-cash working capital:   |                |                |
| Net decrease in deposits,<br>advances and accrued interest                     | 9,727          | 17,221         |
| Net decrease in accounts payable<br>and accrued expenses                       | (624,560)      | (139,260)      |
| -----  |                |                |
| Net cash used by operating activities  | (1,958,839)    | (933,513)      |
| Cash Flows from Investing Activities:  |                |                |
| Proceeds from the sale and maturity of<br>marketable securities                |                |                |
|  | 1,679,006      | 1,000,000      |
| Purchase of marketable securities  | (500,000)      | (1,782,504)    |
| Purchase of property, plant and equipment                                      | (858,769)      | (1,174,712)    |
| Other  | (31,697)       | (40,044)       |
| -----  |                |                |
| Net cash provided (used) by<br>investing activities                            | 288,540        | (1,997,260)    |
| Cash Flows from Financing Activities:  |                |                |
| Proceeds from the issuance of common shares                                    | 2,327,926      | 53,400         |
| -----  |                |                |
| Net cash provided by financing activities                                      | 2,327,926      | 53,400         |
| -----  |                |                |
| Change in Cash and Cash Equivalents:   |                |                |
| Net increase (decrease) in<br>cash and cash equivalents                        | 657,627        | (2,877,373)    |
| Cash and cash equivalents -<br>beginning of period                             | 27,178,705     | 11,331,503     |
| -----  |                |                |
| Cash and cash equivalents - end of period                                      | \$ 27,836,332  | \$ 8,454,130   |
| -----  |                |                |

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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, 2005 and 2004 (unaudited) Expressed in U.S. Dollars

### 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of Gold Reserve Inc. and subsidiaries (the "Company") as of March 31, 2005, and the results of operations and the cash flows for the three months ended March 31, 2005 and 2004. The results of operations for the three months ended March 31, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year.

In September 2004, the Company reviewed costs incurred on the Brisas project and in accordance with its accounting policy, capitalized \$1,128,856 associated with its Brisas feasibility study which previously had been expensed in the first quarter of 2004.

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the consolidated financial statements including notes thereto included in the Company's 2004 annual report.

### 2. Geographic Segments

Net Loss for the Three Months Ended March 31, 2005 and 2004

|               | 2005         | 2004         |
|---------------|--------------|--------------|
| North America | \$ 1,446,816 | \$ 431,325   |
| South America | 676,707      | 780,683      |
| Consolidated  | \$ 2,123,523 | \$ 1,212,008 |

### 3. Share Option Plan:

The Company's Equity Incentive Plan (the "Plan") allows for the granting of common share purchase options to officers, directors and key individuals for terms of up to ten years. The vesting period of options ranges from immediately to up to three years. There were no options remaining for future grants at March 31, 2005. Share option transactions for the three months ended March 31, 2005 and 2004 are as follows:

|  | 2005             | 2004             |
|--|------------------|------------------|
|  | Weighted Average | Weighted Average |

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|  | Shares    | Exercise Price    | Shares    | Exercise Price    |
|--|-----------|-------------------|-----------|-------------------|
| Options outstanding at beginning of period | 3,316,374 | \$ 1.39           | 3,204,124 | \$ 0.95           |
| Options exercised                          | (286,289) | \$ 1.00           | (62,500)  | \$ 0.83           |
| Options canceled                           | (90,000)  | \$ 4.12           |           |                   |
| Options granted                            | 250,000   | \$ 3.80           | 135,000   | \$ 3.94           |
| Options outstanding at end of period       | 3,190,085 | \$ 1.54           | 3,276,624 | \$ 1.08           |
| Options exercisable at end of period       | 2,767,084 | \$ 1.22           | 3,048,005 | \$ 0.96           |
|  |           | Price Range       |           | Price Range       |
| Exercise price at end of period            |           | \$ 0.57 - \$ 4.90 |           | \$ 0.55 - \$ 4.14 |
| Exercise price for exercisable shares      |           | \$ 0.57 - \$ 4.14 |           | \$ 0.55 - \$ 4.14 |

Effective January 1, 2004, the Company adopted the new requirements of the Canadian Institute of Chartered Accountants standard 3870 under which the fair value method of accounting for stock options granted to employees and directors is followed. Accordingly, compensation expense was recorded on a retroactive basis to retained earnings to show the effect of compensation expense associated with stock option grants to employees and directors from January 1, 2002 to December 31, 2003, which amounted to \$419,101.

The Company recorded additional compensation expense of \$197,181, and 302,934 for stock options granted during the three months ended March 31, 2005 and 2004. The fair value of the options granted in 2005 was calculated using the Black-Scholes model assuming a weighted average risk free interest rate of 3.6%, expected life of three years, expected volatility of 104% and a dividend yield of nil.

SIGNATURE

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

GOLD RESERVE INC.

By: s/ Robert A. McGuinness  
 Vice President - Finance & CFO  
 May 11, 2005