

GOLD RESOURCE CORP
Form 10QSB
May 15, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: March 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ____ to _____

GOLD RESOURCE CORPORATION

(Exact Name of Small Business Issuer as Specified in its Charter)

Colorado
(State or other jurisdiction
of incorporation or organization)

333-129321
(Commission
File No.)

84-1473173
I.R.S. Employer
Identification Number

222 Milwaukee Street, Suite 301, Denver, Colorado 80206

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: **(303) 320-7708**

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 28,169,552 shares of common stock outstanding as of May 10, 2007.

Transitional Small Business Disclosure Format: Yes No

GOLD RESOURCE CORPORATION

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GOLD RESOURCE CORPORATION AND SUBSIDIARIES**(An Exploration Stage Company)****CONSOLIDATED BALANCE SHEET***as of March 31, 2007**(Unaudited)***ASSETS**

| | | |
|----------------------------------|----|-----------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 6,212,127 |
| Refundable tax payments | | 190,417 |
| Other current assets | | 20,563 |
| | | <hr/> |
| Total current assets | | 6,423,107 |
| | | <hr/> |
| Investment in mineral properties | | |
| Property and equipment - net | | 154,675 |
| Other assets | | 1,469 |
| | | <hr/> |
| Total assets | \$ | 6,579,251 |
| | | <hr/> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|----|-------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ | 152,082 |
| | | <hr/> |
| Total current liabilities | | 152,082 |
| | | <hr/> |
| Shareholders' equity: | | |
| Preferred stock - \$0.001 par value, 5,000,000 shares authorized: | | |
| No shares issued or outstanding | | |
| Common stock - \$0.001 par value, 60,000,000 shares authorized: | | |
| 28,169,552 shares issued and outstanding | | 28,170 |
| Additional paid-in capital | | 14,134,811 |
| Accumulated (deficit) during the exploration stage | | (7,753,249) |
| Other comprehensive income: | | |
| Currency translation adjustment | | 17,437 |
| | | <hr/> |
| Total shareholders' equity | | 6,427,169 |
| | | <hr/> |
| Total liabilities and shareholders' equity | \$ | 6,579,251 |
| | | <hr/> |

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS**

*for the three months ended March 31, 2007 and 2006,
and for the period from Inception (August 24, 1998) to March 31, 2007
(Unaudited)*

| | <u>2007</u> | <u>2006</u> | <u>Inception (August 24, 1998) to March 31, 2007</u> |
|--|-----------------------|---------------------|--|
| Revenues: | | | |
| Gold sales | \$ | \$ | \$ |
| Costs and Expenses: | | | |
| Property exploration and evaluation | 714,106 | 108,491 | 3,026,097 |
| Property acquisition | 10,000 | | 468,681 |
| Management contract - US Gold, related party | | | 752,191 |
| General and administrative | | | |
| Salaries and benefits | 140,842 | 118,119 | 1,131,766 |
| Legal and accounting | 73,025 | 60,555 | 391,576 |
| Investor relations | 72,038 | | 225,023 |
| Travel related | 48,629 | 30,866 | 226,634 |
| All other general and administrative | 82,363 | 9,144 | 341,265 |
| Stock based compensation | | | |
| Stock awards | 72,840 | | 1,140,190 |
| Grant of stock options | | | 147,050 |
| Depreciation | 7,600 | 4,050 | 32,887 |
| Total costs and expenses | <u>1,221,443</u> | <u>331,225</u> | <u>7,883,360</u> |
| Operating (loss) | (1,221,443) | (331,225) | (7,883,360) |
| Other income: | | | |
| Interest income | 65,063 | 246 | 130,111 |
| (Loss) before income taxes | <u>(1,156,380)</u> | <u>(330,979)</u> | <u>(7,753,249)</u> |
| Provision for income taxes | | | |
| Net (loss) | (1,156,380) | (330,979) | (7,753,249) |
| Other comprehensive income: | | | |
| Currency translation gain (loss) | (2,246) | (2,140) | 17,437 |
| Net comprehensive (loss) | <u>\$ (1,158,626)</u> | <u>\$ (333,119)</u> | <u>\$ (7,735,812)</u> |
| Net (loss) per common share: | | | |
| Basic and Diluted | <u>\$ (0.04)</u> | <u>\$ (0.02)</u> | |
| Weighted average shares outstanding: | | | |
| Basic and Diluted | <u>28,151,885</u> | <u>18,304,852</u> | |

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS**

*for the three months ended March 31, 2007 and 2006,
and for the period from Inception (August 24, 1998) to March 31, 2007
(Unaudited)*

| | <u>2007</u> | <u>2006</u> | <u><i>Inception (August 24, 1998) to March 31, 2007</i></u> |
|--|----------------|--------------|---|
| Cash flows from operating activities: | | | |
| Net cash (used) in operating activities | \$ (1,382,135) | \$ (244,110) | \$ (5,741,634) |
| Cash flows from investing activities: | | | |
| Capital expenditures | (65,996) | | (187,562) |
| Net cash (used in) investing activities | (65,996) | | (187,562) |
| Cash flows from financing activities: | | | |
| Cash proceeds from initial public stock offering | | | 4,351,200 |
| Cash proceeds from other sales of stock | | | 7,177,623 |
| Cash proceeds from exercise of options | | | 62,500 |
| Proceeds from debentures - founders | | | 50,000 |
| Proceeds from notes payable - related parties | | 100,000 | |
| Proceeds from exploration funding agreement - Canyon Resources | | | 500,000 |
| Net cash provided by financing activities | | 100,000 | 12,141,323 |
| Net increase (decrease) in cash and equivalents | (1,448,131) | (144,110) | 6,212,127 |
| Cash and equivalents at beginning of period | 7,660,258 | 176,182 | |
| Cash and equivalents at end of period | \$ 6,212,127 | \$ 32,072 | \$ 6,212,127 |

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

GOLD RESOURCE CORPORATION AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation. The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) pursuant to Item 310 of Regulation S-B. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position as of March 31, 2007, results of operations for the three months ended March 31, 2007 and 2006, and cash flows for the three months ended March 31, 2007 and 2006, as applicable, have been made. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company s Form 10-KSB.

Gold Resource Corporation (the Company) was organized under the laws of the State of Colorado on August 24, 1998. The Company has been engaged in the exploration for precious and base metals, primarily in Mexico, as an exploration stage company. The Company has not generated any revenues from operations. The consolidated financial statements included herein are expressed in United States dollars, the Company s reporting currency.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned Mexican corporate subsidiaries, Don David Gold S.A. de C.V. and Golden Trump S.A. de C.V. The expenditures of Don David Gold and Golden Trump are generally incurred in Mexican pesos. Significant inter-company accounts and transactions have been eliminated.

Estimates. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Estimates that are critical to the accompanying consolidated financial statements include the identification and valuation of derivative instruments, and the amortization of discounts on convertible securities arising from warrants and bifurcated derivative instruments. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. Estimates and assumptions are revised periodically and the effects of revisions are reflected in the financial statements in the period it is determined to be necessary.

Per Share Amounts. SFAS 128, Earnings Per Share, provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, similar to fully diluted earnings per share. Potentially dilutive securities, such as common stock options, are excluded from the calculation when their effect would be anti-dilutive. For the period ended March 31, 2007, options to purchase 2,600,000 shares of common stock would have an anti-dilutive effect and were therefore excluded from the calculation.

Foreign Operations. The Company's present exploration activities are in Mexico. As with all types of international business operations, currency fluctuations, exchange controls, restrictions on foreign investment, changes to tax regimes, political action and political instability could impair the value of the Company's investments.

Foreign Currency Translation. The local currency, the Mexican peso, is the functional currency for the Company's subsidiaries. Current assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated using historical rates. Revenues and expenses are translated at the average exchange rate for the period. Translation adjustments are reported as a separate component of shareholders' equity.

2. Mineral Properties

El Aguila. Effective October 14, 2002, the Company, through its subsidiary, Don David Gold S.A. de C.V., leased a prospective gold/silver property located in the State of Oaxaca, Mexico, designated the El Aguila property, from Jose Perez Reynoso, a consultant to the Company. The El Aguila property is an exploration stage property and incorporates approximately 4,685 acres. The lease agreement for El Aguila is subject to a 4% net smelter return royalty to the lessor where production is sold in the form of gold/silver dore and 5% for production sold in concentrate form. Prior to 2007, the Company made periodic payments required under the lease totaling \$260,000 and no further advance royalty payments are due.

Through March 31, 2007, the Company has spent or incurred approximately \$2,525,000 in acquisition, exploration and related costs for El Aguila, of which approximately \$714,000 was spent in 2007.

El Rey and Solaga. The Company has acquired claims in another area of the *Sierra Madre del Sur* region by filing concessions under the Mexican mining laws, referred to by us as the El Rey property. Additionally, in February 2007, we leased a 100% interest in a property known as the Solaga property. We have conducted minimal exploration on these properties to date.

The El Rey project is an exploration stage property located approximately 64.4 kilometers (40 miles) from the El Aguila property. There is no plant or equipment on the El Rey property. If exploration is successful, any mining would probably require an underground mine but any mineralized material could be processed at the El Aguila project mill if one was to be built in the future.

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The Solaga property consists of a 400 hectare property, located approximately 120 kilometers (75 miles) from the El Aguila project. A dormant silver mine is located on the Solaga property which was in production as recently as the 1980 s, however, we cannot estimate if or when we will reopen the mine. The lease required an initial payment of \$10,000 and requires the Company to spend \$25,000 on the property during the first twelve months of the lease. The lease is subject to a 4% net smelter return royalty on any production.

3. Property and Equipment

At March 31, 2007, property and equipment consisted of the following:

| | | |
|--------------------------------|----|----------|
| Trucks and autos | \$ | 104,653 |
| Office furniture and equipment | | 72,239 |
| Exploration equipment | | 10,670 |
| | | 187,562 |
| Subtotal | | 187,562 |
| less: accumulated depreciation | | (32,887) |
| | | 154,675 |
| Total | \$ | 154,675 |

4. Income Taxes

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are comprised mainly of net operating loss carry-forwards.

The reconciliation between the statutory federal tax rate and the effective tax rate as a percentage is as follows:

| | 2007 | 2006 |
|--|------|------|
| Statutory federal income tax rate | 34% | 34% |
| Effect of net operating loss carry-forward | (32) | (34) |
| Effect of stock grants | (2) | |
| | % | % |
| Tax provision | % | % |

At March 31, 2007, the Company estimates that its tax loss carry-forwards are approximately \$6,900,000. These net operating loss carry-forwards (NOL) are available to offset future taxable income, if any, and expire at various dates through 2027. The principal difference between the accumulated deficit for book purposes and the NOL for income tax purposes relates to stock compensation expense which is not deductible for tax purposes.

At this time, the Company is unable to determine if it will be able to utilize the potential benefit of the tax loss carry-forwards. Accordingly, the Company has provided a valuation allowance for the entire amount of the deferred tax asset.

5. Shareholders Equity

Effective February 21, 2005, the Company declared and effected a 100% forward stock split where one share of common stock, par value \$.001, was issued for each share outstanding as of that date. These financial statements reflect the effect of this 100% stock split.

The Company entered into an investor relations contract that required the issuance of 30,000 shares of restricted common stock during the first quarter of 2007. These shares were valued at fair market value of \$72,840.

Stock Options. The Company has a non-qualified stock option and stock grant plan under which stock options and stock grants may be granted to key employees, directors and others (the Plan). Options to purchase shares under the Plan must be granted at fair value as of the date of the grant. A total of 6,000,000 shares of common stock have been reserved under the Plan.

Effective January 1, 2006, the Company implemented the rules of SFAS 123(R), Accounting for Stock-Based Compensation, which requires the Company to expense as compensation the value of grants and options under the Company's stock option plan as determined in accordance with the fair value based method prescribed in SFAS 123(R). The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

During the three months ended March 31, 2007, no stock options were granted, exercised or terminated.

The following table summarizes information about outstanding stock options at March 31, 2007:

| | Number of shares | Weighted average exercise price |
|------------------------------|-----------------------------|--|
| | <hr/> | <hr/> |
| Outstanding, January 1, 2007 | 2,600,000 | \$ 0.60 |
| Granted | | \$ |
| Exercised | | \$ |
| | <hr/> | <hr/> |
| Outstanding, March 31, 2007 | 2,600,000 | \$ 0.60 |
| | <hr/> | <hr/> |

6. Related Party Transactions

In February 2007, the Company entered into a lease agreement for the Solaga property. Jose Perez Reynoso, a consultant and shareholder of the Company, is a part owner of the Solaga property.

During the three months ended March 31, 2006, Messrs. William Reid and David Reid each loaned \$50,000 to the Company. The loans were non-interest bearing and were repaid during September 2006.

Item 2. Management's Discussion and Analysis or Plan of Operation

Overview

The following discussion updates our plan of operation for the next twelve months. It also analyzes our financial condition at March 31, 2007 and compares it to our financial condition at December 31, 2006. Finally, the discussion summarizes the results of our operations for the three months ended March 31, 2007 and compares those results to the corresponding period ended March 31, 2006. This discussion and analysis should be read in conjunction with our audited financial statements for the two years ended December 31, 2006, including footnotes, and the discussion and analysis included in our Form 10-KSB.

On February 21, 2005, we effected a two-for-one split of our outstanding common stock. All of the financial information included in this discussion and in the financial statements appearing in this report has been adjusted to reflect the results of that stock split.

In August 2006, we closed our IPO, from which we received net proceeds of \$4,351,200. We expect to use most of the proceeds from the offering for exploration purposes. In October 2006, we contracted with Servicios de Perforacion Insemin S.A. de C.V., a Mexican subsidiary of R&R Incorporated and commenced the third stage of our drilling program at the El Aguila project. We believe the program will ultimately cover 10,000 meters (32,808 feet) of core drilling. We will be testing geological targets including areas which we believe have yielded favorable results during a recent geochemical survey. This drilling program is expected to be complete in August 2007.

On December 7, 2006, we completed a private placement of 4,322,000 shares of our common stock for \$1.20 per share, from which we received net cash proceeds of \$4,928,700. We expect to use the proceeds for exploration activities and operating expenses.

Plan of Operation

Our plan of operation is to continue exploration of the El Aguila property until we discover sufficient mineralization to justify placing the property into production or alternatively, determine to abandon the lease. We also intend to undertake exploration of the El Rey property, a property that is in an earlier stage of exploration. Our ultimate objective is to become a producer of gold and other precious metals. We are unable at this time to predict when, if ever, that objective will be achieved.

Exploration. Exploration carried out by us to date at the El Aguila project has included 171 drill holes totaling approximately 13,399 meters (43,960 feet). The results so far suggest the presence of mineralized material in sufficient grade and quantity to justify continued exploration.

Exploration at the El Aguila project will continue to be the central focus of our activities for the foreseeable future. We have budgeted \$3,000,000 of the initial public offering proceeds and \$1,000,000 from the private placement proceeds for continued exploration of the El Aguila property. We completed a geochemical survey of a portion of the property and expect to conduct additional geological studies in the future. In response to what we perceived as positive results from the geochemical survey, we signed a drilling contract in October 2006 for a minimum of 3,333 meters (10,935 feet) of additional core drilling. We have the option to expand the drilling up to 10,000 meters (approximately 33,000 feet). This contract represents a minimum financial commitment of \$300,000 and a maximum financial commitment of \$1,000,000 over the term of the agreement. There are numerous exploration targets that are now being tested with the objective of delineating and expanding the previously identified mineralization. Some new targets were developed and some old targets were amplified by the recent geochemical survey.

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We believe our exploration results have been positive enough to warrant conducting a feasibility study for the mineralization we have identified. We engaged Lyntek, Inc. of Denver, Colorado to commence the study. This study is designed to determine the economic feasibility of placing the property into production and producing gold and silver. It will analyze the estimated quantity and quality of the mineralization discovered during the exploration stage, present estimates of the cost of mining and processing the material and compare the estimated sales price of the finished product. We may engage one or more other independent engineering firms to assist in this study, and we estimate that the total cost may approximate \$1,000,000. The timing of any production would be primarily a function of the timing of acceptable exploration results, the availability of working capital and acquiring the required regulatory permits.

Capital Investment. In addition to expenses of exploration, we also anticipate making infrastructure improvements at the El Aguila project. Foremost among these expenses would be the construction of an improved road to the proposed mill site and camp improvements. We estimate costs of approximately \$1,000,000 to complete these improvements, and we would likely attempt to acquire the surface rights to our property prior to making capital improvements. We currently do not have any agreements in place regarding acquisition of the surface rights on the El Aguila property and do not know when, if ever, such arrangement will be made available to us.

If a decision is made to commence mining, we would incur significant capital costs in constructing a mill and acquiring necessary equipment. At present, our cash position is not sufficient to fund these capital requirements and we would anticipate obtaining such funding through additional equity financing, although we have not yet finalized any specific plans. Only after a mine and a mill are constructed and operational could we expect any revenue.

Corporate Overhead. Included in our plan of operation are the expenses of overseeing our business and paying other general and administrative expenses. These expenses primarily include salaries and consulting fees, rent, travel and professional fees. We currently estimate these expenses at \$90,000 per month based on existing commitments and expectations. We expect these expenses will be paid from our cash position and future equity offerings, if necessary, until such time, if ever, we are successful in placing one or more of our properties in production.

Liquidity and Capital Resources

As of March 31, 2007, we had working capital of \$6,271,025 comprised of current assets of \$6,423,107 and current liabilities of \$152,082. This represents a decrease of \$1,144,182 from the working capital balance of \$7,415,207 at fiscal year end December 31, 2006. During the three months ended March 31, 2007, we utilized our working capital resources to fund our exploration program and other operating expenses.

Due to our lack of proved or probable reserves at this time, all of our investment in mining properties has been expensed, and does not appear as an asset on our balance sheet. During the first three months of 2007, we spent \$724,106 on acquisition, exploration and evaluation expenses. This compares to \$108,491 for the comparable period in 2006. From inception to March 31, 2007, we have spent \$3,494,778 on the acquisition and exploration of our properties, including \$2,525,000 on the El Aguila project.

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All of our capital resources to date have been provided exclusively through the sale of equity securities. From inception through March 31, 2007, we received \$14,162,981 in cash, services and other consideration through the issuance of our common stock. Since we have not generated any cash from operations, we have relied on the sale of our common stock to fund all of our capital needs.

Net cash used in operating activities was \$1,382,135 during the first three months of 2007, compared to \$244,110 during the first three months of 2006. As more fully explained in preceding paragraphs, we have increased exploration of the El Aguila property. In addition, cash spent on general and administrative expenses increased during the first three months of 2007 compared to 2006, primarily in support of increasing exploration and investor relations activities.

Results of Operations Three Months Ended March 31, 2007 Compared to the Three Months Ended March 31, 2006

We are considered an exploration stage company for accounting purposes, since we have not received any revenues from operations. We are unable to predict with any degree of accuracy when this classification will change. Since we have not identified any proved or probable mineral reserves on our property, all of our exploration costs are currently expensed, contributing to the increased loss in 2007 compared to 2006. We expect to incur losses until such time, if ever, as we begin generating revenue from operations.

For the three months ended March 31, 2007, we recorded a net loss of \$(1,156,380), or \$(0.04) per share, compared to a loss for the corresponding period of 2006 of \$(330,979) or \$(0.02) per share. In neither period did we report any revenue except interest income.

General and administrative expense increased to \$489,737 for the three months ended March 31, 2007 compared to \$218,684 during the same period of 2006. The increase of \$271,053 primarily reflects approximately \$22,000 of salaries, \$13,000 in increased legal and accounting fees associated with the registration statement we filed to register the securities sold in the December 2006 private placement, investor relations expenses of \$72,000, \$18,000 related to increased travel, and \$73,000 of stock compensation expense.

Mineral property costs, including acquisition and exploration costs, increased \$615,615 from \$108,491 for the three months ended March 31, 2006 to \$724,106 for the same period of 2007. The increase reflects our increasing exploration activities at our El Aguila project.

Interest income increased to \$65,063 for the three months ended March 31, 2007 compared to \$246 for the comparable period of 2006, an increase of \$64,817. Proceeds from our 2006 financing activities have been deposited in short term interest bearing accounts pending their utilization in our exploration and operating activities.

Forward-Looking Statements

This Form 10-QSB contains or incorporates by reference forward-looking statements, as that term is used in federal securities laws, about our financial condition, results of operations and business. These statements include, among others:

statements concerning the benefits that we expect will result from our business activities and results of exploration that we contemplate or have completed, such as revenues; and

statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

These statements may be made expressly in this document or may be incorporated by reference to other documents that we will file with the SEC. You can find many of these statements by looking for words such as believes, expects, anticipates, estimates or similar expressions used in this report or incorporated by reference in this report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied in those statements. Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied. We caution you not to put undue reliance on these statements, which speak only as of the date of this report. Further, the information contained in this document or incorporated herein by reference is a statement of our present intention and is based on present facts and assumptions, and may change at any time and without notice, based on changes in such facts or assumptions.

Risk Factors Impacting Forward-Looking Statements

The important factors that could prevent us from achieving our stated goals and objectives include, but are not limited to, those set forth in our annual report on Form 10-KSB, other reports filed with the SEC and the following:

- The worldwide economic situation;
- Volatility in the price of precious metals;
- Any change in interest rates or inflation;
- The willingness and ability of third parties to honor their contractual commitments;
- Our ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the gold mining industry for risk capital;
- Our costs of production;
- Environmental and other regulations, as the same presently exist and may hereafter be amended;
- Our ability to identify, finance and integrate other acquisitions; and
- Volatility of our stock price.

We undertake no responsibility or obligation to update publicly these forward-looking statements, but may do so in the future in written or oral statements. Investors should take note of any future statements made by or on our behalf.

Item 3. Controls and Procedures

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of March 31, 2007, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2007 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(b) Our registration statement on Form SB-2, file number 333-129321, was declared effective by the SEC on May 15, 2006. Pursuant to this registration statement, we registered 7,000,000 shares of our common stock for sale by us and 8,910,707 shares of common stock for sale by certain selling shareholders. Pursuant to the registration statement, we sold a total of 4,600,000 shares for proceeds of \$4,351,200, net of expenses. The remainder of the shares registered for our account were deregistered and are no longer available for sale in this offering.

During the period ended March 31, 2007, we spent \$1,448,131 of the proceeds on a combination of exploration activities, general and administrative expenses, and capital expenditures.

Item 5. Other Events

The Company's common stock was approved for listing on the Frankfurt Stock Exchange under the symbol GIH and commenced trading on May 9, 2007.

Item 6. Exhibits.

The following exhibits are filed with this report:

| Number | Description |
|--------|--|
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William W. Reid. |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Frank L. Jennings. |
| 32 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William W. Reid and Frank L. Jennings. |

