GOLD RESERVE INC
Form F-3
February 25, 2013

As filed with the U.S. Securities and Exchange Commission on February 25, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form F-3

Registration Statement Under the Securities Act of 1933

GOLD RESERVE INC.

(Exact Name of Registrant as Specified in Its Charter)

Yukon Territory, Canada	**N/A**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

926 W. Sprague Avenue, Suite 200

Spokane, Washington 99201

Tel: (509) 623-1500

(Address and Telephone Number of Registrant's Principal Executive Offices)

Rockne J. Timm

926 W. Sprague Avenue, Suite 200

Spokane, Washington 99201

Tel: (509) 623-1500

(Name, Address and Telephone Number of Agent For Service)

Copy to:

Albert G. McGrath, Jr.

Baker & McKenzie LLP

2300 Trammell Crow Center

2001 Ross Avenue

Dallas, Texas 75201

Tel: (214) 978-3028

Approximate date of commencement of proposed sale to the public:

From time to time on or after the effective date of this registration statement

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. **[ ]**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. **[X]**

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **[ ]**

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **[ ]**

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. **[ ]**

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. **[ ]**

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Aggregate Price Per Security	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Class A common shares, no par value	7,959,265[1]	2.78[2]	$22,126,756	$3,018
5.50% Senior Subordinated Convertible Notes due 2014	$16,236,000	$1,000	$16,236,000[3]	$2,214
Class A common shares, no par value, issuable upon conversion of certain notes	4,059,000[3][4]	2.78[2]	$11,284,020	0[5]
Class A common share purchase rights	12,018,265	N/A	N/A	0[6]
Total Registration Fee			$49,646,776	$5,232

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended (the "Securities Act"), there are also being registered hereunder additional Class A common shares, no par value ("Class A common shares"), as may be issued to the selling securityholder because of any future stock dividends, stock distributions, stock splits, similar capital readjustments or other anti-dilution adjustments.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act, based upon the average of the high and low sales prices of the Class A common shares as reported on the NYSE MKT on February 20, 2013.

(3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act, based on 100% of the aggregate principal amount of the 5.50% Senior Subordinated Convertible Notes due 2014 (the "notes").

(4) Represents the greatest number of shares of Class A common shares issuable upon conversion of the notes being registered hereunder, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act, we are also registering an indeterminate amount of Class A common shares as may be issuable from time to time upon conversion of the notes as a result of stock splits, stock dividends or the other anti-dilution provisions of the notes.

(5) Pursuant to Rule 457(i) under the Securities Act, there is no additional filing fee with respect to the Class A common shares issuable upon conversion of the notes because no additional consideration will be received by the registrant.

(6) In accordance with Rule 457(g), no additional registration fee is required in respect of the Class A common share purchase rights.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED FEBRUARY 25, 2013

The information in this prospectus is not complete and may be changed. The selling securityholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

GOLD RESERVE INC.

7,959,265 Class A Common Shares,
$16,236,000 5.50% Senior Subordinated Convertible Notes due 2014 and
Up to 4,059,000 Class A Common Shares Issuable Upon Conversion of the Notes

On December 4, 2012, we consummated the restructuring of $101.3 million of our $102.3 million outstanding 5.50% Senior Subordinated Convertible Notes due June 15, 2022 ("2022 Notes"). In connection with the restructuring, we paid $33.8 million in cash, and issued $42.2 million in equity (representing 12,412,501 Class A common shares at $3.40 per share), $25.3 million in 5.50% Senior Subordinated Convertible Notes due 2014 (the "notes") and contingent value rights to holders of our 2022 notes. This prospectus covers resales from time to time by the selling securityholder named under "Selling Securityholder" of any or all of the Class A common shares and notes held by the selling securityholder and any shares of Class A common shares issuable upon conversion of the notes. We will not receive any proceeds from the resale by the selling securityholder of the Class A common shares or notes hereunder.

The Class A common shares and notes may be offered from time to time by the selling securityholder through ordinary brokerage transactions, in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices and in other ways as described in the "Plan of Distribution." The Class A common shares being offered include (a) 7,959,265 Class A common shares issued in the Restructuring Transaction, as described in this prospectus under "Material Changes" and (b) up to 4,059,000 Class A common shares issuable upon conversion of the notes.

The notes bear interest at a rate of 5.50% per annum. We will pay interest on the notes on June 15 and December 15 of each year. The notes will mature on June 29, 2014.

Holders of the notes may convert their notes into 250 Class A common shares per $1,000 principal amount of indebtedness evidenced by the notes (which is equivalent to a conversion price of $4.00 per share), subject to adjustment upon the occurrence of certain events. The notes are our general unsecured obligations and rank equal in right of payment to all of our existing and future senior indebtedness, and senior in right of payment to our future subordinated debt. The notes are evidenced by one or more global notes deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company ("DTC"). Except as described in this prospectus, beneficial interests in the global note will be shown on, and transfers thereof will be effected through, records maintained by DTC and its direct and indirect participants.

Our Class A common shares are listed for trading on the TSX Venture under the symbol "GRZ.V" and on the NYSE MKT under the symbol "GRZ." On February 20, 2013, the closing sale price of the common shares as reported by the TSX Venture and NYSE MKT were C$2.74 and $2.68, respectively. We do not intend to apply for a listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system.

An investment in the common shares is speculative and involves a high degree of risk. See "Risk Factors" beginning on Page 5. You should read this document and documents incorporated by reference into this

prospectus before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2013.

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You should rely only upon the information contained in, or incorporated by reference into, this document. We have not, and the selling securityholder has not, authorized any other person to provide you with different information. No other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information appearing in this document is accurate only as of the date on the front cover of this document. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-3 that we filed with the United States Securities and Exchange Commission ("SEC") with respect to 12,018,265 shares of our Class A common stock and $16,236,000 of our notes which may be offered and sold from time to time in one or more offerings by the selling securityholder named under "Selling Securityholder."

We may add to or modify in a prospectus supplement any of the information contained in this prospectus or in the documents that we have incorporated into this prospectus by reference. To the extent that any statement made in a prospectus supplement conflicts with statements made in this prospectus, the statements made in the prospectus supplement will be deemed to modify or supersede those made in this prospectus.

The rules of the SEC allow us to incorporate by reference certain information into this prospectus. See "Incorporation of Certain Information by Reference" for a description of the documents from which information is incorporated, and where you may obtain a copy of such documents.

You should read both this prospectus, especially the information discussed under "Risk Factors," and any prospectus supplement together with the information described in this prospectus under "Where You Can Find More Information."

Unless the context requires otherwise, reference in this prospectus to "we," "us," "our," "Gold Reserve" or the "Company" refe to Gold Reserve Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information presented or incorporated by reference in this document contains both historical information and forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Securities Act (Ontario)) that may state our intentions, hopes, beliefs, expectations or predictions for the future.

In this report, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause our actual financial results, performance, or achievements to be materially different from those expressed or implied herein.

Forward-looking statements involve risks and uncertainties, as well as assumptions that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause our results to differ materially from those expressed or implied by such forward-looking statements. The words "believe," "anticipate," "expect," "intend," "estimate," "plan," "may," "could" and other similar expressions that are predictions of or indicate future events and future trends which do not relate to historical matters, identify forward-looking statements. Any such forward-looking statements are not intended to provide any assurances as to future results.

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

- outcome of our arbitration against the Bolivarian Republic of Venezuela;
- continued servicing or restructuring of our convertible notes or other obligations as they come due;
- equity dilution resulting from the conversion of the convertible notes in part or in whole to common shares;
- value realized from the disposition of the remaining Brisas Project related assets;
- ability to maintain continued listing on the NYSE MKT and/or the TSX Venture;
- competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations;
- corruption, uncertain legal enforcement and political and social instability;
- regulatory, political and economic risks associated with Venezuela including changes in laws and legal regimes;
- currency, metal prices and metal production volatility;
- adverse U.S. and Canadian tax consequences;
- abilities and continued participation of certain key employees;

- prospects for exploration and development of other mining projects by us; and
- risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. See “Risk Factors.”

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

CAUTIONARY NOTE REGARDING DIFFERENCES IN U.S. AND CANADIAN REPORTING PRACTICES

Commencing in 2011, we changed our basis of accounting and financial reporting from Canadian GAAP to US GAAP. We accounted for this change in presentation on a retroactive basis. The balance sheet amounts as of December 31, 2010 and the comparative operating results for the years ended December 31, 2010 and 2009 were restated accordingly. Our audited consolidated financial statements may not be comparable to financial statements of companies reporting in accordance with Canadian GAAP.

CURRENCY AND EXCHANGE RATES

Unless otherwise indicated, all references to “$” or “U.S. dollars” in this document refer to U.S. dollars, references to “Cdn$” or “Canadian dollars” refer to Canadian dollars. The 12-month average rate of exchange for one Canadian dollar, expressed in U.S. dollars, for each of the last three years equaled 1.0006, 1.0112 and 0.9707, respectively, and the exchange rate at the end of each such period equaled 1.0042, 0.9835 and 0.9991, respectively.

PROSPECTUS SUMMARY

The following summary highlights certain information contained elsewhere in this prospectus and in the documents incorporated by reference herein. It does not contain all the information that may be important to you. You should carefully read this prospectus and the documents incorporated by reference herein, before deciding to invest in our securities.

The Company

We are incorporated under the laws of Yukon, Canada and are engaged in the business of acquiring, exploring and developing mining projects. We are an exploration stage company incorporated in 1998 under the laws of Yukon, Canada and are the successor issuer to Gold Reserve Corporation, which was incorporated in 1956. From 1992 to 2008 we focused substantially all of our management and financial resources on the development of the Brisas gold and copper project located in the Kilometer 88 mining district of the State of Bolivar in south-eastern Venezuela (the "Brisas Project" or "Brisas"). The Brisas Project, along with our Choco 5 property also located in Venezuela, was expropriated by the Venezuelan government in 2008.

As of June 30, 2012 (the last business day of our most recently completed second fiscal quarter) less than 50% of our outstanding voting securities were directly or indirectly held of record by residents of the United States. Because the share ownership percentage of United States residents of the Company is less than 50% and we are organized under the laws of Yukon, Canada, we are a "foreign private issuer" pursuant to Rule 3b-4 under the Exchange Act of 1934. We previously reported as a foreign private issuer for many years prior to our annual report on Form 10-K for the fiscal year ended December 31, 2009, as during 2009 our shareholder composition changed such that more than 50% of our outstanding voting securities were directly or indirectly held of record by residents of the United States. We have returned to foreign private issuer reporting for administrative ease and as a cost-savings measure.

Our administrative office is located at 926 West Sprague Avenue, Suite 200, Spokane, WA 99201, U.S.A. and our telephone and fax numbers are (509) 623-1500 and (509) 623-1634, respectively.

The Offering

Class A Common Shares to be offered by the selling securityholder	12,018,265 Class A common shares, including 4,059,000 Class A common shares that are issuable upon the conversion of our notes held by the selling securityholder.
NYSE MKT Symbol for Class A common shares	GRZ
TSX Venture Symbol for Class A common shares	GRZ.V
Notes to be offered by the selling securityholder	$16,236,000 in aggregate principal amount of notes.
Maturity Date	June 29, 2014, unless earlier repurchased or converted.
Interest Payment Dates	June 15 and December 15 of each year.
Interest	5.50% per annum payable semiannually, in arrears. Interest will be computed on the basis of a 360-day year comprised of 12 30-day months.
Ranking	The notes are our general unsecured obligations.

Conversion Rights	Holders may convert their notes at their option on any day to and including the business day immediately preceding the maturity date into shares of our common stock at the conversion rate of $4.00 per share, subject to adjustment in certain circumstances.
Trustee and Paying Agent	U.S. Bank National Association is the trustee and paying agent. Computershare Trust Company of Canada is the Co Trustee.
DTC eligibility	The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the notes is shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances. See “Description of the Notes—Book-Entry Delivery and Form.”
Listing and Trading of notes	The notes will not be listed on any securities exchange.
Governing Law	The indenture and the notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York.
Terms of the Offering	The selling securityholder will determine when and how it will sell the Class A common shares and notes offered in this prospectus.
Use of Proceeds	We will not receive proceeds from the resale of Class A common shares and notes by the selling securityholder.
Risk Factors	See “Risk Factors” beginning on page 5 and other information included in this prospectus for a discussion of factors you should consider before deciding to invest in our Class A common shares or notes.

RISK FACTORS

Set out below are certain risk factors that could materially adversely affect our future business, operating results or financial condition. Investors should carefully consider these risk factors and the other risk factors and information in this prospectus, including under "Cautionary Statement Regarding Forward-Looking Information" and our filings with the SEC, including our annual report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 15, 2012, our amendment to such annual report on Form 10-K/A filed on April 30, 2012 and our reports on Form 6-K subsequently filed with the SEC, each of which is incorporated by reference in this prospectus, and the other documents incorporated by reference in this prospectus, before making investment decisions involving our common shares

Risks related to our arbitration proceedings

Failure to prevail in the arbitration proceedings and obtain adequate compensation from the Venezuelan government for its expropriated of the Brisas Project and our Choco 5 property could materially adversely affect the Company.

In October 2009 we filed a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID") against the Bolivarian Republic of Venezuela seeking compensation for all of the loss and damage resulting from the Venezuelan government's wrongful conduct, including its expropriation of the Brisas Project and our Choco 5 property (the "Brisas arbitration"). Our claim includes the full market value of the legal rights to develop the Brisas Project as of the date of the arbitration tribunal's decision, the value of the Choco 5 property and interest on the claim calculated since the loss. Our claim as last updated in our July 2011 Reply totals approximately $2.1 billion, which includes interest from April 14, 2008 (the date of the expropriation) to July 29, 2011 (the date of our last filing with the ICSID) of approximately $400 million. The cost of prosecuting the Brisas arbitration is substantial and there is no assurance that we will be successful in establishing the Venezuelan government's liability or, if successful, will collect any award by the arbitration tribunal for compensation from Venezuela. Failure to prevail in the Brisas arbitration and obtain adequate compensation for the expropriation of these properties could materially adversely affect the Company.

We do not know when our arbitration proceedings against Venezuela will be completed.

We understand that numerous pending arbitration actions are being pursued against Venezuela at this time before the ICSID (See ICSID website at http://icsid.worldbank.org/ICSID/) and further understand that Venezuela has reportedly settled and/or made full or partial payment for damages to a limited number of claimants. ICSID Arbitrations are non-public proceedings and, as a result, we have no specific information regarding the actual amounts paid or what percentage such payments represented of the original claim against Venezuela or the timing of such payments. We understand that tribunals for similar arbitration proceedings typically require six to eighteen months from the date of the oral hearing to finalize and issue a decision. Based on information available to us, the historical ICSID average appears to be approximately 1.2 years. Our arbitration hearing was held in February 2012. Notwithstanding the historical average, based on the uncertain nature of arbitration under investment treaties, we do not have a basis upon which to estimate the timing or the amount of an award or settlement, if any, or the likelihood of its collection. Accordingly, there can be no assurances that the Brisas arbitration proceedings will be completed or settled within any specific or reasonable period of time, we will receive any award or settlement or that any award or settlement will be paid within any specific or reasonable period of time following the award or settlement, if any.

Risks relating to the notes

Your right to receive payments on the notes is subordinated to certain future indebtedness which may be incurred.

The indenture governing the notes permits us to incur certain indebtedness which may be senior to the notes and secured by a lien on substantially all of our assets, including, but not limited to, the pledge of all rights, properties, equipment or all or a portion of the capital stock of certain of our subsidiaries holding such assets. The notes also would be effectively subordinated to such indebtedness and other secured debt to the extent of the collateral securing the indebtedness. As a result, upon any distributions to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the lenders of such indebtedness would have the right to be paid in full before any payment could be made with respect to the notes. Accordingly, all or a substantial portion of our assets could be unavailable to satisfy the claims of the holders of notes.

The notes are effectively subordinated to all liabilities of our subsidiaries.

All or a substantial portion of the indebtedness we may incur could be incurred and/or guaranteed by our subsidiaries. None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Accordingly, our right to receive assets from any of our subsidiaries upon such subsidiary's bankruptcy, liquidation or reorganization and the right of holders of the notes to participate in those assets, is effectively subordinated to claims of that subsidiary's creditors, including trade creditors.

The ability of our subsidiaries and other interests to pay dividends and make other payments to us may be restricted by, among other things, applicable corporate and other laws and regulations as well as agreements to which our subsidiaries may become a party.

We could incur substantially more debt and may take other actions which may affect our ability to satisfy our obligations under the notes.

We will not be restricted under the terms of the notes or the indenture from incurring or guaranteeing additional indebtedness, including secured debt, subject to anti-layering limitations. In addition, the limited covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. We may incur additional substantial debt in the future. In addition, such additional indebtedness could contain covenants that, among other things, restrict our ability to sell assets, incur additional secured indebtedness, engage in mergers or consolidations and engage in transactions with affiliates. We could also be required to comply with specified financial ratios and terms. Our ability to recapitalize, incur additional debt that may contain covenants and take a number of other actions that are not limited by the terms of the notes or the indenture could have important consequences to holders of notes, including:

- impairment of our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general purposes and our ability to satisfy our obligations with respect to the notes;

- dedication of a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of cash flow to fund our operations, working capital and capital expenditures; and

- limitation of our flexibility to adjust to changing market conditions and ability to withstand competitive pressures, and increased vulnerability to a downturn in general economic conditions or our business that could impair our ability to carry out capital spending that is necessary or important to our business strategy.

In addition, we are not restricted from paying dividends to our shareholders or repurchasing common shares by the terms of the notes.

Our ability to generate the cash needed to pay interest and principal amounts on the notes and service any other debt depends on many factors, some of which are beyond our control.

Our ability to generate cash from operations to meet scheduled payments or to refinance our debt will depend on our financial and operating performance which, in turn, is subject to the business risks described in this prospectus. Some of these risks are beyond our control. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or to delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure our debt.

We may not have the ability to repurchase the notes in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of notes, as required by the indenture.

We will be required to make an offer to repurchase the notes upon the occurrence of a fundamental change as described under "Description of notes." We may not have sufficient funds to repurchase the notes in cash or to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms.

A fundamental change may also constitute an event of default or require prepayment under, or result in the acceleration of the maturity of, our other indebtedness outstanding at the time. Our ability to repurchase the notes in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the notes or pay cash or issue our common shares in respect of conversions when required would result in an event of default with respect to the notes.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, we will be required to make an offer to repurchase the notes. The fundamental change provisions, however, will not afford protection to holders of the notes in the event of certain transactions. For example, any leveraged recapitalization, refinancing, restructuring, or acquisition initiated by us will generally not constitute a fundamental change requiring us to make an offer to repurchase the notes, even though any of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the notes.

Upon the occurrence of a fundamental change and in connection with your right to require us to repurchase the notes, we may satisfy our obligations through the issuance of our common shares.

You may not receive cash for notes you hold in connection with our offer to repurchase the notes upon the occurrence of a fundamental change or in connection with your right to require us to repurchase the notes if we elect to satisfy our obligations by issuing to you common shares. The number of common shares we will issue will depend on the market price of our common shares at the time. Because the value of the common shares we may issue upon the occurrence of a fundamental change or in connection with your right to require us to repurchase the notes will be determined prior to the settlement of the shares, you will bear the risk that the value of the common shares may decrease between the time the price is set and settlement.

Upon conversion of the notes, we will have the option to deliver cash in lieu of some or all the common shares to be delivered upon conversion, the amount of cash to be delivered per note being calculated on the basis of average prices over a specified period, and you may receive less proceeds than expected.

Upon conversion of the notes, we will have the option to deliver cash in lieu of some or all the common shares to be delivered upon conversion. As described below under “Description of notes—Conversion rights,” the amount of cash to be delivered per note will be equal to the number of common shares in respect of which the cash payment is being made multiplied by the average of the daily volume-weighted average price of the common shares on the corresponding Bloomberg screen for the 10 trading days commencing one day after the date of our notice of election to deliver all or part of the conversion consideration in cash if we have not given notice of redemption or the conversion date, in the case of conversion following notice of redemption specifying our intention to deliver cash upon conversion. Accordingly, upon conversion of a note, holders might not receive any common shares and, if the above-referred prices decline over the 10-day period, they might receive less proceeds than expected. Our failure to convert the notes into cash or a combination of cash and common shares upon exercise of a holder’s conversion right in accordance with the provisions of the indenture would constitute a default under the indenture. In addition, a default under the indenture could lead to a default under future agreements governing our indebtedness. If, due to a default, the repayment of related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and the notes.

The adjustment to the conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a specified corporate transaction that constitutes a fundamental change occurs, under certain circumstances we will increase the conversion rate by a number of additional common shares for notes converted in connection with such specified corporate transaction. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid per common share in such transaction, as

described below under “Description of notes—Conversion rights—Adjustments to shares delivered upon conversion upon certain fundamental changes.” The adjustment to the conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate you for any lost value of your notes as a result of such transaction.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes will be subject to adjustment for certain events, including, but not limited to, the issuance of dividends on our common shares, the issuance of certain rights or warrants, subdivisions, combinations, distributions of share capital, indebtedness or assets, cash dividends and certain issuer tender or exchange offers as described under “Description of Notes.” However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer, an issuance of common shares for cash or an issuance of options pursuant to our

incentive plans, that may adversely affect the trading price of the notes or the common shares. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

The notes may not have an active market and their price may be volatile. You may be unable to sell your notes at the price you desire or at all.

There is no existing trading market for the notes and we will not have any obligation to list the notes at any time. As a result, there can be no assurance that a liquid market will develop or be maintained for the notes, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. We do not intend to list the notes on any national securities exchange or the TSX.

The notes may not be rated or may receive a lower rating than anticipated.

We do not intend to seek a rating on the notes. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the notes and our common shares could be harmed.

If you hold notes, you will not be entitled to any rights with respect to our common shares, but you will be subject to all changes made with respect to our common shares.

If you hold notes, you will not be entitled to any rights with respect to our common shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common shares, other than any extraordinary distribution that our board of directors designates as payable to the holders of the notes), but if you subsequently convert your notes into common shares, you will be subject to all changes affecting the common shares. You will have rights with respect to our common shares only if and when we deliver common shares to you upon conversion of your notes and, to a limited extent, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of common shares to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers or rights of our common shares that result from such amendment.

The notes are held in book-entry form and, therefore, you must rely on the procedures and the relevant clearing systems to exercise your rights and remedies.

Unless and until certificated notes are issued in exchange for book-entry interests in the notes, owners of the book-entry interests will not be considered owners or holders of notes. Instead, the common depository, or its nominee, will be the sole holder of the notes. Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the paying agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants' accounts that hold book-entry interests in the notes in global form and will thereafter be credited by such participants to indirect participants. Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

We may not be able to refinance the notes if required or if we so desire.

We may need or desire to refinance all or a portion of the notes or any other future indebtedness that we incur on or before the maturity of the notes. There can be no assurance that we will be able to refinance any of our indebtedness or incur additional indebtedness necessary for our pre-construction, construction or operative phases on commercially reasonable terms, if at all.

The conversion of our outstanding notes could result in the issuance of a significant number of our common shares causing significant dilution to the ownership of existing shareholders.

In May 2007, we issued $103,500,000 aggregate principal amount of 5.50% convertible notes due on June 15, 2022. Holders had a one time option to require us to repurchase the notes at a price equal to 100% of the principal amount of the notes plus unpaid interest on June 15, 2012 (the “Repurchase Date”). We entered into a Restructuring

Agreement dated May 25, 2012 (which was amended and restated on July 3, 2012 and again on September 13, 2012) to restructure the notes as an alternative to satisfying our obligation to repurchase the outstanding notes by delivering common shares which would have required us to issue shares based on the Daily VWAP (as defined in Indenture) for 10 days ending three days prior to the Repurchase Date, which would have likely resulted in significant dilution to the ownership of existing shareholders. As a result of the restructuring contemplated by the Restructuring Agreement, there are outstanding $25,315,000 principal amount of notes having a conversion price of $4.00. If all of such notes were converted, an additional 6,328,750 common shares would be issued, thereby diluting the ownership of existing shareholders.

Our ability to obtain the resources required for continued servicing or restructuring of our notes or to meet other obligations as they come due depends on numerous factors, some of which are beyond our control.

Unless and until we successfully collect an arbitral award, if any, or acquire and/or develop other operating properties which provide positive cash flow, our ability to meet our obligations as they come due or redeem in whole or part or otherwise restructure the notes will be limited to our cash on hand and/or our ability to issue additional equity or debt securities in the future. Such transactions could potentially cause substantial dilution to the then existing shareholders and, in certain circumstances, could result in a change of control.

Failure to develop or further invest in our La Tortuga property (or acquire or invest in another mining project) could adversely affect future results including continued listing of our Class A common shares on the NYSE MKT

We are subject to a plan to regain compliance with the continued listing rules of the NYSE MKT. The staff of the NYSE MKT has notified us that it intends to file a delisting application with the SEC. On the other hand, we believe we are now an operating company, as the NYSE MKT interprets such issues. We have appealed the staff's determination. See "Material Changes – NYSE MKT Delisting Application." We are separately required to maintain compliance with the TSX Venture listing rules. No assurances can be given that we will be able to maintain our listing with the NYSE MKT and/or maintain compliance with the TSX Venture Company Manual and, as a result, could be subject to loss of our listing and future delisting actions.

A delisting of our Class A common shares from the NYSE MKT and/or the TSX Venture could negatively impact us by: (i) reducing the liquidity and market price of our Class A common shares; (ii) reducing the number of investors willing to hold or acquire our common shares, which could negatively impact our ability to raise equity financing; (iii) limiting our ability to use a registration statement to offer and sell freely tradable securities, thereby preventing us from accessing the public capital markets; (iv) impairing our ability to provide equity incentives to our employees; and (v) impairing our ability to pay noteholders Class A common shares in lieu of cash upon certain terms and conditions under our indenture in connection with a fundamental change.

Industry competition for new properties could limit our ability to grow in the future.

There is strong competition from other mining companies in connection with the acquisition of future properties considered to have commercial potential. Many of these companies have greater financial resources, operational experience and technical capabilities. As a result, we may be unable to acquire additional mining properties, thereby limiting future growth.

Failure to retain and attract key personnel could adversely affect us.

We are dependent upon the abilities and continued participation of key personnel to manage the Brisas arbitration and identify, acquire and develop new opportunities. Substantially all key management personnel have been employed by us for over 15 years. The loss of key employees (in particular those long time key management personnel possessing important historical knowledge related to the Brisas Project which is relevant to the Brisas arbitration) or an inability to obtain personnel necessary to execute our plan to acquire and develop a new project could have a material adverse effect on our future operations.

The price and liquidity of our common shares may be volatile.

The market price of our common shares may fluctuate based on a number of factors, some of which are beyond our control, including:

- the result of the Brisas arbitration and litigation proceedings;

- economic and political developments in Venezuela;
- our operating performance and financial condition;
- continued listing of our common shares on Canadian and US stock exchanges;
- the public's reaction to announcements or filings by ourselves or other companies;
- the price of gold and copper and other metal prices, as well as metal production volatility;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving us or other companies.

The effect of these and other factors on the market price of the common shares on the NYSE MKT and TSX Venture has historically made our share price volatile and suggests that our share price will continue to be volatile in the future.

Sales of a significant number of our Class A common shares in the public markets, or the perception of such sales, could depress the price of our Class A common shares, the fair market value of the notes or both.

Sales of a substantial number of our Class A common shares in the public markets could depress the price of our Class A common shares, the fair market value of the notes or both, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales, or the perception of such sales, of our Class A common shares would have on the market price of our Class A common shares or the fair market value of the notes. The price of our Class A common shares may be affected by possible sales of our Class A common shares by investors who view the notes as a more attractive means than equity participation in our company and by hedging or arbitrage trading activity which we expect to occur involving our Class A common shares. This hedging or arbitrage could, in turn, affect the fair market value of the notes.

We do not intend to pay any cash dividends in the foreseeable future.

We have not declared or paid any dividends on our Class A common shares since 1984. We intend to retain earnings, if any, to finance the growth and development of our business and do not intend to pay cash dividends on the Class A common shares in the foreseeable future. Any return on an investment in our common shares will come from the appreciation, if any, in the value of the common shares. The payment of future cash dividends, if any, will be reviewed periodically by our board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

We may issue additional common shares, debt instruments convertible into common shares or other equity-based instruments to fund future operations.

We cannot predict the size of any such future issuances of securities, or the effect, if any, that future issuances and sales of our securities will have on the market price of our common shares or the fair market value of the notes. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, will result in dilution, possibly of a substantial nature, to present and prospective holders of shares and in certain

circumstances could result in a change of control.

Risks Related to the Company

Operating losses are expected to continue.

We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from mining operations and have experienced losses from operations for each of the last five years, a trend we expect to continue unless and until the Brisas arbitration is resolved favorably to us and/or we acquire or invest in an alternative project and achieve commercial production.

Risks inherent in the mining industry could adversely impact future operations.

Exploration for gold and other metals is speculative in nature, involves many risks and frequently is unsuccessful. As is customary in the industry, not all prospects will be positive or progress to later stages (e.g. the feasibility and permitting stages), therefore, management can provide no assurances as to the future success of its efforts to acquire, explore, develop or operate another mining property. Exploration programs entail risks relating to location,

metallurgical processes, governmental permits and regulatory approvals and the construction of mining and processing facilities. Development can take a number of years, requiring substantial expenditures and there is no assurance that we will have, or be able to raise, the required funds to engage in these activities or to meet our obligations with respect to the exploration properties in which we may acquire an interest. Any one or more of these factors or occurrence of other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies.

As a foreign private issuer, we are permitted to file less information with the SEC than a company incorporated in the United States.

We are a foreign private issuer under the Exchange Act and, as a result, are exempt from certain rules under the Exchange Act. These rules include the proxy rules that impose certain disclosure and procedural requirements for proxy solicitations. In addition, we are not required to file periodic reports and financial statements with the SEC as frequently, promptly or in as much detail as U.S. companies with securities registered under the Exchange Act. We are not required to comply with Regulation FD, which imposes certain restrictions on the selective disclosure of material information. Moreover, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our common shares.

U.S. Internal Revenue Service designation as a "passive foreign investment company" may result in adverse U.S. tax consequences to U.S. Holders.

U.S. taxpayers should be aware that we have determined that we were a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC") for the taxable year ended December 31, 2011, and it may be a PFIC for all taxable years prior to the time the Company has income from production activities. We do not believe that any of the Company's subsidiaries were PFICs as to any shareholder of the Company for the taxable year ended December 31, 2011, however, due to the complexities of the PFIC determination detailed below, we cannot guarantee this belief and, as a result, we cannot determine that the IRS would not take the position that certain subsidiaries are not PFIC's. The determination of whether the Company and any of its subsidiaries will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company and any of its subsidiaries will be a PFIC for any taxable year generally depends on the Company's and its subsidiaries' assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Annual Report on Form 10-K. Accordingly, there can be no assurance that the Company and any of its subsidiaries will not be a PFIC for any taxable year.

For taxable years in which the Company is a PFIC, any gain recognized on the sale of the Company's common shares and any "excess distributions" (as specifically defined) paid on the Company's common shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the common shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the common shares generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a timely and effective "QEF election" generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. For

a U.S. taxpayer to make a QEF election, the Company must agree to supply annually to the U.S. taxpayer the "PFIC Annual Information Statement" and permit the U.S. taxpayer access to certain information in the event of an audit by the U.S. tax authorities. We will prepare and make the statement available to U.S. taxpayers, and will permit access to the information. As a possible second alternative, a U.S. taxpayer may make a "mark-to-market election" with respect to a taxable year in which the Company is a PFIC and the common shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in such common shares

It may be difficult to bring certain actions or enforce judgments against the Company and/or its directors and executive officers.

Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against us, our directors or executive officers based on civil liability provisions of federal securities laws or other laws of the U.S. or any state thereof or the equivalent laws of other jurisdictions of residence. We are

organized under the laws of Yukon, Canada. Some of our directors and officers, and some of the experts named from time to time in our filings, are residents of Canada or otherwise reside outside of the U.S. and all or a substantial portion of their and our assets, may be located outside of the U.S. As a result, it may be difficult for investors in the U.S. or outside of Canada to bring an action in the U.S. against our directors, officers or experts who are not resident in the U.S. It may also be difficult for an investor to enforce a judgment obtained in a U.S. court or a court of another jurisdiction of residence predicated upon the civil liability provisions of Canadian security laws or U.S. federal securities laws or other laws of the U.S. or any state thereof against us or those persons.

USE OF PROCEEDS

We will not receive any proceeds from any sales of Class A common shares or notes made from time to time hereunder by the selling securityholder. The selling securityholder will pay any underwriting or broker discounts and commissions and expenses incurred by them for brokerage, accounting, tax or legal services or any other expenses incurred in disposing of common shares in secondary offerings. We will bear all other costs, fees and expenses incurred in effecting the registration of the securities covered by this prospectus, including, without limitation, all registration and filing fees and fees and expenses of our counsel and accountants.

PRICE RANGE OF CLASS A COMMON SHARES AND THE NOTES

Our Class A common shares are traded in Canada on the TSX Venture under the symbol "GRZ.V." Prior to February 1, 2012, our common shares were traded on the Toronto Stock Exchange. Our Class A common shares are also traded in the United States on the NYSE MKT (previously named NYSE Amex) under the symbol "GRZ." The notes are not listed for trading on any exchange. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices of our Class A common shares as reported on the TSX Venture and NYSE MKT.

The annual high and low sales prices for our Class A common shares for the five most recent full financial years are:

	TSX VENTURE/TSX *Canadian dollars*		**NYSE MKT** *U.S. dollars*	
	High	Low	High	Low
2012	$4.60	$2.70	$4.53	$2.68
2011	3.10	1.61	3.14	1.66
2010	1.84	0.76	1.84	0.71
2009	1.79	0.51	1.73	0.48
2008	5.95	0.32	6.00	0.26

The high and low sales prices for each full financial quarter for the two most recent full financial years and any subsequent periods are:

	TSX VENTURE/TSX *Canadian dollars*		**NYSE MKT** *U.S. dollars*	
2012	High	Low	High	Low
Fourth Quarter	$3.50	$2.70	$3.54	$2.70
Third Quarter	4.19	2.75	4.11	2.88
Second Quarter	4.60	3.26	4.53	3.15
First Quarter	3.99	2.73	3.98	2.68
2011				
Fourth Quarter	$3.10	$2.35	$3.05	$2.02
Third Quarter	3.10	2.03	3.14	2.10
Second Quarter	2.85	1.61	2.99	1.66

First Quarter	1.88	1.65	1.87	1.67

The high and low sales prices for our Class A common shares for each month for the most recent six months are:

	TSX VENTURE/TSX		**NYSE MKT**	
	Canadian dollars		*U.S. dollars*	
2013	High	Low	High	Low
February (through February 20, 2013)	$3.10	$2.74	$3.08	$2.68
January	3.26	2.73	3.28	2.77
2012				
December	3.29	2.70	3.31	2.70
November	3.31	2.92	3.30	2.91
October	3.50	3.03	3.54	3.08
September	3.88	2.75	3.90	2.88
August	4.05	3.12	4.11	3.17
July	4.19	3.36	3.95	3.27

On February 20, 2013, the closing price for the Class A common shares was Cdn $2.74 per share on the TSX Venture and U.S. $2.68 per share on the NYSE MKT. As of February 20, 2013, there were a total of 72,221,473 Class A common shares and 500,236 Class B common shares issued and outstanding. The number of holders of Class A and Class B common shares of record on September 10, 2012 was approximately 760. As of June 30, 2012, based on information received from our transfer agent and other service providers, we believe our common shares are owned beneficially by approximately 7,800 shareholders.

There is no established reporting system or trading market for trading in our notes. However, quotations of prices for our notes are available. To the extent that the notes are traded, prices of the notes may fluctuate widely depending on trading volume, the balance between buy and sell orders, prevailing interest rates, our operating results and the market for similar securities. The notes are held through the Depository Trust Company. As of February 20, 2013, there was $25,315,000 aggregate principal amount of notes and $1,042,000 of aggregate principal amount of 5.50% Senior Subordinated Convertible Notes due 2022 outstanding, and DTC was and is the sole record holder of the notes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2012. The amounts shown below are unaudited and represent management's estimate of the amounts to be included in our 2012 financial statement which have not been completed as of the date of this prospectus and are subject to adjustment. The information in this table should be read in conjunction with and is qualified by reference to the consolidated financial statements and notes thereto and other financial information incorporated by reference into this prospectus.

	As at December 31, 2012
	(U.S. dollars)
Cash and cash equivalents	$8,347,518
Borrowings:	
Short-term borrowing	-
Long-term borrowing	20,025,454
Total borrowing	20,025,454
Equity:	
Common shares and equity units	283,482,779
Contributed Surplus	5,171,603
Stock options	19,762,883
Accumulated deficit	(302,209,087)
Accumulated other comprehensive income	211,683
Total shareholders' deficit	6,419,861
Total Capitalization	$28,437,052
Change in shares issued and outstanding	
Class A common shares, without par value	72,211,473
Equity Units	500,236
	72,711,709

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Year Ended December 31,					
	2012	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges (a):	(0.88)	(2.52)	(2.26)	(1.96)	(2.70)	(3.50)

(a) Ratio of earnings to fixed charges is calculated by dividing earnings, as defined, by fixed charges, as defined. For this purpose, “earnings” means net income (loss) from operation plus income (loss) from equity investees, fixed charges and amortized capital interest less interest capitalized. For this purpose, “fixed charges” means interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and estimated interest within rental expense.

DESCRIPTION OF OUR SHARE CAPITAL

We are authorized to issue an unlimited number of Class A common shares of which 72,221,473 Class A common shares were issued and outstanding at February 20, 2013. Shareholders are entitled to receive notice of and attend all meetings of shareholders with each Class A common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. Shareholders are entitled to dividends if, as and when declared by our board of directors. Upon our liquidation, dissolution or winding up, shareholders are entitled to receive our remaining assets available for distribution to shareholders. The Class A common shares include associated Class A common share purchase rights under our Shareholder Rights Plan Agreement, as amended and restated. Those rights are described under “Item 5 – Continuation of and Amendment to the Shareholder Rights Plan Agreement” in the Proxy Statement/Information Circular attached to our Form 6-K filed June 1, 2012, which is incorporated by reference into this prospectus.

In February 1999, Gold Reserve Corporation became our subsidiary. Generally, each shareholder exchanged its Gold Reserve Corporation shares for an equal number of our Class A Common shares. For tax reasons, certain U.S. holders elected to receive equity units in lieu of our Class A common shares. An “equity unit” is comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share, is substantially equivalent to a Class A common share and is generally immediately convertible into a Class A common share. Unless otherwise noted, general references to common shares of the Company include Class A common shares and equity units as a group. At December 31, 2012, there were 500,236 equity units outstanding.

DESCRIPTION OF THE NOTES

The notes were issued under the first supplemental indenture, dated as of December 4, 2012, between us, as issuer, and U.S. Bank National Association. The supplemental indenture amends the indenture dated as of May 16, 2007 between us, U.S. Bank National Association, as successor trustee to The Bank of New York Mellon (f/k/a The Bank of New York) and Computershare Trust Company of Canada, as successor Co-Trustee to BNY Trust Company of Canada.

The following description is a summary of the material provisions of the notes and the indenture and does not purport to be complete, and this summary is qualified in its entirety by the indenture and the notes, including the definition of certain terms used in the indenture. We urge you to read the indenture and the notes because the indenture and the notes, and not this description, defines your rights as a holder of the notes. You should refer to all of the provisions of the indenture, including the definitions of certain terms used in those agreements. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. The indenture, including the form of note contained therein, is specifically incorporated herein by reference. You may request a copy of the indenture from us.

As used in this “Description of the Notes” section, references to “we,” “our” or “us” refer solely to Gold Reserve Inc. and not to our subsidiaries.

General

The notes are unsecured obligations and rank (a) subordinate in right of payment to future unsubordinated indebtedness for the construction and development of Brisas, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (b) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (c) subordinate in right of payment to any guarantee of the indebtedness described in (a) or (b) by us or any of our subsidiaries for the period that the guarantee is in effect, (d) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, (e) senior in right of payment to all of our future subordinated debt and (f) subject to the modifications set forth in the supplemental indenture, represent a corresponding principal amount of indebtedness under the 5.50% Senior Subordinated Convertible Notes due June 15, 2022. However, the notes are effectively subordinated to all future secured debt to the extent of the security on such other indebtedness and to all existing and future obligations of our subsidiaries. As of December 31, 2012, we had no outstanding long-term indebtedness and our subsidiaries had no outstanding indebtedness, other than intercompany indebtedness and trade payables. See “Risk Factors.”

The notes are convertible into our common shares, as described more fully under “—Conversion rights” below.

The notes are issued only in denominations of US$1,000 and multiples of US$1,000. The notes mature on June 29, 2014, unless earlier converted, redeemed or repurchased. We may, without the consent of the holders, issue additional notes under the indenture with the same terms and with the same CUSIP numbers as the notes offered hereby in an unlimited aggregate principal amount, provided that such additional notes must be part of the same issue as the notes offered hereby for U.S. federal income tax purposes. The notes and the additional notes, if any, will be treated as a single class for all purposes of the indenture, including waivers, amendments and redemptions. We may also from time to time repurchase notes in open market purchases, if in the future we list the notes for trading on a national securities exchange, or negotiated transactions without prior notice to holders.

Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, granting security or issuing or repurchasing our securities, entering into transactions with our affiliates or paying senior, other equally ranking or subordinated indebtedness prior to paying our obligations under the notes.

The holders of the notes are not afforded protection under the indenture in the event of a leveraged transaction or a change in control of us except to the extent described under "—Offer to purchase upon a fundamental change," and "—Conversion rights—Adjustment to shares delivered upon conversion upon certain fundamental changes."

Except under limited circumstances described below, the notes are issued only in fully registered book-entry form and are represented by one or more global notes. There is no service charge for registration of transfer or exchange of the notes. We may, however, require holders to pay a sum to cover any tax or other governmental charge payable in connection with certain transfers or exchanges.

Payments on the notes; paying agent and registrar

We pay principal of certificated notes at the office or agency designated by us in the Borough of Manhattan, The City of New York. We have initially designated a corporate trust office at 101 Barclay Street, New York, New York 10286 as our paying agent and registrar and its agency in New York, New York as a place where notes may be presented for payment or for registration of transfer. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar. Interest on certificated notes will be payable (a) to holders having an aggregate principal amount of US$5 million or less, by check mailed to the holders of these notes and (b) to holders having an aggregate principal amount of more than US$5 million, either by check mailed to each holder or, upon application by a holder to the registrar not later than two days prior to the relevant record date, by wire transfer in immediately available funds to that holder's account within the United States, which application shall remain in effect until the holder notifies, in writing, the registrar to the contrary.

We pay principal of and interest on notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note.

Interest

The notes bear interest at a rate of 5.50% per year. Interest is payable semiannually in arrears on June 15 and December 15.

Interest is paid to the person in whose name a note is registered at the close of business on June 1 or December 1, as the case may be, immediately preceding the relevant interest payment date. Interest on the notes is computed on the basis of a 360-day year composed of 12 30-day months.

Conversion rights

Holders of the notes may convert any notes or portions of the notes, in whole or in part, initially at a conversion rate of 250 Class A common shares per US$1,000 principal amount of notes (equivalent to a conversion price of US$4.00 per common share) at any time prior to the close of business on the business day immediately preceding the final maturity date of the notes, subject to prior repurchase of the notes.

Upon conversion of a note, we will have the option to deliver common shares, cash or a combination of cash and common shares for the notes surrendered as set forth below. The trustee will initially act as conversion agent. The conversion rate and the applicable conversion price in effect at any given time are referred to as the "applicable conversion rate" and the "applicable conversion price," respectively, and will be subject to adjustment as described below. A holder may convert fewer than all of such holder's notes so long as the notes converted are an integral multiple of US$1,000 principal amount.

We will have the option to deliver cash in lieu of some or all of the common shares to be delivered upon conversion of the notes. We will give notice of our election to deliver part or all of the conversion consideration in cash to the holder converting the notes within two business days of our receipt of the holder's notice of conversion. The amount of cash to be delivered per note will be equal to the number of common shares in respect of which the cash payment is being made multiplied by the average of the daily VWAP prices of the common shares for the 10 trading days commencing one day after (a) the date of our notice of election to deliver all or part of the conversion consideration in cash if we have not given notice of redemption or (b) the conversion date, in the case of conversion following notice of redemption specifying our intention to deliver cash upon conversion. "Daily VWAP" means the per share

volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “GRZ”<equity>“VAP” in respect of the period from 9:30 am to 4:00 pm (New York City time) on such trading day (or if such volume-weighted average price is unavailable, the market value of one common share on such trading day on the TSX or otherwise as our board of directors determines in good faith using a volume-weighted method); provided that after the consummation of a fundamental change in which the consideration is comprised entirely of cash, “daily VWAP” means the cash price per common share received by holders of our common shares on such fundamental change.

If we elect to deliver cash in lieu of some or all of the common shares issuable upon conversion, we will make the payment, including delivery of the common shares, through the conversion agent, to holders surrendering notes no later than the 14th business day following the conversion date. Otherwise, we will deliver the common shares, together with any cash payment for fractional shares, as described below, through the conversion agent no later than the fifth business day following the conversion date.

We may not deliver cash in lieu of any common shares issuable upon a conversion date (other than in lieu of fractional shares) if there has occurred and is continuing an event of default under the indenture, other than an event of default that is cured by the payment of the conversion consideration.

If we call notes for redemption, a holder of notes may convert the notes only until the close of business on the business day immediately preceding the redemption date unless we fail to pay the redemption price. If a holder of notes has submitted the notes for purchase upon a fundamental change, a holder of notes may convert the notes only if that holder withdraws the purchase election made by that holder.

Upon conversion, you will not receive any separate cash payment for accrued and unpaid interest unless such conversion occurs between a regular record date and the interest payment date to which it relates. We will not issue fractional common shares upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the last reported sale price of the common shares on the trading day prior to the conversion date.

Our delivery to you of common shares, cash, or a combination of cash and common shares, as applicable, together with any cash payment for any fractional share, into which a note is convertible, will be deemed to satisfy our obligation to pay:

- the principal amount of the note; and

- accrued and unpaid interest to, but not including, the conversion date.

As a result, accrued and unpaid interest to, but not including, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited.

Notwithstanding the preceding paragraph, if notes are converted after 5:00 p.m., New York City time, on a regular record date for the payment of interest, holders of such notes at 5:00 p.m., New York City time, on such record date will receive the interest and additional interest, if any, payable on such notes on the corresponding interest payment date notwithstanding the conversion. Notes, upon surrender for conversion during the period from 5:00 p.m., New York City time, on any regular record date to 9:00 a.m. New York City time, on the immediately following interest payment date must be accompanied by funds equal to the amount of interest and additional interest, if any, payable on the notes so converted on the corresponding interest payment date. However, no such payment need be made:

- if we have specified a redemption date that is after a record date and on or prior to the corresponding interest payment date;

- if we have specified a fundamental change purchase date that is after a record date and on or prior to the corresponding interest payment date; or

- to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any of our common shares upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder’s name, in which case the holder will pay that tax.

Conversion upon specified corporate transactions

If we are a party to a consolidation, amalgamation, merger, binding share exchange, statutory arrangement, sale of all or substantially all of our assets or other combination, in each case pursuant to which our common shares are converted into cash, securities or other property, then at the effective time of the transaction a holder's right to convert a note into our common shares and cash will be changed into a right to convert it into the kind and amount of cash, securities and other property which such holder would have received if such holder had converted their notes immediately prior to the transaction (the "reference property"). If the transaction causes our common shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election), the reference property into which the notes will be convertible will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common shares that affirmatively make such an election. We will agree in the indenture not to become a party to any such transaction unless its terms are consistent with the foregoing.