GOLD RESERVE INC.

March 31, 2009

Interim Consolidated Financial Statements

U.S. Dollars

(unaudited)

CONSOLIDATED BALANCE SHEETS

March 31, 2009 *(unaudited)*

U.S. Dollars	March 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$ 81,897,420	$ 91,550,167
Marketable securities (Note 6)	1,547,040	1,342,760
Deposits, advances and other	1,735,825	1,123,002
Total current assets	85,180,285	94,015,929
Property, plant and equipment, net (Note 7)	180,017,160	175,132,478
Restricted cash (Note 12)	17,509,672	17,509,672
Prepaid and other	909,152	956,435
Total assets	$ 283,616,269	$ 287,614,514
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 6,142,181	$ 8,134,708
Accrued interest	1,648,286	236,848
Total current liabilities	7,790,467	8,371,556
Convertible notes (Note 10)	91,530,818	91,829,699
Minority interest in consolidated subsidiaries	2,309,504	2,306,823
Total liabilities	101,630,789	102,508,078
Measurement uncertainty (Note 1)		
Commitments (Note 12)		
SHAREHOLDERS' EQUITY		
Serial preferred stock, without par value, none issued	–	–
Common shares and equity units, without par value (Note 11)	247,893,297	247,501,272
Equity component of convertible notes (Note 10)	28,652,785	28,774,221
Less common shares held by affiliates	(636,267)	(636,267)
Stock options	9,613,638	9,428,802
Accumulated deficit	(103,891,747)	(100,180,541)
Accumulated other comprehensive income	464,465	329,640
KSOP debt	(110,691)	(110,691)
Total shareholders' equity	181,985,480	185,106,436
Total liabilities and shareholders' equity	$ 283,616,269	$ 287,614,514

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, 2009 and 2008 *(unaudited)*

U.S. Dollars	2009	2008 (restated, Note 2)
OTHER INCOME		
Interest	$ 79,942	$ 1,196,606
Foreign currency gain (loss)	(21,950)	297,583
Gain on extinguishment of debt	601,936	–
Loss on sale of marketable securities	–	(243,053)
	659,928	1,251,136
EXPENSES		
General and administrative	1,136,304	2,149,422
Technical services	892,890	1,229,815
Takeover defense and litigation (Note 13)	2,032,112	–
Corporate communications	168,665	237,983
Legal and accounting	208,612	291,461
	4,438,583	3,908,681
Net loss before tax and minority interest	$ (3,778,655)	$ (2,657,545)
Minority interest	(2,681)	(10,071)
Net loss before tax	$ (3,781,336)	$ (2,667,616)
Income tax benefit (expense)	70,130	(191,161)
Net loss for the period	$ (3,711,206)	$ (2,858,777)
Net loss per share, basic and diluted	$ (0.07)	$ (0.05)
Weighted average common shares outstanding	56,959,277	55,483,506

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

CONSOLIDATED STATEMENTS OF DEFICIT
For the Three Months Ended March 31, 2009 and 2008 *(unaudited)*

U.S. Dollars		
Deficit, December 31, 2008	$	(100,180,541)
Net loss for the period		(3,711,206)
Deficit, March 31, 2009	$	(103,891,747)
Deficit, December 31, 2007 (restated, Note 2)	$	(80,454,420)
Net loss for the period (restated, Note 2)		(2,858,777)
Deficit, March 31, 2008 (restated, Note 2)	$	(83,313,197)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Three Months Ended March 31, 2009 and 2008 *(unaudited)*

U.S. Dollars		**2009**		**2008** (restated, Note 2)
Net loss for the period	$	(3,711,206)	$	(2,858,777)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on marketable securities		134,825		(607,827)
Adjustment for realized losses included in net loss		–		243,053
Other comprehensive income (loss)		134,825		(364,774)
Comprehensive loss for the period	$	(3,576,381)	$	(3,223,551)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2009 and 2008 *(unaudited)*

U.S. Dollars	2009	2008 (restated, Note 2)
Cash Flows from Operating Activities:		
Net loss for the period	$ (3,711,206)	$ (2,858,777)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock option compensation	184,836	630,855
Depreciation	54,093	58,307
Gain on extinguishment of debt	(601,936)	
Foreign currency (gain) loss	72,492	(396,272)
Minority interest in net income of consolidated subsidiaries	2,681	10,071
Net loss (gain) on sale of marketable securities		243,053
Future income tax expense (benefit)	(69,455)	187,914
Shares issued for compensation	392,025	233,983
Changes in non-cash working capital:		
Net increase in deposits and advances	(620,911)	(126,680)
Net decrease in accounts payable and accrued expenses	(2,004,097)	(5,661,640)
Net cash used in operating activities	(6,301,478)	(7,679,186)
Cash Flows from Investing Activities:		
Proceeds from the sale of marketable securities	500,000	1,716,821
Purchase of marketable securities	(500,000)	(512,239)
Purchase of property, plant and equipment	(2,904,650)	(5,998,197)
Decrease in restricted cash	–	1,167,318
Other	(31,365)	(19,244)
Net cash used in investing activities	(2,936,015)	(3,645,541)
Cash Flows from Financing Activities:		
Net proceeds from the issuance of common shares	–	309,205
Extinguishment of convertible notes	(415,254)	–
Net cash (used in) provided by financing activities	(415,254)	309,205
Change in Cash and Cash Equivalents:		
Net decrease in cash and cash equivalents	(9,652,747)	(11,015,522)
Cash and cash equivalents - beginning of period	91,550,167	94,680,576
Cash and cash equivalents - end of period	$ 81,897,420	$ 83,665,054

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, 2009 and 2008 *(unaudited)*
Expressed in U.S. Dollars

1. Basis of Presentation and Measurement Uncertainty

The accompanying unaudited consolidated interim 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 our opinion, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of Gold Reserve Inc. and subsidiaries (the "Company, we, us, or our") as of March 31, 2009, and the results of operations and the cash flows for the three months ended March 31, 2009 and 2008. The results of operations for the three months ended March 31, 2009 and 2008 are not necessarily indicative of the results to be expected for the full year.

Except as noted in Note 2 below, these financial statements follow the same accounting policies and methods of their application as the most recent consolidated annual audited financial statements, and should be read in conjunction with the consolidated financial statements, including notes thereto, included in the 2008 annual report.

At March 31, 2009, with the exception of cash and certain equipment in the manufacturing stage, nearly all of the Company's assets, including our primary mining asset, the Brisas Project, were located in Venezuela. Our operations in Venezuela are subject to the effects of changes in legal, tax and regulatory regimes, national and local political issues, labor and economic developments, unrest, currency and exchange controls, import/export restrictions, government bureaucracy, corruption and uncertain legal enforcement. In May 2008, the Company received notification from the Venezuelan Ministry of Environment of its decision to revoke the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of the Brisas Project (the "Authorization to Affect"). As of the date of this report, the Company has not been able to confirm how the government wishes to proceed regarding the development of Brisas. Failure to obtain the Authorization to Affect or any future permit and/or authorization will result in the Company not being able to construct and operate Brisas. This issue or one or more of the other issues described herein or other factors beyond our control could adversely affect our operations and investment in Venezuela in the future.

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are based on, among other things, the Company's estimate of current mineral reserves and resources which are based on engineering and geological estimates, estimated gold and copper prices, estimated plant construction and operating costs and the procurement of all necessary regulatory permits and approvals. In addition, the Company records amounts paid for value-added tax as a non-current asset based on the assumption that these amounts will be recoverable when the Brisas Project begins production. These assumptions and estimates could change in the future and this could affect the carrying value and the ultimate recoverability of the amounts recorded as property and mineral rights, capitalized exploration and development costs and other assets. 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.

2. Restatement and New Accounting Policies

The Company restated its March 31, 2008 financial statements due to the adoption of EIC 172, Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income. This abstract provides guidance on whether the tax benefit of tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale securities, should be recognized in net income or in other comprehensive income. Upon adoption effective September 30, 2008, EIC 172 was applied retrospectively with restatement of prior periods from January 1, 2007 resulting in a reclassification $187,914 of income tax benefit from other comprehensive loss to net loss for the three months ended March 31, 2008.

Accounting Policies adopted effective January 1, 2009:

CICA Section 3064, Goodwill and Intangible Assets. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Company's financial statements.

Future Accounting Policies:

CICA Section 1582, Business Combinations. This Section replaces Section 1581 and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

Expressed in U.S. Dollars

CICA Section 1601, Consolidated Financial Statements. This section establishes standards for the preparation of consolidated financial statements and applies to financial reporting periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

CICA Section 1602, Non-Controlling Interests. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination and applies to financial reporting periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of this Section on its financial statements.

3. Cash and Cash Equivalents

	March 31, 2009	December 31, 2008
Bank deposits	$ 75,491,094	$ 85,925,019
Money market funds	6,406,326	5,625,148
Total	$81,897,420	$ 91,550,167

The above amounts exclude restricted cash of approximately $17.5 million as at March 31, 2009 and December 31, 2008. See Note 12, Commitments. At March 31, 2009 and December 31, 2008, the Company had approximately $224,000 and $205,000 respectively, in Venezuela and banks outside Canada and the U.S.

4. Financial Instruments

The fair values as at March 31, 2009 and December 31, 2008 along with the carrying amounts shown on the consolidated balance sheets for each classification of financial instrument are as follows:

		March 31, 2009		December 31, 2008	
	Classification	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	held for trading	$ 81,897,420	$ 81,897,420	$ 91,550,167	$ 91,550,167
Restricted cash	held for trading	17,509,672	17,509,672	17,509,672	17,509,672
Marketable securities	available for sale	1,547,040	1,547,040	1,342,760	1,342,760
Derivative liability	held for trading	–	–	1,442,635	1,442,635
A/P and accruals	other financial liabilities	6,142,181	6,142,181	6,692,073	6,692,073
Accrued interest	other financial liabilities	1,648,286	1,648,286	236,848	236,848
Convertible notes	other financial liabilities	91,530,818	40,427,855	91,829,699	37,723,480

Fair value estimates for marketable securities are made at the balance sheet date by reference to published price quotations in active markets. At March 31, 2009 and December 31, 2008, the fair value of the convertible notes was estimated using an indicative valuation based on recent market information.

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 counterparty will fail to meet its obligations to the Company. The Company’s primary exposure to credit risk is through its cash and cash equivalents and restricted cash balances. The Company diversifies its cash holdings into major Canadian and U.S. financial institutions and corporations.

b) Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company manages 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.

Expressed in U.S. Dollars

	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
A/P and accruals	$ 6,142,181	$ 6,142,181	–	–	–
Interest	19,702,183	5,629,195	$ 11,258,390	$ 2,814,598	–
Principal	102,349,000	–	–	102,349,000	–
Total	$ 128,193,364	$ 11,771,376	$ 11,258,390	$ 105,163,598	–

c) 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, value added tax 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 loss from the translation of foreign currency denominated financial instruments, for the three months ended March 31, 2009 and 2008, by the amounts shown below.

	2009	2008
Venezuelan Bolívar	$ 65,538	$ 87,649
Canadian dollar	8,671	9,897
Total	$74,209	$97,546

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.

e) The Company has certain contracts in which the amount payable is linked to the Company's share price. A 10% change in the Company's share price would result in an approximately $89,000 change in the amount payable.

5. Capital Management

The capital structure of the Company consists of common shares and equity units, convertible notes, stock options, accumulated deficit, accumulated other comprehensive income and KSOP debt. The Company's objectives when managing its capital are to:

a) maintain sufficient liquidity in order to meet financial obligations including the costs of developing mining projects and servicing debt;
b) safeguard the Company's assets and its ability to continue as a going concern and
c) maintain a capital structure that provides the flexibility to access additional sources of capital with minimal dilution to existing shareholders.

The Company manages its capital consistent with the objectives stated above and makes adjustments to its capital structure based on economic conditions and the risk characteristics of the underlying assets. The Company is in compliance with the covenants of its convertible notes. There were no changes to the Company's capital management during 2009.

Expressed in U.S. Dollars

6. Marketable securities

	March 31, 2009	December 31, 2008
Fair value at beginning of year	$ 1,342,760	$ 4,987,511
Acquisitions	500,000	3,262,239
Dispositions, at cost	(500,000)	(4,709,874)
Realized loss on sale	–	243,053
Unrealized gain (loss)	204,280	(2,440,169)
Fair value at balance sheet date	$ 1,547,040	$ 1,342,760

The Company's marketable 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, 2009 and December 31, 2008 marketable securities had a cost basis of $843,305.

7. Property, Plant and Equipment

		Cost		Accumulated Depreciation		Net
March 31, 2009						
United States						
Furniture and office equipment	$	497,909	$	(367,727)	$	130,182
Leasehold improvements		41,190		(35,633)		5,557
	$	539,099	$	(403,360)	$	135,739
Venezuela						
Property and mineral rights	$	11,252,335			$	11,252,335
Capitalized exploration costs		117,885,720				117,885,720
Machinery and equipment deposits		49,879,918				49,879,918
Buildings		756,282		(380,056)		376,226
Furniture and office equipment		602,476		(528,765)		73,711
Transportation equipment		636,187		(446,338)		189,849
Machinery and equipment		548,963		(325,301)		223,662
		181,561,881		(1,680,460)		179,881,421
Total	$	182,100,980	$	(2,083,820)	$	180,017,160

Expressed in U.S. Dollars

		Cost		Accumulated Depreciation		Net
December 31, 2008						
United States						
Furniture and office equipment	$	485,036	$	(355,924)	$	129,112
Leasehold improvements		35,633		(35,633)		–
	$	520,669	$	(391,557)	$	129,112
Venezuela						
Property and mineral rights	$	11,252,335			$	11,252,335
Capitalized exploration costs		115,755,503				115,755,503
Machinery and equipment deposits		47,081,189				47,081,189
Buildings		756,282		(368,600)		387,682
Furniture and office equipment		602,476		(519,883)		82,593
Transportation equipment		636,187		(425,685)		210,502
Machinery and equipment		557,561		(323,999)		233,562
		176,641,533		(1,638,167)		175,003,366
Total	$	177,162,202	$	(2,029,724)	$	175,132,478

Machinery and equipment deposits include amounts paid for infrastructure and milling equipment either in the manufacturing stage or being stored by the manufacturer pending delivery to the project site.

8. Geographic Segments

Net Loss for the Three Months Ended March 31, 2009 and 2008

	2009	2008 (restated, Note 2)
US/Canada	$ 3,037,681	$ 2,363,519
Venezuela	673,525	495,258
Consolidated	$ 3,711,206	$ 2,858,777

Expressed in U.S. Dollars

9. Stock Based Compensation

The Company has two equity incentive plans; the 1997 Equity Incentive Plan (last amended in March 2006, 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. As of March 31, 2009, there were a total of 48 participants in the plans.

Insiders (officers and directors) of the Company and its subsidiaries are not eligible to participate in the Venezuelan Plan. Subsequent to shareholder approval in June 2008, 1,056,947 options previously granted to Venezuelan employees and consultants under the 1997 Plan were transferred to the Venezuelan Plan. The 1997 Plan remains available for insiders, employees and consultants of the Company.

Combined share option transactions for the three months ended March 31, 2009 and 2008 are as follows:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	5,007,931	$ 3.18	4,445,139	$ 4.14
Options exercised	–	–	(162,133)	1.91
Options expired	(75,000)	4.00	–	–
Options forfeited	–	–	(21,834)	4.50
Options granted	547,500	0.73	–	–
Options outstanding at end of period	5,480,431	2.93	4,261,172	4.23
Options exercisable at end of period	3,717,324	$ 3.69	3,039,059	$ 4.05
Options available for grant at end of period under 1997 plan	1,376,400		1,222,536	
Options available for grant at end of period under Venezuelan plan	4,777,327		–	

	2009 Price Range	2008 Price Range
Exercise price at end of period	$0.29 - $ 5.36	$ 0.72 - $ 5.45
Exercise price for exercisable shares	$0.29 - $ 5.36	$ 0.72 - $ 5.45

The following table relates to stock options at March 31, 2009

Price Range	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price of Exercisable Options
$0.29 - $0.29	1,303,352	4.68	$0.29	434,442	$0.29
$0.73 - $1.89	1,024,000	3.34	$1.22	476,500	$1.78
$3.39 - $4.19	881,000	2.06	$3.97	881,000	$3.97
$4.22 - $4.62	476,500	2.50	$4.46	436,300	$4.48
$4.83 - $4.83	1,516,579	1.16	$4.83	1,210,082	$4.83
$5.07 - $5.36	279,000	2.67	$5.19	279,000	$5.19
$0.29 - $5.36	5,480,431	2.74	$2.93	3,717,324	$3.69

Expressed in U.S. Dollars

The Company recorded compensation expense, during the three months ended March 31, 2009 and 2008, of $184,836 and $630,855, respectively, for stock options granted. During the three months ended March 31, 2009, 547,500 new options were granted. The fair value of options granted was calculated using the Black-Scholes model based on the following assumptions:

Weighted average risk free interest rate	1.46%
Expected life	4.6 years
Expected volatility	120%
Dividend yield	nil

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. 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, 2009, an aggregate of 1,732,500 unvested Units have been granted to directors, executive officers and affiliates of the Company and 315,000 Units have been granted to other participants. The value of these units, based on the grant date value of the Class A shares, was approximately $8.9 million.

10. 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. Canadian accounting standards require the Company to allocate the notes between their equity and debt component parts based on their respective fair values at the time of issuance. The liability component was computed by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. The equity portion of the notes was estimated using the residual value method at approximately $29 million, net of issuance costs. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense. The expected life of the notes is an estimate and is subject to change, if warranted by facts and circumstances related to the potential early redemption of the notes by either the Company or the holders. Interest and accretion expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. The Company capitalized interest and accretion expense totaling $2.0 million and $1.7 million, during the three months ended March 31, 2009 and 2008, respectively.

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 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 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 unless there has occurred and is continuing certain events of default under the Company's indenture.

At December 31, 2008, the Company revised its estimate of the expected life of the notes to June 15, 2012 and adjusted the carrying value accordingly. The adjusted carrying value was calculated by computing the present value of the estimated future interest and principal payments at the original effective interest rate. As a result of this change, the carrying value of the notes increased by approximately $20.5 million with a corresponding increase in capitalized interest and accretion.

As of March 31, 2009, convertible notes with a face value of $1,151,000 had been converted for cash or repurchased by the Company. At March 31, 2009 and December 31, 2008, the fair value of the convertible notes was estimated to be $40.4 million and $37.7 million, respectively, based on recent market information

11. Common Shares and Equity Units

During the three months ended March 31, 2009, the Company issued 551,500 shares at an average price of $0.71 per share as compensation. As of March 31, 2009, there were a total of 57,670,555 Class A and 500,236 Class B shares issued.

During the three months ended March 31, 2008, the Company issued 162,133 shares at an average price of $1.91 per share upon exercise of stock options, and 42,875 shares at an average price of $5.46 per share were issued as compensation.

12. Commitments

In mid 2007, we commenced procurement efforts with the assistance of SNC-Lavalin and placed orders for the gyratory crusher, pebble crushers, SAG and ball mills and related processing equipment, mill motors, and other equipment for the Brisas Project. In November 2008, we sold a portion of this equipment recovering $19.2 million in deposits and reducing our future commitment by $21.9 million while incurring a $1.3 million loss as a result of changes in foreign currency exchange rates. As of March 31, 2009, the Company has equipment commitments totaling $73.8 million and has made payments on these orders of $48.0 million. In connection with a portion of these commitments, the Company opened an irrevocable standby letter of credit with a Canadian chartered bank providing security on the performance of obligations. As of March 31, 2009 and December 31, 2008, the Company had restricted cash of $17.5 million as required by this letter of credit.

13. Takeover Defense and 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 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.

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. On April 6, 2009 the permission to appeal was denied. The legal action commenced December 16, 2008 by the Company is ongoing. 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.

Costs associated with the takeover defense and litigation amounted to $2.0 million and $5.4 million in 2009 and 2008, respectively. A portion of these costs relates to contracts which require payment based on the consideration paid to the Company in the event of a transaction or, in the event of a successful defense, the consideration that would have been paid had a transaction been completed. These contracts are considered to be derivative instruments or to contain embedded derivatives because the amounts payable are linked to the Company’s share price and accordingly they are accounted for at fair value with unrealized gains and losses recorded in income until completion of the terms of the contracts.