Registration No. 333-142656

As filed with the Securities and Exchange Commission on May 14, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM F-10

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GOLD RESERVE INC.

(Exact name of Registrant as specified in its charter)

Yukon Territory	**1040**	**Not Applicable**
(Province or other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number, if any)*

926 West Sprague Ave., Suite 200
Spokane, WA 99201
(509) 623-1500
(Address and telephone number of Registrant's principal executive offices)

Gold Reserve Corporation
926 West Sprague Ave., Suite 200
Spokane, WA 99201
(509) 623-1500
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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(509) 623-1500	**(416) 865-4392**	**(713) 427-5000**	**(416) 360-6336**	

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the Registration Statement becomes effective.

Province of Ontario, Canada
(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box below):

A. ☑ upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).

B. o at some future date (check appropriate box below)

1. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time not sooner than seven calendar days after filing).
2. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time seven calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ( ).
3. o pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
4. o after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
% Senior Subordinated Convertible Notes due 2022	$86,250,000(1)	100%	$86,250,000	$2,648(2)
Class A common shares, no par value	11,962,875(1)(3)	N/A	N/A	N/A(4)
Class A common share purchase rights	11,962,875(1)(3)	N/A	N/A	N/A(5)
% Senior Subordinated Convertible Notes due 2022	$17,250,000	100%	$17,250,000	$530(6)
Class A common shares, no par value	2,392,575(3)	N/A	N/A	N/A(4)
Class A common share purchase rights	2,392,575(3)	N/A	N/A	N/A(5)

(1) Includes % Senior Subordinated Convertible Notes due 2022 (the "notes") that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Previously paid.

(3) This number represents the number of Class A common shares (including a corresponding number of Class A common share purchase rights) that may be initially issuable upon conversion of the notes registered hereby, and such additional indeterminate number of Class A common shares as may issuable as a result of adjustments to the conversion rate of the debentures being registered hereunder. For purposes of estimating the number of Class A common shares to be included in the registration statement upon the conversion of the notes, we calculated the number of Class A common shares issuable upon conversion of the notes based on a conversion rate of 138.70 Class A common shares per US$1,000 principal amount of the notes. In addition to the Class A common shares set forth in the table, pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement also shall cover any additional Class A common shares which become issuable in connection with the Class A common shares registered for sale hereby by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration which results in an increase in the number of our outstanding Class A common shares.

(4) In accordance with Rule 457(i), no additional registration fee is required in respect of the Class A common shares.

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

(6) Paid herewith.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registration Statement shall become effective as provided in Rule 467 under the Securities Act of 1933 or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

PART I
INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

The information in this prospectus is not complete and may be changed. We 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 we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated May 14, 2007

Prospectus

US$ 75,000,000

% Senior Subordinated Convertible Notes due June 15, 2022

Interest payable June 15 and December 15

Issue price: 100%

The notes will bear interest at a rate of % per year. Interest will be payable semiannually in arrears on June 15 and December 15 of each year, beginning December 15, 2007. The notes will mature on June 15, 2022.

The notes will be unsecured obligations and will rank (1) subordinate in right of payment to future unsubordinated indebtedness for the construction and development of our Brisas project, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (2) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by us or any of our subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of our future subordinated debt. However, the notes will be 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.

Holders may convert their notes into Class A common shares ("common shares") based on a conversion rate of common shares per US$1,000 principal amount of notes, equivalent to a conversion price of approximately US$ per share, subject to adjustment, at their option at any time prior to maturity. Subject to the satisfaction of certain conditions, we may, in lieu of delivering common shares upon conversion of all or a portion of the notes, elect to pay cash or a combination of cash and common shares. In addition, following certain corporate transactions described in this prospectus, we will increase the conversion rate for holders who elect to convert notes in connection with such corporate transactions in certain circumstances.

We may redeem for cash all or a portion of the notes at any time on or after June 16, 2010, until June 15, 2012, at a purchase price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest, if any, if the closing price of our common shares reaches a specified threshold. Beginning on June 16, 2012, we may redeem for cash all or a portion of the notes at a price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest, if any. We may not otherwise redeem any of the notes at our option prior to maturity, except upon the occurrence of certain changes to the laws governing Canadian withholding taxes.

Holders may require us to purchase all or a portion of their notes on June 15, 2012 at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any. In addition, if we experience specified types of fundamental changes, holders may require us to repurchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any. We may choose to pay the purchase price in connection with a purchase of the notes at the option of the holder or upon a fundamental change in cash, common shares or any combination of cash and common shares.

For a more detailed description of the notes, see the "Description of notes" section of this prospectus.

The notes will not be listed on any securities exchange. Our common shares are listed for trading on the American Stock Exchange ("AMEX") and on the Toronto Stock Exchange (the "TSX") under the symbol "GRZ." On May 11, 2007, the closing price of the common shares on AMEX and the TSX was US$6.89 and Cdn$7.67, respectively. The TSX has conditionally approved the listing of the common shares issuable upon conversion of all or a portion of the notes offered hereby. Listing is subject to our fulfilling all of the requirements of the TSX on or before August 3, 2007. Application has also been made to have the common shares issuable upon conversion of all or a portion of the notes offered hereby listed on AMEX.

Investing in the notes involves a high degree of risk. See "Risk factors" beginning on page 1.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein is subject to complex tax rules and may have tax consequences both in the United States and in Canada. See "Income tax considerations." Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the company is organized under the laws of the Yukon Territory, Canada, that some of its officers and directors are residents of Canada, that some of the underwriters or experts named in the prospectus are residents of Canada, and that a substantial portion of the assets of the company and said persons are located outside the United States.

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

The notes will be ready for delivery in book-entry form through the facilities of The Depository Trust Company on or about May , 2007.

JPMorgan **RBC Capital Markets**

Cormark Securities

, 2007

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In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We and the underwriters have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it.

We and the underwriters are offering to sell the securities only in places where offers and sales are permitted.

You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus. You should not assume that the information contained in the documents incorporated by reference in this prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless stated otherwise, all references to “US$,” “$,” or “dollars” in this prospectus are references to United States dollars and references to “Cdn. $” are to Canadian dollars. See “Exchange rate information.” Our financial statements that are incorporated by reference into this prospectus have been prepared in United States dollars in accordance with generally accepted accounting principles in Canada (“Canadian GAAP”), and are reconciled to generally

accepted accounting principles in the United States ("U.S. GAAP") as described in note 11 to our audited consolidated financial statements for the year ended December 31, 2006.

References throughout this prospectus to the "Company" or the terms "we," "us" and "our," except as otherwise indicated in this prospectus, refer primarily to Gold Reserve Inc. and its wholly-owned subsidiaries.

Cautionary note to United States investors

This prospectus, including the documents incorporated by reference in this prospectus, has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Without limiting the foregoing, this prospectus, including the documents incorporated by reference in this prospectus, uses the terms "measured," "indicated" and "inferred" resources. U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them, including under its Industry Guide 7. As further described in our annual information form incorporated by reference in this prospectus, under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. See "Documents incorporated by reference." U.S. investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category. Therefore, U.S. investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Under Canadian disclosure rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Disclosure of "contained ounces" is permitted disclosure under Canadian securities laws, however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization, resources and reserves contained in this prospectus or in the documents incorporated by reference in this prospectus may not be comparable to information made public by U.S. companies subject only to the reporting and disclosure requirements of the SEC.

National Instrument 43-101-Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this prospectus have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System and not the SEC's Industry Guide 7. These standards differ significantly from the requirements of the SEC (including under its Industry Guide 7), and reserve and resource information contained or incorporated by reference in this prospectus may not be comparable to similar information disclosed by U.S. companies or in a U.S.-style prospectus.

See "Glossary of Significant Terms" in the Company's annual information form incorporated by reference in this prospectus for a description of certain of the mining terms used in this prospectus and in the documents incorporated by reference in this prospectus.

The Company

Overview

We are a mining company and have been engaged in the business of exploration and development of mining projects since 1956. We are presently focusing our management and financial resources on our most significant asset, the Brisas gold and copper project (“Brisas”), located in Bolivar State, Venezuela.

We acquired Brisas in 1992 and since then we have expended over $100 million on the property. Brisas is one of the largest undeveloped gold and copper deposits in the world, as measured by its proven and probable reserves of 10.4 million ounces of gold and 1.3 billion pounds of copper. We believe Brisas has many competitive strengths, including:

Attractive production profile — Upon start-up, currently expected in 2010, Brisas is expected to yield average annual production of 456,000 ounces of gold and 60 million pounds of copper over an estimated mine life of 18.5 years.

Low cost production — Cash operating costs are currently anticipated to be in the lower quartile of the worldwide gold industry cost curve. Brisas is expected to benefit from access to low-cost energy in Venezuela and also from by-product credits related to copper production. Cash operating costs are estimated at $126 per ounce of gold, net of copper credits at $1.80 per pound of copper. Cash operating costs at Brisas are highly leveraged to copper, and at current copper prices Brisas would have negative cash operating costs per ounce of gold produced.

Pre-existing infrastructure — Brisas is located approximately three kilometers from a paved highway, a 400 kilovolt transmission line and a power substation. Additionally, the nearby industrial center of Puerto Ordaz has a seagoing port, and is accessible by highway.

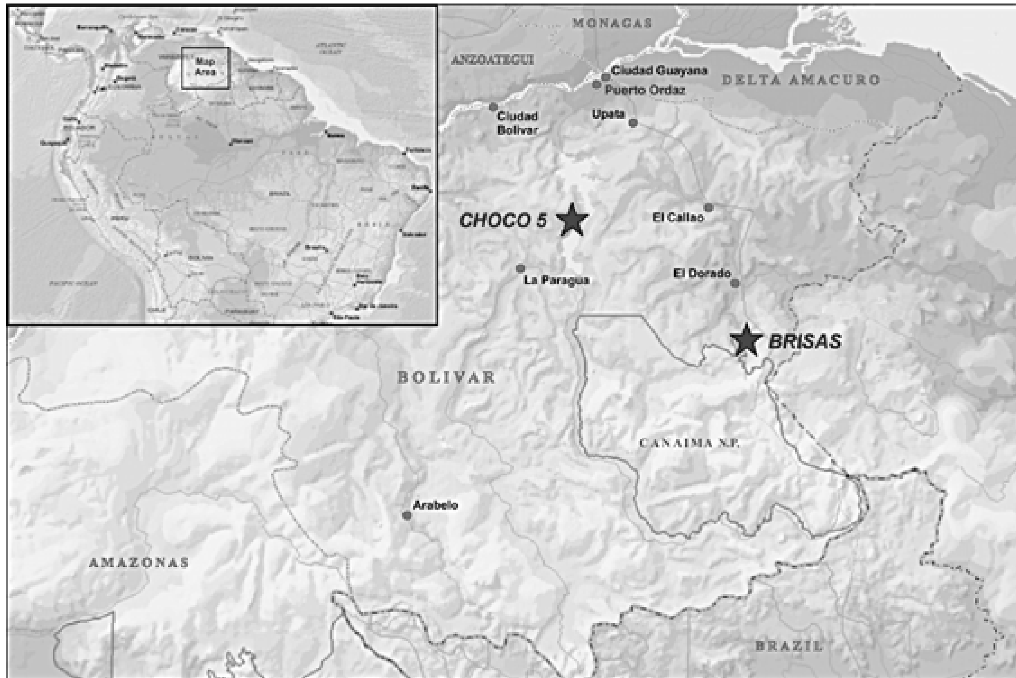
Attractive geography/geology — Brisas is located within a tropical climate zone, near sea level and has relatively flat topography. Large, disseminated mineralization is conducive to a low-cost, bulk mining method (conventional open-pit mining and flotation processing using large-scale equipment).

Advanced level of permitting — In early 2007, the Ministry of Environment (the “MINAMB”) accepted the Brisas Environmental and Social Impact Study for the Construction of Infrastructure and for the Exploitation and Processing of Gold and Copper Ore (“ESIA”), which is the basis for the issuance of all MINAMB permits and authorizations that we require to ultimately exploit the gold and copper mineralization at Brisas. On March 27, 2007, the MINAMB issued to us the Authorization for the Affectation of Natural Resources for the Construction of the Infrastructure and Services Phase of Brisas which allows us to commence certain infrastructure and construction activities at or near the mine site.

Established position in Venezuela with successful track record — We have been present in Venezuela for approximately 15 years and maintain a constructive relationship with the relevant regulatory authorities in the country.

Properties

The following description summarizes selected information about Brisas, as well as our Choco 5 exploration property. Please refer to the our annual information form for the fiscal year ended December 31, 2006, which is incorporated by reference in this prospectus, for a further description of our properties.



Brisas

Our primary mining asset, Brisas, is located in the State of Bolivar in south-eastern Venezuela. Brisas is approximately 373 kilometers (230 miles), by paved highway, from Puerto Ordaz. The mine site is three kilometers from the highway and accessible by an all-weather road.

The principal component of Brisas is a 500-hectare land parcel consisting of the Brisas alluvial concession and the Brisas hardrock concession beneath the alluvial concession. Together these concessions contain substantially all of the mineralization identified in the Brisas Report as defined below. Brisas also includes a number of other concessions, Corporación Venezolana de Guayana (“CVG”) work contracts and pending applications for land use authorizations and easements relating to as much as 11,000 hectares of land parcels adjacent to or near the existing Brisas concessions.

The predecessor to the Ministry of Basic Industries and Mining (the “MIBAM”) approved the Brisas operating plan during 2003. Approval of the operating plan by the MIBAM was a prerequisite for submitting the ESIA to the MINAMB.

Our ESIA was submitted to the MINAMB during July 2005. In early 2007 the MINAMB accepted the ESIA, which is the basis for the issuance of all MINAMB permits and authorizations that we

require to ultimately exploit the gold and copper mineralization at Brisas, and on March 27, 2007 issued the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of Brisas.

While the issuance of the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of Brisas does not permit us to exploit the gold and copper mineralization at Brisas at this time, this permit allows us to commence certain infrastructure work detailed below, including various construction activities at or near the mine site.

We expect to proceed with initial construction activities at Brisas shortly after the completion of this offering. The activities will include mobilization of SNC-Lavalin, our Engineering Procurement and Construction Management ("EPCM") contractor, pit dewatering, construction of a man-camp and office complex, clearing and earthworks for the mill site, and construction of a tailings management facility footprint, eight sedimentation ponds, a power-line corridor, a 5.7 km conveyor belt and service road corridor, lay down areas, a rock quarry, a sanitary fill and all other related mine site preparation works. In addition we will continue key activities related to the detailed engineering and the pursuit of additional authorizations and permits. The timeline for the activities covered by the recently approved permit is estimated to be 14-16 months at an estimated cost of approximately $100 million.

We are currently working with the MINAMB on an environmental and social evaluation related to the collective environmental impact of Brisas and surrounding mining and infrastructure projects. During this assessment period and upon the completion of the evaluation, we expect to receive additional permits or authorizations from the MINAMB that relate to additional infrastructure approval and the approval of the exploitation phase. We also continue to pursue additional permits and authorizations from various local, state and federal agencies.

We anticipate an overall 30 month construction period for Brisas and, assuming we receive the required exploitation permit and appropriate authorizations, we expect commissioning and achievement of commercial production shortly thereafter. Our estimate of the capital cost for Brisas as of April 2006 is $638 million over the remaining construction period. Our capital cost estimate excludes value added taxes and import duties, which we expect will be refundable, but could total as much as $50 million.

Project debt financing

In November 2006, we appointed Corporación Andina de Fomento, Export Development Canada, UniCredit Group and WestLB AG as mandated lead arrangers to arrange up to $425 million of project debt for Brisas. Any future project debt funding is, among other things, subject to satisfactory due diligence findings, sufficient equity capital being raised for Brisas, market conditions, final credit committee approval and other conditions precedent.

Brisas Report

In February 2005, we, together with independent consultants, completed the Brisas Project Bankable Feasibility Study. In November 2006, Pincock, Allen & Holt ("PAH") updated the mineral resource and reserve estimate and prepared a 43-101 report (the "Brisas Report") for Brisas, which is summarized below.

The Brisas operating plan assumes a large open-pit mine containing proven and probable reserves of approximately 10.4 million ounces of gold and 1.3 billion pounds of copper contained in 485 million tonnes of ore grading 0.67 grams of gold per tonne and 0.13% copper, at a revenue cutoff grade of $3.04 per tonne for hard rock and $3.24 per tonne for saprolite. Mineral reserves were estimated within a final pit design based on $400 per ounce of gold and $1.15 per pound of copper.

The Brisas Report anticipates that Brisas, at full production levels, utilizing conventional truck and shovel mining methods and processing ore at 70,000 tonnes per day, would yield an average annual production of 456,000 ounces of gold and 60 million pounds of copper over an estimated mine life of approximately 18.5 years.

For purposes of economic analysis, the base case economic model utilized an average price of $470 per ounce of gold and $1.80 per pound of copper resulting in $126 per ounce of gold cash operating costs net of copper credits and excluding production taxes.

The Brisas Report included the following updated sensitivity analysis:

Economic Evaluation—Base Case and Price Sensitivity (Metal prices move together)

Metal prices			Pre-tax			
Gold ($/oz)	Copper ($/lb)	Cash cost per Au oz(1)	Internal rate of return	Net present value at 0%	Net present value at 5%	Payback (years)(2)
				($ millions)		
$570	$ 2.80	$ 24	25.8%	$ 3,756	$ 1,812	4.3
520	2.30	82	20.9%	2,833	1,298	5.2
470	1.80	142	15.4%	1,909	783	6.7
420	1.30	194	9.5%	1,043	303	10.2

(1) Net of copper by-product credit and includes production taxes.

(2) Payback (years) relates to recovery of equity invested as the financial model has been prepared on an after tax, un-leveraged equity only basis

Brisas mineral reserve as at November 2006

Brisas is estimated to contain a proven and probable mineral reserve of approximately 10.4 million ounces of gold and 1.3 billion pounds of copper. The estimated proven and probable mineral reserve utilizing traditional flotation and off-site smelter processes is summarized in the following table:

Class	Reserve tonnes (millions)	Au Grade (gpt)	Cu Grade (%)	Au oz. (thousands)	Cu lb. (millions)	Waste tonnes (millions)	Total tonnes (millions)	Strip Ratio
Proven	226.3	0.69	0.12	5,032	601			
Probable	258.4	0.64	0.13	5,357	737			
Total	**484.7**	**0.67**	**0.13**	**10,389**	**1,338**	**952.3**	**1,437.0**	**1.96**

The mineral reserve (within a pit design) has been estimated using average recovery rates for gold and copper of approximately 83% and 87% respectively, metal prices of $400 per ounce gold and $1.15 per pound copper and an internal revenue cut-off of $3.04 per tonne for hard rock and $3.24 per tonne for saprolite.

Brisas mineral resource estimate as at November 2006

The estimated measured and indicated mineral resource utilizing an off-site smelter process is summarized in the following table and includes the mineral reserve estimate shown above:

	Measured		Indicated		Measured and Indicated	
Au Eq Cut-off Grade (In millions)	**Au (oz)**	**Cu (lb)**	**Au (oz)**	**Cu (lb)**	**Au (oz)**	**Cu (lb)**
0.40	5.527	657	6.621	927	12.148	1,584

The mineral resource and gold equivalent (AuEq) cut-off is based on $400 per gold ounce and $1.15 per pound copper. The inferred mineral resource, based on an off-site smelter process (0.4 gram per tonne gold equivalent cutoff), is estimated at 114.9 million tonnes containing 0.590 grams gold per tonne and 0.12 percent copper, or 2.18 million ounces of gold and 294 million pounds of copper.

The Choco 5 property

The Choco 5 property is an early stage gold exploration property located in the El Callao mining district in southeastern Venezuela. Several mining companies are active in the area and adjacent to the property is a producing gold mine owned and operated by Gold Fields Limited. The Choco 5 property has substantially the same regional infrastructure as Brisas, being the same highway system and regional and local services and is 5,000 hectares in land size. Choco 5 is not currently a material property for purposes of NI 43-101.

Corporate offices and registered agent

Our registered agent is Austring, Fendrick, Fairman & Parkkari, The Drury Building, 3801 Third Avenue, Whitehorse, Yukon Y1A 4Z7. Telephone and fax numbers for our registered office are (867) 668-4405 and (867) 668-3710, respectively. Our Brisas corporate administrative office is located at 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201. Our Venezuelan administrative and technical offices are located in Caracas and Puerto Ordaz, Venezuela. The telephone and fax numbers for our administrative office located in Spokane, Washington are (509) 623-1500 and (509) 623-1634, respectively. We also maintain technical staff in Toronto, Canada and Denver, Colorado.

The offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is or could be important to you. For a more complete understanding of the notes, please refer to the sections of this prospectus entitled "Description of notes" and "Description of share capital." Unless otherwise indicated, the information in this prospectus assumes that the underwriters do not exercise their option to purchase additional notes.

Issuer	Gold Reserve Inc.
Notes offered	$75,000,000 (or $86,250,000 aggregate principal amount if the underwriters exercise their over-allotment option in full) aggregate principal amount of % Senior Subordinated Convertible Notes due June 15, 2022.
Maturity date	June 15, 2022.
Interest	%. Interest on the notes will accrue from May , 2007. Interest will be payable semiannually in arrears on June 15 and December 15 of each year, beginning December 15, 2007.
Conversion rights	Holders may convert their notes into common shares at the applicable conversion rate, prior to the close of business on the business day immediately preceding the maturity date, in multiples of $1,000 principal amount. The initial conversion rate for the notes is Class A common shares per $1,000 principal amount of notes (equal to a conversion price of approximately $ per share), subject to adjustment. Upon conversion, we will have the option to deliver cash, common shares or a combination of cash and common shares. In addition, following certain corporate transactions that occur prior to maturity, we will increase the conversion rate for a holder who elects to convert its notes in connection with such corporate transactions by a number of additional common shares as described under "Description of notes—Conversion rights—Adjustments to shares delivered upon conversion upon certain fundamental changes." You will not receive any additional cash payment or additional shares representing accrued and unpaid interest and additional interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the common shares and cash, if any, issued to you upon conversion.
Fundamental change	If we undergo a fundamental change as defined in this prospectus, we will be required to offer to purchase all of the outstanding notes at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date, subject to certain

	exceptions. We may choose to pay cash, common shares or a combination of cash and common shares for all notes so repurchased.
Purchase of the notes by us at the option of the holder	You have the right to require us to purchase all or a portion of your notes on June 15, 2012 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, June 15, 2012. We may choose to pay cash, common shares or a combination of cash and common shares for all notes so repurchased.
Optional redemption	At any time on or after June 16, 2010, until June 15, 2012, we may redeem the notes, in whole or in part, for cash at a price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest to, but excluding, the redemption date, if the closing sale price of our common shares is equal to or greater than 150% of the applicable conversion price then in effect for at least 20 trading days in the period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the notice of redemption. Beginning on June 16, 2012, we may redeem for cash all or a portion of the notes at a price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.
Redemption for tax reasons	In the event of certain changes to the laws governing Canadian withholding taxes, we will have the option to redeem, in whole but not in part, the notes for a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the repurchase date but without reduction for applicable Canadian taxes (except in respect of certain excluded holders). Upon our giving a notice of redemption, a holder may elect not to have its notes redeemed, in which case such holder would not be entitled to receive the additional amounts referred to in “—Additional amounts” below after the redemption date.
Additional amounts	All payments made by us with respect to the notes will be made without withholding or deduction for Canadian taxes unless we are legally required to do so, in which case we will pay such additional amounts as may be necessary so that the net amount received by holders of the notes (other than certain excluded holders) after such withholding or deduction will not be less than the amount that would have been received in the absence of such withholding or deduction.
Events of default	If there is an event of default under the notes, the principal amount of the notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs.

Ranking	The notes will be unsecured obligations and will rank (1) 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, (2) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by us or any of our subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of our future subordinated debt. However, the notes will be 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, 2006, we had no outstanding long-term indebtedness and our subsidiaries had no outstanding indebtedness, other than intercompany indebtedness and trade payables.
Concurrent offering	Concurrently with this offering, we are offering to the public 16,000,000 of our common shares (18,400,000 common shares if the underwriters exercise their over-allotment option in full). Neither this offering, nor the common share offering, is contingent on the completion of the other. See "Concurrent offering."
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $71.0 million (or approximately $81.8 million if the underwriters exercise their over-allotment option in full), after deducting underwriting fees and estimated expenses. We estimate that the net proceeds from the concurrent common share offering will be approximately $103.6 million (or approximately $119.2 million if the underwriters exercise their over-allotment option in full), after deducting underwriting fees. We intend to use the net proceeds of this offering and the concurrent offering to fund construction activities, equipment purchases and ongoing development of Brisas.
Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be 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.

American Stock Exchange and Toronto Stock Exchange symbol for our common shares	The notes will not be listed on any securities exchange. Our common shares are listed on the American Stock Exchange and on the Toronto Stock Exchange under the symbol "GRZ."
U.S. and Canadian federal income tax considerations	The notes and common shares issuable upon conversion of the notes will be subject to special and complex tax rules. Holders are urged to consult their own tax advisors with respect to the U.S. and Canadian federal, state, provincial, local and foreign tax consequences of purchasing, owning and disposing of the notes and the common shares issuable upon conversion of the notes. See "Income tax considerations." Potential investors that are U.S. taxpayers should be aware that we believe we are currently a "passive foreign investment company," or PFIC, and we expect to be a PFIC for all taxable years prior to the time Brisas begins production. For more information on tax considerations related to our PFIC status see "Income tax considerations— U.S. federal income tax considerations."
Risk factors	See "Risk factors" in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

Risk factors

Our securities should be considered a speculative investment involving a high degree of risk due to the nature of our business. Prospective investors should carefully consider all of the information disclosed in this prospectus, including all documents incorporated by reference, prior to making an investment decision regarding our securities. The following risk factors, as well as risks not currently known to us, could materially adversely affect our business, financial condition and results of operations and could cause actual events to differ materially from those described in forward-looking statements relating to us. In that event, the market price of our securities could decline and an investor could lose all or part of its investment.

Risks relating to the Company

Our mining assets are concentrated in Venezuela and our operations are subject to inherent local risks.

Our exploration and development activities in Venezuela are affected by certain factors, including those listed below, some of which are beyond our control. Any one of these factors could have a material adverse affect on our financial condition and results of operations.

Political and economic environment

All of our mineral properties are located in Venezuela and, as such, we are subject to political and economic risks, including:

- the effects of local political, labor and economic developments, instability and unrest;
- significant or abrupt changes in the applicable regulatory or legal climate;
- corruption, requests for improper payments or other actions that may violate Canadian and U.S. foreign corrupt practices acts, uncertain legal enforcement and physical security;
- limitations on mineral exports;
- invalidation, confiscation, expropriation or rescission of permits, authorizations, agreements, property rights or governmental orders;
- exchange controls and export or sale restrictions;
- currency fluctuations and repatriation restrictions;
- competition with companies from countries that are not subject to Canadian and U.S. laws and regulations; and
- laws or policies of foreign countries and Canada affecting trade, investment and taxation.

The Venezuelan government has in the past exercised, and continues to exercise, significant influence over what the government considers to be strategic Venezuelan industries. For example, on May 1, 2007, foreign oil companies agreed to cede operational control of their projects to the Venezuelan national oil company as demanded by the Venezuelan government. These actions have created uncertainty about the business environment in Venezuela for foreign companies. There can be no assurance that the Venezuelan government will not take similar measures relating to other sectors of the Venezuelan economy, including foreign mining operations.

These risks may limit or disrupt any of our operations or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. We do not currently maintain any insurance covering losses or obligations related to political risks and will only do so in the future if it is available on a cost-effective basis.

Required permits or authorizations for Brisas

We are dependent on Venezuelan regulatory authorities issuing to us various permits and authorizations relating to Brisas that we require prior to completing construction of, and subsequently operating, Brisas. Consistent with other mining projects of this magnitude and in addition to permits or authorizations that must be received from the MINAMB, we need to receive a number of other permits or authorizations from various local, state and federal agencies.

In early 2007 the MINAMB accepted the ESIA, which is the basis for the issuance of all MINAMB permits and authorizations that we require to ultimately exploit the gold and copper mineralization at Brisas. On March 27, 2007, the MINAMB issued to us the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of Brisas, which allow us to commence certain infrastructure and construction activities at or near the mine site. We can give no assurance that the issuance of additional local, state and federal permits and authorizations that we require for Brisas will not be delayed or withheld, or that any existing rights or approvals already issued or granted to us for our operations in Venezuela will not be rescinded or otherwise challenged. The reasons for any such action could relate to a number of factors noted in this prospectus and in the documents incorporated by reference in this prospectus, some of which are outside of our control. As a result, we are unable to provide any assurance as to if and when the remaining required Venezuelan permits and authorizations will be issued to us. Failure to obtain any permit or authorization required for the construction or operation of Brisas would result in a material adverse affect on our financial condition and results of operations.

Government review of contracts and concessions for compliance

In 2005, the Venezuelan government announced that it intended to review all foreign investments in non-oil basic industries, including gold projects. As part of that review, the Venezuelan government announced that it would be changing the country's existing mining title regime to a system where all "new" economic interests would be granted in the form of joint ventures or operating contracts. In order to effect this change, a new draft mining law was submitted to the National Assembly which provided, among other things, for the control of primary mining activities exclusively by the state. This would occur either directly through a national mining company or via a joint venture with private entities in which the state would hold more than 50% of the capital stock of the joint venture. The Venezuelan government also announced that it would review existing concessions and contracts to determine if the holder was in compliance with the existing terms and conditions of such concessions and contracts and whether the holder was entitled to continue their original work under the original terms and conditions and qualify under the new regime.

Although we believe that all of our properties are in compliance with applicable regulations, the formal public announcement of the results of the compliance review has not been made and it is unclear when such formal public announcement will take place or whether the final policy when announced will be consistent with prior public statements. In addition, the draft mining law has yet to be enacted and implemented. Although we believe the draft law does not propose to extinguish pre-existing mining concessions that are in compliance with and granted under previous mining legislation, such as those held by us, it is unclear what provisions the final law will contain, if or when they will be enacted, or how those final provisions will impact our operations in Venezuela in the future. Among other things, this law when enacted

may adversely affect our ability to renew, or otherwise render unenforceable the renewal clauses contained in, any or all of our mining concessions. If the renewal of any of our significant concessions relating to Brisas is denied, this would have a material adverse effect on us. Until the draft law is finalized and enacted, the previous mining legislation remains in force. We cannot provide any assurance that the creation of a state mining company will not materially adversely affect our ability to develop and operate our Venezuelan properties (including our ability to renew our mining concessions) or that we will not be required to enter into a joint-venture that is controlled by the Venezuelan government in order to develop and operate Brisas.

Currency and exchange controls

In 2003, the Central Bank of Venezuela ("BCV") enacted exchange control regulations as a measure to protect international reserves. Since March 2005, the official exchange rate has been set at approximately 2,150 Venezuelan Bolivars per U.S. dollar. The Venezuelan government has also introduced regulations concerning exports from Venezuela, which currently require all goods and services to be invoiced in the currency of the country of destination or in U.S. dollars. Although these regulations have not to date adversely affected our operations as we primarily transfer funds into Venezuela for our operations, this will change in the future to the extent that we begin producing and exporting gold and copper from Venezuela. We are unable to predict at this time the future impact, if any, that these currency and exchange controls will have on our future operations. Both future fluctuations of the Venezuelan Bolivar against the U.S. dollar as well as exchange controls could negatively impact our financial condition.

The BCV allows gold mining companies to sell up to 85% of their production on the international market. The remaining 15% may be required by the government to be sold domestically at the current market price, which is paid in Venezuelan currency. Gold sold domestically to BCV is assessed a maximum tax of 1% of the value of gold as compared to the amount stated in the mining law. At this time there is no requirement to sell copper domestically but we cannot be sure that the government will not require domestic sales of copper in the future.

Unauthorized small miners

Although we are not aware of any unauthorized small miners currently located on Brisas, a significant number of unauthorized small miners have from time to time occupied various properties near or adjacent to Brisas. The methods used by the small miners to extract gold from surface material are typically environmentally unsound and in general their presence can be disruptive to the rational development of a mining project such as Brisas. Notwithstanding that we maintain a security presence and have implemented other procedures to mitigate the risk that the small miners might try to occupy Brisas, we can give no assurances that such activities will not occur in the future.

Imataca forest reserve

Brisas is located within the boundaries of the 3.75 million hectare Imataca Forest Reserve (the "Imataca Forest") in an area presently approved by Presidential Decree for mining activities. On September 22, 2004, after public consultation, Presidential Decree 3110 was published in the Official Gazette identifying approximately 12% of the Imataca Forest in south-eastern Venezuela to be used for mining activities. Decree 3110 was issued in response to legal challenges to prior Presidential Decree 1850, which opened an even larger part of the Imataca Forest to mining and

other activities and which had become subject to a legal challenge before the Venezuelan Supreme Court. In 1997, the Venezuelan Supreme Court issued a cautionary pronouncement as an interim measure pending a final ruling ordering the MIBAM to abstain from granting concessions, authorization or other acts relating to mining exploration or exploitation in the Imataca Forest.

We have been advised that the legal proceeding before the Venezuelan Supreme Court became moot upon the issuance of Decree 3110. Although since the issuance of Decree 3110, the MIBAM has, on a selective basis, issued concessions, authorizations and other acts relating to mining exploration or exploitation in the Imataca Forest, we can give no assurances, given that the legal proceeding has not been formally terminated in the Venezuelan Supreme Court, that the MIBAM will, in the future, issue permits or authorizations required to complete construction of, and subsequently operate, Brisas.

Venezuelan environmental laws and regulations

Venezuela maintains environmental laws and regulations for the mining industry that impose specific obligations on companies doing business in the country. The MINAMB, which administers Venezuelan environmental laws and regulations, proscribes certain mining recovery methods deemed harmful to the environment and monitors mining activities to ensure compliance. Venezuela's environmental legislation provides for the submission and approval of environmental impact statements for certain operations and provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which could result in environmental pollution. A breach of current or future environmental legislation may result in the imposition of fines and penalties or the suspension or closure of any future operations, the extent of which cannot be predicted. Insurance covering losses or obligations related to environmental liabilities is not maintained and will only be maintained in the future if available on a cost-effective basis. Although we believe that we have adopted a high standard of environmental compliance, failure to comply with or unanticipated changes in such laws and regulations in the future could have a material adverse impact on our financial condition and results of operations.

Challenges to mineral property titles or contract rights

Acquisition of title or contract rights to mineral properties is a very detailed and time-consuming process under Venezuelan law. Mining properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers can often be complex. From 1992 to late 1994 we were involved in a lawsuit relating to the ownership of Brisas. We successfully defended our ownership rights in the Venezuelan courts and subsequently settled the lawsuit for a substantial sum. Although we believe that we have the necessary title and rights to all of the properties for which we hold concessions or other contracts and leases, we cannot be certain that someone will not challenge or impugn title or contract rights to such properties in the future or whether such challenges will be by third parties or a government agency. We do not carry title insurance with respect to our mineral properties. A claim that we do not have title or contract rights to a property could have an adverse impact on our business in the short-term, and a successful claim that we do not have title or contract rights to a property could cause us to lose our rights to build infrastructure on or mine that property, perhaps without compensation for our prior expenditures relating to that property.

In addition to the Brisas alluvial and hardrock concessions, we have also applied to the appropriate government agencies for various contracts, land use agreements and easements allowing the use of certain land parcels contiguous to and nearby Brisas for operational and infrastructure needs. Although these applications were contained in an operating plan that has already been approved by the appropriate regulatory agencies, we can give no assurances when such applications will be approved, if ever.

Compliance with other laws and regulations

In addition to being subject to environmental laws and regulations, our activities are subject to extensive laws and regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, explosives, mine development and protection of endangered and protected species and other matters. We are required to have a wide variety of permits from governmental and regulatory authorities to carry out our activities. Obtaining the necessary permits is critical to our business.

Obtaining and maintaining permits is a complex, time consuming process and, as a result, we cannot assess whether necessary permits will be obtained or maintained on acceptable terms, in a timely manner or at all. The failure of the Venezuelan government to approve the required permits or authorizations could have a material adverse impact on our future operating results. Any failure to comply with applicable laws and regulations or the failure to obtain or maintain permits or authorizations, even if inadvertent, could result in the interruption of our operations or civil or criminal fines or penalties or enforcement actions, including orders issued by authorities enjoining or curtailing operations or requiring corrective measures, any of which could result in us incurring significant expenditures.

Our future results depend on Brisas.

We depend on a single project, Brisas, which is a development stage project and which may never be developed into a commercially viable ore body. Any adverse event affecting Brisas, or our ability to finance and/or construct and operate this project, would have a material adverse impact on our financial condition and results of operations.

We do not currently, and may never, have sufficient funds to develop our mineral properties, including Brisas.

We have limited financial resources. As of April 30, 2007, we had approximately $21 million in cash and investments. We currently do not generate revenue from operations and have historically financed operating activities primarily from the sale of common shares or other equity securities. In the near-term, we believe that cash and investment balances are sufficient to enable us to fund our construction activities into 2008 (excluding any substantial Brisas construction activities). The completion of, and the amount of the proceeds raised in, this offering and the concurrent offering will directly affect our ability to carry out our plans for further development of Brisas. Specifically, if we do not successfully complete both this offering and the concurrent offering, or if we receive less than the total amount of proceeds we seek to raise in this offering or the concurrent offering, we may not have sufficient funding to carry out all of the planned purchases and development regardless of whether we receive any additional required permits or authorizations that would otherwise allow us to proceed with additional development or, ultimately, exploitation. See “Use of proceeds.” We cannot provide any assurance that we will be able to complete this offering or the concurrent offering or, if

completed, whether we will raise the total amount contemplated. We also believe that, in addition to the proceeds we are seeking to raise through this offering and the concurrent offering, we will need additional funding to complete construction of and begin mining, Brisas. We cannot provide any assurance that we will be able to obtain the additional funding that will be needed to construct Brisas on acceptable terms, or at all. If sufficient financing is not available, we will be unable to complete construction and begin operating Brisas.

Actual capital costs, operating costs, production and economic returns may differ significantly from those we have anticipated and there are no assurances that our development activities will result in profitable mining operations.

The Brisas Report contemplates an overall capital expenditure relating to Brisas of approximately $638 million, excluding value added taxes and import duties which could total as much as $50 million. Although we are in the process of preparing applications for tax exonerations or payment holidays for certain taxes which are provided for by law, including value added tax and import duty tax on the initial capital costs, there can be no assurances that those exonerations and payment holidays will be obtained. This would result in an increase in the initial capital required to place Brisas into production. Although actual costs will not be known until firm equipment orders are placed with suppliers, due to the passage of time and increases in the cost of certain mine equipment and components of the milling facility, we expect overall capital expenditures relating to Brisas to increase.

The Brisas Report was completed to update the economic viability of the Brisas mineralized deposit. Many factors are involved in the determination of the economic viability of mining a mineralized deposit, including the delineation of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates, construction, operation, permit and environmental requirements, and the estimate of future gold and copper prices. In particular, recent increases in gold prices have led to increases in mining exploration, development and construction activities, which have resulted in increased demand for, and cost of, exploration, development and construction services, personnel and equipment. This could cause our project costs to increase materially and result in delays if services, personnel or equipment cannot be obtained in a timely manner. In addition, we may experience potential scheduling difficulties and cost increases to the extent that we need to coordinate the availability of services, personnel or equipment. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions and anticipated environmental and regulatory compliance costs and continued low energy costs. Each of these factors involves uncertainties and the making of assumptions and, as a result, we cannot give any assurance that the Brisas Report will prove accurate with respect to construction and development of Brisas or that any key finding or underlying assumption will not prove to be inaccurate for reasons outside of our control, including changes in costs as a result of the passage of time between the completion of the Brisas Report and the date any construction commences. It is not unusual in new mining operations to experience unexpected problems during development. As a result, the actual cost and time of placing Brisas into production could differ significantly from estimates contained in Brisas Report. Likewise, should Brisas be developed, actual operating results may differ from those originally anticipated.

There are differences in U.S. and Canadian practices for reporting reserves and resources.

Our reserve and resource estimates are not directly comparable to those made by companies subject to SEC reporting and disclosure requirements, as we generally report reserves and resources in accordance with Canadian practices. These practices are different from the practices used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian accepted practice to report measured, indicated and inferred resources, which are not permitted in disclosure filed with the SEC by United States domestic issuers. In the United States, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Prospective United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, “inferred resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of “contained ounces” is permitted disclosure under Canadian securities laws; however, the SEC only permits issuers to report “resources” as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this prospectus may not be comparable to information made public by domestic United States companies subject to the reporting and disclosure requirements of the SEC. See “Cautionary note to United States investors.”

Actual mineralization may vary from current estimates in the future.

Unless otherwise indicated, mineralization figures presented in this prospectus and in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to advance any of our projects to development, we must rely upon such estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered only as estimates. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis that may prove to be unreliable. These estimates may require adjustments or downward revisions based upon actual production experience. In addition, due to geologic variations within areas mined, the grade of ore ultimately mined, if any, may differ from that indicated by the Brisas Report and drill results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Actual quality and characteristics of deposits cannot be fully assessed until mineralization is actually mined and, as a result, mineral reserves may change over time to reflect actual experience.

The resource estimates contained in this prospectus have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold or copper may render portions of our mineralization uneconomic and result in reduced reported mineralization or may adversely affect the commercial viability of Brisas or our other properties. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, could have a material adverse effect on our financial condition and results of operations.

Risks inherent in the mining industry could have a significant impact on our future operations.

Gold and copper projects are subject to all of the risks inherent in the mining industry, including:

- environmental hazards;
- industrial accidents;
- fires, flooding and high-wall failure;
- inability to obtain suitable or adequate machinery, equipment or labor;
- unusual or unexpected geologic formations; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties and production facilities, personal injury, environmental damage, delays, monetary losses and legal liability. Insurance covering such catastrophic liabilities is not maintained and will only be maintained in the future if available on a cost-effective basis.

Operating losses are expected to continue until we construct an operating mine.

We have experienced losses from operations for each of the last five years as the result of, among other factors, expenditures associated with corporate activities on Brisas, as well as other unrelated non-property expenses that are recorded in our consolidated statement of operations. We expect this trend to continue until sometime after Brisas is operational. In addition, such losses may increase after this offering if we obtain additional financing and begin substantial construction of Brisas. Although this trend is expected to reverse if and when gold and copper are produced at Brisas in commercial quantities at prices equal to or in excess of the prices assumed in Brisas Report, we can give no assurances that this trend will ultimately be reversed as a result of any operations at Brisas.

We may incur costs in connection with future reclamation activities that may have a material adverse effect on our earnings and financial condition.

We are required to obtain government approval of our plan to reclaim Brisas after any minerals have been mined from the site. The Brisas reclamation plan has been incorporated into the environmental studies submitted to the MINAMB. Reclaiming Brisas is expected to take place during and after the active life of the mine. In accordance with applicable laws, bonds or other forms of financial assurances have been provided by us to guarantee compliance with environmental and social measures designed to mitigate, reduce or eliminate the impact of our permitted activities for the initial phase of construction. We will provide additional bonds for the reclamation of the mine. We may incur costs in connection with these reclamation activities in excess of such bonds or other financial assurances, which costs may have a material adverse effect on our earnings and financial condition. We expect to establish a reserve for future site closure and mine reclamation costs based on the estimated costs to comply with existing reclamation standards. There can be no assurance that our reclamation and closure accruals will be sufficient or that we will have sufficient financial resources to fund such reclamation and closure costs in the future.

The volatility of the price of gold and copper could have a negative impact upon our current and future operations.

The price of gold and copper has a significant influence on the market price of our common shares and our business activities. Fluctuation in gold and copper prices directly affects, among other things, the overall economic viability of Brisas, our ability to obtain sufficient financing required to construct Brisas, including the terms of any such financing, and the calculation of reserve estimates. The price of gold is affected by numerous factors beyond our control, such as the level of inflation, interest rates, fluctuation of the U.S. dollar and foreign currencies, supply and demand, sale of gold by central banks and other holders and the political and economic conditions of major gold producing countries throughout the world. Copper prices also fluctuate and are generally affected by global and regional demand and existing inventories. As of May 11, 2007, the COMEX closing price for gold was $670.10 per ounce and the closing price for copper was $3.61 per pound as reported by the London Metal Exchange. The following table sets forth the average of the daily closing price for gold and copper for the periods indicated as reported by the London Metal Exchange:

					Year ended December 31,
	5 yr. avg.	2006	2005	2004	2003	2002
Gold ($ per ounce)	$ 426	$ 603	$ 445	$ 410	$ 363	$ 310
Copper ($ per pound)	$ 1.51	$ 3.05	$ 1.67	$ 1.30	$ 0.81	$ 0.71

Future hedging activities could negatively impact future operating results.

We have not entered into forward contracts or other derivative instruments to sell gold or copper that we may produce in the future. Although we have no near term plans to enter into such contracts or derivative instruments, we may do so in the future if required for project financing. Forward contracts obligate the holder to sell hedged production at a price set when the holder enters into the contract, regardless of what the price is when the product is actually mined. Accordingly, there is a risk that the price of the product is higher at the time it is mined than when we enter into the contracts, so that the product must be sold at a price lower than that which could have been realized had we not entered into the contract. We may enter into option contracts for gold and copper to mitigate the effects of such hedging.

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 United States Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”) and, as a result, are exempt from certain rules under the U.S. 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 U.S. Exchange Act. We are not required to file financial statements prepared in accordance with U.S. GAAP (although we are required to reconcile our financial statements to U.S. GAAP). 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 U.S. Exchange Act and the rules under the U.S. Exchange Act with respect to their purchases and sales of our common shares.

We expect to lose our foreign private issuer status as a result of the concurrent offering.

We expect to lose our foreign private issuer status as a result of the concurrent offering. If a majority of our common shares are not held directly or indirectly by non-residents of the United States, we will no longer be exempt from the rules and regulations discussed above and, among other things, we will not be eligible to use the multijurisdictional disclosure system adopted by the United States and Canada or other foreign issuer forms and will be required to file periodic reports, proxy statements and financial statements as if we were a company incorporated in the United States. We will also lose the ability to rely upon exemptions from AMEX corporate governance requirements that are available to foreign private issuers. The costs, expenses and burdens incurred in fulfilling these additional regulatory requirements are expected to be significant.

Changes in critical accounting estimates could adversely affect our financial results.

Our most significant accounting estimate relates to the carrying value of Brisas, which is more fully discussed in our annual financial statements and related footnotes, which are incorporated by reference into this prospectus. Although we regularly review the net carrying value of our mineral properties, estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Where estimates of future net cash flows are not available and where other conditions suggest impairment, we assess if carrying value can be recovered. Although we have made our best estimate of these factors as they relate to our mineral properties, it is possible that changes could occur in the near-term, which could adversely affect the future net cash flows to be generated from the properties.

Material weaknesses relating to our internal controls over financial reporting could adversely affect our financial results or condition and share price or the price of the notes.

While we believe there are no reportable material weaknesses in our internal controls as defined in Section 404 of the Sarbanes-Oxley Act of 2002 as of the date of this prospectus, there can be no assurance that material weaknesses regarding our internal controls will not be discovered in the future. If so, this could result in costs to remediate such controls or inaccuracies in our financial statements. In addition, a material weakness in internal controls over financial reporting may result in increased difficulty or expense in transactions such as financings, and may result in an adverse reaction by the market generally that would result in a decrease of our share price or the price of the notes. We must, for our fiscal year ending December 31, 2007, begin to comply with additional requirements of Section 404 with which we have not previously been required to comply. Among other things, this will require our external auditors to issue an opinion on the adequacy of management’s assessment and their own assessment of the effectiveness of our internal controls over financial reporting.

Attracting and retaining key personnel in the future could have a significant impact on future operating results.

We are and will be dependent upon the abilities and continued participation of key management personnel, as well as the significant number of new personnel that will be necessary to manage any construction and operation of Brisas. If the services of our key employees were lost or we are unable to obtain the new personnel necessary to construct, manage and operate Brisas, it could have a material adverse effect on future operations.

We may experience difficulties managing our anticipated growth.

We anticipate that if we construct Brisas and put it into production, we will experience significant growth in our operations resulting in increased demands on our management, internal controls and operating and financial systems. There can be no assurance that we will successfully meet these demands and effectively attract and retain additional qualified personnel to manage our anticipated growth. The failure to manage growth effectively could have a material adverse impact on our business, financial condition and results of operations.

Risks related to the notes

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

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. We expect to incur such indebtedness under credit facilities entered into for purposes of financing the construction and development of Brisas, and expect to secure such indebtedness with substantially all of our assets related to Brisas. 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.

We expect that all or a substantial portion of the indebtedness we expect to incur to finance the construction and development of Brisas will 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 expect to 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 expect to incur substantial additional indebtedness in connection with the financing of Brisas, and may incur other additional substantial debt in the future. In addition, we expect that such additional indebtedness will 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 expect to 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 and the development of Brisas.

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.

Because we expect to incur substantial indebtedness to finance the development of Brisas, in order to fund our debt service obligations we will require significant amounts of cash. Unless and until production commences at Brisas, or we acquire or develop other operating properties, cash to meet these obligations will be sourced from cash on hand or the issuance of additional equity or debt securities. If we are successful in commencing production at Brisas, 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, including the risks of operating mining properties in Venezuela and prevailing economic conditions. 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. In addition, if the price of our common shares in the transaction is greater than $ per share or less than $ (in each case, subject to adjustment), no adjustment will be made to the conversion rate.

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 underwriters may make a market in the notes after this offering is completed, but the underwriters have no obligation to do so and, if they do, they may cease such market-making at any time without notice.

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 will initially be 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.

We have determined that we are currently a "passive foreign investment company" under the U.S. Internal Revenue Code and, as a result, there may be adverse U.S. tax consequences for certain investors.

Potential investors that are U.S. Holders, as defined under "Income tax considerations—Certain U.S. federal income tax considerations—U.S. Holders," should be aware that we have determined that we were a "passive foreign investment company" (a "PFIC") under Section 1297(a) of the U.S. Internal Revenue Code for the taxable year ended December 31, 2006 and expect to

be a PFIC for the taxable year ending December 31, 2007. Moreover, we expect to be a PFIC for each taxable year prior to the year in which Brisas begins production. As a result, a U.S. Holder generally will be subject to adverse U.S. federal income tax consequences, such as (i) being subject to U.S. federal income tax at the highest rates applicable to ordinary income on at least a portion of any "excess distribution" and gain on the sale of common shares, as well as incurring an interest charge on the tax due thereon, or (ii) at the election of the U.S. Holder, current taxation on either (A) certain of our income or gains, regardless of whether any cash representing such income or gain has been distributed, or (B) any increase in the fair market value of the common shares as of the taxable year end, regardless of whether such gain has been realized on a disposition of such common shares. These adverse U.S. federal income tax consequences are described more fully under "Income tax considerations—Certain U.S. federal income tax considerations—The Common Shares—U.S. Federal Income Tax Consequences to U.S. Holders—Passive foreign investment company."

We do not believe that any of our subsidiaries were PFICs as to any of our shareholders for the taxable year ended December 31, 2006, and do not expect that any such subsidiaries will be PFICs as to any of our shareholders for any subsequent taxable year (including the taxable year ending December 31, 2007). Additional adverse tax consequences could result to U.S. Holders of the common shares for any taxable year in which we are a PFIC and have one or more non-U.S. subsidiaries that is also a PFIC as to such U.S. Holders. These adverse U.S. federal income tax consequences are described more fully under "Income tax considerations—Certain U.S. federal income tax considerations—The Common Shares—U.S. Federal Income Tax Consequences to U.S. Holders—Passive foreign investment company."

Under certain circumstances, a U.S. Holder that makes a timely and effective "qualified electing fund election" (a "QEF election") will not be subject to the adverse taxation rules for PFICs discussed above with respect to gains or excess distributions. Instead, such U.S. Holder will be subject to U.S. federal income tax on its pro rata share of our "net capital gain" and "ordinary earnings" (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by us. We will satisfy record keeping requirements and supply U.S. Holders with required information under the QEF election rules in the event that we are a PFIC and a U.S. Holder wishes to make a QEF election. Alternatively, a U.S. Holder may make a "mark-to-market election" if we are a PFIC and the common shares are "marketable stock" (as specifically defined). We believe the common shares are "marketable stock" for this purpose. A U.S. Holder that makes a mark-to-market election generally will include in gross income, for each taxable year in which we are 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. Holder's adjusted tax basis in such common shares regardless of whether we have made any distributions to the U.S. Holder.

A U.S. Holder of a note may not make a QEF election with respect to the note. As a result, a holder of common shares arising from the conversion of the note cannot make a timely and effective QEF election with respect to such shares if we are a PFIC at any time during the period that such U.S. Holder holds the note, unless, as of the first day of the taxable year immediately following the conversion, such holder elects to recognize and be taxed under the PFIC rules discussed above on the difference between the fair market value of the shares and his adjusted tax basis in the shares. With respect to a U.S. Holder who holds a note, the holding period with respect to our common shares acquired upon conversion of such note shall include the period that the note was held. The general effect of these rules is that (a) under the adverse taxation rules for PFICs discussed above, excess distributions and gains realized on the disposition of

common shares received upon conversion of notes in a PFIC will be spread over the entire holding period for the notes and the common shares acquired thereby and (b) if a U.S. Holder makes a QEF election upon conversion of the notes and receipt of the common shares, that election generally will not be a timely QEF election with respect to such common shares and thus the adverse taxation rules with respect to PFICs discussed above will continue to apply. However, it appears that a U.S. Holder receiving common shares upon the conversion of a note should be able to avoid the adverse taxation rules for PFICs discussed above with respect to future excess distributions and gains if such U.S. Holder makes a QEF election effective as of the first day of the taxable year of such U.S. Holder beginning after the receipt of such common shares and such U.S. Holder also makes an election to recognize gain (which will be taxed under the adverse taxation rules for PFICs rules discussed above) as if such common shares were sold on such date at fair market value. In addition, under the Treasury Regulations, a disposition, other than by exercise, of a note generally will be subject to the adverse taxation rules for PFICs discussed above. See “Income tax considerations—Certain U.S. federal income tax considerations.”

The determination of whether we and any subsidiary will be a PFIC for a future taxable year (including the taxable year in which Brisas begins production or any subsequent taxable year) will depend on (i) the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and (ii) our assets and income, and our subsidiaries’ assets and income, over the course of each such taxable year. As a result, our status and that of any subsidiary as a PFIC in any future taxable year cannot be predicted with certainty as of the date of this prospectus. Accordingly, we cannot assure you that the we and any subsidiary will not be a PFIC for any future taxable year, including years after Brisas begins production.

The PFIC rules are complex. You should consult your own financial advisor, legal counsel or accountant regarding the application of the PFIC rules on an investment in the notes or common shares.

Risks related to our common shares

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

Sales of a substantial number of our common shares in the public markets could depress the price of our 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 common shares would have on the market price of our common shares or the fair market value of the notes. The price of our common shares may be affected by possible sales of our 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 common shares. This hedging or arbitrage could, in turn, affect the fair market value of the notes.

We may raise funds for future operations through the issuance of common shares, debt instruments convertible into common shares or other equity-based instruments, and such financings would result in the dilution of present and prospective shareholdings (including through this offering and the concurrent offering).

In order to finance the construction of Brisas, we may raise additional funds through the issuance of common shares, debt instruments convertible into common shares or other equity-based instruments, such as warrants. 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.

We expect to raise additional funds through a public offering of 16,000,000 common shares. See “Concurrent offering.” While we cannot predict the effect that the sale of these securities may have on the market price of our common shares or the fair market value of the notes, the issuance of common shares could have a negative effect on the market price of our common shares or the fair market value of the notes.

The price of the common shares may be volatile.

The common shares are publicly traded and are subject to various factors that have historically made their price volatile.

During the fiscal year ended December 31, 2006, the sale price of our common shares on the TSX and AMEX ranged from Cdn.$3.40 to Cdn.$11.05 and US$2.99 to US$9.75 per share, respectively, and the closing sale price on May 11, 2007 was Cdn.$7.67 and US$6.89 per share, respectively. The market price of the common shares on the TSX and AMEX could fluctuate significantly in the future. The market price of the common shares may fluctuate based on a number of factors, including:

- economic and political developments in Venezuela, including any new regulatory rules or actions;
- our operating performance, and financial condition and the performance of competitors and other similar companies;
- the public’s reaction to our press releases, other public announcements and our filings with the various securities regulatory authorities;
- the price of gold and copper and other metal prices, as well as metal production volatility;
- changes in recommendations by research analysts who track our common shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the number of the common shares to be publicly traded after this offering;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- the public’s reaction to press releases and other public announcements of our competitors regarding mining development or other matters;
- general worldwide and overall market perceptions of the attractiveness of particular industries;

- the dilutive effect of the sale by us of significantly more common shares in order to finance our activities; and
- other factors listed under ”Cautionary statement regarding forward-looking statements.”

In addition, the market price of the common shares is affected by many variables not directly related to our performance and that are therefore not within our control. These include other developments that affect the market for all resource sector shares, the breadth of the public market for the common shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the common shares on the TSX and AMEX has historically made our share price volatile and suggests that our share price will continue to be volatile in the future. Because the notes are convertible into common shares, volatility or depressed prices of our common shares could have a similar effect on the fair market value of our notes. Holders who receive common shares upon conversion of the notes also will be subject to the risk of volatility and depressed prices of our common shares. In addition, the existence of the notes may encourage short selling in our common shares by market participants because the conversion of the notes could depress the price of our common shares.

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

We have not declared or paid any dividends on our 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 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.

Additional risks

Investors in the United States or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against us, our directors, our executive officers and some of the experts named in this prospectus based on civil liability provisions of federal securities laws or other laws of the United States or any state thereof or the equivalent laws of other jurisdictions of residence.

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

Cautionary statement regarding forward-looking statements

The information presented or incorporated by reference in this prospectus contains both historical information and forward-looking statements (including within the meaning of Section 27A of the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and Section 21E of the U.S. Exchange Act. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they never materialize, prove incorrect or materialize other than as currently contemplated, could cause our results and the results of our consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements.

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

- Our mining assets are concentrated in Venezuela and our operations are subject to inherent local risks;
- Our future results depend on Brisas;
- We do not currently, and may never, have sufficient funds to develop our mineral properties, including Brisas;
- Actual capital costs, operating costs, production and economic returns may differ significantly from those we have anticipated and there are no assurances that our development activities will result in profitable mining operations;
- Actual mineralization may vary from current estimates in the future;
- Risks inherent in the mining industry could have a significant impact on our future operations;
- Operating losses are expected to continue until we construct an operating mine;
- We may incur costs in connection with future reclamation activities that may have a material adverse effect on our earnings and financial condition;
- The volatility of the price of gold and copper could have a negative impact upon our current and future operations;
- Future hedging activities could negatively impact future operating results;
- We expect to lose our foreign private issuer status as a result of the concurrent offering;
- Changes in critical accounting estimates could adversely affect our financial results;
- Material weaknesses relating to our internal controls over financial reporting could adversely affect our financial results or condition and share price;
- Any inability to attract and retain key personnel in the future could have a significant impact on future operating results; and
- We may experience difficulties managing our anticipated growth.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. See “Risk factors” beginning on page 1.

Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that is expected to be encountered if the property is developed, and, in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

The words “believe,” “anticipate,” “expect,” “intend,” “estimate,” “plan,” “assume,” “positioned,” “may,” “could” and other similar expressions or the negative of such expressions constitute forward-looking statements and are predictions of or indicate future events and future trends that do not relate to historical matters. Any such forward-looking statements are not intended to give any assurances as to future results.

Investors are cautioned not to put undue reliance on forward-looking statements, and should not infer that there has been no change in our affairs since the date of this prospectus or the documents incorporated by reference in this prospectus 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 cautionary statement. We disclaim any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Investors are urged to read our filings with U.S. and Canadian securities regulatory agencies, which can be viewed online at *www.sedar.com* or *www.sec.gov.* Additionally, investors can request a copy of any of these filings directly from us as described elsewhere in this prospectus. See “Documents incorporated by reference.”

Exchange rate information

The following table sets forth the rate of exchange for one Canadian dollar, expressed in U.S. dollars, including the average of such exchange rates for each period indicated and the exchange rate at the end of such period, based upon the noon buying rates provided by the Bank of Canada:

	Year ended December 31,				
U.S. dollar per one Canadian dollar	**2006**	**2005**	**2004**	**2003**	**2002**
Average rate per period	$ 0.8815	$ 0.8254	$ 0.7684	$ 0.7138	$ 0.6369
Rate at end of period	$ 0.8674	$ 0.8598	$ 0.8319	$ 0.7713	$ 0.6339

The noon buying rate on May 11, 2007 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Cdn.$1.00 equals $0.8981.

Use of proceeds

We estimate that the net proceeds from this offering will be approximately $71.0 million (or approximately $81.8 million if the underwriters exercise their over-allotment option in full), after deducting underwriting fees and estimated expenses relating to this offering and the concurrent offering. We estimate that the net proceeds from the concurrent offering will be approximately $103.6 million, based on an assumed public offering price of $6.89, which was the closing price of our common shares on AMEX on May 11, 2007 (or approximately $119.2 million if the underwriters exercise their over-allotment in full), after deducting underwriting fees.

We expect to proceed with initial construction activities at Brisas shortly after the completion of this offering. The activities will include mobilization of SNC-Lavalin, our EPCM contractor, pit dewatering, construction of a man-camp and office complex, clearing and earthworks for the

mill site, and construction of a tailings management facility footprint, eight sedimentation ponds, a power-line corridor, a 5.7 km conveyor belt and service road corridor, lay down areas, a rock quarry, a sanitary fill and all other related mine site preparation works. In addition we will continue key activities related to the detailed engineering and the pursuit of additional authorizations and permits. The timeline for the activities covered by the recently approved permit is estimated to be 14-16 months at an estimated cost of approximately $100 million.

We intend to use the net proceeds from this offering and the concurrent offering primarily to fund:

- construction activities;
- equipment purchases; and
- ongoing development of Brisas;

including the more specific uses described above.

We anticipate an overall 30 month construction period for Brisas and, assuming we receive the required exploitation permit and appropriate authorizations, we expect commissioning and achievement of commercial production shortly thereafter. Our estimate of the capital cost for Brisas, as of April 2006, is $638 million over the remaining construction period. Our capital cost estimate excludes value added taxes and import duties, which we expect will be refundable, but could total as much as $50 million.

If we successfully complete this offering, the concurrent offering or both, we will still require additional funding to complete the Brisas project.

We currently expect to raise that additional funding primarily through project debt financing and a combination of future issuances of additional shares or debt instruments of the Company. We have appointed Corporación Andina de Fomento, Export Development Canada, UniCredit Group and WestLB AG as mandated lead arrangers to arrange up to $425 million of project debt for Brisas. See “The Company — Project debt financing.”

The actual amount that we expect to spend in connection with each of our intended uses of proceeds may vary significantly from the amounts that we currently anticipate, and will depend on a number of factors, including those listed under “Risk factors.” Pending the uses described above, we intend to invest the net proceeds from this offering and the concurrent offering in short-term, investment grade interest bearing securities.

Share prices and volume on the TSX and AMEX

Our common shares are traded on the TSX and on AMEX under the symbol "GRZ." Our equity units and the related underlying securities are not listed for trading on any exchange. The notes will not be listed on any exchange. The TSX has conditionally approved the listing of the common shares issuable upon conversion of all or a portion of the notes offered hereby and the common shares offered in the concurrent offering. Listing is subject to our fulfilling all of the requirements of the TSX on or before August 3, 2007. Application has also been made to have the common shares issuable upon conversion of all or a portion of the notes offered hereby and the common shares offered in the concurrent offering listed on AMEX.

The information in the following table relates to the trading of the common shares on the TSX and AMEX during 2006 and the first four months of 2007:

	High	Low	Volume	High	Low	Volume
	TSX Canadian dollar			AMEX U.S. dollar		
2006						
January	$ 7.35	$ 3.40	2,700,338	$ 6.58	$ 2.99	5,291,600
February	7.05	4.95	1,390,950	6.20	4.40	2,665,600
March	7.00	5.25	1,055,803	5.97	4.55	2,021,700
April	11.05	6.90	2,977,832	9.75	5.91	9,374,400
May	10.36	6.80	3,590,201	9.37	6.11	10,777,800
June	8.72	4.28	1,767,413	7.94	3.82	8,405,100
July	6.52	4.52	497,791	6.00	4.23	3,084,400
August	5.89	4.76	934,309	5.10	4.29	2,702,400
September	5.72	4.32	947,399	5.01	3.78	3,271,900
October	4.80	4.08	448,883	4.15	3.62	1,862,700
November	6.48	4.51	1,136,648	5.73	3.97	3,775,300
December	6.30	5.17	1,232,798	5.59	4.50	2,609,800
2007						
January	5.88	3.95	1,348,048	5.00	3.33	3,800,900
February	6.70	4.71	1,416,193	5.74	4.09	4,320,849
March	8.65	4.70	3,199,476	7.18	4.00	7,604,081
April	8.72	7.17	3,782,243	7.61	6.20	7,380,700

On May 11, 2007, the closing price for our common shares was Cdn$7.67 per share on the TSX and $6.89 per share on AMEX.

Dividend policy

We have not declared cash or share dividends since 1984 and have no present plans to pay any cash or share dividends. We may declare cash or share dividends in the future only if our earnings and capital are sufficient to justify the payment of such dividends.

Consolidated capitalization

Since March 31, 2007, the date of the financial statements for our most recently completed financial quarter, there have been no material changes in our capitalization. The following table sets forth our consolidated capitalization (i) as at March 31, 2007; (ii) as at March 31, 2007 after giving effect to this offering, but not the exercise of the over-allotment option; and (iii) as at March 31, 2007 after giving effect to this offering and the concurrent offering, but not the exercise of the respective over-allotment options. This table should be read in conjunction with our unaudited interim consolidated financial statements for the three months ended March 31, 2007, including the notes thereto and management's discussion and analysis of results of operations and financial conditions for such period, each of which is incorporated by reference in this prospectus. This table assumes no conversion of the notes into common shares.

	As at March 31, 2007		
	Actual	**As adjusted(1) (this offering)**	**As adjusted(1) (this offering and concurrent offering)**
Cash and cash equivalents	$ 20,035,490	$ 91,035,490	$ 194,661,090
Debt:			
Senior subordinated convertible notes offered hereby(3)	$ —	$ 49,191,479	$ 49,191,479
Shareholders' Equity:			
Common shares (authorized—unlimited; Class A outstanding—40,705,144; as adjusted to give effect to this offering—40,705,144; as adjusted to give effect to this offering and the concurrent offering—56,705,144) and Equity units—1,085,099	$ 167,717,010	$ 167,717,010	$ 277,957,010
Less common shares and equity units held by affiliates	$ (636,267)	$ (636,267)	$ (636,267)
Stock options(2)	$ 3,882,052	$ 3,882,052	$ 3,882,052
Accumulated deficit	$ (71,834,730)	$ (71,834,730)	$ (71,834,730)
Accumulated other comprehensive income	$ 1,667,095	$ 1,667,095	$ 1,667,095
KSOP debt	$ (871)	$ (871)	$ (871)
Senior subordinated convertible notes offered hereby(3)	$ —	$ 25,808,521	$ 25,808,521
Total Shareholders' Equity	$ 100,794,289	$ 126,602,810	$ 236,842,810
Total capitalization	$ 100,794,289	$ 175,794,289	$ 286,034,289

(1) After deducting the underwriters' fee and expenses of this offering and the concurrent offering but not giving effect to the exercise of the respective over-allotment options.

(2) As of March 31, 2007 there were 2,578,639 stock options outstanding, which were exercisable for 2,578,639 common shares. In addition, subject to shareholder approval at the annual general meeting in June 2007, we have extended until July 31, 2007 the expiry date of 2,680,500 common share purchase warrants, which were originally scheduled to expire on November 6, 2006 and that would be exercisable for 2,680,500 common shares. Our Equity Incentive Plan allows us to issue options to purchase an amount of common shares equal to 10% of the common shares outstanding at the time those options are issued.

(3) There are differences between Canadian GAAP and U.S. GAAP in the accounting treatment for convertible debt. Under Canadian GAAP, the senior notes would be allocated on our consolidated financial statements into a debt component of $49,191,479 and an equity component of $25,808,521. The debt issuance costs totaling $3,000,000 would also be allocated between debt and equity components. Issuance costs of $1,032,341 relating to the equity component would be charged to the equity portion of the senior notes while $1,967,659 relating to the liability component would be netted against the carrying value of the debt.

As of April 30, 2007, we had approximately $21 million in cash and investments.

Earnings coverage

The earnings coverage set out below has been prepared and included in this prospectus in accordance with Canadian disclosure requirements and is prepared in accordance with Canadian generally accepted accounting principles. Our earnings coverage for the 12 months ended December 31, 2006 and for the 12 months ended March 31, 2007 is less than one to one.

The annual interest requirements on our long-term debt, using applicable interest rates, after giving effect to the issue of the notes on a pro forma basis as if the issuance thereof had occurred on the first day of the twelve month period ended December 31, 2006 was $3,750,000 and for the 12 month period ended March 31, 2007 was $3,750,000. Our loss before interest and income tax for the 12 months ended December 31, 2006 was $6,454,942 and for the 12 months ended March 31, 2007 was $11,672,910, resulting in an earnings coverage deficiency of $10,204,942 and $15,422,910, respectively.

Concurrent offering

Concurrently with this offering, we are filing a prospectus in connection with a public offering of 16,000,000 common shares (18,400,000 common shares if the underwriters exercise their over-allotment in full). Neither this offering, nor the concurrent offering, is contingent on completion of the other. The TSX has conditionally approved the listing of the common shares offered in the concurrent offering. Listing is subject to our fulfilling all of the requirements of the TSX on or before August 3, 2007. Application has also been made to have the common shares offered in the concurrent offering listed on AMEX.

Description of notes

The notes are to be issued under an indenture, dated as of May   , 2007, between us, as issuer, and The Bank of New York, as trustee.

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 notes” section, references to “we,” “our” or “us” refer solely to Gold Reserve Inc. and not to our subsidiaries.

General

The notes will be unsecured obligations and will rank (1) 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, (2) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by us or any of our subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of our future subordinated debt. However, the notes will be 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, 2006, we had no outstanding long-term indebtedness and our subsidiaries had no outstanding indebtedness, other than intercompany indebtedness and trade payables. See “Risk factors—Risks related to the notes—Your right to receive payments on the notes are subordinated to certain future indebtedness which may be incurred to finance Brisas or bank indebtedness”.

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

The notes are limited to US$75,000,000 aggregate principal amount (or US$86,250,000 if the underwriters’ over-allotment option is fully exercised). The notes are issued only in denominations of US$1,000 and multiples of US$1,000. The notes mature on June 15, 2022, 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 will 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 (i) to holders having an aggregate principal amount of US$5 million or less, by check mailed to the holders of these notes and (ii) 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 will pay principal of and interest on notes in global form registered in the name of or held by The Depository Trust Company or its nominee in immediately available funds to The Depository Trust Company or its nominee, as the case may be, as the registered holder of such global note.

Interest

The notes will bear interest at a rate of   % per year. Interest on the notes will accrue from May   , 2007. Interest will be payable semiannually in arrears on June 15 and December 15, beginning December 15, 2007.

Interest will be 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 will be computed on the basis of a 360-day year composed of twelve 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 common shares per US$1,000 principal amount of notes (equivalent to a conversion price of approximately US$ 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 fourteenth 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; provided that 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 of notes' 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 holders of the notes would have received if those holders 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.

Notwithstanding the preceding paragraph, if holders of notes would otherwise be entitled to receive, upon conversion of the notes, any property (including cash) or securities that would not constitute "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Income Tax Act (Canada) (referred to herein as "ineligible consideration"), such holders shall not be entitled to receive such ineligible consideration but we or the successor or acquirer, as the case may be, shall have the right (at the sole option of us or the successor or acquirer, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Income Tax Act (Canada) with a market value equal to the market value of such ineligible consideration. In general, prescribed securities would include our common shares and other shares which are not redeemable by the holder within five years of the date of issuance of the notes. Because of this, certain transactions may result in the notes being convertible into prescribed securities that are highly illiquid. This could have a material adverse effect on the value of the notes. We agree to give notice to the holders of notes at least 30 days prior to the effective date of such transaction in writing and by release to a

business newswire stating the consideration into which the notes will be convertible after the effective date of such transaction. After such notice, we or the successor or acquirer, as the case may be, may not change the consideration to be delivered upon conversion of the note except in accordance with any other provision of the indenture.

If the transaction also constitutes a fundamental change, we will be required, subject to certain conditions, to offer to purchase for cash all or a portion of your notes as described under "—Offer to purchase upon a fundamental change."

Conversion procedures

The initial conversion rate for the notes is common shares per US$1,000 principal amount of notes, subject to adjustment as described below.

To convert the notes into common shares a holder of notes must do the following (or comply with DTC procedures for doing so in respect of its beneficial interest in notes evidenced by a global note):

- complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the note to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents; and
- if required, pay all transfer or similar taxes.

The date a holder of notes complies with these requirements is the conversion date under the indenture.

Conversion rate adjustments

We will adjust the conversion rate if any of the following events occurs, except that we will not make any adjustment if holders of notes may participate, as a result of holding the notes, in the transactions described without having to convert their notes.

(1) If we issue common shares as a dividend or distribution on our common shares, or if we subdivide or combine our common shares, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0	= the conversion rate in effect immediately prior to such event
CR_1	= the conversion rate in effect immediately after such event
OS_0	= the number of our common shares outstanding immediately prior to such event
OS_1	= the number of our common shares outstanding immediately after such event

(2) If we issue to all or substantially all holders of common shares certain rights or warrants to purchase our common shares for a total acquisition cost less than the closing sale price of our

common shares on the record date for shareholders entitled to receive such rights and warrants, which rights or warrants are exercisable for not more than 60 days, the conversion rate will be adjusted based on the following formula (provided that the conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration):

$$CR_1 = CR_0 \times \frac{OS_0+X}{OS_0+Y}$$

where,

CR_0	= the conversion rate in effect immediately prior to such event
CR_1	= the conversion rate in effect immediately after such event
OS_0	= the number of our common shares outstanding on the close of business on the next business day following such record date
X	= the total number of our common shares issuable pursuant to such rights
Y	= the number of our common shares equal to the aggregate offering price that the total number of shares so offered would purchase at such closing sale price of our common shares on the record date of such issuance determined by multiplying such total number of shares so offered by the exercise price of such rights or warrants and dividing the product so obtained by such closing sale price.

(3) If we distribute to all or substantially all holders of our common shares, common shares, evidences of indebtedness or assets, including securities but excluding:

- rights or warrants specified above;
- dividends or distributions specified above; and
- dividends or distributions specified in (4) below;

then the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0-FMV}$$

where,

CR_0	= the conversion rate in effect immediately prior to such distribution
CR_1	= the conversion rate in effect immediately after such distribution
SP_0	= the current market price (as defined below) of our common shares on such record date for such distribution
FMV	= the fair market value (as determined by our board of directors) of the common shares, evidences of indebtedness, assets or property distributed with respect to each outstanding common share on the record date for such distribution

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common shares or shares of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a “spin-off,” the conversion rate in effect immediately before 5:00 p.m., New York City time, on

the effective date fixed for determination of shareholders entitled to receive the distribution will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0	= the conversion rate in effect immediately prior to such distribution
CR_1	= the conversion rate in effect immediately after such distribution
FMV_0	= the average of the closing sale prices of the common shares or similar equity interest distributed to holders of our commons shares applicable to one common share over the ten consecutive trading-day period commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on the American Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted
MP_0	= the average of the closing sale prices of our common shares over the ten consecutive trading-day period commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on The American Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted

The adjustment to the conversion rate under the preceding paragraph will occur on the fourteenth trading day after the date on which "ex-dividend trading" commences for such distribution on the American Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

(4) If any cash dividend or other distribution is made to all or substantially all holders of our common shares, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0	= the conversion rate in effect on the record date for such distribution
CR_1	= the conversion rate in effect immediately after the record date for such distribution
SP_0	= the current market price of one of our common shares on the record date for such distribution
C	= the amount in cash per share we distribute to holders of our common shares

"Current market price" means the average of the daily closing sale prices per common share for the ten consecutive trading days ending on the earlier of the date of determination and the day before the "ex" date with respect to the distribution requiring such computation. As used in the definition of current market price, the term "ex" date, when used with respect to any distribution, means the first date on which the common share trades, regular way, on the relevant exchange or in the relevant market from which the closing sale price was obtained without the right to receive such distribution.

(5) If we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common shares to the extent that the cash and value of any other consideration included in the payment per common share exceeds the last reported sale price per common share on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC+(SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0 = the conversion rate in effect on the date such tender or exchange offer expires

CR_1 = the conversion rate in effect on the day next succeeding the date such tender or exchange offer expires

AC = the fair market value (as determined by our board of directors) of the aggregate consideration paid or payable for shares purchased in such tender or exchange offer

OS_0 = the number of our common shares outstanding on the trading day immediately preceding the date such tender or exchange offer is announced

OS_1 = the number of our common shares outstanding less any shares purchased in the tender or exchange offer at the time such tender or exchange offer expires

SP_1 = the average of the last reported sale prices of the common shares over the 10 consecutive trading day period commencing on the trading day next succeeding the date such tender or exchange offer expires

The adjustment to the conversion rate under the preceding paragraph will occur on the tenth trading day next succeeding the date such tender or exchange offer expires.

To the extent that we have a rights plan in effect upon conversion of the notes into common shares, a holder of notes will receive, in addition to the common shares, the rights under the rights plan unless the rights have separated from the common shares at the time of conversion, in which case the conversion rate will be adjusted as if we distributed to all holders of our common shares, common shares, evidences of indebtedness or assets as described above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

- any reclassification of our common shares;
- a consolidation, merger or combination involving us; or
- a sale or conveyance to another person or entity of all or substantially all of our property and assets;

in which holders of our common shares would be entitled to receive shares, other securities, other property, assets or cash for their common shares, upon conversion of the notes, a holder thereof will be entitled to receive the same type of consideration which it would have been entitled to receive if it had converted the notes into our common shares immediately prior to any of these events (provided such consideration is not “ineligible consideration” as described in “—Conversion upon specified corporate transactions”).

A holder of notes may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common shares or in certain other situations requiring a conversion rate adjustment. See “Income tax considerations — Certain United States federal income tax considerations.”

We may, from time to time, increase the conversion rate for a period of at least 20 days if our board of directors has made a determination that this increase would be in our best interests, subject to the receipt of any required regulatory approvals. Any such determination by our board will be conclusive. Thereafter, the conversion rate will return to the level prior to such adjustment. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common shares resulting from any share or rights distribution. See “Income tax considerations — Certain United States federal income tax considerations.”

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate. Except as described above in this section, we will not adjust the conversion rate for any issuance of our common shares or convertible or exchangeable securities or rights to purchase our common shares or convertible or exchangeable securities.

Any such increases in the conversion rate by our board of directors shall not, without the approval of our shareholders, as required by Rule 713 of the American Stock Exchange Company Guide, result in the sale or issuance of 20% or more of our common shares, or 20% or more of the voting power, outstanding on the date of this prospectus.

Adjustments of average prices

Whenever any provision of the indenture requires us to calculate an average of last reported prices or daily VWAP over a span of multiple days, we will make appropriate adjustments to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex date of the event occurs, at any time during the period from which the average is to be calculated.

Adjustments to shares delivered upon conversion upon certain fundamental changes

If you elect to convert your notes as described above in the first paragraph under “—Conversion upon specified corporate transactions,” and the corporate transaction also constitutes a fundamental change (as defined under “—Offer to purchase upon a fundamental change”), in certain circumstances described below, the conversion rate will be increased by an additional number of common shares (the “additional shares”) as described below. Any conversion occurring at a time when the notes would be convertible in light of the expected or actual occurrence of a fundamental change will be deemed to have occurred in connection with such fundamental change notwithstanding the fact that a note may then be convertible because another condition to conversion has been satisfied.

The number of additional shares by which the conversion rate will be increased will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the “effective date”) and the price (the “share price”) paid

per common share in the fundamental change. If the fundamental change is a transaction described in clause (2) of the definition of fundamental change, and holders of our common shares receive only cash in that fundamental change, the share price shall be the cash amount paid per share. Otherwise, the share price shall be the average of the last reported sale prices of our common shares over the five trading-day period ending on the trading day preceding the effective date of the fundamental change.

The share prices set forth in the first row of the table below (i.e. column headings) will be adjusted as of any date on which the conversion rate of the notes is otherwise adjusted. The adjusted share prices will equal the share prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the share price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner as the conversion rate as set forth under "—Conversion Rate Adjustments."

The following table sets forth the hypothetical share price and the number of additional shares to be received per US$1,000 principal amount of notes:

	Share Price													
Effective date	$	$	$	$	$	$	$	$	$	$	$	$	$	$
May 15, 2007														
June 1, 2008														
June 1, 2009														
June 1, 2010														
June 1, 2011														
June 1, 2012														

The exact share prices and effective dates may not be set forth in the table above, in which case:

- If the share price is between two share price amounts in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower share price amounts and the two dates, as applicable, based on a 365-day year.
- If the share price is greater than US$ per share (subject to adjustment), no additional shares will be issued upon conversion.
- If the share price is less than US$ per share (subject to adjustment), no additional shares will be issued upon conversion.

Notwithstanding the foregoing, in no event will the total number of common shares issuable upon conversion exceed per US$1,000 principal amount, subject to adjustments in the same manner as the conversion rate as set forth under "—Conversion Rate Adjustments."

Optional redemption

No sinking fund will be provided for the notes, which means that the indenture will not require us to redeem a portion of the notes periodically.

At any time on or after June 16, 2010, until June 15, 2012, we may redeem the notes, in whole or in part, for cash at a price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest to, but excluding, the redemption date, if the closing sale price of our common shares on the American Stock Exchange is equal to or greater than 150% of the applicable conversion price then in effect for at least 20 trading days in the period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the notice of redemption.

Beginning on June 16, 2012, at our option we may redeem all or part of the notes for cash at a price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

We will give holders not less than 30 nor more than 60 days' notice of any optional redemption.

If less than all of the outstanding notes are to be redeemed, the trustee shall select the notes to be redeemed in principal amounts at maturity of $1,000 or integral multiples thereof. In this case the trustee may select the notes by lot, pro rata or by any other method the trustee considers fair and appropriate or in any manner required by the depositary.

If a portion of a holder's notes is selected for partial redemption and the holder converts a portion of the notes, the converted portion shall be deemed to be the portion selected for redemption.

In the event of any redemption of the notes in part, we will not be required to:

- issue, register the transfer of or exchange any note during a period beginning at the opening of business 15 days before any selection of notes for redemption and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all holders of notes to be so redeemed, or
- register the transfer of or exchange any note so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

Redemption for changes in Canadian tax law

We may redeem all but not part of the notes if we have or would become obligated to pay to the holder of any note "additional amounts" (which are more than a de minimis amount) as a result of any change from the date of this prospectus in the laws or any regulations of Canada or any Canadian political subdivision or taxing authority, or any change from the date of this prospectus in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency, taxing authority or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory or administrative determination); provided we cannot avoid these obligations by taking reasonable measures available to us and that we deliver to the trustee an opinion of legal counsel specializing in taxation and an officers' certificate attesting to such change and obligation to pay additional amounts. The term "additional amounts" is defined under "—Additional amounts." This redemption would be at 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date but without reduction for applicable Canadian taxes (as defined below) (except in respect of certain excluded holders (as defined below)). We will give holders of notes not less than 30 days' nor more than 60 days' notice of this redemption, except that (i) we will not give notice of redemption earlier than 60 days prior to the earliest date on or from which we would be obligated to pay any such additional amounts,

and (ii) at the time we give the notice, the circumstances creating our obligation to pay such additional amounts remain in effect.

Upon receiving such notice of redemption, each holder who does not wish to have us redeem its notes will have the right to elect to:

(i) convert its notes; or

(ii) not have its notes redeemed, provided that no additional amounts will be payable on any payment of interest or principal with respect to the notes after such redemption date. All future payments will be subject to the deduction or withholding of any Canadian taxes required by law to be deducted or withheld.

Where no election is made, the holder will have its notes redeemed without any further action. The holder must deliver to the paying agent a written notice of election so as to be received by the paying agent no later than the close of business on a business day at least five business days prior to the redemption date.

A holder may withdraw any notice of election by delivering to the paying agent a written notice of withdrawal prior to the close of business on the business day prior to the redemption date.

Repurchase at option of the holder

A holder of notes has the right to require us to repurchase the notes on June 15, 2012. We must give notice of the upcoming repurchase date to all note holders not less than 20 business days prior to the repurchase date at their addresses shown in the register of the registrar. We will also give notice to beneficial owners as required by applicable law. This notice will state, among other things, the procedures that holders must follow to require us to repurchase their notes.

We will be required to repurchase any outstanding note for which a holder of notes delivers a written repurchase notice to the paying agent. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 20 business days prior to the repurchase date until the close of business on the repurchase date. If a repurchase notice is given and withdrawn during that period, we will not be obligated to repurchase the notes. Our repurchase obligation will be subject to certain additional conditions.

The repurchase price payable for a note will be equal to 100% of the principal amount of the notes plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the repurchase date. Subject to satisfaction of certain conditions, we may elect to satisfy our obligation to pay the purchase price, in whole or in part, by delivering common shares as further described under "—Delivery of shares." The paying agent initially will be the trustee.

The repurchase notice must state:

(1) if certificated notes have been issued, the note certificate numbers (or, if the notes are not certificated, a repurchase notice made by a holder of notes must comply with appropriate DTC procedures);

(2) the portion of the principal amount of notes to be repurchased, which must be in US$1,000 multiples; and

(3) that the notes are to be repurchased by us pursuant to the applicable provisions of the notes and the indenture.

A holder of notes may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the repurchase date. The withdrawal notice must state:

(1) the principal amount of the withdrawn notes;

(2) if certificated notes have been issued, the certificate numbers of the withdrawn notes (or, if the notes are not certificated, the withdrawal notice must comply with appropriate DTC procedures); and

(3) the principal amount, if any, which remains subject to the repurchase notice.

Payment of the repurchase price for a note for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the note, together with necessary endorsements, to the paying agent at its office in the Borough of Manhattan, The City of New York, or any other office of the paying agent, at any time after delivery of the repurchase notice. Payment of the repurchase price for the note will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the note. If the paying agent holds money sufficient to pay the repurchase price of the note on the business day following the repurchase date, then, on and after the date:

- the note will cease to be outstanding; and
- all other rights of the holder will terminate, other than the right to receive the repurchase price upon delivery of the note.

This will be the case whether or not book-entry transfer of the note has been made or the note has been delivered to the paying agent.

We will comply with the provisions of Rule 13e-4 and any other rules under the Exchange Act and any Canadian securities laws that may be applicable.

No notes may be repurchased at the option of the holders 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 repurchase price of the notes.

We may be unable to repurchase the notes for cash or may not have enough funds to pay the purchase price for all tendered notes. Any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting purchase of the notes for cash under certain circumstances. If we are prohibited from purchasing notes, we could seek the consent of our lenders to purchase the notes or attempt to refinance this debt. If we do not obtain the consent or refinance the debt, we would not be permitted to purchase the notes for cash and would be required to pay the purchase price in common shares. Our failure to purchase tendered notes would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness.

Offer to purchase upon a fundamental change

In the event of a fundamental change, subject to the terms and conditions of the indenture, we shall be required to offer to purchase all of the outstanding notes (a “purchase offer”) on the

date (the “purchase date”) that is 30 business days after the date of such offer, at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, including additional interest, if any, up to but not including, the purchase date.

If such purchase date is after a record date but on or prior to an interest payment date, however, then the interest payable on such date will be paid to the holder of record of the notes on the relevant record date. Subject to satisfaction of certain conditions, we may elect to satisfy our obligation to pay the purchase price, in whole or in part, by delivering common shares as further described under “—Delivery of shares.”

Within 30 days after we know of the occurrence of a fundamental change, we shall be required to give notice to all holders of record of notes, as provided in the indenture, stating among other things, the occurrence of a fundamental change and setting out the terms of the purchase offer, including whether the purchase price will be paid in cash or common shares or any combination of cash or common shares, specifying the percentages of each. We must also deliver a copy of the notice to the trustee.

In order to accept such purchase offer, a holder must deliver prior to the purchase date a purchase notice stating among other things:

(1) if certificated notes have been issued, the note certificate numbers (or, if the notes are not certificated, the repurchase notice must comply with appropriate DTC procedures);

(2) the portion of the principal amount of notes to be purchased, which must be in US$1,000 multiples; and

(3) that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the indenture.

A holder of notes may withdraw any written purchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the business day prior to the purchase date. The withdrawal notice must state:

(1) the principal amount of the withdrawn notes;

(2) if certificated notes have been issued, the certificate numbers of the withdrawn notes (or, if the notes are not certificated, the withdrawal notice must comply with appropriate DTC procedures); and

(3) the principal amount, if any, which remains subject to the purchase notice.

We will promptly pay the purchase price for notes surrendered for repurchase following the purchase date.

A “fundamental change” will be deemed to have occurred at the time after the notes are originally issued that any of the following occurs:

(1) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act other than us, our subsidiaries or our or their employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act or applicable Canadian Securities laws disclosing that such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act or applicable Canadian securities laws, of our common equity representing more than 50% of the voting power of our common equity;

(2) consummation of any share exchange, consolidation, amalgamation, merger, statutory arrangement or other combination pursuant to which our common shares will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our wholly-owned subsidiaries; provided, however, that a transaction where the holders of more than 50% of all classes of our common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee immediately after such event shall not be a fundamental change;

(3) continuing directors cease to constitute at least a majority of our board of directors; or

(4) our shareholders approve any plan or proposal for the liquidation or dissolution of us.

A fundamental change will not be deemed to have occurred, however, if at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or transactions otherwise constituting the fundamental change consists of common shares or American Depositary Shares that are traded or listed on, or immediately after the transaction or event will be traded or listed on a U.S. national or regional securities exchange or the Toronto Stock Exchange.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act and any Canadian securities laws which may then be applicable in the event of a fundamental change.

No notes may be purchased upon a fundamental change 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 fundamental change purchase price of the notes.

These fundamental change purchase rights could discourage a potential acquirer. However, this fundamental change repurchase feature is not the result of management’s knowledge of any specific effort to obtain control of us by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions. The term “fundamental change” is limited to specified transactions and may not include other events that might adversely affect our financial condition or business operations. Our obligation to offer to repurchase the notes upon a fundamental change would not necessarily afford a holder of notes protection in the event of a leveraged transaction, reorganization, merger or similar transaction involving us.

We may be unable to repurchase the notes for cash if a fundamental change occurs. If a fundamental change were to occur, we may not have enough funds to pay the purchase price for all tendered notes. Any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting purchase of the notes for cash under certain circumstances, or expressly prohibit our purchase of the notes for cash upon a fundamental change or may provide that a fundamental change constitutes an event of default under that agreement. If a fundamental change occurs at a time when we are prohibited from purchasing notes, we could seek the consent of our lenders to purchase the notes or attempt to refinance this debt. If we do not obtain the consent or refinance the debt, we would not be permitted to purchase the notes for cash and would be required to pay the purchase price in common shares. Our failure to purchase tendered notes would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness.

Delivery of shares

We may, at our option, elect to pay the amount payable in connection with a repurchase of the notes at the option of the holder in cash or common shares or any combination of cash and common shares. We may also, at our option, elect to pay the fundamental change purchase price in cash or common shares or any combination of cash and common shares. Our right to issue common shares to pay the repurchase price or the fundamental change purchase price is subject to our satisfying various conditions, including:

- no event of default shall have occurred and be continuing under the indenture;
- listing of the common shares on the principal United States and Canadian securities exchanges on which our common shares are then listed, or if not so listed, the listing of the common shares on a U.S. national securities exchange;
- the registration of the common shares under the U.S. Securities Act and the U.S. Exchange Act and applicable Canadian securities laws, if required; and
- any necessary qualification or registration under applicable state securities laws or the availability of an exemption from qualification and registration.

If these conditions are not satisfied with respect to a holder before the close of business on the repurchase date or the fundamental change purchase date, as the case may be, we will make the required payment on the notes of the holder entirely in cash. We may not change the form of components or percentages of components of consideration to be paid for the notes once we have given the notice that we are required to give to holders of notes, except as described in the preceding sentence.

If we elect to pay the repurchase price or the fundamental change purchase price in common shares, the number of common shares to be delivered by us will be determined by dividing the amount of the payment to be made, and that is not paid in cash, by 95% of the average of the daily VWAP prices of the common shares for the 10 consecutive trading days ending on the third trading day preceding the repurchase date or the fundamental change purchase date, as the case may be, approximately adjusted to take into account the occurrence, during the period commencing on the first of such trading days during such ten day period and ending on such repurchase date or fundamental change purchase date, of certain events that would result in an adjustment of the conversion rate with respect to the common shares. See "— Conversion rate adjustments."

We will not issue any fractional common shares in connection with our delivery of common shares upon our repurchase of the notes at the option of the holder or purchase of the notes in connection with a fundamental change. Instead, we will pay cash based on the closing price of our common shares on the applicable payment date for any fractional common shares we would otherwise deliver on account of the notes.

If we elect to satisfy any payment of the repurchase price or the fundamental change purchase price in common shares, we will give you notice at least 20 business days before the payment date. Our notice will state:

- whether we will make the payment in cash or common shares or any combination of cash and common shares;

- if both cash and common shares are payable, the percentage of each applicable form of payment on a per note basis; and
- the method of calculating the average closing price of the common shares.

When we determine the actual number of common shares in accordance with the foregoing provisions, we will publish the information on our web site or through such other public medium as we may use at that time, including filing a report on Form 6-K with the SEC.

Because the average closing price of the common shares is determined prior to the applicable payment date, holders of notes bear the market risk with respect to the value of the common shares to be received from the date the average market price is determined to the payment date. We may deliver common shares as payment for the repurchase price or the fundamental change purchase price only if the information necessary to calculate the average closing price is published daily in a newspaper of U.S. or Canadian national circulation or such other public medium as we may use at that time.

Consolidation, merger and sale of assets by us

The indenture provides that we may, without the consent of any holder of notes, amalgamate with, consolidate with or merge with or into any other person or sell, transfer or lease all or substantially all of our properties and assets substantially as an entirety to another person, provided that:

- the resulting, surviving or transferee person (the “successor company”) will be a corporation, partnership, limited liability company or trust organized and existing under the laws of the United States of America, any state thereof, the District of Columbia, Puerto Rico or the laws of Canada or any province or territory thereunder and the successor company (if not us) will expressly assume, by a supplemental indenture, executed and delivered to the trustee, in form reasonably satisfactory to the trustee, all of our obligations under the notes and the indenture;
- the trustee is satisfied that the transaction will not result in the successor company being required to make any deduction or withholding on account of certain Canadian taxes from any payments in respect of the notes;
- immediately after giving effect to such transaction, no default under the indenture, and no event which, after notice or lapse of time or both, would become a default under the indenture, shall have occurred and be continuing; and
- we shall have delivered to the trustee an officers’ certificate stating that the amalgamation, consolidation, merger or transfer and such supplemental indenture (if any) comply with the provisions of the indenture.

The successor company will succeed to, and be substituted for, and may exercise every right and power of, us under the indenture, but in the case of a sale, transfer or lease of substantially all our assets that results in the sale, assignment, conveyance, transfer or other disposition or assets constituting or accounting for less than 95% of our consolidated assets, revenue or net income (loss), we will not be released from the obligation to pay the principal of and interest on the notes.

Additional amounts

We will make payments on account of the notes without withholding or deducting on account of any present or future duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having the power to tax (“Canadian taxes”), unless we are required by law or the interpretation or administration thereof, to withhold or deduct Canadian taxes. If we are required to withhold or deduct any amount on account of Canadian taxes, we will make such withholding or deduction and pay as additional interest the additional amounts (“additional amounts”) necessary so that the net amount received by each holder of notes after the withholding or deduction (including with respect to additional amounts) will not be less than the amount the holder would have received if the Canadian taxes had not been withheld or deducted. We will make a similar payment of additional amounts to holders of notes (other than excluded holders) that are exempt from withholding but are required to pay tax directly on amounts otherwise subject to withholding. However, no additional amounts will be payable with respect to a payment made to a holder or former holder of notes (an “excluded holder”) in respect of the beneficial owner thereof:

(i) with which we do not deal at arm’s length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment;

(ii) that is subject to such Canadian taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian taxes (provided that in the case of any imposition or change in any such certification, identification, information, documentation or other reporting requirements which applies generally to holders of notes who are not residents of Canada, at least 60 days prior to the effective date of any such imposition or change, we shall give written notice, in the manner provided in the indenture, to the trustee and the holders of the notes then outstanding of such imposition or change, as the case may be, and provide the trustee and such holders with such forms or documentation, if any, as may be required to comply with such certification, identification, information, documentation, or other reporting requirements); or

(iii) that is subject to such Canadian taxes by reason of its carrying on business in or otherwise being connected with Canada or any province or territory thereof otherwise than by the mere holding of such notes or the receipt of payment, or exercise of any enforcement rights thereunder;

and no additional amounts will be payable with respect to any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or governmental charge (the “excluded taxes”).

We will remit the amount we withhold or deduct to the relevant authority. Additional amounts will be paid in cash semi-annually, at maturity, on any redemption date, on a conversion date or on any purchase date. With respect to references in this prospectus to the payment of principal or interest on any note, such reference shall be deemed to include the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable.

We will furnish to the trustee, within 30 days after the date the payment of any Canadian taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made. We will indemnify and hold harmless each holder of notes (other than an excluded holder) and upon written request reimburse each such holder for the amount of (i) any Canadian taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the notes, (ii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, and (iii) any Canadian taxes levied or imposed and paid by such holder with respect to any reimbursement under (i) and (ii) above, but excluding any excluded taxes.

Limitation on Layering

The indenture will provide that we may not incur indebtedness that is contractually senior in right of payment to the notes and contractually subordinate in right of payment to any of our other indebtedness, other than any senior secured bank indebtedness that may be subordinate in right of payment to indebtedness incurred for the construction and development of Brisas.

Events of default; notice and waiver

The following are events of default under the indenture:

- we fail to pay the principal amount of the notes when due upon redemption, repurchase or otherwise on the notes;
- we fail to pay interest or additional interest, if any, on the notes, when due and such failure continues for a period of 30 days;
- we fail to perform or observe any other covenant or warranty in the indenture for 60 days after written notice;
- we fail to convert notes into common shares and for cash at our election upon exercise of a holder's conversion right and such failure continues for 5 business days or more;
- any indebtedness (other than indebtedness which is non-recourse to us or any of our subsidiaries) for money borrowed by us or one of our subsidiaries (all or substantially all of the outstanding voting securities of which are owned, directly or indirectly, by us) in an outstanding principal amount in excess of US$15 million (or the equivalent thereof in any other currency or currency unit) is not paid at final maturity or upon acceleration and such failure is not cured or the acceleration is not rescinded or annulled, within 10 days after written notice as provided in the Indenture;
- the rendering of a final judgment or judgments (not subject to appeal and not covered by insurance) against us or any of our subsidiaries in excess of US$15 million (or the equivalent thereof in any other currency or currency unit) which remains unstayed, undischarged or unbonded for a period of 60 days;
- our failure to give notice of a fundamental change as described under "Offer to purchase upon a fundamental change" or notice of a specified corporate transaction as described under "Conversion upon specified corporate transactions" when due;
- our failure to comply with our obligations under "Consolidation, merger and sale of assets by us"; or

- certain events involving our bankruptcy, insolvency or reorganization involving us or our subsidiaries.

The trustee may withhold notice to the holders of the notes of any default, except defaults in payment of principal or interest, including additional interest, if any, on the notes. However, the trustee must consider it to be in the interest of the holders of the notes to withhold this notice.

If an event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding notes may declare the principal amount of the notes and interest, including additional interest, if any, on the outstanding notes to be immediately due and payable. In case of certain events of bankruptcy, insolvency or reorganization involving us or our subsidiaries, principal amount plus interest, including additional interest, if any, on the notes will automatically become due and payable. However, if we cure all defaults, except the nonpayment of the principal amount of the notes plus interest, including additional interest, if any, that became due as a result of the acceleration, and meet certain other conditions, with certain exceptions, this declaration may be cancelled and the holders of a majority of the principal amount of outstanding notes may waive these past defaults.

Payments of redemption price, repurchase price, fundamental change repurchase price, principal or interest, including additional interest on the notes, if any, that are not made when due will accrue interest at the annual rate of 1% above the then-applicable interest rate from the required payment date to the extent lawful.

Subject to the trustee's duties in the case of an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders, unless the holders have offered to the trustee indemnity reasonably satisfactory to it. Subject to the indenture, applicable law and the trustee's indemnification, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of any proceedings for any remedy available to the trustee.

No holder of the notes may pursue any remedy under the indenture, except in the case of a default in the payment of redemption price, repurchase price, fundamental change repurchase price, principal or interest, including additional interest (in respect of any default in payment under a Note on or after the due date) on the notes, unless:

- the holder has given the trustee written notice of an event of default;
- the holders of at least 25% in principal amount of outstanding notes make a written request, and offer indemnity to the trustee reasonably satisfactory to it to pursue the remedy;
- the trustee does not receive an inconsistent direction from the holders of a majority in principal amount of the notes; and
- the trustee fails to comply with the request within 60 days after receipt.

Modification and waiver

The consent of the holders of a majority in principal amount of the outstanding notes is required to modify or amend the indenture. However, a modification or amendment requires the consent of the holder of each outstanding note affected thereby if it would:

- extend the fixed maturity of any note;

- reduce the principal amount of, or interest rate on or extend the stated time for payment of interest, including additional interest, if any, payable on, any note;
- reduce any amount payable upon redemption or repurchase of any note;
- after the occurrence of a fundamental change, modify the provisions with respect to the purchase right of the holders upon a fundamental change in a manner adverse to holders;
- impair the right of a holder to institute suit for payment on any note;
- change the currency in which any note is payable;
- impair the right of a holder to convert any note;
- reduce the quorum or voting requirements under the indenture;
- change any obligation of ours to maintain an office or agency in the places and for the purposes specified in the indenture;
- change the ranking of the notes in a manner adverse to the holder of the notes;
- subject to specified exceptions, modify certain of the provisions of the indenture relating to modification or waiver of provisions of the indenture; or
- reduce the percentage of notes required for consent to any modification of the indenture.

We are permitted to modify certain provisions of the indenture without the consent of the holders of the notes.

Form, denomination and registration

The notes are issued:

- in fully registered form; and
- in denominations of US$1,000 principal amount and integral multiples of US$1,000.

Global note, book-entry form

The notes are evidenced by one or more global notes, deposited and registered in the name of Cede & Co., as DTC's nominee. Except as set forth below, a global note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

Beneficial interests in a global note may be held through organizations that are participants in DTC. Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in clearing house funds. The laws of some states require that certain persons take physical delivery of securities in definitive form. As a result, the ability to transfer beneficial interests in the global note to such persons may be limited.

Beneficial interests in a global note held by DTC may be held only through participants, or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a participant, either directly or indirectly, and when indirectly they are called "indirect participants." So long as Cede & Co., DTC's nominee, is the registered owner

of a global note, Cede & Co. for all purposes will be considered the sole holder of such global note. Except as provided below, owners of beneficial interests in a global note will:

- not be entitled to have certificates registered in their names;
- not receive physical delivery of certificates in definitive registered form; and
- not be considered holders of the global note.

We will pay interest, if any, and the repurchase price of a global note to Cede & Co., as the registered owner of the global note, by wire transfer of immediately available funds on the repurchase date, as the case may be. Neither we, the trustee nor any paying agent will be responsible or liable:

- for the records relating to, or payments made on account of, beneficial ownership interests in a global note; or
- for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

Neither we, the trustee, registrar, paying agent nor conversion agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for conversion, only at the direction of one or more participants to whose account with DTC interests in the global note are credited, and only in respect of the principal amount of the notes represented by the global note as to which the participant or participants has or have given such direction.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York, and a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants. Participants include securities brokers, dealers, banks, trust companies and clearing corporations and other organizations. Some of the participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

DTC has agreed to the foregoing procedures to facilitate transfers of interests in a global note among participants. However, DTC is under no obligation to perform or continue to perform these procedures, and may discontinue these procedures at any time.

We will issue notes in definitive certificate form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary or DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 days;

- an event of default shall have occurred and the maturity of the notes shall have been accelerated in accordance with the terms of the notes and any holder shall have requested in writing the issuance of definitive certificated notes; or
- we have determined in our sole discretion that notes shall no longer be represented by global notes.

Information concerning the trustee

We have appointed The Bank of New York, the trustee under the indenture, as paying agent, conversion agent, note registrar and custodian for the notes. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

The indenture contains certain limitations on the rights of the trustee, if it or any of its affiliates is then our creditor, to obtain payment of claims in certain cases or to realize on certain property received on any claim as security or otherwise. The trustee and its affiliates will be permitted to engage in other transactions with us. However, if the trustee or any affiliate continues to have any conflicting interest and a default occurs with respect to the notes, the trustee must eliminate such conflict or resign.

Description of share capital

We are authorized to issue an unlimited number of Class A common shares of which 40,784,519 Class A common shares were issued and outstanding at May 11, 2007. 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 “Shareholder Rights Plan” on page 25 of the annual information form incorporated by reference into this prospectus. A noteholder will not have any rights as a shareholder until it converts its notes into our Class A common shares.

In February 1999, the shareholders of Gold Reserve Corporation approved a plan of arrangement as a result of which Gold Reserve Corporation became a subsidiary of Gold Reserve Inc. Generally, each shareholder of Gold Reserve Corporation received one Class A common share of Gold Reserve Inc. for each common share owned in Gold Reserve Corporation. Certain U.S. holders elected, for tax reasons, to receive equity units instead of Class A common shares. Each equity unit consists of one Class B common share of Gold Reserve Inc. and one Gold Reserve Corporation Class B common share, which consideration was substantially equivalent to a Class A common share and is generally immediately convertible into a Class A common share. Holders of Class A common shares and Class B common shares will generally be entitled to one vote per share and to vote together as a single class. Equity units, of which 1,085,099 were issued and outstanding at May 11, 2007, are not listed for trading on any stock exchange, but subject to compliance with applicable federal, provincial and state securities laws, may be transferred.

Income tax considerations

Certain U.S. federal income tax considerations

The following is a summary of certain material U.S. federal income tax consequences relating to the acquisition, ownership, and disposition of a note acquired pursuant to this prospectus, and the ownership and disposition of common shares acquired upon a conversion of such a note.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a holder as a result of the acquisition, ownership, and disposition of notes or common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences of the acquisition, ownership and disposition of notes or common shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any holder. Each holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of notes or common shares.

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, published rulings of the Internal Revenue Service (the "IRS"), published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this prospectus. All of the authorities on which this summary is based are subject to differing interpretations and could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. In such event, the U.S. federal income tax consequences applicable to a holder of the notes or common shares could differ from those described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Holders

For purposes of this summary, a "U.S. Holder" is a beneficial owner of notes or common shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any political subdivision thereof, including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected, under applicable Treasury Regulations, to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons, as defined in Section 7701(a)(30) of the Code, have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of notes or common shares other than a U.S. Holder. A non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal income tax consequences (including the potential application of and operation of any income tax treaties) of the acquisition, ownership, and disposition of notes or common shares.

Holders subject to special U.S. federal income tax rules not addressed

This summary does not address the U.S. federal income tax consequences of the acquisition, ownership and disposition of notes or common shares to holders that are subject to special provisions under the Code, including the following holders: (a) holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) holders that are dealers in securities, commodities or currencies, or holders that are traders in securities or commodities that elect to apply a mark-to-market accounting method; (d) holders that have a “functional currency” other than the U.S. dollar; (e) holders that are subject to the alternative minimum tax under the Code; (f) holders that own notes or common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (g) holders that acquired notes or common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (h) holders that hold notes or common shares other than as a capital asset within the meaning of Section 1221 of the Code; or (i) holders that own (directly, indirectly, or constructively) 10% or more, by voting power or value, of the outstanding shares of the Company. Holders that are subject to special provisions under the Code, including holders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of notes or common shares.

If an entity that is classified as a partnership (or “pass-through” entity) for U.S. federal income tax purposes holds notes or common shares, the U.S. federal income tax consequences to such partnership (or “pass-through” entity) and the partners of such partnership (or owners of such “pass-through” entity) generally will depend on the activities of the partnership (or “pass-through” entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (or owners of “pass-through” entities) for U.S. federal income tax purposes should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of notes or common shares.

Tax consequences other than U.S. federal income tax consequences not addressed

This summary does not address the consequences arising under U.S. federal estate, gift, or excise tax laws or the tax laws of any applicable foreign, state, local or other jurisdiction to holders of the acquisition, ownership and disposition of notes or common shares. Each holder should consult its own financial advisor, legal counsel, or accountant regarding the consequences of any of these laws on the acquisition, ownership and disposition of notes or common shares.

The Notes

U.S. Federal Income Tax Consequences to U.S. Holders

Taxation of stated interest

For U.S. federal income tax purposes, interest (including Additional Amounts, if any, and without reduction for any withholding tax) on the notes generally will be taxable to a U.S. Holder as ordinary income at the time such interest is received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. Subject to applicable limitations under the Code and the U.S. Treasury Regulations and subject to the discussion below, any Canadian withholding tax imposed on interest payments in respect of the notes will be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or, at a U.S. Holder's election, may, in certain circumstances, be deducted in computing taxable income). Interest paid on the notes will be treated as income from sources outside the U.S., and generally will be treated as "passive category income" or "general category income" for U.S. foreign tax credit purposes. The Code applies various limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. Because of the complexity of those limitations, U.S. Holders should consult their own tax advisors with respect to the amount of foreign taxes that can be claimed as a credit.

Market discount and amortizable bond premium

A U.S. Holder that purchased the notes (other than on issuance) at a price less than their principal amount would be treated for U.S. federal income tax purposes as having purchased the notes with market discount, subject to a de minimis exception. In the case of notes having non-de minimis market discount, a U.S. Holder will be required to treat any partial principal payment received on, and any gain recognized upon the sale or other disposition of, the notes as ordinary income to the extent of the market discount that accrued during such U.S. Holder's holding period for the notes (on a ratable basis or, at the election of the U.S. Holder, constant yield basis), unless such U.S. Holder elects to annually include market discount in gross income over time as the market discount accrues. Any election to include market discount over time as it accrues would apply to all debt obligations held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and is irrevocable without the consent of the IRS. In addition, a U.S. Holder that holds the notes with market discount, and that does not elect to accrue market discount into gross income over time, may be required to defer the deduction of interest expense incurred or continued to purchase or carry the notes until the maturity of the notes or its earlier disposition in a taxable transaction.

Furthermore, if the notes were purchased by a U.S. Holder with a more than de minimis market discount and the U.S. Holder subsequently disposes of the notes in a transaction that is nontaxable in whole or in part (other than certain transactions described in section 1276(d) of the Code), accrued market discount generally will be includible in gross income as ordinary income as if such U.S. Holder had sold the notes at their then fair market value. However, if a U.S. Holder converts a note with accrued market discount that has not previously been included in gross income into common shares, then a ratable portion of such market discount will instead be allocated to such common shares. The amount of market discount allocable to such common shares may be taxable as ordinary income upon a sale or other disposition of such common shares.

A U.S. Holder that purchased a note for an amount in excess of its stated principal amount (subject to special rules for early redemption dates as described below) would be treated as having acquired such note with “amortizable bond premium” in the amount of such excess. In such case, the U.S. Holder may elect to amortize the bond premium over the term of the note as a reduction in the amount required to be included in the U.S. Holder’s gross income each year with respect to interest on the note (provided that the amount of amortizable bond premium will be calculated based on the amount payable at the applicable redemption date if the use of such redemption date in lieu of the stated maturity date results in a smaller amortizable premium for the period ending on the redemption date). Any election to amortize bond premium will apply to all notes held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and is irrevocable without the consent of the IRS.

The rules governing market discount and amortizable bond premium are complex, and potential investors should consult their own tax advisors concerning the application of these rules.

Sale, redemption or other taxable disposition of the notes

The Company has determined that it was a PFIC for the taxable year ended December 31, 2006 and the Company expects that it will be a PFIC for the taxable year ending December 31, 2007. Accordingly, adverse U.S. federal income tax rules apply to a disposition of the notes by a U.S. Holder. If the Company was a PFIC at any time during the U.S. Holder’s holding period of the notes, each U.S. Holder of the notes generally will, upon disposition of the notes at a gain, be liable to pay U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus interest on the tax, as if the gain had been recognized ratably over each day in the U.S. Holder’s holding period for the notes while the Company was a PFIC.

If the Company is not treated as a PFIC with respect to a U.S. Holder for any taxable year during which the U.S. Holder held notes, upon the sale, redemption or other taxable disposition of the notes, the U.S. Holder will recognize gain or loss, if any, equal to the difference between the amount realized on such sale, redemption or other taxable disposition (other than amounts received that are attributable to accrued but unpaid interest, which amounts shall be taxable as ordinary income to the extent not previously included in the gross income of the U.S. Holder) and such U.S. Holder’s adjusted tax basis in the notes. A U.S. Holder’s adjusted tax basis in the notes generally will equal the cost of the notes to the U.S. Holder, increased by any market discount previously included in gross income by such holder, and reduced by (i) any principal payments received by such holder and (ii) any amortizable bond premium applied to reduce interest inclusions with respect to such notes. Any such gain or loss generally will constitute capital gain or loss (except that any gain will be treated as ordinary income to the extent of any market discount that has accrued on the notes but not previously been included in the gross income of the U.S. Holder), and will be long-term capital gain or loss if the notes were held by such U.S. Holder for more than one year. Certain non-corporate U.S. Holders (including individuals) may qualify for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deduction of capital losses is subject to limitations under the Code. Any gain realized by a U.S. Holder on a sale or other disposition of the notes generally will be treated as U.S.-source income for U.S. foreign tax credit purposes.

Conversion of the notes

A U.S. Holder generally will not recognize any income, gain or loss upon conversion of the notes into common shares, except with respect to (i) cash received in lieu of a fractional common share, or (ii) common shares that are attributable to accrued but unpaid interest not previously included in gross income. To the extent the Company pays cash to a U.S. Holder upon a conversion of the notes instead of delivering common shares, such U.S. Holder should recognize gain or loss, if any, in the same manner as described above under "Sale, redemption or other taxable disposition of the notes." Cash received in lieu of a fractional common share upon conversion will be treated as a payment in exchange for such fractional share. Accordingly, the receipt of cash in lieu of a fractional common share generally will be treated as described below under "—The Common Shares." Amounts that are attributable to accrued but unpaid interest generally will be taxable to the U.S. Holder as interest to the extent not previously included in gross income.

A U.S. Holder's initial tax basis in the common shares received on conversion of the notes will be the same as the U.S. Holder's adjusted tax basis in the notes at the time of conversion, reduced by any tax basis allocable to a fractional share treated as exchanged for cash. However, the tax basis of common shares received upon a conversion with respect to accrued but unpaid interest should equal the fair market value of such common shares. The holding period for the common shares received on conversion generally will include the holding period of the notes converted. To the extent any common shares issued upon a conversion are allocable to accrued interest, however, the U.S. Holder's holding period for such common shares may commence on the day following the date of delivery of the common shares.

Constructive dividends

The conversion rate of the notes is subject to adjustment under certain circumstances. Under Section 305 of the Code, adjustments to the conversion rate that increase a U.S. Holder's proportionate share of the Company's assets or the Company's earnings may in certain circumstances result in a constructive dividend that is taxable to such U.S. Holder to the extent of the Company's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Generally, an increase in the conversion rate pursuant to a bona-fide reasonable formula which has the effect of preventing the dilution of the interest of U.S. Holders in the notes will not be considered to result in a constructive dividend. However, certain adjustments provided in the notes (including, without limitation, adjustments to the conversion rate of the notes in connection with cash dividends to the Company's shareholders) will not qualify as being pursuant to a bona-fide reasonable formula. If such adjustments are made, a U.S. Holder will, to the extent of the Company's current and accumulated earnings and profits, be deemed to have received a constructive dividend even though such U.S. Holder has not received any cash or property as a result of the adjustment. In addition, a failure to adjust the conversion price of the notes to reflect a stock dividend or similar event could in some circumstances give rise to a constructive dividend to U.S. Holders of common shares.

U.S. Federal Income Tax Consequences to Non-U.S. Holders

A non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of the notes unless (i) the gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder in the U.S. (and is attributable to a permanent establishment maintained in the U.S. by such non-U.S. Holder if an applicable

income tax treaty so requires as a condition for such non-U.S. Holder to be subject to U.S. federal income taxation on a net income basis in respect of income from the common shares), or (ii) such non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of the sale, and certain other conditions are met. Effectively connected gains realized by a corporate non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

The Common Shares

U.S. Federal Income Tax Consequences to U.S. Holders

Passive foreign investment company

The Company has determined that it was a PFIC for the taxable year ended December 31, 2006 and the Company expects that it will be a PFIC for the taxable year ending December 31, 2007. Accordingly, special U.S. federal income tax rules apply to the acquisition, ownership and disposition of common shares.

Sections 1291 through 1298 of the Code contain special rules applicable with respect to foreign corporations that are PFICs. A company will be considered a PFIC if 75% or more of its gross income (including a pro rata share of the gross income of any company (United States or foreign) in which the company is considered to own 25% or more of the shares by value) in a taxable year is passive income (the “Income Test”). Alternatively, a foreign company will be considered a PFIC if at least 50% of the assets (averaged over the four quarter ends for the year) of the company (including a pro rata share of the assets of any company of which the company is considered to own 25% or more of the shares by value) in a taxable year are held for the production of, or produce, passive income (the “Asset Test”).

For the taxable year ended December 31, 2006, the Company determined that it was a PFIC under the Income Test. In addition, the Company expects that it will be a PFIC under the Income Test for the taxable year ending December 31, 2007, and, as a result, will be treated as a PFIC for such taxable year. Further, the Company expects it will continue to be a PFIC for each subsequent taxable year prior to the year the Brisas Project begins production. The Company does not, however, believe that any of its subsidiaries were PFICs as to any shareholder of the Company for the taxable year ended December 31, 2006, and does not expect that any such subsidiaries will be PFICs as to any shareholder of the Company for any subsequent taxable year (including the taxable year ending December 31, 2007). The determination of whether the Company and any of its subsidiaries will be a PFIC for a taxable year depends on (i) the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and (ii) the assets and income of the Company and its subsidiaries over the course of each such taxable year. As a result, whether the Company and any of its subsidiaries will be a PFIC for any taxable year (including the taxable year in which the Brisas Project begins production or any subsequent year) cannot be predicted with certainty as of the date of this prospectus. 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, each U.S. Holder, in the absence of an election by such U.S. Holder to treat the Company as a “qualified electing fund” (a “QEF” election), or an election by such holder to “mark-to-market” his common shares (an “MTM election”), as discussed below, will, upon certain distributions by the Company or upon disposition of the

common shares at a gain, be liable to pay U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus interest on the tax, as if the distribution or gain had been recognized ratably over each day in the U.S. Holder's holding period for the common shares while the Company was a PFIC. Additionally, the common shares of a decedent U.S. Holder who failed to make a QEF election will generally be denied the normally available step-up of the tax basis for such common shares to fair market value at the date of death and, instead, would have a tax basis equal to the decedent's tax basis, if lower, in the common shares.

A U.S. Holder who owns the common shares during a period when the Company is a PFIC will be subject to the foregoing PFIC rules, even if the Company ceases to be a PFIC, unless such U.S. Holder makes a QEF election in the first year of the U.S. Holder's holding period for the shares of the Company and in which the Company is considered a PFIC (a "timely QEF election"). A U.S. Holder who makes such a timely QEF election will be entitled to treat any future gain on the sale of the common shares as capital gain and will not be denied the tax basis step up at death described above. Additionally, a U.S. Holder who makes a QEF election will, for each taxable year the Company is a PFIC, include in income a pro rata share of the ordinary earnings of the Company as ordinary income and a pro rata share of any net capital gain of the Company as long-term capital gain, subject to a separate election to defer payment of taxes (such deferral is subject to an interest charge). For the U.S. Holder to make the QEF election, the Company must agree to supply annually to the U.S. Holder the "PFIC Annual Information Statement" described in Treasury Regulations and permit the U.S. Holder access to certain information in the event of an audit by the U.S. tax authorities. The Company will prepare and make the statement available to U.S. Holders, and will permit access to the information.

Treasury Regulations provide that a holder of an option, warrant or other right to acquire stock of a PFIC, such as a convertible note, may not make a QEF election that will apply to the option, warrant or other right or to the stock subject to the option, warrant or other right. Under Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right shall include the period that the option, warrant or other right was held. The general effect of these rules is that (a) under the adverse taxation rules for PFICs discussed above, excess distributions and gains realized on the disposition of common shares in a PFIC received upon conversion of notes will be spread over the entire holding period for the notes and the common shares acquired thereby and (b) if a U.S. Holder makes a QEF election upon conversion of the notes and receipt of the common shares, that election generally will not be a timely QEF election with respect to such common shares and thus the adverse taxation rules with respect to PFICs discussed above will continue to apply. However, it appears that a U.S. Holder receiving common shares upon the conversion of a note should be able to avoid the adverse taxation rules for PFICs discussed above with respect to future excess distributions and gains if such U.S. Holder makes a QEF election effective as of the first day of the taxable year of such U.S. Holder beginning after the receipt of such common shares and such U.S. Holder also makes an election to recognize gain (which will be taxed under the adverse taxation rules for PFICs rules discussed above) as if such common shares were sold on such date at fair market value (a "Gain Recognition Election").

A U.S. Holder who receives common shares upon the conversion of a note, and makes a Gain Recognition Election as described above and a QEF election effective as of the first day of the taxable year of such U.S. Holder beginning after the receipt of such common shares (and complies with certain U.S. federal income tax reporting requirements), should not have any

material adverse U.S. federal income tax consequences as a result of the QEF election if the Company has no ordinary earnings or net capital gains during such taxable year. The Company currently expects that it will not have any ordinary earnings or net capital gains in future years in which it may be a PFIC. However, no assurance can be given as to this expectation. Each U.S. Holder is urged to consult its own financial advisor, legal counsel, or accountant concerning the application of the U.S. federal income tax rules governing PFICs in its particular circumstances.

Each U.S. Holder choosing to make a QEF election would be required annually to file an IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with such U.S. Holder's timely filed U.S. federal income tax return (or directly with the IRS if the U.S. Holder is not required to file an income tax return). Such U.S. Holder must include on IRS Form 8621 its income as reflected in the PFIC Annual Information Statement it receives from the Company. If the Company determines that it was a PFIC during the taxable year, within two months after the end of each such taxable year the Company will make available the PFIC Annual Information Statement.

As an alternative to the QEF election, a U.S. Holder may make an MTM election with respect to the common shares. The MTM election requires that the PFIC stock in question be "publicly traded" stock as defined under the rules governing the MTM election. The common shares are publicly traded stock as required. If a U.S. Holder makes the MTM election, it must recognize as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year (or actual disposition of the common shares) between the fair market value of the PFIC stock and the adjusted tax basis in the PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. Holder under the election for prior taxable years. If a MTM election is in effect on the date of a U.S. Holder's death, the otherwise available step-up in tax basis to fair market value will not be available. Instead, the tax basis of the common shares in the hands of a person who acquires such common shares from the decedent will be the lesser of the decedent's tax basis or the fair market value of the common shares. If the U.S. Holder makes the MTM election, distributions from the Company with respect to the common shares will be treated as if the Company is not a PFIC, except that the lower tax rate on dividends for U.S. Holder that are individuals, discussed below, would not be applicable.

In addition, special rules would apply to U.S. Holders of the common shares for any taxable year in which the Company is a PFIC and has one or more subsidiaries that is also a PFIC as to such U.S. Holder (a "Subsidiary PFIC"). In such case, U.S. Holders of the common shares generally would be deemed to own their proportionate interest in any Subsidiary PFIC and be subject to the PFIC rules with respect to such Subsidiary PFIC regardless of the percentage ownership of such U.S. Holders in the Company. If a subsidiary of the Company is a PFIC and a U.S. Holder does not make a QEF election as to such subsidiary, as described above, the U.S. Holder could incur liability for the deferred tax and interest charge described above if the PFIC Subsidiary makes a distribution, or an interest in the PFIC Subsidiary is disposed of in whole or in part, or the U.S. Holder disposes of all or part of its common shares. A QEF election must be made separately for each PFIC and thus a QEF election made with respect to the Company will not apply to any Subsidiary PFIC. If a subsidiary of the Company is a PFIC, a QEF election for such subsidiary could accelerate the recognition of taxable income and may result in the recognition of ordinary income. Additionally, a U.S. Holder of common shares that has made a MTM election for his common shares could be subject to the PFIC rules with respect to the income of a

Subsidiary PFIC even though the value of the Subsidiary PFIC has already been subject to tax as a result of the MTM election. A MTM election would not be permitted for a PFIC Subsidiary.

Due to the complexity of the PFIC rules, a U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the status of the Company and its subsidiaries as PFICs and the eligibility, manner and advisability of making a QEF election or a MTM election and how the PFIC rules may affect the U.S. federal income tax consequences of a U.S. Holder's acquisition, ownership and disposition of common shares.

Acquisition, Ownership and Disposition of Common Shares if the Company is Not a PFIC or if the U.S. Holder makes QEF Election and a Gain Recognition Election

If the Company is not a PFIC at any time during the period a U.S. Holder held, or is considered to have held, the notes or the common shares, or if a U.S. Holder receiving common shares upon the conversion of a note makes a Gain Recognition Election as described above and an effective QEF election as of the first day of the taxable year of such U.S. Holder beginning after the receipt of such common shares, such U.S. Holder will not be subject to such PFIC rules during any taxable year in which the Company is not classified as a PFIC. Instead, such U.S. Holder will be subject to the following rules.

Distributions

For U.S. federal income tax purposes, the amount of a distribution made on the common shares generally will equal the amount of cash and the fair market value of any property distributed and also will include the amount of any Canadian taxes withheld as described below under "Certain Canadian income tax considerations—Purchasers resident in the United States." An amount of the distribution will be treated as a dividend, taxable to a U.S. Holder as ordinary dividend income, to the extent of the Company's current or accumulated earnings and profits allocable to such U.S. Holder. To the extent that an amount received by a U.S. Holder exceeds the allocable share of the Company's current and accumulated earnings and profits, such excess will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in its common shares and then, to the extent in excess of such U.S. Holder's adjusted tax basis, as gain from the sale or exchange of such common shares generally taxable as capital gain. (See discussion below under "Dispositions.") The amount treated as a dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporate shareholders on dividends received from U.S. corporations.

Distributions of additional common shares to U.S. Holders with respect to their common shares that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to U.S. federal income tax. In general, the tax basis of the common shares held prior to the distribution (the "old common shares") will be allocated between the additional common shares and the old common shares in proportion to their fair market values on the date of distribution.

In the case of non-corporate U.S. Holders, the U.S. federal income tax rate applicable to dividends received in taxable years beginning prior to January 1, 2011 may be lower than the rate applicable to other categories of ordinary income if certain conditions are met. The amount of any distribution paid in foreign currency will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the foreign currency calculated by reference to the spot rate in effect on the date of actual or constructive receipt by the U.S. Holder (in accordance

with the U.S. Holder’s regular method of tax accounting), regardless of whether the foreign currency is converted into U.S. dollars on that date. If the foreign currency is converted into U.S. dollars on the date of actual or constructive receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution. If the foreign currency received in the distribution is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss recognized upon a subsequent conversion or other disposition of the foreign currency will be treated as U.S. source ordinary income or loss.

Subject to certain limitations, a U.S. Holder may elect to claim a credit against its U.S. federal income tax liability for any Canadian tax paid with respect to, or withheld from, any dividends paid on the common shares. A U.S. Holder who does not make such an election instead may deduct the Canadian tax paid or withheld, but only for a year in which such U.S. Holder elects to do so with respect to all creditable foreign taxes paid by such U.S. Holder. The availability of the foreign tax credit is subject to complex limitations.

For U.S. foreign tax credit purposes, dividends paid on the common shares generally will be treated as income from sources outside the U.S. and as “passive income” (or “general income” for certain U.S. Holders).

The rules relating to the U.S. foreign tax credit are complex, and each U.S. Holder should consult its own financial advisor, legal counsel or accountant to determine whether and to what extent it would be entitled to a foreign tax credit.

Dispositions

A U.S. Holder’s sale, exchange or other taxable disposition of the common shares generally will result in the recognition by the U.S. Holder of U.S. source taxable capital gain or loss in an amount equal to the difference between (a) the U.S. dollar value of the amount of cash and fair market value of any property received upon the sale, exchange or other taxable disposition and (b) such U.S. Holder’s adjusted tax basis in the common shares. Such capital gain or loss will be long-term if the U.S. Holder’s holding period in the common shares is more than one year at the time of the sale, exchange or other taxable disposition. Long-term capital gain recognized by certain non-corporate U.S. Holders generally will be subject to U.S. federal income tax rates lower than the rates applicable to ordinary income.

As discussed above under “The Notes—U.S. Federal Income Tax Consequences to U.S. Holders—Market discount and amortizable bond premium”, if a U.S. Holder converts a note with accrued market discount that has not previously been included in gross income into common shares, then a ratable portion of such market discount will be allocated to such common shares. The amount of market discount allocable to such common shares may be taxable as ordinary income upon a sale or other disposition of such common shares.

The deductibility of capital losses is subject to limitations. Each U.S. Holder should consult its own financial advisor, legal counsel or accountant regarding the treatment of capital gains and losses.

U.S. Federal Income Tax Consequences to Non-U.S. Holders

Distributions

A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to the common shares that are treated as a dividend for U.S. federal income tax purposes unless such dividends are effectively connected with the conduct of a trade or business within the U.S. by the non-U.S. Holder (and are attributable to a permanent establishment maintained in the U.S. by such non-U.S. Holder if an applicable income tax treaty so requires as a condition for such non-U.S. Holder to be subject to U.S. federal taxation on a net income basis in respect of income from the common shares), in which case the non-U.S. Holder generally will be subject to U.S. federal income tax in respect of such dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a corporate non-U.S. Holder also may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on distributions that are treated as capital gain for U.S. federal income tax purposes unless such non-U.S. Holder would be subject to U.S. federal income tax on gain realized on the sale or other disposition of the common shares. See discussion below under “Dispositions.”

Dispositions

A non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of the common shares unless (i) the gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder in the U.S. (and is attributable to a permanent establishment maintained in the U.S. by such non-U.S. Holder if an applicable income tax treaty so requires as a condition for such non-U.S. Holder to be subject to U.S. federal income taxation on a net income basis in respect of income from the common shares), or (ii) such non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of the sale, and certain other conditions are met. Effectively connected gains realized by a corporate non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Information Reporting; Backup Withholding Tax

In general, dividend payments or other taxable distributions on the Company’s common shares or proceeds from the disposition of common shares paid by a U.S. paying agent or other U.S. intermediary to a non-corporate holder may be subject to information reporting to the IRS and possible U.S. backup withholding (currently imposed at a rate of 28%). Backup withholding generally would not apply to a U.S. Holder that timely furnishes a correct taxpayer identification number and makes any other required certifications or if the U.S. Holder is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Certain non-U.S. Holders receiving payments in the U.S. or through certain U.S. financial intermediaries should establish their exemption from information reporting or backup withholding by providing certification of non-U.S. status on IRS Form W-8 BEN, as applicable.

Amounts withheld as backup withholding may be credited against the holder's U.S. federal income tax liability. Additionally, a holder may obtain a refund of any excess amounts withheld under the backup withholding regime by timely filing the appropriate claim for refund with the IRS and furnishing any required information. Copies of any information returns filed with the IRS may be made available by the IRS, under the provisions of a specific treaty or agreement, to the taxing authorities of the country in which the non-U.S. Holder resides or is organized.

Each holder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and backup withholding tax rules.

Certain Canadian income tax considerations

In the opinion of Fasken Martineau DuMoulin LLP, Canadian counsel to the Company, and Heenan Blaikie LLP, Canadian counsel to the underwriters, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to a prospective purchaser of notes to be issued pursuant to this offering.

This summary is based upon the current provisions of the Income Tax Act (Canada) and the regulations thereunder ("Tax Act"), specific proposals to amend the Tax Act (the "Tax Proposals") which have been announced by or on behalf the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed in this prospectus. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed in this prospectus.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular prospective purchaser of notes, and no representations with respect to the income tax consequences to any particular prospective purchaser are made. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of notes or converting notes into common shares and the subsequent holding and disposing of such common shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Purchasers resident in Canada

This portion of the summary is applicable only to a purchaser who, at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Company, and who will acquire and hold notes to be issued pursuant to this offering and any common shares acquired on a conversion of such notes as capital property (a "Holder"), all within the meaning of the Tax Act. Any notes or common shares will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders whose notes might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the notes and

every other “Canadian security” (as defined by the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

This summary is not applicable to a Holder that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules), a Holder that is a “specified financial institution” or a Holder an interest in which is a “tax shelter investment” (all as defined in the Tax Act). Such Holders should consult their own tax advisors having regard to their particular circumstances.

Taxation of interest

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a note that accrues or is deemed to accrue to the Holder to the end of that taxation year or becomes receivable or is received by the Holder before the end of that taxation year, except to the extent that such interest was otherwise included in the Holder’s income for a preceding taxation year.

Any other Holder, including an individual and trusts of which neither a corporation nor a partnership is a beneficiary, will be required to include in income for a taxation year any interest on a note received or receivable by such Holder in that year (depending upon the method regularly followed by the Holder in computing income), except to the extent that the interest was included in the Holder’s income for a preceding taxation year. In addition, if at any time a note should become an “investment contract” (as defined in the Tax Act) in relation to the Holder, such Holder will be required to include in computing income for a taxation year any interest that accrued or is deemed to accrue to the Holder on a note to the end of any “anniversary day” (as defined in the Tax Act) in that year, except to the extent that such interest was otherwise included in the Holder’s income for that or a preceding taxation year.

Exercise of conversion privilege

A Holder who converts a note to common shares pursuant to the conversion privilege will not be considered to realize a capital gain (or capital loss) on the conversion. The cost to the Holder of the common shares acquired on the conversion will be equal to the Holder’s adjusted cost base of the note immediately before the conversion. The adjusted cost base to the Holder of the common shares acquired on the conversion will be determined by averaging the cost of the common shares so acquired with the adjusted cost base of all other common shares held by such holder as capital property. Under the current administrative practice of the CRA, a Holder who receives cash not in excess of $200 in lieu of a fraction of a common share upon conversion of a note may either treat this amount as proceeds of disposition of a portion of a note (thereby realizing a capital gain or capital loss) or alternatively may reduce the adjusted cost base of the common shares received on the conversion by the amount of the cash received.

Disposition of notes

On a disposition or deemed disposition of a note, whether on redemption, purchase for cancellation or otherwise, a Holder will generally be required to include in income the amount of interest accrued or deemed to accrue on the note from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder’s income for the taxation year or a previous taxation year. In general, a disposition or

deemed disposition of a note will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest and any other amount included in computing income and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the note to the Holder immediately before the disposition.

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year generally must be included in the Holder's income for that year, and one-half of the amount of any capital loss (an "allowable capital loss") realized by a Holder in a taxation year may generally be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A Holder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of $6^{2}/_{3}$% on certain investment income, including amounts of interest and taxable capital gains. A Holder that is an individual, including most trusts, may be liable for alternative minimum tax as a result of realizing a capital gain.

Disposition of common shares

A Holder who disposes of or is deemed to have disposed of a common share will realize a capital gain (or incur a capital loss) equal to the amount by which the proceeds of disposition in respect of the common share exceed (or are exceeded by) the aggregate of the adjusted cost base of such common share and any reasonable expenses associated with the disposition. Such capital gains and capital losses will be subject to tax in the manner described above under the heading "Disposition of notes".

Taxation of dividends received by holders of common shares

Dividends (including deemed dividends) received on common shares by a Holder who is an individual (and certain trusts) will be included in income and be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from taxable Canadian corporations. An enhanced dividend tax credit will be available in respect of "eligible dividends" (as defined in the Tax Act) paid by the Company. Taxable dividends received by Holders that are individuals and certain trusts may give rise to alternative minimum tax under the Tax Act.

Dividends (including deemed dividends) received on common shares by a Holder that is a corporation will be included in income and normally be deductible in computing such corporation's taxable income. However, the Tax Act will generally impose a $33^{1}/_{3}$% refundable tax on such dividends received by a corporation that is a private corporation or a subject corporation for purposes of Part IV of the Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income.

Purchasers resident in the United States

This portion of the summary is applicable to a purchaser who is a U.S. Holder (as defined below) who, at all relevant times for purposes of the Tax Act, (i) is not resident or deemed to be resident in Canada, (ii) deals at arm's length with the Company, (iii) holds notes to be issued

pursuant to this offering and any common shares acquired on a conversion of such notes as capital property, (iv) does not use or hold, and is not deemed to use or hold such securities in the course of carrying on, or otherwise in connection with, a business in Canada and (v) is a resident of the United States for purposes of the Canada-United States Income Tax Convention (1980) (the "Treaty"). United States limited liability companies ("LLCs") generally are not considered residents of the United States for the purposes of the Treaty. However, the Tax Proposals include a proposal to amend the Treaty whereby LLCs would be considered to be residents of the United States upon such amendment coming into force. There is no assurance that the Treaty will be amended in such manner. Any notes or common shares will generally be considered to be capital property to a U.S. Holder unless the U.S. Holder holds such securities in the course of carrying on a business or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Except as expressly provided, this summary does not deal with special situations, such as particular circumstances of traders or dealers in securities, tax exempt entities, insurers, and financial institutions. For purposes of the Tax Act, all amounts relevant in computing a U.S. Holder's liability under the Tax Act must be computed in Canadian dollars. Amounts denominated in U.S. dollars including adjusted cost base and proceeds of disposition must be converted into Canadian dollars based on the prevailing exchange rate at the relevant time.

Ownership of notes

No non-resident withholding tax will apply to the payment to a U.S. Holder under the notes of interest (including, without limitation, additional amounts, if any), or the proceeds received by a U.S. Holder at maturity or on a disposition because of a redemption, purchase of, or conversion of a note.

The conversion of notes into common shares on the exercise of the conversion privilege by a U.S. Holder will not constitute a disposition of the notes and, accordingly, a U.S. Holder will not realize a gain or loss on such conversion.

In general, a U.S. Holder will not be subject to Canadian income tax on capital gains arising on a disposition or deemed disposition of a note unless the note constitutes "taxable Canadian property" to the U.S. Holder, and the U.S. Holder is not entitled to relief under the provisions of an applicable income tax treaty or convention. Provided the common shares are listed on a prescribed stock exchange (which currently includes the TSX and AMEX) at the time a note is disposed of, the note will not constitute "taxable Canadian property" to a U.S. Holder, unless at any time during the five-year period immediately preceding the disposition, the U.S. Holder, persons with whom the U.S. Holder did not deal at arm's length, or the U.S. Holder together with such persons, owned 25% or more of the issued shares of any class or series of the Company's capital stock.

Ownership of common shares

Dividends on common shares

Dividends on common shares paid or credited to a U.S. Holder by the Company are subject to Canadian withholding tax. Under the Treaty, the rate of withholding tax on dividends paid or credited to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a corporation beneficially owning at least 10% of the Company's voting shares). Under the Treaty, dividends paid by the Company to certain religious,

scientific, charitable, certain other tax-exempt organizations and certain pension organizations that are resident in, and exempt from tax in, the United States are exempt from Canadian withholding tax. Provided that certain administrative procedures are observed regarding registration of such organizations, the Company will not be required to withhold such tax from dividends paid to such organizations. If qualifying organizations fail to follow the required administrative procedures, the Company will be required to withhold tax and the organizations will have to file with the CRA a claim for refund to recover amounts withheld.

Dispositions of common shares

A U.S. Holder will generally not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a common share, unless the common share constitutes “taxable Canadian property” as defined in the Tax Act at the time of disposition. A common share will generally not be taxable Canadian property to a U.S. Holder at the time of disposition provided the common shares are listed on a prescribed stock exchange (which includes the TSX and AMEX) at that time and, during the 60 month period ending at the time of disposition of the common share, the U.S. Holder, persons with whom the U.S. Holder did not deal at arm’s length, or the U.S. Holder together with such persons, did not own 25% or more of the Company’s issued shares of any class or series of capital stock. By reason of the Treaty, even if a common share constitutes taxable Canadian property to a U.S. Holder, no tax will generally be payable under the Tax Act on a capital gain realized by the U.S. Holder on the disposition of such shares provided the value of such shares at the time of disposition is not derived principally from real property situated in Canada. The Company has advised counsel that, at the date of this short form prospectus, the value of the common shares is not derived principally from real property situated in Canada within the meaning of the Treaty.

Underwriting

J.P. Morgan Securities Inc. and RBC Dominion Securities Inc. are the representatives of the underwriters. Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives, have severally agreed to purchase from us the following respective aggregate principal amount of notes set forth opposite such underwriter's name:

Name	Principal Amount of Notes
J.P. Morgan Securities Inc.	
RBC Dominion Securities Inc.	
Cormark Securities Inc.	
Total	$ 75,000,000

The underwriters will purchase the notes from us at a price equal to % of the aggregate principal amount of the notes.

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and the independent auditors, and the receipt of an opinion from the National Association of Securities Dealers, Inc. that it has no objection to the proposed underwriting terms between us and the underwriters. The underwriters are committed to purchase all the notes offered by us if they purchase any notes.

We estimate that the total expenses of this offering and the concurrent offering, excluding underwriting fees, will be approximately $1,000,000.

This offering is being made concurrently in all of the provinces of Canada other than Québec and in the United States pursuant to the multi-jurisdictional disclosure system implemented by the securities regulatory authorities in the United States and Canada. The notes will be offered in the United States and Canada by the underwriters either directly or through their respective U.S. or Canadian broker-dealer affiliates or agents, as applicable. Subject to applicable law, the underwriters may offer the notes outside of Canada and the United States.

We have granted to the underwriters a 13-day option to purchase up to $11,250,000 aggregate principal amount of notes. The underwriters may exercise the over-allotment option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the over-allotment option is exercised, each underwriter must purchase a principal amount of notes approximately proportionate to that underwriter's initial purchase commitment. Under applicable Canadian securities laws, this prospectus also qualifies the grant of the over-allotment option and the distribution of the additional notes issuable on exercise of the over-allotment option.

We and our executive officers and directors have agreed that, for a period of 90 days from the closing date of this offering, that neither we nor they will, without the prior written consent of the underwriters, directly or indirectly, offer, sell or otherwise dispose of, or enter into any agreement to offer, sell or otherwise dispose of, any of our securities other than grants of

options or rights or issuances of common shares (i) as a bona fide gift or gifts, provided that the donee or donees agrees to be bound in writing by the restrictions set forth in the lock-up agreement; (ii) to any trust for the direct or indirect benefit of an officer or director or an immediate family member of such officer or director, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth in the lock-up agreement; (iii) arising as a result of a director or officer serving as a trustee of our KSOP, if applicable; (iv) as collateral for any loan, provided that the lender agrees in writing to be bound by the restrictions set forth in the lock-up agreement; (v) to an executor or heir in the event of the death of an officer or director, provided that any such executor and heir agree to be bound in writing by the restrictions set forth in the lock-up agreement; and (vi) by way of a sale in accordance with or pursuant to a Rule 10b5-1 plan under the U.S. Exchange Act, which plan is in effect as of the date of the lock-up agreement. Notwithstanding the foregoing, the underwriters have agreed that up to a total of 20,000 common shares may be sold by each officer and director during the term of the lock-up agreement.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, the underwriters may engage in over-allotment, stabilizing transactions and syndicate covering transactions in the notes and our common shares. Over-allotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the notes or our common shares in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes or common shares in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes and our common shares to be higher than it would otherwise be in the absence of those transactions.

We and the underwriters do not make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes or our common shares. In addition, we and the underwriters do not make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

In the underwriting agreement, we have agreed that we will indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act and Canadian securities laws, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters and their affiliates have in the past and may in the future provide various financial advisory, investment banking and commercial banking services for us and our affiliates in the ordinary course of business for which they have received and will receive customary fees and commissions.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to

the securities that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of securities described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/ EC and includes any relevant implementing measure in each relevant member state.

The sellers of the securities offered hereby have not authorized and do not authorize the making of any offer of the securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of the sellers or the underwriters.

Notice to prospective investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Legal matters

Certain legal matters relating to this offering and to the notes to be distributed pursuant to this prospectus will be passed upon on behalf of us by Fasken Martineau DuMoulin LLP, with respect to Canadian legal matters, by Baker & McKenzie LLP, with respect to U.S. legal matters, and by Baker & McKenzie SC, with respect to Venezuelan legal matters, and on behalf of the underwriters by Heenan Blaikie LLP, with respect to Canadian legal matters, and by Skadden, Arps, Slate, Meagher & Flom LLP, with respect to U.S. legal matters.

Names and interests of experts

As of the date hereof, none of the partners and associates of Fasken Martineau DuMoulin LLP and Heenan Blaikie LLP or SNC-Lavalin, Aker Kvaerner Metals Inc., Marston & Marston, Inc., Pincock, Allen & Holt, Susan Poos, P.E., Richard Lambert, P.E., and Richard Addison, P.E., each being companies or persons who have prepared reports relating to our mineral properties, or any director, officer, employee or partner thereof, as applicable, received or has received a direct or indirect interest in our property or of any or our associates or affiliates. As at the date of this prospectus, all such persons, directors, officers, employees and partners in the aggregate, as applicable, of each of the aforementioned companies and partnerships, beneficially own, directly or indirectly, less than one percent of our securities.

Auditors, transfer agent, registrar and trustee

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, of 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7 who advise that they are independent of us within the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The transfer agent and registrar for our common shares is Computershare Investor Services Inc. at its offices in Toronto, Ontario and Denver, Colorado.

The Bank of New York, and its officers in New York, New York, has been appointed as the trustee under the indenture, as paying agent, conversion agent, notes registrar, and custodian for the notes.

Documents incorporated by reference

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada and forms an integral part of this prospectus. Copies of the documents incorporated by reference in this prospectus may be obtained on request without charge from Mary Smith, our Secretary, at 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201, U.S.A. (Telephone: (509) 623-1500). These documents are also available electronically at *www.sedar.com* or at *www.sec.gov.* The following documents filed with the securities commissions or similar authorities in Canada are specifically incorporated by reference and form an integral part of this prospectus. You should review them prior to making an investment decision:

- our annual information form dated March 30, 2007 for the year ended December 31, 2006;

- our audited annual consolidated comparative financial statements for the year ended December 31, 2006 and the auditors' report thereon, together with management's discussion and analysis for the year ended December 31, 2006;
- our unaudited interim consolidated financial statements for the three month period ended March 31, 2007, together with management's discussion and analysis for the three month period ended March 31, 2007;
- our material change report dated May 9, 2007 announcing this offering and the concurrent offering;
- our material change report dated March 29, 2007 announcing that the MINAMB has accepted the ESIA and issued to us, on March 27, 2007 the Authorization for the Affectation of Natural Resources for the Construction of the Infrastructure and Services Phase of Brisas;
- our management information circular dated April 20, 2007 prepared in connection with our annual and special meeting of shareholders to be held on June 7, 2007; and
- the summary, being pages 1.1 to 1.13 inclusive, of NI 43-101 Technical Report, Brisas, Venezuela, Feasibility Update dated October 30, 2006 as prepared by PAH.

Any document of the type referred to in the first six items above (other than confidential material change reports) and any interim financial statements and related managements' discussion and analysis, in each case filed by us with the securities commissions or similar authorities in Canada after the date of this prospectus and prior to the completion or termination of this offering, shall be deemed to be incorporated by reference into and form an integral part of this prospectus. The documents incorporated or deemed to be incorporated by reference in this prospectus contain meaningful and material information relating to us, and prospective investors should review all information contained in this prospectus and the documents incorporated by reference in this prospectus before making an investment decision. In addition, to the extent indicated in any Report on Form 6-K furnished to the SEC or in any Report on Form 40-F filed with the SEC, any information therein shall be deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained in this prospectus, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference in this prospectus, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or prior form to constitute a part of this prospectus.

Documents filed as part of the registration statement

The following documents have been or will be filed with the SEC as part of the registration statement of which this prospectus forms a part:

- the documents referred to under the heading "Documents incorporated by reference";

- the form of underwriting agreement;
- the form of indenture;
- the statement of eligibility under the Trust Indenture Act of 1939 on Form T-1 of The Bank of New York;
- consent of PricewaterhouseCoopers LLP;
- consent of Fasken Martineau DuMoulin LLP;
- consent of Heenan Blaikie LLP;
- consent of Pincock Allen & Holt;
- consent of Susan Poos, P.E.;
- consent of Richard J. Lambert, P.E.;
- consent of Richard Addison, P.E., C Eng, Eur.Ing;
- consent of SNC-Lavalin;
- consent of Aker Kvaerner Metals Inc.;
- consent of Marston & Marston, Inc.; and
- powers of attorney from our directors and officers.

Additional information

We have filed with the SEC a registration statement on Form F-10 relating to the notes to which this offering relates. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC.

We are subject to the information requirements of the U.S. Exchange Act and applicable Canadian securities legislation, which require us to file or furnish reports and other information with the SEC and with the securities regulators in Canada. Under a multi-jurisdictional disclosure system adopted by the United States, documents and other information that we file with or furnish to the SEC may be prepared in accordance with the disclosure requirements of Canada, which are different from those of the United States (materially different in some circumstances). As a foreign private issuer, we are exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. In addition, we are not required to publish financial statements as promptly as U.S. companies.

You may read any document that we have filed with the SEC at the SEC's public reference room in Washington, D.C. You may also obtain copies of those documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. You should call the SEC at 1-800-SEC-0330 or access its website at *www.sec.gov* for further information about the public reference rooms. You may read and download documents we have publicly filed with the SEC's Electronic Data Gathering and Retrieval system at *www.sec.gov.* You may read and download any public document that we have filed with the Canadian securities regulatory authorities at *www.sedar.com.*

Enforcement of civil liabilities

We are a corporation existing under the Business Corporations Act (Yukon). Some of our directors and some of the experts named in this prospectus are residents of Canada or otherwise reside outside the United States, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. We have appointed an agent for service of process in the United States, but it may be difficult for holders of notes who reside in the United States to effect service within the United States upon those directors and experts who are not residents of the United States. It may also be difficult for holders of notes who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the U.S. federal securities laws. We have been advised by our Canadian counsel, Fasken Martineau DuMoulin LLP, that a judgment of a U.S. court predicated solely upon civil liability under U.S. federal securities laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. We have also been advised by Fasken Martineau DuMoulin LLP, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon U.S. federal securities laws.

We filed with the SEC, concurrently with our registration statement on Form F-10 of which this prospectus is a part, an appointment of agent for service of process on Form F-X. Under the Form F-X, we appointed Gold Reserve Corporation, our Montana subsidiary, as our agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving us in a U.S. court arising out of or related to or concerning the offering of the notes under this prospectus.

US$75,000,000

GOLD RESERVE INC.

% Senior Subordinated Convertible Notes due 2022

Prospectus

JPMorgan **RBC Capital Markets**

Cormark Securities

, 2007

PART II
INFORMATION NOT REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

Indemnification of Directors and Officers.

The only statutes, charter provisions, bylaws, contracts or other arrangements under which a director or officer of the Registrant is insured or indemnified in any manner against liability which such officer of director may incur in such capacity is Section 126 of the Yukon Business Corporations Act (the "Act") and Sections 7.02 through 7.04 of the Registrant's bylaws. Taken together, the statutory and bylaw provisions generally allow the Registrant to indemnify its directors or officers against liability and expenses if the officer or director seeking indemnity (a) acted honestly and in good faith with a view to the best interest of the Registrant, and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the officer or director had reasonable grounds for believing the conduct was lawful. Such statutory and bylaw provisions also allow officers and directors to seek indemnity if they have (i) fulfilled the requirements for (a) and (b), (ii) are fairly and reasonably entitled to indemnity, and (iii) were substantially successful on the merits in the defense of the action or proceeding.

YUKON LAW

Section 126 of the Act is set forth in its entirety as follows. All capitalized terms used herein but not otherwise defined shall have the meanings as set forth in the Act.

126.(1) Except in respect of an action by or on behalf of the corporation or body corporate to procure a judgment in its favor, a corporation may indemnify directors or officers of the corporation, former directors or officers of the corporation or persons who act or acted at the corporation's request as directors or officers of a body corporate of which the corporation is or was a shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made party because they are or have been directors or officers of that corporation or body corporate, if:

(a) they acted honestly and in good faith with a view to the best interests of the corporation; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful.

(2) A corporation may with the approval of the Supreme Court indemnify persons referred to in subsection (1) in respect of an action by or on behalf of the corporation or body corporate to procure a judgment in its favor, to which they are made party by reason of being or having been directors or officers of the corporation or body corporate, against all costs, charges and expenses reasonably incurred by them in connection with the action if they fulfill the conditions set out in paragraphs (1)(a) and (b).

(3) Despite anything in this section, persons referred to in subsection (1) are entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by them in connection with the defense of any civil, criminal or administrative action or proceeding to which they are made party because they are or have been directors or officers of the corporation or body corporate, if the person seeking indemnity:

(a) was substantially successful on the merits in the defense of the action or proceeding;

(b) fulfills the conditions set out in paragraphs (1)(a) and (b); and

(c) is fairly and reasonably entitled to indemnity.

(4) A corporation may purchase and maintain insurance for the benefit of any person referred to in subsection (1) against any liability incurred by them:

(a) in their capacity as a director or officer of the corporation, except when the liability relates to their failure to act honestly and in good faith with a view to the best interests of the corporation; or

(b) in their capacity as a director or officer of another body corporate if they act or acted in that capacity at the corporation's request, except when the liability relates to their failure to act honestly and in good faith with a view to the best interests of the body corporate.

(5) A corporation or a person referred to in subsection (1) may apply to the Supreme Court for an order approving an indemnity under this section and the Supreme Court may so order and make any further order it thinks fit.

(6) On an application under subsection (5), the Supreme Court may order notice to be given to any interested person and that person is entitled to appear and be heard in person or by counsel.

Sections 7.02 through 7.04 of the Registrant's bylaws are set forth in their entirety as follows. All capitalized terms used herein but not otherwise defined shall have the meanings as set forth in the Registrant's bylaws.

7.02 Limitation of Liability

Subject to the Act, no director or officer, or former director or officer, of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for the joining in any receipt or act for conformity, or for any loss or damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the money of or belonging to the Corporation shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealing with any moneys, securities or other assets of or belonging to the Corporation or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to exercise the powers and to discharge the duties of his office honestly and in good faith with a view to the best interest of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Any repeal or modification of the foregoing provisions of this paragraph 7.02 shall not adversely affect any limitation on the personal liability of a director or officer of the Corporation arising from an act or omission occurring prior to the time of such repeal or amendment. In addition to the circumstances in which a director or officer of the Corporation is not personally liable as set forth in the foregoing provisions of this paragraph 7.02, a director or officer shall not be liable to the Corporation or its shareholders to such further extent as permitted by any law hereafter enacted, including, without limitation, any subsequent amendment to the Act.

7.03 Indemnity

Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, and a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

(a) he acted honestly and in good faith with a view to the best interests of the Corporation; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing his conduct was lawful.

The Corporation shall indemnify the directors and officers of the Corporation to the fullest extent permitted by law. The Corporation may indemnify any employee or agent of the Corporation to the fullest extent permitted by law. In addition to the circumstances in which a director or officer of the Corporation is indemnified as set forth in the foregoing provisions of this paragraph 7.03, a director or officer shall be indemnified by the Corporation to such further extent as permitted by any law hereafter enacted, including, without limitation, any subsequent amendment to the Act.

7.04 Insurance

The Corporation may, subject to and in accordance with the Act, purchase and maintain insurance for the benefit of any director or officer, or former director or officer, of the Corporation as such against any liability incurred by him. The Corporation may provide such insurance to directors and officers regardless of whether such directors and officers are indemnified pursuant to paragraph 7.03 above.

The Registrant also maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The directors and officers are not required to pay any premium in respect of this insurance. The policy contains various industry exclusions and no claims have been made thereunder to date.

The underwriting agreement contains provisions by which the underwriters agree to indemnify the Registrant, each of the directors and officers of the Registrant and each person who controls the Registrant within the meaning of the Securities Act of 1933, as amended, with respect to information furnished by the underwriters for use in this Registration Statement.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

EXHIBIT INDEX

Exhibit	Description
3.1	Form of Underwriting Agreement
4.1	Annual information form of the Registrant for the year ended December 31, 2006 (incorporated by reference to the Registrant's annual report on Form 40-F filed with the Commission on March 30, 2007)
4.2	Audited annual consolidated comparative financial statements of the Registrant for the year ended December 31, 2006 and the auditors' report thereon (incorporated by reference to the Registrant's annual report on Form 40-F filed with the Commission on March 30, 2007)
4.3	Management's discussion and analysis of the Registrant for the year ended December 31, 2006 (incorporated by reference to the Registrant's annual report on Form 40-F filed with the Commission on March 30, 2007)
4.4	Material Change Report dated March 28, 2007 (incorporated by reference to the Registrant's Form 6-K furnished to the Commission on March 29, 2007)
4.5	The summary, being pages 1.1 to 1.13 inclusive, of NI 43-101 Technical Report, Brisas Project, Venezuela, Feasibility Update dated October 30, 2006 as prepared by Pincock Allen & Holt, Inc. (incorporated by reference to the Registrant's Form 6-K furnished to the Commission on November 29, 2006)
4.6	Management information circular dated April 20, 2007 prepared in connection with the Registrant's annual and special meeting of shareholders to be held on June 7, 2007 (incorporated by reference to the Registrant's Form 6-K furnished to the Commission on May 2, 2007)
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4.8	Interim unaudited consolidated financial statements for the three-month period ended March 31, 2007, together with management's discussion and analysis for the three-month period ended March 31, 2007 (incorporated by reference to the Registrant's Form 6-K furnished to the Commission on May 14, 2007)
5.1	Consent of PricewaterhouseCoopers LLP
5.2	Consent of Fasken Martineau DuMoulin LLP
5.3	Consent of Heenan Blaikie LLP
5.4	Consent of Pincock, Allen & Holt, Inc.
5.5*	Consent of Susan Poos, P.E.
5.6*	Consent of Richard Addison, P.E., C. Eng, Eur.Ing.
5.7*	Consent of Richard J. Lambert, P.E.
5.8	Consent of Aker Kvaerner Metals, Inc.
5.9	Consent of SNC Lavalin
5.10	Consent of Marston & Marston, Inc.
6.1*	Power of Attorney (see signature page)
7.1	Form of Indenture between the Registrant and The Bank of New York, as Trustee, relating to securities to which this Registration Statement relates
7.2	Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of The Bank of New York

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* Previously filed.

PART III

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

ITEM 1. UNDERTAKING.

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to this Form F-10 or to transactions in said securities.

ITEM 2. CONSENT TO SERVICE OF PROCESS.

(a) Prior to the filing of this Amendment No. 1 to Form F-10, the Registrant filed with the Commission a written irrevocable consent and power of attorney on Form F-X.

(b) Any change to the name or address of the agent for service of the Registrant will be communicated promptly to the Commission by amendment to Form F-X referencing the file number of the relevant registration statement.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-10 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Spokane, State of Washington, on May 14, 2007.

GOLD RESERVE INC.

By: /s/ Rockne J. Timm
ROCKNE J. TIMM
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Rockne J. Timm ROCKNE J. TIMM	Chief Executive Officer (Principal Executive Officer) and Director	May 14, 2007
* ROBERT A. McGUINNESS	Vice President Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	May 14, 2007
* A. DOUGLAS BELANGER	President and Director	May 14, 2007
* JAMES P. GEYER	Senior Vice President and Director	May 14, 2007
* JAMES H. COLEMAN	Chairman of the Board	May 14, 2007
* PATRICK D. McCHESNEY	Director	May 14, 2007
* CHRIS D. MIKKELSEN	Director	May 14, 2007
JEAN CHARLES POTVIN	Director	

* By: /s/ Rockne J. Timm
Name: Rockne J. Timm
Attorney-in-Fact

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of the Securities Act of 1933, as amended, the Authorized Representative has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, solely in his capacity as the duly authorized representative of the Registrant in the United States, in the City of Spokane, in the State of Washington, on this 14th day of May, 2007.

GOLD RESERVE CORPORATION

By: /s/ Rockne J. Timm
ROCKNE J. TIMM
President

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* Previously filed.

Exhibit 3.1

GOLD RESERVE INC.

•% Senior Subordinated Convertible Notes due 2022

Underwriting Agreement

May •, 2007

J.P. Morgan Securities Inc.
RBC Dominion Securities Inc.
As Representatives of the
several Underwriters listed
in Schedule 1 hereto
c/o J.P. Morgan Securities Inc.
277 Park Avenue
New York, New York 10172

Ladies and Gentlemen:

Gold Reserve Inc., a Yukon corporation (the "Company"), proposes to issue and sell to the several Underwriters listed in Schedule 1 hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), US$75,000,000 principal amount of its •% Senior Subordinated Convertible Notes due 2022 (the "Underwritten Securities"). The Company also proposes to issue and sell to the Underwriters not more than an additional $11,250,000 principal amount of its •% Senior Subordinated Convertible Notes due 2022 (the "Additional Securities") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Additional Securities granted to the Underwriters in Section 1 hereof. The Underwritten Securities and the Additional Securities are hereinafter collectively referred to as the "Securities". The Securities will be issued pursuant to an Indenture to be dated as of May •, 2007 (the "Indenture") between the Company and Bank of New York, as trustee (the "Trustee"). The Securities are convertible into Class A common shares, no par value (the "Common Shares") of the Company (the Common Shares to be issued upon conversion of the Securities being hereinafter called the "Underlying Securities"), at the conversion price set forth in the Prospectuses (as defined below). The Underlying Securities will have attached thereto rights (the "Rights") to purchase additional Common Shares. The Rights are to be issued pursuant to a Rights Agreement (the "Rights Agreement") dated October 5, 1998, as amended and continued, between the Company and Computershare Trust Company of Canada (now Computershare Investor Services Inc.).

The Company hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Securities, as follows:

1. Registration Statement. The Company is eligible to file a short form prospectus with the applicable securities regulatory authority in each of the provinces of Canada, other than Quebec, under National Instrument 44-101 — Short Form Prospectus Distributions and is eligible

to use the rules and procedures established pursuant to the Canadian Securities Laws in National Instrument 44-103 – Post-Receipt Pricing for the pricing of securities after the final receipt for a prospectus has been obtained (the "PREP Procedures"); the Company has identified the Ontario Securities Commission (the "Reviewing Authority") as its principal regulator in respect of the offering of the Securities pursuant to National Policy 43-201 — Mutual Reliance Review System for Prospectuses and Annual Information Forms (the "MRRS"); the Company has prepared and filed with the applicable securities regulatory authority (collectively, the "Canadian Authorities") in each of the provinces of Canada, other than Quebec (collectively, the "Canadian Jurisdictions"), under the MRRS and in conformity in all material respects with the applicable securities legislation of the Canadian Jurisdictions and the respective rules, regulations and written and published policies thereunder (the "Canadian Securities Laws"), a preliminary short form base PREP prospectus, dated May 7, 2007 (the "Canadian Preliminary Prospectus") and a final short form base PREP prospectus, dated May •, 2007 (the "Canadian Base PREP Prospectus"), omitting the PREP Information (as defined below), and a MRRS Decision Document for each of the Canadian Preliminary Prospectus and the Canadian Base PREP Prospectus has been obtained. The Company will file with each of the Canadian Authorities in accordance with the PREP Procedures a short form supplemented PREP prospectus consisting of the Canadian Base PREP Prospectus incorporating the PREP Information (as defined below) (the "Canadian Prospectus"). As filed, such Canadian Prospectus shall contain all information required by applicable Canadian Securities Laws and, except for the inclusion of the PREP Information (as defined below) or to the extent the Representatives shall agree in writing to a modification, shall be in all respects in the form of the Canadian Base PREP Prospectus. No order suspending the distribution of the Securities or the Underlying Securities has been issued by any of the Canadian Authorities and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Canadian Authorities and any request on the part of the Canadian Authorities for additional information has been complied with. The term "PREP Information" means the information, if any, included in the Canadian Prospectus that is omitted from the Canadian Base PREP Prospectus in accordance with the PREP Procedures but that is deemed under the PREP Procedures to be incorporated by reference into the Canadian Base PREP Prospectus as of the date of the Canadian Prospectus. Any reference herein to the Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus and the Canadian Prospectus shall be deemed to refer to and include the documents incorporated by reference therein as of the date of filing thereof; and any reference herein to any "amendment" or "supplement" with respect to any of the Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus and the Canadian Prospectus shall be deemed to refer to and include (i) the filing of any document with the Canadian Authorities incorporated or deemed to be incorporated therein by reference after the date of filing of such Canadian Preliminary Prospectus, Canadian Base PREP Prospectus or Canadian Prospectus and (ii) any such document so filed.

The Company meets the general eligibility requirements for the use of Form F-10 under the Securities Act of 1933, as amended (the "Securities Act") and has prepared and filed with the United States Securities and Exchange Commission (the "Commission") a registration statement under the Securities Act and the rules and regulations of the Commission (the "Rules and Regulations") on Form F-10 (No. 333-142656), including a related preliminary prospectus (which consists of the Canadian Preliminary Prospectus with such deletions therefrom and

additions thereto as are permitted or required by Form F-10 and the applicable Rules and Regulations) (the “U.S. Preliminary Prospectus”), for registration under the Securities Act of the offering and sale of the Securities. The Company has filed with the Commission an amendment to such registration statement including the U.S. pricing prospectus (which consists of the Canadian Base PREP Prospectus with such deletions therefrom and additions thereto as are permitted or required by Form F-10 and the applicable Rules and Regulations) (the “U.S. Pricing Prospectus”). The Company has included in such filing, as amended at the effective date, all information required by the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), the Securities Act and the Rules and Regulations to be included in such registration statement. The registration statement, in the form previously delivered to you, has become effective under the Securities Act pursuant to Rule 467(a) under the Securities Act. Such registration statement, as amended, including any exhibits and all documents incorporated therein by reference, as of the time it became effective, is referred to herein as the “Registration Statement.” In connection with the filing of the Registration Statement, the Company has filed with the Commission an appointment of agent for service of process upon the Company on Form F-X under the Securities Act and has caused the Trustee to prepare and file with the Commission a Statement of Eligibility under the Trust Indenture Act on Form T-1. The Company will file with the Commission a U.S. supplemental prospectus in accordance with General Instruction II.L of Form F-10 (which shall consist of the Canadian Prospectus with such deletions therefrom and additions thereto as are permitted or required by Form F-10 and the applicable Rules and Regulations) (the “U.S. Prospectus”). As filed, such U.S. Prospectus shall contain all information required by the Securities Act and the Rules and Regulations and, except for the inclusion of the PREP Information or to the extent the Representatives shall agree in writing to a modification, shall be in all respects in the form of the U.S. Pricing Prospectus. No stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission and any request on the part of the Commission for additional information has been complied with.

Any reference herein to the U.S. Preliminary Prospectus, the U.S. Pricing Prospectus and the U.S. Prospectus shall be deemed to refer to and include the documents incorporated by reference therein as of the date of filing thereof; and any reference herein to any “amendment” or “supplement” with respect to any of the U.S. Preliminary Prospectus, the U.S. Pricing Prospectus and the U.S. Prospectus shall be deemed to refer to and include (i) the filing of any document with the Canadian Authorities or the Commission incorporated or deemed to be incorporated therein by reference after the date of filing of such U.S. Preliminary Prospectus, U.S. Pricing Prospectus or U.S. Prospectus and (ii) any such document so filed. As used herein, “Preliminary Prospectuses” shall mean, collectively, the Canadian Preliminary Prospectus and the U.S. Preliminary Prospectus; “Pricing Prospectuses” shall mean, collectively, the Canadian Base PREP Prospectus and the U.S. Pricing Prospectus; and “Prospectuses” shall mean, collectively, the Canadian Prospectus and the U.S. Prospectus.

At or prior to the time when sales of the Securities were first made (the “Time of Sale”), the Company had prepared the following information (collectively with the final term sheet listed on Annex B, the “Time of Sale Information”): the U.S. Pricing Prospectus, dated May •,

2007, and each “free-writing prospectus” (as defined pursuant to Rule 405 under the Securities Act) listed on Annex B hereto.

Concurrently with the offering of Securities, the Company is filing a registration statement on Form F-10 in the United States and prospectuses in each of Canada and the United States in connection with a public offering (the “Concurrent Offering”) of • Common Shares, which offering size may increase. Neither this offering, nor the Concurrent Offering, is conditional on the occurrence of the other.

2. Purchase of the Securities by the Underwriters. (a) On the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, the Company agrees to issue and sell the Securities to the several Underwriters as provided in this Agreement, and each Underwriter, agrees, severally and not jointly, to purchase from the Company the respective principal amount of Underwritten Securities set forth opposite such Underwriter’s name in Schedule 1 hereto at a price equal to •% of the principal amount thereof (the “Purchase Price”).

In addition, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, the Company agrees to issue and sell the Additional Securities to the several Underwriters as provided in this Agreement, and the Underwriters, shall have the option to purchase, severally and not jointly, from the Company the Additional Securities at the Purchase Price.

If any Additional Securities are to be purchased, the principal amount of Additional Securities to be purchased by each Underwriter shall be the principal amount of Additional Securities which bears the same ratio to the aggregate principal amount of Additional Securities being purchased as the principal amount of Underwritten Securities set forth opposite the name of such Underwriter in Schedule 1 hereto (or such principal amount increased as set forth in Section 10 hereof) bears to the aggregate principal amount of Underwritten Securities being purchased from the Company by the several Underwriters, subject, however, to such adjustments as the Representatives in their sole discretion shall make to ensure that the Additional Securities are not issued in minimum denominations of less than $1,000 or whole multiples thereof.

The Underwriters may exercise the option to purchase the Additional Securities at any time in whole, or from time to time in part, on or before the thirteenth day following the Closing Date (as hereinafter defined), by written notice from the Representatives to the Company. Such notice shall set forth the principal amount of Additional Securities as to which the option is being exercised and the date and time when the Additional Securities are to be delivered and paid for which may be the same date and time as the Closing Date but shall not be earlier than the Closing Date nor later than the thirteenth day after the Closing Date (unless such time and date are postponed in accordance with the provisions of Section 10 hereof). Any such notice shall be given at least two business days prior to the date and time of delivery specified therein.

(b) The Company understands that the Underwriters intend to make a public offering of the Securities in the United States and in the Canadian Jurisdictions, either directly or through their respective U.S. or Canadian broker-dealer affiliates upon the terms set forth in the

Prospectuses, as soon after the effectiveness of this Agreement as in the judgment of the Representatives is advisable, and initially to offer the Securities on the terms set forth in the Prospectuses. The Company acknowledges and agrees that the Underwriters may offer and sell Securities to or through any affiliate of an Underwriter and that any such affiliate may offer and sell Securities purchased by it to or through any Underwriter.

(c) Payment for the Securities shall be made by wire transfer in immediately available funds to the account specified by the Company to the Representatives in the case of the Underwritten Securities, at the Toronto offices of Fasken Martineau DuMoulin LLP at 8:00 A.M. New York City time on May •, 2007, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Representatives and the Company may agree upon in writing or, in the case of the Additional Securities, on the date and at the time and place specified by the Representatives in the written notice of the Underwriters' election to purchase such Additional Securities. The time and date of such payment for the Underwritten Securities is referred to herein as the "Closing Date" and the time and date for such payment for the Additional Securities, if other than the Closing Date, is herein referred to as the "Additional Closing Date".

Payment for the Securities to be purchased on the Closing Date or the Additional Closing Date, as the case may be, shall be made against delivery to the Representatives for the respective accounts of the several Underwriters of the Securities to be purchased on such date in definitive form registered in such names and in such denominations as the Representatives shall request in writing not later than two full business days prior to the Closing Date or the Additional Closing Date, as the case may be, with any transfer taxes payable in connection with the sale of the Securities duly paid by the Company.

(d) The Company acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of Securities contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

3. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter that:

(a) *Canadian Prospectuses.* The Canadian Preliminary Prospectus and the Canadian Base PREP Prospectus did, and the Canadian Prospectus (and any further amendments or supplements thereto) will, comply in all material respects with the applicable requirements of

Canadian Securities Laws; each of the Canadian Preliminary Prospectus and the Canadian Base PREP Prospectus, as of the time of filing thereof, did not, and the Canadian Prospectus (and any further amendments or supplements thereto) will not, include any untrue statement of a material fact or omit to state a material fact that is required to be stated or necessary in order to make the statements therein, in light of the circumstances under which they were made, not false or misleading, and each of the Canadian Preliminary Prospectus and the Canadian Base PREP Prospectus, as of the time of filing thereof, constituted, and the Canadian Prospectus (and any further amendments or supplements thereto) will, constitute, full, true and plain disclosure of all material facts relating to the Securities and to the Company; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by, or on behalf of, such Underwriter through the Representatives expressly for use in any Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus or the Canadian Prospectus.

(b) *U.S. Prospectuses.* No order preventing or suspending the use of the U.S. Preliminary Prospectus or the U.S. Pricing Prospectus or any Issuer Free Writing Prospectus (as hereinafter defined) has been issued by the Commission, and each of the U.S. Preliminary Prospectus and the U.S. Pricing Prospectus, at the time of filing thereof, complied in all material respects with the applicable provisions of the Securities Act and the Rules and Regulations, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by, or on behalf of, such Underwriter through the Representatives expressly for use in any U.S. Preliminary Prospectus, U.S. Pricing Prospectus or any Issuer Free Writing Prospectus.

(c) *Time of Sale Information*. The Time of Sale Information, at the Time of Sale did not, and at the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by, or on behalf of, such Underwriter through the Representatives expressly for use in such Time of Sale Information. No statement of material fact included in the Prospectuses has been omitted from the Time of Sale Information and no statement of material fact included in the Time of Sale Information that is required to be included in the Prospectuses has been omitted therefrom.

(d) *Issuer Free Writing Prospectus.* Other than the Preliminary Prospectuses, the Pricing Prospectuses, and the Prospectuses, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not made, used, prepared, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any “written communication” (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Securities (each such

communication by the Company or its agents and representatives (other than a communication referred to in clause (i) below) an "Issuer Free Writing Prospectus") other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed on Annex B hereto and any other written communications approved in writing in advance by the Representatives. Each such Issuer Free Writing Prospectus listed on Annex B hereto complied in all material respects with the Securities Act, has been filed in accordance with the Securities Act (to the extent required thereby) and, when taken together with the U.S. Pricing Prospectus accompanying, or delivered prior to delivery of, such Issuer Free Writing Prospectus, did not, and at the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any (i) statements or omissions made in each such Issuer Free Writing Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by, or on behalf of, such Underwriter through the Representatives expressly for use in any Issuer Free Writing Prospectus or (ii) any Issuer Free Writing Prospectus prepared by any Underwriter or other party without the prior written consent of the Company unless such consent is not required as set forth herein.

(e) *Registration Statement and U.S. Prospectus.* The Registration Statement is effective under the Securities Act. No order suspending the effectiveness of the Registration Statement has been issued by the Commission and no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering has been initiated or threatened by the Commission; as of the applicable effective date of the Registration Statement and any amendment or supplement thereto and as of the Closing Date and as of the Additional Closing Date, as the case may be, the Registration Statement complied and will comply in all material respects with the Securities Act and the Trust Indenture Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; as of the applicable effective date of the Registration Statement and on the Closing Date and as of the Additional Closing Date, as the case may be, the Indenture did and will comply in all material respects with the applicable requirements of the Trust Indenture Act and the rules thereunder; and as of the date of the U.S. Prospectus and any amendment or supplement thereto and as of the Closing Date and as of the Additional Closing Date, as the case may be, the U.S. Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement and the U.S. Prospectus and any amendment or supplement thereto.

(f) *Incorporated Documents.* Each document filed or to be filed with the Canadian Authorities and incorporated, or deemed to be incorporated, by reference in the Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus and the Canadian Prospectus complied, or will comply, when so filed in all material respects with the requirements of

Canadian Securities Laws, and none of such documents contained, or will contain, at the time of its filing any untrue statement of a material fact or omitted or will omit at the time of its filing to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were or are made, not false or misleading.

The documents incorporated by reference in the Registration Statement, the U.S. Prospectus or the Time of Sale Information, when they were or hereafter are filed with the Commission, as the case may be, conformed or will conform in all material respects to the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulation of the Commission thereunder (collectively, the "Exchange Act") and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) *Reporting Issuer.* The Company is a reporting issuer under the securities laws of each Canadian Jurisdiction that recognizes the concept of reporting issuer and is not on the list of defaulting reporting issuers maintained by the Canadian Authorities in each such Canadian Jurisdiction that maintains such a list; the Company is subject to the reporting requirements of the Exchange Act and is current in its filings; where applicable, the Company is in compliance with its timely disclosure obligations under the applicable securities laws in all of the Canadian Jurisdictions and the United States and under the rules of the Toronto Stock Exchange and the American Stock Exchange and, without limiting the generality of the following, there has not occurred any material adverse change in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and the Subsidiaries (taken as a whole) which has not been publicly disclosed; the Company has not filed any confidential material change reports since the date of such statements which remain confidential at the date hereof.

(h) *Trading.* The Underlying Securities are duly listed, and admitted and authorized for trading, subject to official notice of issuance, on the American Stock Exchange and have been conditionally approved for listing on the Toronto Stock Exchange; the certificates for the Underlying Securities comply with all applicable provisions of the *Business Corporations Act* (Yukon) and the Toronto Stock Exchange. No order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares or any other security of the Company has been issued or made by any securities commission or stock exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the best of the Company's knowledge, contemplated or threatened by any such authority or under any securities laws in the United States or Canada.

(i) *Publicly Available Documents.* There are no reports or information that in accordance with the requirements of the Canadian Securities Laws must be made publicly available in connection with the offering of the Securities that have not been made publicly available as required; there are no documents required to be filed as of the date hereof with the Canadian Authorities or with any other Canadian securities regulatory authority in connection with the Canadian Preliminary Prospectus, Canadian Base PREP Prospectus or the Canadian Prospectus that have not been filed as required.

(j) *Financial Statements.* (i) The financial statements and the related notes thereto of the Company and its consolidated subsidiaries included or incorporated by reference in the Registration Statement, the Pricing Prospectuses and the Prospectuses (A) comply with the requirements of the Canadian Securities Laws and with the applicable requirements of the Securities Act and the Exchange Act, as applicable, (B) present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified, (C) such financial statements have been prepared in conformity with Canadian generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby and (D) have been reconciled to United States generally accepted accounting principles in accordance with Item 18 of Form 20-F under the Exchange Act; and (ii) the other financial information included or incorporated by reference in the Registration Statement, the Time of Sale Information and the Prospectuses has been derived from the accounting records of the Company and its subsidiaries and presents fairly, in all material respects, the information shown thereby.

(k) *No Material Adverse Change.* Since the date of the most recent financial statements of the Company included or incorporated by reference in the Registration Statement, the Time of Sale Information and the Prospectuses, and except as otherwise disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses (i) there has not been any change in the share capital or long-term debt of the Company or any of its subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of share capital, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, properties, management, financial position, shareholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole; (ii) neither the Company nor any of its subsidiaries has entered into any transaction or agreement (other than this Agreement and the underwriting agreement for the Concurrent Offering) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole; and (iii) neither the Company nor any of its subsidiaries has sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

(l) *Organization and Good Standing.* The Company and each of the subsidiaries listed in Schedule 2 to this Agreement (the "Subsidiaries") have been duly organized and are validly existing and in good standing under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified or have such power or authority would not, individually or in the aggregate, have a material adverse effect on the business, properties, management, financial position, shareholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"). No proceedings have been

instituted or, to the knowledge of the Company, are pending for the dissolution or liquidation of the Company or any of the Subsidiaries. The Subsidiaries listed in Schedule 2 to this Agreement are the only significant subsidiaries of the Company as defined by Rule 1-02 of Regulation S-X or that are otherwise material to the Company.

(m) *Capitalization.* The Company has an authorized capitalization as set forth in the Registration Statement, the Time of Sale Information and the Prospectuses under the heading "Consolidated capitalization"; all the outstanding share capital of the Company has been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any pre-emptive or similar rights; except as described in or expressly contemplated by the Registration Statement, the Time of Sale Information and the Prospectuses, and other than as provided in the Agreement between the Company and Endeavour Financial International Corporation, dated October 1, 2004, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any common shares or other equity interest in the Company or the Subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any common shares or any other securities of the Company or such Subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options; the share capital of the Company conforms in all material respects to the description thereof contained in the Registration Statement, the Time of Sale Information and the Prospectuses; and all the outstanding share capital or other equity interests of the Subsidiaries have been duly and validly authorized and issued, are fully paid and non-assessable (except, in the case of any foreign subsidiary, for directors' qualifying shares) and are owned directly or indirectly by the Company, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party.

(n) *Due Authorization.* The Company has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the consummation by it of the transactions contemplated hereby has been duly and validly taken.

(o) *Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(p) *The Indenture.* The Indenture has been duly authorized by the Company and duly qualified under the Trust Indenture Act and, when executed and delivered by the Company and the Trustee and when the Underwritten Securities have been paid for, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law).

(q) *The Trustee.* The Company has duly appointed the Trustee under the Indenture and as registrar and transfer agent for the Securities and the Trustee has prepared, and the

Company has filed as an exhibit to the Registration Statement, a Statement of Eligibility under the Trustee Indenture Act on Form T-1.

(r) *The Securities*. The Securities have been duly authorized by the Company and, at the Closing Date, or the Additional Closing Date as the case may be, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law), and will be in the form contemplated by, and entitled to the benefits of, the Indenture.

(s) *The Underlying Securities*. The Underlying Securities issuable upon conversion of the Securities in accordance with the terms of the Securities and the Indenture have been duly authorized and validly reserved for issuance by the Company upon conversion and such Underlying Securities, when issued in accordance with the terms of the Indenture, will be validly issued and outstanding and fully paid and non-assessable and will conform to the descriptions thereof in the Time of Sale Information and the Prospectuses; all corporate action required to be taken by the Company for the authorization, issuance and delivery of the Underlying Securities issuable upon conversion of the Securities has been validly taken; and the issuance of the Securities is not, and the issuance of the Underlying Securities will not be, subject to any preemptive or similar rights.

(t) *The Rights Agreement*. The Rights Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles relating to enforceability; and the Rights have been duly authorized by the Company and, when issued upon issuance of the Underlying Securities, will be validly issued, and the underlying common shares have been duly authorized by the Company and validly reserved for issuance upon the exercise in accordance with the terms of the Rights Agreement, and when issued in accordance with the terms of the Rights Agreement will be validly issued, fully paid and non-assessable.

(u) *No Violation or Default.* Neither the Company nor any of the Subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound or to which any of the property or assets of the Company or any of the Subsidiaries is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case

of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect.

(v) *No Conflicts.* The execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Securities, the consummation of the transactions contemplated by this Agreement and the offering and sale of the Common Shares in the Concurrent Offering will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound or to which any of the property or assets of the Company or any of the Subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws or similar organizational documents of the Company or any of the Subsidiaries or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (i) and (iii) above, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect.

(w) *No Consents Required.* No consent, approval, authorization, order, registration or qualification of or with any court, arbitrator, governmental or regulatory authority, stock exchange or other third party is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Securities and the consummation of the transactions contemplated by this Agreement or in connection with the Concurrent Offering, except for (i) the registration of the Securities, the Underlying Securities and the Common Shares pursuant to the Concurrent Offering under the Securities Act, (ii) the qualification of the Securities and Underlying Securities for distribution in the Canadian Jurisdictions as contemplated by this Agreement, (iii) the qualification of the Indenture under the Trust Indenture Act, (iv) such as have been obtained or such as may be required (and shall have been obtained prior to the Closing Date) under stock exchange regulations, and (v) such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable state securities laws in connection with the purchase and distribution of the Securities and the Common Shares pursuant to the Concurrent Offering by the Underwriters.

(x) *Statements in Registration Statement and Prospectuses.* There is no franchise, contract or other document of a character required to be described in the Registration Statement, the Time of Sale Information or the Prospectuses, or to be filed as an exhibit thereto, which is not described or filed as required; and the statements in the Pricing Prospectuses and the Prospectuses under the headings “Income Tax Considerations”, “Description of Share Capital”, “Description of Notes”, “Enforceability of Civil Liabilities”, “Risk Factors – Additional Risks – We have determined that we are currently a “passive foreign investment company” ...”, in the Canadian Prospectus under “Eligibility for Investment” and “Statutory Rights of Withdrawal and Rescission” and in the Registration Statement under “Part II — Indemnification”, insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are, in all material respects, accurate and fair summaries of such legal matters, agreements, documents or proceedings.

(y) *Legal Proceedings.* Except as described in the Registration Statement, the Time of Sale Information and the Prospectuses, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending, or to the best knowledge of the Company threatened, to which the Company or any of its subsidiaries is or may be a party or to which any property of the Company or any of its subsidiaries is or may be the subject that, individually or in the aggregate, if determined adversely to the Company or any of its subsidiaries, could reasonably be expected to have a Material Adverse Effect or materially and adversely affect the ability of the Company to perform its obligations under this Agreement; no such investigations, actions, suits or proceedings are threatened or, to the best knowledge of the Company, contemplated by any governmental or regulatory authority or threatened by others; and (i) there are no current or pending legal, governmental or regulatory actions, suits or proceedings that are required by the Securities Act to be described in the Registration Statement and the U.S. Prospectus and that is not so described in such documents and in the Time of Sale Information or that is required by the Canadian Securities Laws to be described in the Canadian Prospectus, and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act or the Canadian Securities Laws to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectuses that are not so filed as exhibits to the Registration Statement or described in the Registration Statement, the Time of Sale Information and the Prospectuses, as applicable.

(z) *Independent Accountants.* PricewaterhouseCoopers LLP, who have certified certain financial statements of the Company and its subsidiaries are an independent registered public accounting firm with respect to the Company and its subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Accounting Oversight Board (United States) and as required by the Securities Act and are an independent participating audit firm as defined in National Instrument 52-108 –Auditor Oversight and there has never been any reportable event or disagreement (within the meaning of National Instrument 51-102) with the present or any former auditors of the Company.

(aa) *Title to Real and Personal Property.* Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, the Company and its subsidiaries have good and marketable title in fee simple to, or have valid rights to lease or otherwise use, all items of real and personal property that are material to the respective businesses of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries or (ii) could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(bb) *Property Rights.* Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, no other property rights are necessary for the conduct of the business of the Company or any Subsidiary as currently conducted except where the lack thereof does not and will not have a Material Adverse Effect. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses none of the Company or any subsidiary knows of any claim or the basis for any claim that is reasonably likely to adversely affect the right thereof to use, transfer or otherwise exploit such property rights and none of the Company or the Subsidiaries has any responsibility or obligation to pay any material commission, royalty, licence fee or similar payment to any person with respect to the property rights thereof.

Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, (i) the Company and the Subsidiaries hold either freehold title, mining leases, mining concessions, mining claims, licenses of occupation, or participating interests or other conventional property or proprietary interests or rights, recognized in the jurisdiction in which a particular property is located, in respect of the ore bodies and minerals located in properties in which the Company and the Subsidiaries have an interest as described in the Registration Statement, Time of Sale Information and Prospectuses under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit the Company or applicable Subsidiary to explore the minerals relating thereto, (ii) all property, leases or claims in which the Company or any Subsidiary has an interest or right have been validly located and recorded in accordance with all applicable laws and are valid and subsisting where the failure to be so would have a Material Adverse Effect on the Company and Subsidiaries, taken as a whole, and (iii) the Company and the Subsidiaries have all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Company and the Subsidiaries have an interest as described in the Registration Statement, Time of Sale Information and Prospectuses granting the Company or applicable Subsidiary the right and ability to explore for minerals, ore and metals for development purposes as are appropriate in view of the rights and interest therein of the Company or applicable Subsidiary, with only such exceptions as do not interfere with the use made by the Company or applicable Subsidiary of the rights or interest so held, and each of the proprietary interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above is currently in good standing in the name of the Company or a Subsidiary where the failure to be so would have a Material Adverse Effect on the Company and its Subsidiaries, taken as a whole.

(cc) *Technical Reports.* The Company has made available to the respective authors thereof prior to the issuance of the technical reports entitled "NI 43-101 Technical Report, Brisas Project, Venezuela, Feasibility Update" dated October 30, 2006 prepared by Pincock Allen & Holt for the Company, as amended or updated (the "Updated PAH Report") and the feasibility study relating to the Brisas Project dated January 2005 prepared by Aker Kvaerner ASA, and any updates thereto (the "Feasibility Study"), for the purpose of preparing the Updated PAH Report and the Feasibility Study, as applicable, all material information requested in connection with the above reports, and to the knowledge and belief of the Company, no such information, as of the respective dates of such reports, contains any material misrepresentation. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, the Company does not have any knowledge of a material adverse change in any production, cost, price, reserves or other relevant information provided since the dates that such information was so provided.

(dd) *Accuracy of Technical Reports.* To the best of Company's knowledge, each of the Updated PAH Report and the Feasibility Study accurately and completely sets forth all material facts relating to the properties that are subject thereto. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, since the date of preparation of

the Updated PAH Report and the Feasibility Study there has been no change, to the best of the Company's knowledge, that would disaffirm or change any aspect of the Updated PAH Report or the Feasibility Study in any material respect. The Company is in material compliance with National Instrument 43-101 — Standards of Disclosure for Mineral Projects ("NI 43-101") in connection with the disclosure of scientific or technical information made by the Company concerning each mineral project on a property material to the Company and each of the Updated PAH Report and the Feasibility Study comply with NI 43-101.

(ee) *Reserves and Resources.* The information relating to estimates by the Company of the proven and probable reserves and the measured, indicated and inferred resources at the Brisas Project contained in the Time of Sale Information and the Prospectuses has been prepared in all material respects in accordance with NI 43-101. The Company believes that all of the assumptions underlying such reserve and resource estimates are reasonable and appropriate, and, except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, that the projected capital and operating costs, production and operating results relating to its projects and summarized in the Registration Statement, the Time of Sale Information and the Prospectuses are achievable by the Company.

(ff) *Title to Intellectual Property.* The Company and the Subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses; and, to the best knowledge of the Company, the conduct of their respective businesses does not, and the proposed conduct of their respective businesses will not, conflict in any material respect with any such rights of others, and the Company and its subsidiaries have not received any notice of any claim of infringement or conflict with any such rights of others.

(gg) *No Undisclosed Relationships.* To the best knowledge of the Company, no relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, shareholders, customers or suppliers of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in the Registration Statement and the U.S. Prospectus and that is not so described in such documents and in the Time of Sale Information or that is required by the Canadian Securities Laws to be described in the Canadian Base PREP Prospectus and the Canadian Prospectus.

Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, neither the Company nor any of its subsidiaries (i) has any material lending or other relationship with any bank or lending affiliate of any of the Underwriters or any underwriters of the Concurrent Offering and (ii) does not intend to use any of the proceeds from the sale of the Securities hereunder or from the sale of the Common Shares in the Concurrent Offering to repay any outstanding debt owed to any affiliate of any of the Underwriters or any underwriters of the Concurrent Offering.

(hh) *Voting Agreements.* To the best of the Company's knowledge, no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the

Company or any of the Subsidiaries (other than as reflected in the Schedule 13D filed with the SEC on April 10, 2007 by Strongbow Capital, Ltd., et al, and any and all amendments thereto).

(ii) *Other Agreements.* To the best of the Company's knowledge, none of the directors or senior officers of the Company, any known holder of more than 10% of any class of securities of the Company or any known associate or affiliate of any of the foregoing has any interest, directly or indirectly, in any transaction contemplated by this Agreement except as otherwise described in the Preliminary Prospectuses and the Registration Statement.

(jj) *Investment Company Act.* The Company is not and, after giving effect to the offering and sale of the Securities, the offering and sale of the Common Shares in the Concurrent Offering, and the application of the proceeds thereof as described in the Registration Statement, the Time of Sale Information and the Prospectuses, will not be required to register as an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, "Investment Company Act").

(kk) *PFIC.* The Company expects that it will be a Passive Foreign Investment Company ("PFIC") within the meaning of Section 1297 of the Code, for the taxable year ended December 31, 2007.

(ll) *Taxes.* The Company and its subsidiaries have paid all federal, state, provincial, local and foreign taxes and filed all tax returns required to be paid or filed through the date hereof except in the case where the failure to do so would not, individually or in the aggregate, have a Material Adverse Effect; and except as otherwise disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, there is no tax deficiency that has been, or could reasonably be expected to be, asserted against the Company or any of its subsidiaries or any of their respective properties or assets. No domestic or foreign taxation authority has asserted or to, to the best of the Company's knowledge, threatened to assert any assessment, claim or liability for taxes due or to become due in connection with any review or examination of the tax returns of the Company or any of the Subsidiaries (including, without limitation, any predecessor companies) filed for any year which would have a Material Adverse Effect.

(mm) *Transfer Taxes.* There are no transfer taxes or other similar fees or charges under Canadian or U.S. federal law or the laws of any state, province or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Securities or in connection with the issuance of the Underlying Securities upon conversion of the Securities) provided the Underlying Securities are issued to the registered holders of the Securities.

(nn) *Stamp Tax.* No stamp duty, registration or documentary taxes, duties or similar charges are payable under the federal laws of Canada or the laws of any province in connection with the creation, issuance, sale and delivery to the Underwriters of the Securities or in connection with the issuance of the Underlying Securities upon conversion of the Securities or the authorization, execution, delivery and performance of this Agreement or the resale of Securities by an Underwriter to U.S. residents.

(oo) *Licenses and Permits.* Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, the Company and the Subsidiaries possess all licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, provincial, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement, the Time of Sale Information and the Prospectuses, except where the failure to possess or make the same would not, individually or in the aggregate, have a Material Adverse Effect; and except as described in the Registration Statement, the Time of Sale Information and the Prospectuses, neither the Company nor any of the Subsidiaries has received notice of any revocation or modification of any such license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed in the ordinary course.

(pp) *No Revocation or Modification*. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any material mining or exploration authorities, permits or licenses previously granted to the Company, nor have any of them received notice of the revocation or cancellation of, or any intention to revoke or cancel, any mining claim, groups of claims, exploration rights, concession or lease with respect to any of the resource properties described in the Registration Statement, the Time of Sale Information and the Prospectuses where such proceedings, revocations, modifications, or cancellations, would have a Material Adverse Effect.

(qq) *No Labor Disputes.* There has not been in the last two years, and no labor disturbance by or dispute with employees of the Company or any of the Subsidiaries currently exists or, to the best knowledge of the Company, is contemplated or threatened and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or the Subsidiaries’ principal suppliers, contractors or customers, except as would not have a Material Adverse Effect.

(rr) *Compliance With Environmental Laws.* Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, (i) the Company and its Subsidiaries (A) are in compliance with any and all applicable federal, state, provincial, local and foreign laws, rules, regulations, requirements, decisions and orders relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, “Environmental Laws”); (B) have received and are in compliance with all permits, licenses, certificates or other authorizations or approvals required of them under applicable Environmental Laws to conduct their respective businesses; (C) have not received notice of, and do not otherwise have knowledge of, any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants; (D) do not have any knowledge of and have not received any notice of any material claim, judicial or administrative proceeding, pending or threatened against, or which may affect, either the Company or any Subsidiary or any of the property, assets or operations thereof relating to, or alleging any violation of any Environmental Laws, the Company is not aware of any facts which could give rise to any such claim or judicial or

administrative proceeding and neither the Company nor any Subsidiary nor any of the property, assets or operations thereof is the subject of any investigation, evaluation, audit or review by any "Governmental Authority" (which term means and includes, without limitation, any national, federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing) to determine whether any violation of any Environmental Laws has occurred or is occurring or whether any remedial action is needed in connection with a release of any Contaminant (which term means and includes, without limitation, any pollutants, dangerous substances, liquid wastes, hazardous wastes, hazardous materials, hazardous substances or contaminants or any other matter including any of the foregoing, as defined or described as such pursuant to any Environmental Law) into the environment, except for compliance investigations conducted in the normal course by any Governmental Authority; (E) do not store any hazardous or toxic waste or substance on the property thereof and have not disposed of any hazardous or toxic waste, in each case in a manner contrary to any Environmental Laws, and there are no Contaminants on any of the premises at which the Company or any Subsidiary carries on business, in each case other than in compliance with Environmental Laws; (F) to the best of the Company's knowledge, are not subject to any contingent or other liability relating to the restoration or rehabilitation of land, water or any other part of the environment (except for those derived from normal exploration activities) or non-compliance with Environmental Laws; and (ii) there are no costs or liabilities associated with Environmental Laws of or relating to the Company or its subsidiaries, except in the case of each of (A) and (B) above, for any such failure to comply, or failure to receive required permits, licenses or approvals, or cost or liability, as would not, individually or in the aggregate, have a Material Adverse Effect.

(ss) *Compliance With ERISA.* Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or former employees of the Company and its affiliates has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Internal Revenue Code of 1986, as amended (the "Code"); no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any such plan excluding transactions effected pursuant to a statutory or administrative exemption; and for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency" as defined in Section 412 of the Code has been incurred, whether or not waived, and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

(tt) *Foreign Private Issuer.* The Company is a "foreign private issuer" within the meaning of Rule 3b-4 under the Exchange Act.

(uu) *Use of Proceeds.* The Company intends to use the net proceeds from the Concurrent Offering and from the offering of Securities in the manner specified in the Pricing Prospectuses and Prospectuses under the caption "Use of proceeds";

(vv) *Disclosure Controls*. The Company and its subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act and the Canadian Securities Laws) that is designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act and Canadian Securities Laws is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and Canadian Securities Laws, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company and its subsidiaries have carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act and Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (including the forms thereto) ("MI 52-109").

(ww) *Accounting Controls.* The Company and its subsidiaries maintain systems of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act and MI 52-109) that comply with the requirements of the Exchange Act and MI 52-109 and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including, but not limited to internal accounting controls sufficient to provide reasonable assurance (i) that transactions are executed in accordance with management's general or specific authorizations; (ii) that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) that access to assets is permitted only in accordance with management's general or specific authorization; (iv) that the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, there are no material weaknesses in the Company's internal controls.

(xx) *Insurance.* Except as otherwise disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, the Company and its Subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are adequate to protect the Company and its subsidiaries and their respective businesses; and neither the Company nor any of its subsidiaries has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance, (ii) been refused any insurance coverage sought or applied for or (iii) any reason to believe that it will not be able to renew its existing insurance

coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business.

(yy) *Minute Books and Records.* The minute books and records of the Company and the Subsidiaries made available to counsel for the Underwriters in connection with their due diligence investigations of each of the Company and the Subsidiaries for the periods from October 5, 1998 to the date of examination thereof are all of the minute books and records of the Company and the Subsidiaries respectively and contain copies of all material proceedings (or certified copies thereof) of the shareholders, the boards of directors and all committees of the boards of directors of the Company and the Subsidiaries to the date of review of such corporate records and minute books and there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the boards of directors of the Company and any of the Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and other records, other than those which have been disclosed to the Underwriters or which are not material in the context of the Company and the Subsidiaries, on a consolidated basis;

(zz) *Leased Premises.* With respect to each of the premises which is material to the Company on a consolidated basis and which the Company or any of the Subsidiaries occupies as tenant (excluding mining concessions) (the “Leased Premises”), the Company or such Subsidiary occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Company and/or the Subsidiaries occupies the Leased Premises is in good standing and in full force and effect;

(aaa) *No Unlawful Payments.* Neither the Company nor any of its subsidiaries nor, to the best knowledge of the Company, any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(bbb) *Compliance with Money Laundering Laws*. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(ccc) *Compliance with OFAC.* None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or Affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”); and the Company

will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(ddd) *No Restrictions on Subsidiaries*. Except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, no Subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's share capital, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary of the Company.

(eee) *No Broker's Fees.* Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Securities or in connection with the Concurrent Offering. Except as provided herein, there is no person, firm or corporation acting for the Company entitled to any brokerage or finders fee in connection with this Agreement or any of the transactions contemplated hereunder;

(fff) *No Registration Rights*. No person has the right to require the Company or any of its subsidiaries to register or qualify any securities for sale under the Securities Act or the Canadian Securities Laws by reason of the filing of the Registration Statement with the Commission or the Canadian Base PREP Prospectus with the Canadian Authorities or the issuance and sale of the Securities or the Underlying Securities.

(ggg) *No Stabilization.* The Company has not taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in, under the Exchange Act, Canadian Securities Laws or otherwise, any stabilization or manipulation of the price of the Securities or the Underlying Securities.

(hhh) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act or as defined under Canadian Securities Laws) contained in the Registration Statement, the Time of Sale Information and the Prospectuses has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith or does not reflect the Company's good faith best estimate of the matters described therein; the assumptions used in the preparation of any projections are reasonable; and none of the Company or its subsidiaries are aware of any business, economic or industry developments materially inconsistent with the assumptions underlying such projections except as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses.

(iii) *Statistical and Market Data.* Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in

the Registration Statement, the Time of Sale Information and the Prospectuses is not based on or derived from sources that are reliable and accurate in all material respects.

(jjj) *Loans.* Other than as disclosed in the Registration Statement, the Time of Sale Information and the Prospectuses, the Company has not made any loans to or guaranteed the obligations of any person other than the Subsidiaries;

(kkk) *Sarbanes-Oxley Act*. There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any applicable provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith, including Section 402 related to loans and Sections 302 and 906 related to certifications.

(lll) *Status under the Securities Act*. The Company is not an ineligible issuer as defined under the Securities Act, in each case at the times specified in the Securities Act in connection with the offering of the Securities.

(mmm) *Transfer Agent.* Computershare Investor Services Inc. has been duly appointed the transfer agent and registrar for the Securities and Underlying Securities of the Company and Computershare Trust Company, Inc. is the duly appointed U.S. co-transfer agent of the Company with respect to the Securities and Underlying Securities.

4. <u>Further Agreements of the Company</u>. The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will cause the Prospectuses, properly completed, and any supplement thereto to be filed, each in a form approved by the Representatives with the Canadian Authorities in accordance with the PREP Procedures (in the case of the Canadian Prospectus) and with the Commission pursuant to General Instruction II.L of Form F-10 (in the case of the U.S. Prospectus) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filings; will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; and the Company will furnish copies of the Prospectus and each Issuer Free Writing Prospectus (to the extent not previously delivered) to the Underwriters in New York City prior to 10:00 A.M., New York City time, on the business day next succeeding the date of this Agreement in such quantities as the Representatives may reasonably request.

(b) *Term Sheet*. The Company will prepare a final term sheet, containing a description of final terms of the Securities and the offering thereof, in the form approved by the Representatives and attached as Annex C hereto and will file such term sheet pursuant to Rule 433 under the Act within the time required by such Rule.

(c) *Time of Filings.* The Company will prepare and file with the Canadian Authorities, promptly after the date of this Agreement, and in any event no later than 5:00 p.m. (New York City time) on the second business day following the date of this Agreement, and in conformity in all material respects with applicable Canadian Securities Laws, the Canadian Prospectus setting forth the PREP Information. The Company will prepare and file with the

Commission, promptly after the date of this Agreement, and in any event no later than 5:00 p.m. (New York City time) on the second business day following the date of this Agreement, the U.S. Prospectus.

(d) *Delivery of Copies.* The Company will deliver, without charge, (i) to the Representatives, three signed copies of the Registration Statement, the Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus and the Canadian Prospectus as originally filed and each amendment thereto, in each case including all exhibits and consents filed therewith and documents incorporated by reference therein; and (ii) to each Underwriter (A) a conformed copy of the Registration Statement, the Canadian Preliminary Prospectus, the Canadian Base PREP Prospectus and the Canadian Prospectus as originally filed and each amendment thereto (without exhibits) and (B) during the Prospectus Delivery Period (as defined below), as many copies of the Prospectuses (including all amendments and supplements thereto and documents incorporated by reference therein) and each Issuer Free Writing Prospectus as the Representatives may reasonably request. As used herein, the term "Prospectus Delivery Period" means such period of time after the first date of the public offering of the Securities as in the opinion of counsel for the Underwriters a prospectus relating to the Securities is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Securities by any Underwriter or dealer.

(e) *Amendments or Supplements, Issuer Free Writing Prospectuses.* Before preparing, using, authorizing, approving, referring to or filing any Issuer Free Writing Prospectus, and before filing any amendment or supplement to the Registration Statement or the Prospectuses, whether before or after the time that the Registration Statement becomes effective, the Company will furnish to the Representatives and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not prepare, use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Representatives reasonably object.

(f) *Notice to the Representatives.* The Company will advise the Representatives promptly, and confirm such advice in writing, (i) when the Registration Statement has become effective and when the Canadian Prospectus shall have been filed with the Canadian Authorities pursuant to the PREP Procedures; (ii) when any amendment to the Registration Statement or the Canadian Prospectus shall have been filed or become effective or a MRRS Decision Document in respect of any such amendment has been issued, as the case may be; (iii) when any supplement to the Prospectuses or any Issuer Free Writing Prospectus or any amendment to the Prospectuses has been filed; (iv) of any request by the Commission or the Canadian Authorities for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses, as applicable, or the receipt of any comments from the Commission or the Canadian Authorities relating to the Registration Statement or the Prospectuses or any other request by the Commission or the Canadian Authorities for any additional information; (v) of the issuance by the Canadian Authorities or the Commission of any stop order suspending the effectiveness of the Canadian Prospectus or the Registration Statement, as applicable, or any post-effective amendment thereto, or suspending the use of any Prospectuses or any Issuer Free Writing Prospectus or, in each case, of the initiation or threatening of any proceedings therefore; (vi) of the occurrence of any event within the Prospectus Delivery Period as a result of which the

Prospectuses, the Time of Sale Information or any Issuer Free Writing Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectuses, the Time of Sale Information or any such Issuer Free Writing Prospectus is delivered to a purchaser, not misleading; (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Securities or Underlying Securities for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose (viii) of the receipt of any comments or communications from the Canadian Authorities, the Commission or any other regulatory authority relating to the Prospectuses, the Registration Statement, or the listing of the Underlying Securities on the Toronto Stock Exchange or the American Stock Exchange; and the Company will use its best efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Pricing Prospectus or the Prospectuses or suspending any such qualification of the Securities or Underlying Securities and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(g) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event shall occur or condition shall exist as a result of which the Prospectuses as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectuses to comply with law, the Company will immediately notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and the Canadian Authorities and furnish to the Underwriters and to such dealers as the Representatives may designate, such amendments or supplements to the Prospectuses as may be necessary so that the statements in the Prospectuses as so amended or supplemented will not, in the light of the circumstances existing when the Prospectuses is delivered to a purchaser, be misleading or so that the Prospectuses will comply with law and (2) if at any time prior to the Closing Date (i) any event shall occur or condition shall exist as a result of which the Time of Sale Information as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances, not misleading or (ii) it is necessary to amend or supplement the Time of Sale Information to comply with law, the Company will immediately notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and to such dealers as the Representatives may designate, such amendments or supplements to the Time of Sale Information as may be necessary so that the statements in the Time of Sale Information as so amended or supplemented will not, in the light of the circumstances, be misleading or so that the Time of Sale Information will comply with law.

(h) *Other Jurisdictions.* The Company will qualify the Securities and the Underlying Securities for offer and sale under the securities or Blue Sky laws of such states and other jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Securities and the Underlying Securities; provided that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be

required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(i) *Earning Statement.* The Company will make generally available to its security holders and the Representatives as soon as practicable an earning statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the “effective date” (as defined in Rule 158) of the Registration Statement.

(j) *Clear Market.* For a period of 90 days after the Closing Date, the Company will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise, without the prior written consent of the Representatives, other than the Securities to be sold hereunder, the public offering of Common Shares as set forth in the Pricing Prospectuses and the Prospectuses under the heading “Concurrent offering”, any Common Shares of the Company issued upon the exercise of equity units, warrants and options granted under the existing equity incentive plan and as contemplated by the management information circular, dated April 20, 2007, as it relates to the Company’s KSOP Plan, and any options or other securities granted pursuant to the Company’s equity incentive plan and KSOP Plan.

(k) *Use of Proceeds.* The Company will apply the net proceeds from the sale of the Securities as described in the Registration Statement, the Time of Sale Information and the Prospectuses under the heading “Use of proceeds”.

(l) *No Stabilization.* During the Prospectus Delivery Period, the Company will not take, directly or indirectly, under the Exchange Act, Canadian Securities Laws or otherwise, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Securities or the Underlying Securities.

(m) *Exchange Listing.* The Company will use its best efforts to effect and maintain the listing of the Shares on (i) the Toronto Stock Exchange, for not less than one year, and (ii) the American Stock Exchange.

(n) *Reports.* So long as the Underlying Securities are issuable or are outstanding, the Company will furnish to the Representatives, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of Securities and Common Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system.

(o) *Record Retention*. The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the Securities Act.

(p) *PFIC.* For each taxable year in which the Company is a "passive foreign investment company" as defined in Section 1297 of the Code, the Company will provide holders of Common Shares that are U.S. taxpayers with the required information to enable such holders to make a qualified electing fund election under Section 1295 of the Code and the Treasury Regulations promulgated thereunder, and will satisfy all requirements described therein (which, for the avoidance of doubt, shall include providing a PFIC Annual Information Statement.

(q) *Reporting Issuer.* Subject to the Company's board of directors' exercise of its fiduciary duty to consider a transaction that might result in the Company ceasing to be a public company, the Company covenants and agrees with the Underwriters that the Company will use its reasonable best efforts (i) to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Canadian Securities Laws of each of the Canadian Jurisdictions for a period of one year following the Closing Date and (ii) for a period of one year following the Closing Date file all documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and the rules and regulations of the Commission thereunder.

(r) *Reservation of Underlying Securities.* The Company will reserve and keep available at all times, free of preemptive rights, the full number of Common Shares issuable upon conversion of the Securities.

(s) *Conversion Price.* Between the date hereof and the Closing Date, the Company will not do or authorize any act or thing that would result in an adjustment of the conversion price of the Securities.

5. Certain Agreements of the Underwriters. Each Underwriter hereby represents and agrees that:

(a) It has not and will not use, authorize use of, refer to, prepare or participate in the planning for use of, any "free writing prospectus", as defined in Rule 405 under the Securities Act (which term includes, but is not limited to, any use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) or any Issuer Free Writing Prospectus other than (i) a free writing prospectus that contains no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in the U.S. Pricing Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex B or prepared pursuant to Section 3(d) or Section 4(d) above, or (iii) any free writing prospectus prepared by such Underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an "Underwriter Free Writing Prospectus").

(b) It has not and will not distribute any Underwriter Free Writing Prospectus referred to in clause (a)(i) in a manner reasonably designed to lead to its broad unrestricted dissemination.

(c) It has not and will not, without the prior written consent of the Company, use any free writing prospectus that contains the final terms of the Securities unless such terms have previously been included in a free writing prospectus filed with the Commission; *provided* that Underwriters may use a term sheet substantially in the form of Annex C hereto without the consent of the Company; *provided further* that any Underwriter using such term sheet shall notify the Company, and provide a copy of such term sheet to the Company, prior to, or substantially concurrently with, the first use of such term sheet.

(d) It will, pursuant to reasonable procedures developed in good faith, retain copies of each free writing prospectus used or referred to by it, in accordance with Rule 433 under the Securities Act.

(e) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

6. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Underwritten Securities on the Closing Date or the Additional Securities on the Additional Closing Date, as the case may be as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order.* The Canadian Prospectus shall have been timely filed with the Canadian Authorities and a MRRS Decision Document shall have been obtained in respect thereof and the Registration Statement shall have become effective; no order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose or pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the U.S. Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the Securities Act (in the case of an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 4(a) hereto; no order having the effect of ceasing or suspending the distribution of the Securities or Underlying Securities or the trading in the securities of the Company or any other securities of the Company shall have been issued or proceedings therefore initiated or threatened by any securities commission, securities regulatory authority or stock exchange in Canada or the United States; and all requests by the Commission and the Canadian Authorities for additional information shall have been complied with to the reasonable satisfaction of the Representatives.

(b) *Representations and Warranties.* The representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date or the Additional Closing Date, as the case may be; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be

true and correct on and as of the Closing Date or the Additional Closing Date, as the case may be.

(c) *No Material Adverse Change.* No event or condition of a type described in Section 3(k) hereof shall have occurred or shall exist, which event or condition is not described in the Registration Statement, Time of Sale Information (excluding any amendment or supplement thereto) and the Prospectuses (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Prospectuses.

(d) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, a certificate of the chief financial officer or chief accounting officer of the Company and one additional senior executive officer of the Company who is satisfactory to the Representatives (i) confirming that such officers have carefully reviewed the Registration Statement, the Time of Sale Information and the Prospectuses and, to the best knowledge of such officers, the representations set forth in Sections 3(a), 3(c) and 3(e) hereof are true and correct, (ii) confirming that the other representations and warranties of the Company in this Agreement are true and correct and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date and (iii) to the effect set forth in paragraphs (a), (c) and (d) above.

(e) *Comfort Letters.* On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, PricewaterhouseCoopers LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained or incorporated by reference in the Registration Statement, the Time of Sale Information and the Prospectuses; provided, that the letter delivered on the Closing Date or the Additional Closing Date, as the case may be, shall use a "cut-off" date no more than two business days prior to such Closing Date or such Additional Closing Date, as the case may be.

(f) *Agent for Service.* Prior to the Closing Date, the Company shall have furnished to the Representatives satisfactory evidence of its due and valid authorization of CT Corporation System as its agent to receive service of process in the United States pursuant to Section 13 hereof, and satisfactory evidence from CT Corporation System accepting its appointment as such agent.

(g) *Opinion of Yukon Counsel for the Company.* Yukon counsel to the Company shall have furnished to the Representatives, at the request of the Company, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, with respect to the Company, to the effect set forth in Annex A-1 hereto.

(h) *Opinion of Canadian Counsel for the Company.* Fasken Martineau DuMoulin LLP, Canadian counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex A-2 hereto.

(i) *Opinion of U.S. Counsel for the Company.* Baker & McKenzie LLP, U.S. counsel for the Company, together with Baker & McKenzie SC, Caracas, Venezuela, shall have furnished to the Representatives, at the request of the Company, their written opinions, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex A-3 hereto.

(j) *Opinion of Barbados Counsel for the Company.* Barbados counsel to the Company shall have furnished to the Representatives, at the request of the Company, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, with respect to Gold Reserve de (Barbados) Limited.

(k) *Opinion of Montana Counsel for the Company.* Montana counsel to the Company shall have furnished to the Representatives, at the request of the Company, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, with respect to Gold Reserve Corporation.

(l) *Opinion of Venezuelan Counsel for the Company.* Baker & McKenzie, Caracas, Venezuelan counsel to the Company shall have furnished to the Representatives, at the request of the Company, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, with respect to Gold Reserve de Venezuela, C.A. and Compania Aurifera Brisas del Cuyuni, S.A. and with respect to title to the mineral concessions in Bolivar State, Venezuela, known as the Brisas Property.

(m) *Opinion of Canadian Counsel for the Underwriters.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion of Heenan Blaikie LLP, Canadian counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(n) *Opinion of U.S. Counsel for the Underwriters.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, U.S. counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(o) *No Legal Impediment to Issuance.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state, provincial or foreign governmental or regulatory authority that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Securities; and no injunction or order of any federal, state, provincial or foreign court shall have been issued that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Securities.

(p) *Good Standing*. The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, satisfactory evidence of the good standing of the Company and the Subsidiaries in their respective jurisdictions of organization and their good standing as foreign entities in such other jurisdictions as the Representatives may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate Governmental Authorities of such jurisdictions to the extent available in each jurisdiction.

(q) *Exchange Listing.* The Underlying Securities shall have been listed and admitted and authorized for trading on the American Stock Exchange and shall have been conditionally approved for listing on the Toronto Stock Exchange, and satisfactory evidence of such actions shall have been provided to the Representatives.

(r) *Lock-up Agreements*. The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and the officers and directors of the Company relating to sales and certain other dispositions of Common Shares or certain other securities, delivered to you on or before the date hereof, shall be full force and effect on the Closing Date or Additional Closing Date, as the case may be.

(s) *NASD.* The National Association of Securities Dealers, Inc. shall have confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(t) *Additional Documents.* On or prior to the Closing Date or the Additional Closing Date, as the case may be, the Company shall have furnished to the Representatives such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

7. Indemnification and Contribution.

(a) *Indemnification of the Underwriters.* The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are

incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, (ii) or any untrue statement or alleged untrue statement of a material fact contained in the Prospectuses (or any amendment or supplement thereto), any Issuer Free Writing Prospectus or any Time of Sale Information (including any Time of Sale Information that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by or on behalf of such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Underwriter furnished to the Company in writing by or on behalf of such Underwriter through the Representatives expressly for use in the Registration Statement, the Prospectuses (or any amendment or supplement thereto), any Issuer Free Writing Prospectus or any Time of Sale Information, it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectuses furnished on behalf of each Underwriter: the list of Underwriters and their respective participation in the sale of Securities under the caption "Underwriting" and the information contained in the eighth paragraph under the caption "Underwriting".

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under this Section 7 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under this Section 7. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person

shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary or (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by J.P. Morgan Securities Inc. ("JPMorgan") and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other, from the offering of the Securities or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Securities and the total underwriting discounts and commissions received by the

Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectuses, bear to the aggregate offering price of the Securities. The relative fault of the Company, on the one hand, and the Underwriters, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 7 are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies.* The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

8. Effectiveness of Agreement. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

9. Termination. This Agreement may be terminated in the absolute discretion of the Representatives, by notice to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date or, in the case of the Additional Securities, prior to the Additional Closing Date (i) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange, the American Stock Exchange, the Toronto Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal (U.S. or Canada) or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States or Canada, that, in the judgment of the Representatives, is material and adverse and makes it impracticable or inadvisable to proceed

with the offering, sale or delivery of the Securities on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Time of Sale Information and the Prospectuses.

10. Defaulting Underwriter. (a) If, on the Closing Date or the Additional Closing Date, as the case may be, any Underwriter defaults on its obligation to purchase the Securities that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Securities by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Securities on such terms. If other persons become obligated or agree to purchase the Securities of a defaulting Underwriter, either the non-defaulting Underwriters or the Company may postpone the Closing Date or the Additional Closing Date, as the case may be, for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectuses or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectuses that effects any such changes. As used in this Agreement, the term “Underwriter” includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 10, purchases Securities that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the principal amount of Securities that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be does not exceed one-tenth of the principal amount of Securities to be purchased on such date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities that such Underwriter agreed to purchase hereunder on such date plus such Underwriter’s pro rata share (based on the principal amount of Securities that such Underwriter agreed to purchase on such date) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the principal amount of Securities that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, exceeds one-tenth of the principal amount of Securities to be purchased on such date, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement or, with respect to any Additional Closing Date, the obligation of the Underwriters to purchase Securities on the Additional Closing Date, as the case may be, shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 11 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or any non-defaulting Underwriter for damages caused by its default.

11. Payment of Expenses. (a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Securities and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Securities Act or Canadian Securities Laws, as applicable, of the Registration Statement, the Preliminary Prospectuses, any Issuer Free Writing Prospectus, the Pricing Prospectuses, any other Time of Sale Information and the Prospectuses (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the costs of reproducing and distributing this Agreement, the Securities and the Indenture; (iv) the fees and expenses of the Company's counsel and independent accountants; (v) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Securities under the laws of such jurisdictions as the Representatives may designate and the preparation, printing and distribution of a Blue Sky Memorandum (including the related fees and expenses of counsel for the Underwriters); (vi) the cost of preparing certificates for the Securities; (vii) the costs and charges of any transfer agent and any registrar; (viii) the fees and expenses of the Trustee and any paying agent (including related fees and expenses of any counsel to such parties); (ix) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, the National Association of Securities Dealers, Inc.; (x) all expenses incurred by the Company in connection with any "road show" presentation to potential investors; and (xi) all expenses and application fees related to the listing of the Underlying Securities on the American Stock Exchange and the Toronto Stock Exchange.

(b) If (i) this Agreement is terminated pursuant to Section 9(ii), (ii) the Company for any reason fails to tender the Securities for delivery to the Underwriters or (iii) the Underwriters decline to purchase the Securities for any reason permitted under this Agreement (other than pursuant to Section 9(i), (iii) or (iv)), the Company agrees to reimburse the Underwriters for all reasonable out-of-pocket costs and expenses (including the fees and expenses of their counsel) incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby. Except as provided above, the Underwriters will pay their own fees and expenses in connection with this Agreement and the offering contemplated hereby.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Securities from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

13. Agent for Service; Submission to Jurisdiction; Waiver of Immunities. By the execution and delivery of this Agreement, the Company (i) acknowledges that it has, by separate written instrument, irrevocably designated and appointed CT Corporation System (or any

successor) (together with any successor, the "Agent for Service"), as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to this Agreement or the Securities, that may be instituted in any federal or state court in the State of New York, or brought under federal or state securities laws, and acknowledges that the Agent for Service has accepted such designation, (ii) submits to the jurisdiction of any such court in any such suit or proceeding, and (iii) agrees that service of process upon the Agent for Service (or any successor) and written notice of said service to the Company (mailed or delivered to its Chief Financial Officer at its principal office in Spokane, Washington), shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of the Agent for Service in full force and effect so long as any of the Securities or Underlying Securities shall be outstanding.

14. Judgment Currency. In respect of any judgment or order given or made for any amount due hereunder that is expressed and paid in a currency (the "Judgment Currency") other than United States dollars, the Company will indemnify each Underwriter against any loss incurred by such Underwriter as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the rate of exchange at which an Underwriter is able to purchase United States dollars with the amount of judgment currency actually received by such Underwriter. The foregoing indemnity shall constitute a separate and independent obligation of the Company and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into United States dollars.

15. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of the Company or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company or the Underwriters.

16. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act; (b) the term "business day" means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term "subsidiary" has the meaning set forth in Rule 405 under the Securities Act.

17. Miscellaneous. (a) *Authority of the Representatives.* Any action by the Underwriters hereunder may be taken by the Representatives on behalf of the Underwriters, and any such action taken by the Representatives shall be binding upon the Underwriters.

(b) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representatives c/o J.P. Morgan Securities Inc., 277 Park Avenue, New York, New York 10172 (fax: (212) 622-

8358); Attention: Equity Syndicate Desk. Notices to the Company shall be given to it at 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201, U.S.A. (fax: (509) 623-1634); Attention: Douglas Belanger, President.

(c) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(d) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(e) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(f) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

GOLD RESERVE INC.

By ____
Title:

Accepted: May , 2007

J.P. MORGAN SECURITIES INC.
RBC DOMINION SECURITIES INC.

By: J.P. Morgan Securities Inc.

By: ____
Name:
Title:

By: RBC Dominion Securities Inc.

By: ____
Name:
Title:

For themselves and on behalf of the several Underwriters listed in
Schedule 1 hereto.

Schedule 1

Underwriter	Principal Amount of Underwritten Securities to be Purchased
J.P. Morgan Securities Inc.	
RBC Dominion Securities Inc.	
Cormark Securities Inc.	
Total	

Schedule 2

SUBSIDIARIES OF THE COMPANY

Subsidiary	Jurisdiction	Ownership
Gold Reserve Corporation	Montana	100%
Gold Reserve de Venezuela, C.A.	Venezuela	100%
Gold Reserve de (Barbados) Limited	Barbados	100%
Compania Aurifera Brisas del Cuyuni, S.A.	Venezuela	100%

Annex A-1

[Form of Opinion of Yukon Counsel for the Company]

Annex A-2

[Form of Opinion of Canadian Counsel for the Company]

Annex A-3

[Form of Opinion of U.S. Counsel for the Company]

Annex B

Time of Sale Information

1. Term sheet containing the terms of the securities, substantially in the form of Annex C
2. Electronic road show, released by Bloomberg on May •, 2007.

Annex C

Pricing Term Sheet

[INSERT]

Exhibit A

FORM OF LOCK-UP AGREEMENT

May , 2007

J.P. MORGAN SECURITIES INC.
RBC DOMINION SECURITIES INC.
As representatives of
the several underwriters listed in
Schedule I to the Underwriting
Agreements referred to below

c/o J.P. Morgan Securities Inc.
277 Park Avenue
New York, NY 10172

Re: Gold Reserve Inc. — Public Offering

Ladies and Gentlemen:

The undersigned understands that you, as representatives of the several Underwriters (as defined below), propose to enter into one or more underwriting agreements (together, the "Underwriting Agreements") with Gold Reserve Inc., a company incorporated under the laws of the Yukon Territory (the "Company"), providing for the public offering (the "Public Offering") by the several Underwriters named in Schedule I to the Underwriting Agreements (the "Underwriters"), of Class A common shares, no par value (the "Common Shares"), and convertible notes of the Company (together, the "Securities"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreements.

In consideration of the Underwriters' agreement to purchase and make the Public Offering of the Securities, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of J.P. Morgan Securities Inc., on behalf of the Underwriters, the undersigned will not, during the period ending 90 days after the Closing Date, (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Common Shares of the Company or any securities convertible into or exercisable or exchangeable for Common Shares (including without limitation, Common Shares which are deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission or the Canadian Securities Laws (and over which the undersigned has dispositive power) and securities which may be issued upon exercise of a stock option or warrant), or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of such Common Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common

Shares or such other securities, in cash or otherwise. Notwithstanding the foregoing, subject to applicable securities laws and the restrictions contained in the Company's charter documents, the undersigned may transfer the Securities as follows: (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein; (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein; (iii) any transfer arising as a result of the undersigned serving as a trustee of the Company's KSOP, if applicable; (iv) as collateral for any loan, provided that the lender agrees in writing to be bound by the restrictions set forth in herein; (v) to an executor or heir in the event of the death of the undersigned, provided that any such executor and heir agree to be bound in writing by the restrictions set forth herein; (vi) by way of a sale of up to the equivalent of an aggregate of no more than 20,000 Common Shares during the 90-day period; and (vii) by way of a sale in accordance with or pursuant to a Rule 10b5-1 plan under the U.S. Securities Exchange Act of 1934, as amended, which plan is in effect as of the date hereof. For purposes of this agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

In furtherance of the foregoing, the Company and any duly appointed transfer agent for the registration or transfer of the securities described herein are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Underwriting Agreements do not become effective, or if the Underwriting Agreements (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Securities, the undersigned shall be released from all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreements and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

[NAME OF SHAREHOLDER]

By: ____
Name:
Title:

EXHIBIT 5.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Amendment No. 1 to the Registration Statement on Form F-10 of Gold Reserve Inc. of our report dated March 28, 2007 relating to the consolidated financial statements of Gold Reserve Inc. for the year ended December 31, 2006.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, B.C., Canada

May 14, 2007

Exhibit 5.2

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

66 Wellington Street West
Suite 4200, Toronto Dominion Bank Tower
Box 20, Toronto-Dominion Centre
Toronto, Ontario, Canada M5K 1N6

416 366 8381 Telephone
416 364 7813 Facsimile

www.fasken.com

May 14, 2007

Gold Reserve Inc.
926 West Sprague Avenue
Spokane, WA 88201
USA
Dear Sirs/Mesdames:

Re: Gold Reserve Inc. (the "Issuer")

We hereby consent to the references to our firm name on the cover page and under the headings "Legal matters", "Names and interests of experts", "Enforcement of civil liabilities" and "Certain Canadian income tax considerations", and to the use of our opinions under the heading "Certain Canadian income tax considerations", in each case in the prospectus filed as part of the registration statement on Form F-10 (File No. 333-142656) of the Issuer in connection with the offering of senior subordinated convertible notes of the Issuer. In giving this consent we do not admit that we come within the category of persons whose consent is required by the U.S. Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder.

Yours truly,

/s/ Fasken Martineau DuMoulin LLP

Exhibit 5.3

Heenan Blaikie

May 14, 2007

Of Counsel
The Right Honourable Pierre Elliott Trudeau, P.C., Q.C. (1984-2000)†
The Right Honourable Jean Chrétien, P.C., Q.C.
The Honourable Donald J. Johnston, P.C., Q.C. (1974-1996)
Pierre Marc Johnson, F.S.R.C.
The Honourable John W. Morden
André Bureau, O.C.
Pierre C. Lemoine

Gold Reserve Inc.
926 West Sprague Avenue
Suite 200
Spokane, Washington 99201
U.S.A.

Dear Sirs/Mesdames:

Re: Gold Reserve Inc. — Registration Statement on Form F-10 — Senior Subordinated Convertible Notes

We hereby consent to the reference to our firm’s name under the headings “Income tax considerations — Certain Canadian income tax considerations”, “Legal matters” and “Names and interests of experts” in the prospectus filed as part of the registration statement on Form F-10 relating to the offering of Senior Subordinated Convertible Notes of Gold Reserve Inc. In giving this consent we do not thereby admit that we come within the category of persons whose consent is required by the Securities Act of 1933, as amended or the rules and regulations promulgated thereunder.

Yours very truly,

/s/ Heenan Blaikie LLP

T 416 360.6336
F 416 360.8425

P.O. Box 185, Suite 2600
200 Bay Street
South Tower, Royal Bank Plaza
Toronto, Ontario
Canada M5J 2J4

www.heenanblaikie.com

Exhibit 5.4

[PINCOCK, ALLEN & HOLT LETTERHEAD]

CERTIFICATE AND CONSENT

TO:	**Ontario Securities Commission** **British Columbia Securities Commission** **Alberta Securities Commission** **Saskatchewan Financial Services Commission, Securities Division** **Manitoba Securities Commission** **New Brunswick Securities Commission** **Nova Scotia Securities Commission** **Registrar of Securities, Prince Edward Island** **Securities Commission of Newfoundland and Labrador** **(collectively referred to as the "Commissions")**
AND TO:	**U.S. Securities and Exchange Commission**
AND TO:	**Gold Reserve Inc. (the "Company")**
AND TO:	**Fasken Martineau DuMoulin LLP**
RE:	**Short Form Prospectus of the Company, dated May 14, 2007 (the "Prospectus"), and the Registration Statement (as defined below)**

We have previously consented to the filing of the technical report entitled **"NI 43-101 Technical Report, Brisas Project, Venezuela, Feasibility Update"** dated October 30, 2006 which refers to the Supplement to the January 2005 Brisas Project Feasibility Study (collectively, the "Technical Report") prepared for the Company, with the Commissions.

We further certify that we have read the disclosure derived from the Technical Report in the Prospectus and the Registration Statement, together with the documents incorporated by reference therein (collectively, the "Documents"), and we do not have any reason to believe that there are any misrepresentations in the information derived from the Technical Report that is contained in the Documents or that the disclosure in the Documents contains any misrepresentation of the information contained in the Technical Report.

We further certify that we have read the disclosure regarding the property evaluation and resource and reserve estimates as at October 2006 (the "Brisas Mineral Estimates") and we do not have any reason to believe that there are any misrepresentations in the information regarding the Brisas Mineral Estimates that is contained in the Documents or that the disclosure in the Documents contains any misrepresentation of the information contained in the Brisas Mineral Estimates.

We consent to the filing of this updated Certificate and Consent in respect of the Technical Report with the Commissions and to the disclosure of the Technical Report, as well as any extracts from and summary of the Technical Report, in the Documents.

We further consent to the use of our name and references to the Technical Report, or portions thereof, in the Registration Statement on Form F-10 filed by the Company with the U.S. Securities and Exchange Commission, as such may thereafter be amended or supplemented, and in the prospectus (including preliminary and final) contained therein (the "Registration Statement"), and to the inclusion and incorporation by reference of the summary portion of the Technical Report and of information derived from the Technical Report in the Registration Statement.

Dated this 14 day of May, 2007.

PINCOCK, ALLEN & HOLT

Per: /s/ Richard J. Lambert
Name: Richard J. Lambert, P.E.
Title: Vice President, Mine Engineering
& Geological Services

Exhibit 5.8

[AKER KVAERNER METALS, INC. LETTERHEAD]

TO:	**Ontario Securities Commission** **British Columbia Securities Commission** **Alberta Securities Commission** **Saskatchewan Financial Services Commission, Securities Division** **Manitoba Securities Commission** **New Brunswick Securities Commission** **Nova Scotia Securities Commission** **Registrar of Securities, Prince Edward Island** **Securities Commission of Newfoundland and Labrador** **(collectively referred to as the "Commissions")**
AND TO:	**U.S. Securities and Exchange Commission**
AND TO:	**Gold Reserve Inc. (the "Company")**
AND TO:	**Fasken Martineau DuMoulin LLP**
RE:	**Short Form Prospectus of the Company, dated May 14, 2007 (the "Prospectus")**

Aker Kvaerner Metals, Inc. ("Aker Kvaerner") hereby consents to the use of its name and references to the January 2005 Feasibility Study (the "Report"), or portions thereof, in the Prospectus and in the Registration Statement on Form F-10 filed by the Company, as such may thereafter be amended or supplemented (the "Registration Statement"), subject in connection with any such references to the following qualifications: (a) Aker Kvaerner's preparation of the Report did not require Aker Kvaerner, and Aker Kvaerner did not so undertake, to confirm the accuracy of information and data supplied by the Company or third parties; (b) Aker Kvaerner did not in the Report attest to or assume responsibility for (i) the accuracy of information and data supplied by the Company or third parties or (ii) the accuracy of any recommendations or opinion contained in the Report that are based in whole or part on information and data supplied by the Company or third parties; and (c) Aker Kvaerner's recommendations and opinions contained in the Report assume that unknown, unforeseeable, or unavoidable events, which may adversely affect the cost, progress, scheduling or ultimate success of the Brisas Project, will not occur.

We further certify that we have read the disclosure derived from the Report in the Prospectus and the Registration Statement, together with the documents incorporated by reference therein (collectively, the "Documents"), and we do not have any reason to believe that there are any misrepresentations in the information derived from the Report that is contained in the Documents or that the disclosure in the Documents contains any misrepresentation of the information contained in the Report.

Dated this 14 day of May, 2007.

AKER KVAERNER METALS, INC.

Per: /s/ S. Andrew Sass
Name: S. Andrew Sass
Title: Vice President

Exhibit 5.9

[SNC LAVALIN LETTERHEAD]

TO:	**Ontario Securities Commission** **British Columbia Securities Commission** **Alberta Securities Commission** **Saskatchewan Financial Services Commission, Securities Division** **Manitoba Securities Commission** **New Brunswick Securities Commission** **Nova Scotia Securities Commission** **Registrar of Securities, Prince Edward Island** **Securities Commission of Newfoundland and Labrador** **(collectively referred to as the "Commissions")**
AND TO:	**U.S. Securities and Exchange Commission**
AND TO:	**Gold Reserve Inc. (the "Company")**
AND TO:	**Fasken Martineau DuMoulin LLP**
RE:	**Short Form Prospectus of the Company, dated May 14, 2007 (the "Prospectus")**

SNC Lavalin hereby consents to the use of its name and references to the "Project Scope and Definition Document" dated April 2006 (the "Report"), or portions thereof, in the Prospectus and in the Registration Statement on Form F-10 filed by the Company, as such may thereafter be amended or supplemented (the "Registration Statement").

We further certify that we have read the disclosure derived from the Report in the Prospectus and the Registration Statement, together with the documents incorporated by reference therein (collectively, the "Documents"), and we do not have any reason to believe that there are any misrepresentations in the information derived from the Report that is contained in the Documents or that the disclosure in the Documents contains any misrepresentation of the information contained in the Report.

Dated this 14 day of May, 2007.

SNC LAVALIN

Per: /s/ Ian Pritchard
Name: Ian Pritchard
Title: Vice President & General Manager, Mining & Metallurgy, Toronto

Exhibit 5.10

[MARSTON & MARSTON, INC. LETTERHEAD]

TO:	**Ontario Securities Commission** **British Columbia Securities Commission** **Alberta Securities Commission** **Saskatchewan Financial Services Commission, Securities Division** **Manitoba Securities Commission** **New Brunswick Securities Commission** **Nova Scotia Securities Commission** **Registrar of Securities, Prince Edward Island** **Securities Commission of Newfoundland and Labrador**
AND TO:	**U.S. Securities and Exchange Commission**
AND TO:	**Gold Reserve Inc. (the "Company")**
AND TO:	**Fasken Martineau DuMoulin LLP**
RE:	**Short Form Prospectus of the Company, dated May 14, 2007 (the "Prospectus")**

Marston & Marston, Inc. hereby consents to the use of its name and references to the October 2006 Brisas Resource and Reserve Update (the "Report"), or portions thereof, in the Prospectus and in the Registration Statement on Form F-10 filed by the Company, as such may thereafter be amended or supplemented (the "Registration Statement").

We further certify that we have read the disclosure derived from the Report in the Prospectus and the Registration Statement, together with the documents incorporated by reference therein (collectively, the "Documents"), and we do not have any reason to believe that there are any misrepresentations in the information derived from the Report that is contained in the Documents or that the disclosure in the Documents contains any misrepresentation of the information contained in the Report.

Dated this 14 day of May, 2007.

MARSTON & MARSTON, INC.

Per: /s/ Susan Poos
Name: Susan Poos
Title: Vice President

Exhibit 7.1

GOLD RESERVE INC.

as Issuer

AND

THE BANK OF NEW YORK

as Trustee

Indenture

Dated as of May •, 2007

•% Senior Subordinated Convertible Notes due 2022

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INDENTURE, dated as of May •, 2007, between GOLD RESERVE INC., a corporation duly organized and existing under the laws of the Yukon, as Issuer (herein called the "**Company**"), having its principal office at 926 West Sprague Ave., Suite 200, Spokane, WA 99201 (Facsimile No. (509) 623-1634), and THE BANK OF NEW YORK, a New York banking corporation, as Trustee (herein called the "**Trustee**").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of •% Senior Subordinated Convertible Notes due 2022 (each a "**Security**" and collectively, the "**Securities**") of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid and binding obligations of the Company, and to make this Indenture a valid and binding agreement of the Company, in accordance with the terms of the Securities and the Indenture, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchases of the Securities by the Holders thereof, it is mutually agreed, for the benefit of the Company and the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 *Definitions*. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article I have the meanings assigned to them in this Article I and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; and

(d) unless otherwise noted, references to "**U.S. Dollars**" or "**$**" shall mean the currency of the United States of America;

(e) the words "**herein**," "**hereof**" and "**hereunder**" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"**Act**," when used with respect to any Holder, has the meaning specified in Section 1.04.

"**Additional Amounts**" has the meaning specified in Section 12.09.

"**Additional Securities**" means additional Securities which may be issued after the Issue Date pursuant to this Indenture (other than in exchange for or in replacement of Outstanding Securities). All references herein to "Securities" shall be deemed to include Additional Securities to the extent any have been issued.

"**Additional Shares**" has the meaning specified in Section 16.05.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agent Members**" has the meaning specified in Section 3.09.

"**Board of Directors**" means, with respect to any Person, either the board of directors of such Person or any duly authorized committee of that board.

"**Board Resolution**" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or in the City of Toronto are authorized or obligated by law, or executive order or governmental decree to be closed.

"**Canadian Securities Laws**" means the securities laws, rules, regulations and written policy statements of any province or territory of Canada, as the same may be amended from time to time.

"**Canadian Taxes**" has the meaning specified in Section 12.09.

"**Capital Stock**" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including, without limitation, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership.

"**Closing Sale Price**" of a Common Share on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which the Common Shares are traded or, if the Common Shares are not traded on a United States national securities exchange, as reported by the Toronto Stock Exchange, such price to be

converted into U.S. dollars based on the Bank of Canada noon exchange rate as reported for conversion into U.S. dollars on such date.

"**Commission**" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"**Common Equity**" of any Person means capital stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Common Shares**" means the Class A common shares, no par value, of the Company as it exists on the date of this Indenture or any other shares of Capital Stock of the Company into which the Class A common shares shall be reclassified or changed or, in the event of a merger, consolidation or other similar transaction involving the Company that is otherwise permitted hereunder in which the Company is not the surviving corporation, the common stock, common equity interests, ordinary shares or depositary shares or other certificates representing common equity interests of such surviving corporation or its direct or indirect parent corporation.

"**Company**" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"**Company Request**" or "**Company Order**" means a written request or order signed in the name of the Company by (i) its Chairman of the Board, its Vice Chairman of the Board, its Chief Executive Officer, its Chief Operating Officer, its Chief Financial Officer or any Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary or (ii) by an authorized signatory (by virtue of a power of attorney, Board Resolution or other similar instrument), and delivered to the Trustee.

"**Continuing Director**" means, at any date, a member of the Company's Board of Directors (i) who was a member of such board on May •, 2007 or (ii) who was nominated or elected by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Company's Board of Directors was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or such lesser number comprising a majority of a nominating committee comprised of independent directors if authority for such nominations or elections has been delegated to a nominating committee whose authority and composition have been approved by at least a majority of the directors who were Continuing Directors at the time such committee was formed. (Under this definition, if the Board of Directors of the Company as of the date of this Indenture were to approve a new director or directors and then resign, no Fundamental Change would occur even though the current Board of Directors would thereafter cease to be in office).

“**Conversion Agent**” means the Trustee or such other office or agency designated by the Company where Securities may be presented for conversion.

“**Conversion Date**” has the meaning specified in Section 16.02.

“**Conversion Notice**” has the meaning specified in Section 16.02.

“**Conversion Price**” means, at any time, $1,000 divided by the Conversion Rate in effect at such time, rounded to three decimal places (rounded up if the fourth decimal place thereof is 5 or more and otherwise rounded down).

“**Conversion Rate**” has the meaning specified in the Securities.

“**Corporate Trust Office**” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Indenture is located at 101 Barclay Street, New York, NY 10286, 21W, Attention: Global Trust Services (Facsimile No.: (212) 815-5802) (Gold Reserve Inc. — •% Senior Subordinated Convertible Notes due 2022) or at any other time at such other address as the Trustee may designate from time to time by notice to the Company.

“**corporation**” means a corporation, association, company, joint-stock company or business trust.

“**Current Market Price**” has the meaning specified in Section 16.04.

“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 Toronto Stock Exchange (such price to be converted into Canadian dollars based on the Bank of Canada noon exchange rate as reported for conversion into U.S. dollars on such date) or otherwise as the Company’s 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 the Company’s Common Shares on such Fundamental Change.

“**Default**” means any event that is or with the passage of time or the giving of notice or both would become an Event of Default.

“**Defaulted Interest**” has the meaning specified in Section 3.11.

“**Depositary**” means The Depository Trust Company until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Depositary” shall mean such successor Depositary.

“**Effective Date**” has the meaning specified in Section 16.05.

“**Event of Default**” has the meaning specified in Section 7.01.

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**Excluded Holder**” has the meaning specified in Section 12.09.

“**Excluded Taxes**” has the meaning specified in Section 12.09.

“**Ex-Dividend Date**” means, with respect to any distribution on Common Shares, the first Trading Day on which the Common Shares trade in the regular way on the relevant exchange or in the relevant market from which the Closing Sale Price was obtained without the right to receive such distribution.

“**fair market value**” has the meaning specified in Section 16.04.

“**Fundamental Change**” has the meaning specified in Section 15.01.

“**Fundamental Change Notice**” has the meaning specified in Section 15.01.

“**Fundamental Change Purchase Date**” has the meaning specified in Section 15.01.

“**Fundamental Change Purchase Notice**” has the meaning specified in Section 15.01.

“**Fundamental Change Purchase Offer**” has the meaning specified in Section 15.01.

“**Fundamental Change Purchase Price**” has the meaning specified in Section 15.01.

“**GAAP**” means generally accepted accounting principles in Canada, as in effect from time to time.

“**Global Security**” means a Security in global form registered in the Security Register in the name of a Depositary or a nominee thereof.

“**Holder**” or “**Securityholder**” means a Person in whose name a Security is registered in the Security Register.

“**Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

“**Ineligible Consideration** ” has the meaning specified in Section 16.01.

“**Interest Payment Date**” means each June 15 and December 15 of each year.

“**Issue Date**” means the date the Securities are originally executed and authenticated as set forth in the Security under this Indenture.

“**Judgment Currency**” has the meaning specified in Section 1.19.

“**Legal Holiday**” means a Saturday, a Sunday or a day on which commercial banking institutions in the City of New York or the City of Toronto are authorized or obligated by law, executive order or governmental decree to be closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest will accrue on such payment for the intervening period.

“**Majority Owned**” means having “beneficial ownership” (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of all shares of the respective entity’s Common Equity. “**Majority Owner**” has the correlative meaning.

“**Market Disruption Event**” means (1) a failure by the primary United States national securities exchange in which the Common Shares are listed (or the Toronto Stock Exchange if the Common Shares are not then listed on a United States national securities exchange) or admitted to trading to open during its regular trading session or (2) the occurrence or existence prior to 1:00 p.m. on any Trading Day for the Common Shares for an aggregate one half hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Common Shares or in any options, contracts or future contracts relating to the Common Shares.

“**Maturity**”, when used with respect to any Security, means the date on which the Principal Amount, Redemption Price or Fundamental Change Purchase Price of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity, Redemption Date or Fundamental Change Purchase Date, or by declaration of acceleration or otherwise.

“**non-electing share**” has the meaning specified in Section 16.06.

“**Notice of Default**” has the meaning specified in Section 7.01.

“**Notice of Election**” has the meaning specified in Section 13.01.

“**Notice of Redemption**” has the meaning specified in Section 5.03(a).

“**Offering**” means the offering of the Securities by the Company.

“**Officers’ Certificate**” means a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or any Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers’ Certificate given pursuant to Section 12.04 shall be the principal executive, financial or accounting officer of the Company.

“**Opinion of Counsel**” means a written opinion of counsel, who may be external or in-house counsel for the Company.

“**Outstanding**,” when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; and

(iii) Securities which have been paid or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a protected purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that, in determining whether the Holders of the requisite Principal Amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"**Paying Agent**" means any Person authorized by the Company to pay the principal of, and interest (including Additional Amounts, if any), Redemption Price, Repurchase Price or Fundamental Change Purchase Price of any Securities on behalf of the Company. The Trustee shall initially be the Paying Agent.

"**Payment Blockage Notice**" has the meaning specified in Section 16.01.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Physical Securities**" means permanent certificated Securities in registered form issued in denomination of $1,000 Principal Amount and integral multiples thereof.

"**Prescribed Security**" has the meaning specified in Section 16.01.

"**Principal Amount**" of a Security means the principal amount as set forth on the face of the Security.

"**Project Indebtedness**" means (i) any unsubordinated indebtedness incurred by the Company specifically for the purpose of construction, development or operation of the Brisas gold and copper project which is secured by the property or other assets of the Company or any

of its subsidiaries, and (ii) any guarantee of the indebtedness described in (i) by the Company, its Affiliates or its subsidiaries, for the period such guarantee is in effect.

"Prospectus" means the prospectus, dated May •, 2007, pursuant to which the Securities were offered and sold in the initial Offering.

"**Rate(s) of Exchange**" has the meaning specified in Section 1.19.

"**Record Date**" has the meaning specified in Section 16.04.

"**Redemption Date**" means, when used with respect to any Security to be redeemed, the date fixed for redemption pursuant to this Indenture.

"**Redemption Price**" has the meaning set forth in Section 13.01.

"**Reference Property**" has the meaning set forth in Section 16.01.

"**Regular Record Date**" for the payment of interest on the Securities (including Additional Amounts, if any), means June 1 (whether or not a Business Day) next preceding an interest payment date on June 15 and December 1 (whether or not a Business Day) next preceding an interest payment date on December 15 .

"**Repurchase Date**" has the meaning set forth in Section 13.01.

"**Repurchase Notice**" has the meaning set forth in Section 13.01.

"**Repurchase Price**" has the meaning set forth in Section 13.01.

"**Repurchase Put Right**" has the meaning set forth in Section 13.01.

"**Required Currency**" has the meaning set forth in Section 1.19.

"**Responsible Officer**" means any officer of the Trustee within the Corporate Trust Office of the Trustee with direct responsibility for the administration of this Indenture and also, with respect to a particular matter, any other officer of the Trustee to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject.

"**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"**Security**" or "**Securities**" have the respective meanings specified in the first paragraph of the Recitals of the Company.

"**Security Register**" has the meaning specified in Section 3.06.

"**Security Registrar**" has the meaning specified in Section 3.06.

"**Senior Secured Bank Indebtedness**" means any credit facility with any bank or syndicate of banks that is secured by assets of the Company.

“**Share Put Right**” has the meaning set forth in Section 13.01.

“**Special Interest Payment Date**” has the meaning specified in Section 3.11.

“**Special Record Date**” has the meaning specified in Section 3.11.

“**Spin-Off**” has the meaning specified in Section 16.04.

“**Stated Maturity**” when used with respect to any Security, means June 15, 2022.

“**Share Price**” has the meaning specified in Section 16.05.

“**Stock Transfer Agent**” means Computershare Investor Services Inc. or such other Person designated by the Company as the transfer agent for the Common Shares.

“**Subsidiary**” means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, “**voting stock**” means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“**Successor Company**” has the meaning specified in Section 10.01.

“**Trading Day**” means a day during which (i) trading in the Common Shares generally occurs, (ii) there is no Market Disruption Event and (iii) a Closing Sale Price for the Common Shares may be obtained for that day.

“**Tax Act**” means the Income Tax Act (Canada) and any reference thereto includes a reference to an equivalent provision of a Canadian, provincial or territorial income tax statute.

“**Trigger Event**” has the meaning specified in Section 16.04(b).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; *provided*, *however*, that in the event the Trust Indenture Act of 1939 is amended after such date, “**Trust Indenture Act**” means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

“**Trustee**” means the Person named as the “**Trustee**” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Trustee**” shall mean such successor Trustee.

“**Vice President**” when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “**vice president**”.

Section 1.02 Compliance Certificates And Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the

Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, such individual has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.03 Form Of Documents Delivered To Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may contain customary assumptions, limitations and qualifications and may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, and may also be based on factual matters represented to counsel by third parties unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous, and in all cases where counsel is asked to opine on matters which are factual in nature, such opinion may be qualified by the knowledge of such counsel.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.04 Acts Of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act**" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee reasonably deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 12.07) prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 1.05 Notices, Etc., To Trustee And Company Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (which may be via facsimile) to or with the Trustee at its Corporate Trust Office; or

(b) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company, Attention: Chief Financial Officer.

Section 1.06 Notice To Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 1.07 Conflict With Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 1.08 Effect Of Headings And Table Of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.09 Successors And Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.10 Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11 Benefits Of Indenture. Except as provided in Section 1.14 and Article IV, nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties

hereto and their respective successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

***Section 1.12 Governing Law*.** This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

***Section 1.13 Legal Holiday*.** If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no interest, if any, shall accrue for the intervening period.

***Section 1.14 No Recourse Against Others*.** No director, officer, employee, stockholder or Affiliate, as such, of the Company from time to time shall have any liability for any obligations of the Company under the Securities or this Indenture. Each Holder by accepting a Security waives and releases all such liability. This waiver and release are part of the consideration for the Securities. Each of such directors, officers, employers, shareholders and Affiliates of the Company is a third party beneficiary of this Section 1.14.

Section 1.15 Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 1.16 Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 1.17 Waiver of Jury Trial. EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUR OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 1.18 Consent to Service of Process. The Company irrevocably submits to the nonexclusive jurisdiction of any New York State or Federal court sitting in The City of New York over any suit, action or proceeding arising out of or relating to this Indenture or any Security. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in any inconvenient forum. The Company agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Company and may be enforced in the courts of Canada (or any other courts to the jurisdiction of which the Company is subject) by a suit upon such judgment, provided that service of process is

effected upon the Company in the manner specified in the following paragraph or as otherwise permitted by law; provided, however, that the Company does not waive, and the foregoing provisions of this sentence shall not constitute or be deemed to constitute a waiver of, (i) any right to appeal any such judgment, to seek any stay or otherwise to seek reconsideration or review of any such judgment or (ii) any stay of execution or levy pending an appeal from, or a suit, action or proceeding for reconsideration or review of, any such judgment.

As long as any of the Securities remain outstanding, the Company will at all times have an authorized agent in the Borough of Manhattan, The City of New York upon whom process may be served in any legal action or proceeding arising out of or relating to the Indenture or any Security. Service of process upon such agent and written notice of such service mailed or delivered to the Company shall to the extent permitted by law be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company hereby appoints CT Corporation System as its agent for such purpose, and covenants and agrees that service of process in any such legal action or proceeding may be made upon it at the office of such agent at 111 Eighth Avenue, New York, New York 10011 (or at such other address in the Borough of Manhattan, The City of New York, as the Company may designate by written notice to the Trustee).

The Company hereby consents to process being served in any suit, action or proceeding of the nature referred to in the preceding paragraphs by service upon such agent together with the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the address of the Company set forth in the first paragraph of this instrument or to any other address of which the Company shall have given written notice to the Trustee. The Company irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service (but does not waive any right to assert lack of subject matter jurisdiction) and agrees that such service (i) shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to the Company.

Nothing in this Section shall affect the right of the Trustee or any Holder to serve process in any manner permitted by law or limit the right of the Trustee to bring proceedings against the Company in the courts of any jurisdiction or jurisdictions in any manner permitted by law.

Section 1.19 Conversion of Currency.

(a) The Company covenants and agrees that the following provisions shall apply to conversion of currency in the case of the Securities and this Indenture:

(i) If for the purposes of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into any other currency (the "**Judgment Currency**") an amount due or contingently due under the Securities and this Indenture (the "**Required Currency**"), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which a final judgment which is not appealable or is not appealed is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(ii) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment referred to in (i) above is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Company shall pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in the Required Currency originally due.

(b) In the event of the winding-up of the Company at any time while any amount or damages owing under the Securities and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Company shall indemnify and hold the Holders of Securities and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (1) the date as of which the equivalent of the amount in the Required Currency (other than under this Section 1.19(b)) is calculated for the purposes of such winding-up and (2) the final date for the filing of proofs of claim in such winding-up. For the purpose of this Section 1.19(b) the final date for the filing of proofs of claim in the winding-up of the Company shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of

the Company may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(c) The obligations contained in Section 1.19(a)(ii) and (b) of this Section shall constitute separate and independent obligations of the Company from its other obligations under the Securities and this Indenture, shall give rise to separate and independent causes of action against the Company, shall apply irrespective of any waiver or extension granted by any Holder or Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Company for a liquidated sum in respect of amounts due hereunder (other than under Section 1.19(b) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders or the Trustee, as the case may be, and no proof or evidence of any actual loss shall be required by the Company or the applicable liquidator. In the case of Subsection (b) above, the amount of such deficiency shall not be deemed to be reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

(d) The term "**Rate(s) of Exchange**" shall mean the Bank of Canada noon rate for purchases on the relevant date of the Required Currency with the Judgment Currency, as reported by Telerate on screen 3194 (or such other means of reporting the Bank of Canada noon rate as may be agreed upon by each of the parties to this Indenture) and includes any premiums and costs of exchange payable.

ARTICLE II

SECURITY FORMS

Section 2.01 Forms Generally. The Securities and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article II, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depositary therefor, the Internal Revenue Code of 1986, as amended, and regulations thereunder, and the Tax Act, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof.

The Securities shall be initially issued in the form of permanent Global Securities in registered form in substantially the form set forth in this Article II. The aggregate Principal Amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary, as hereinafter provided.

Section 2.02 Form Of Face Of Security. [**INCLUDE IF SECURITY IS A GLOBAL SECURITY** — THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("**DTC**"), A NEW YORK CORPORATION, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

GOLD RESERVE INC.

• % Senior Subordinated Convertible Notes due 2022

No. [•]	CUSIP NO. 38068N AB4 ISIN US38068NAB47	U.S. $[•]

Gold Reserve Inc., a corporation duly organized and validly existing under the laws of the Yukon (herein called the "**Company**", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [•] United States Dollars ($•)
[**INCLUDE IF SECURITY IS A GLOBAL SECURITY** — (which amount may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary, in accordance with the rules and procedures of the Depositary)] on June 22, 2022. Payment of the principal of this Security shall be made by wire transfer or check mailed to the address of the Holder of this Security specified in the register of Securities, or, at the option of the Holder of this Security, at the Corporate Trust Office, in such lawful money of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Issue Date of this Security is May •, 2007.

Reference is made to the further provisions of this Security set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Security the right to convert this Security in certain circumstances and the obligation of the Company to make an offer to repurchase this Security upon certain events on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of said State.

This Security shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

GOLD RESERVE INC.

By: ______________________________
Authorized Signatory

Attest:

By: ____________________
Authorized Signatory

Section 2.03 Form Of Reverse Of Security. This Security is one of a duly authorized issue of Securities of the Company, designated as its •% Senior Subordinated Convertible Notes

due 2022 (herein called the "**Securities**"), all issued or to be issued under and pursuant to an Indenture dated as of May •, 2007 (herein called the "**Indenture**"), between the Company and The Bank of New York (herein called the "**Trustee**"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities. Terms used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

The indebtedness evidenced by the Securities is unsecured indebtedness of the Company and is or will be (1) subordinate in right of payment to future unsubordinated indebtedness for the construction and development of the Brisas gold and copper project, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (2) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by us or any of our subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of our future subordinated debt. However, the indebtedness evidenced by the Securities will be 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.

Interest. The Company, promises to pay interest on the principal amount of this Security at the rate of •% per annum. The Company will pay interest semiannually on June 15 and December 15 of each year commencing on December 15, 2007.

Interest will be paid to the person in whose name a Security is registered at the close of business on or, as the case may be, immediately preceding the relevant interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Holder of this Security after 5:00 p.m., New York City time, on a Regular Record Date shall be entitled to receive interest, on this Security on the corresponding interest payment date. The Holder of this Security after 5:00 p.m., New York City time, on a Regular Record Date will receive payment of interest payable on the corresponding interest payment date notwithstanding the conversion of this Security at any time after the close of business on such Regular Record Date. If this Security is surrendered for conversion during the period after 5:00 p.m., New York City time, on any Regular Record Date to 9:00 a.m., New York City time, on the corresponding interest payment date, it must be accompanied by payment of an amount equal to the interest that the Holder is to receive on the Securities. Notwithstanding the foregoing, no such payment of interest need be made by any converting Holder (i) if the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the corresponding interest payment date, (ii) if the Company has specified a Fundamental Change Purchase Date during such period, or (iii) to the extent of any overdue interest existing at the time of conversion of such Security. Except where this Security is surrendered for conversion and must be accompanied by payment as described above, no interest will be payable by the Company on any interest payment date subsequent to the date of conversion, and delivery of the cash and Common Shares, if applicable, pursuant to Article XVI of the Indenture, together with any cash payment for any fractional share, upon conversion will be deemed to satisfy the

Company's obligation to pay the principal amount of the Securities and accrued and unpaid interest, if any, to, but not including, the related Conversion Date.

Method of Payment. By no later than 10:00 a.m. (New York City time) on the date on which any principal of or interest, on any Security is due and payable, the Company shall deposit with the Paying Agent money sufficient to pay such amount. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of Securities represented by a Global Security (including principal and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will pay principal of Definitive Securities at the office or agency designated by the Company in the Borough of Manhattan, The City of New York. Interest, on Definitive Securities will be payable (i) to Holders having an aggregate principal amount of $5,000,000 or less, by check mailed to the Holders of these Securities and (ii) to Holders having an aggregate principal amount of more than $5,000,000, either by check mailed to each Holder or, upon application by a Holder to the Registrar not later than 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.

Additional Amounts. The Company shall pay to the Holders such Additional Amounts as may become payable under Section 12.09 of the Indenture.

Redemption For Tax Reasons. The Company may, at its option, redeem the Securities, in whole but not in part, for an amount equal to 100% of the Principal Amount of the Securities, plus accrued and unpaid interest (including Additional Amounts, if any), to, but excluding, the Redemption Date (the "**Redemption Price**"), if the Company has become or would become obligated to pay to the Holders Additional Amounts (which are more than a *de minimis* amount) as a result of any amendment or change occurring after May •, 2007 in the laws or any regulations of Canada or any Canadian political subdivision or taxing authority, or any change occurring after May •, 2007 in the interpretation or application of any such laws or regulations by any legislative body, court, governmental agency, taxing authority or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory or administrative determination); provided the Company cannot avoid these obligations by taking reasonable measures available to it and that it delivers to the Trustee an opinion of Canadian legal counsel specializing in taxation and an Officers' Certificate attesting to such change and obligation to pay Additional Amounts. The Company will not and will not cause any Paying Agent or the Trustee to deduct from such Redemption Price any amounts on account of, or in respect of, any Canadian Taxes other than Excluded Taxes (except in respect of certain Excluded Holders). In such event, the Company will give the Trustee and the Holders of the Securities not less than 30 days' nor more than 60 days' notice of this redemption, except that (i) the Company will not give notice of redemption earlier than 60 days prior to the earliest date on or from which it would be obligated to pay any such Additional Amounts, and (ii) at the time the Company gives the notice, the circumstances creating its obligation to pay such Additional Amounts remain in effect.

Upon receiving such notice of redemption, each Holder who does not wish to have the Company redeem its Securities pursuant to Article XIII of the Indenture can elect to (i) convert

its Securities pursuant to Article XVI of the Indenture or (ii) not have its Securities redeemed, provided that no Additional Amounts will be payable on any payment of interest or principal with respect to the Securities after such Redemption Date. All future payments will be subject to the deduction or withholding of any Canadian Taxes required to be deducted or withheld.

Where no such election is made, the Holder will have its Securities redeemed without any further action. If a Holder does not elect to convert its Securities pursuant to Article XVI of the Indenture but wishes to elect to not have its Securities redeemed, such Holder must deliver to the Company (if the Company is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the notice of redemption, a written Notice of Election (the "**Notice of Election**") on the back of this Security, or any other form of written notice substantially similar to the Notice of Election, in each case, duly completed and signed, so as to be received by the Paying Agent no later than the close of business on a Business Day at least five Business Days prior to the Redemption Date.

A Holder may withdraw any Notice of Election by delivering to the Company (if the Company is acting as its own Paying Agent), or to a Paying Agent designated by the Company in the notice of redemption, a written notice of withdrawal prior to the close of business on the Business Day prior to the Redemption Date.

If cash sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to 10:00 a.m., New York City time, on the Redemption Date, then on such Redemption Date, interest, including Additional Amounts, if any, cease to accrue on such Securities or portions thereof.

Repurchase of Securities at the Option of Holders. Securities shall be repurchased by the Company for cash, at the option of the Holder thereof, on June 15, 2012 (the "**Repurchase Date**") at a price equal to 100% of the Principal Amount of those Securities plus accrued but unpaid interest, to, but excluding, the Repurchase Date (the "**Repurchase Price**"), subject to satisfaction by or on behalf of the Holder of certain requirements set forth in this Security and in Article XIV of the Indenture. Subject to the satisfaction of certain conditions set forth in this Security and in Article XIV of the Indenture, the Company may elect to satisfy its obligation to pay the Repurchase Price, in whole or in part, by delivering Common Shares.

No less than 20 Business Days prior to the Repurchase Date, the Company shall mail a written notice of the repurchase right by first class mail to the Trustee and to each Holder, at their addresses shown in the register of the Registrar (and to beneficial owners as required by applicable law). The notice shall include a form of repurchase notice to be completed by the Holder.

A Holder may exercise its right specified herein upon delivery of a written notice of repurchase (a "**Repurchase Notice**") to the Paying Agent at any time during the period beginning at 9:00 a.m., New York City time, on the date that is 20 Business Days immediately preceding the Repurchase Date until 5:00 p.m., New York City time, on the Repurchase Date, stating: (i) the certificate number of the Security which the Holder will deliver to be repurchased or the appropriate Depositary procedures if physical securities have not been issued; (ii) the portion of the Principal Amount of the Security which the Holder will deliver to be repurchased,

which portion must be in Principal Amounts of $1,000 or an integral multiple of $1,000; and (iii) that such Security shall be repurchased by the Company as of the Repurchase Date pursuant to the terms and conditions specified in the Securities and in this Indenture.

Holders have the right to withdraw a Repurchase Notice by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

Offer to Purchase By the Company upon a Fundamental Change. In the event of a Fundamental Change with respect to the Company at any time prior to June 15, 2022, the Company will be required to make an offer to purchase (the "**Fundamental Change Purchase Offer**") all outstanding Securities at a purchase price equal to the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any (the "**Fundamental Change Purchase Price**"), up to, but excluding, the purchase date (the "**Fundamental Change Purchase Date**"). Subject to the satisfaction of certain conditions set forth in this Security and in Article XV of the Indenture, the Company will have the right to pay the Fundamental Change Purchase Price by delivering Common Shares, cash or a combination of Common Shares and cash, as set forth in the Indenture.

Within 30 Business Days after the occurrence of a Fundamental Change with respect to the Company, the Company shall mail to the Trustee and all Holders of the Securities at their addresses shown in the Security Register, and to beneficial owners of the Securities as may be required by applicable law, a notice (the "**Fundamental Change Notice**") of the occurrence of such Fundamental Change and the Fundamental Change Purchase Offer arising as a result thereof. The Company shall be required to purchase Securities in respect of which such offer is accepted by a Holder no later than 30 Business Days after a Fundamental Change Notice has been mailed.

To accept the Fundamental Change Purchase Offer, a Holder of Securities must deliver to the Company (if it is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the Fundamental Change Purchase Notice and the Trustee, on or before the close of business on the third Business Day immediately preceding the Fundamental Change Purchase Date, (i) written notice of acceptance of the Fundamental Change Purchase Offer in the form set forth in the Fundamental Change Purchase Offer Acceptance Notice on the back of this Security ("**Fundamental Change Purchase Notice**"), or any other form of written notice substantially similar to the Fundamental Change Purchase Notice, in each case, duly completed and signed, with appropriate signature guarantee, and (ii) such Securities that the Holder wishes to tender for purchase by the Company pursuant to the Fundamental Change Offer, duly endorsed for transfer to the Company.

Holders have the right to withdraw any Fundamental Change Purchase Notice by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

Conversion. Subject to and in compliance with the provisions of the Indenture (including without limitation the conditions of conversion of this Security set forth in Section 16.01 thereof), the Holder hereof has the right, at its option, to convert the Principal Amount hereof or any portion of such principal which is $1,000 or an integral multiple thereof, into, subject to Section

16.02 of the Indenture, Common Shares at the initial conversion rate of • Common Shares per $1,000 Principal Amount of Securities (the "**Conversion Rate**") (equivalent to a Conversion Price of $•), subject to adjustment in certain events described in the Indenture. Upon conversion of a Security, the Company will have the option to deliver Common Shares, cash or a combination of Common Shares and cash for the Securities surrendered, as set forth in the Indenture. No fractional shares will be issued upon any conversion, but an adjustment and payment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon the surrender of any Securities for conversion. The Trustee will initially act as Conversion Agent. A Holder may convert fewer than all of such Holder's Securities so long as the Securities converted are an integral multiple of US$1,000 principal amount.

[**INCLUDE IF SECURITY IS A GLOBAL SECURITY** – In the event of a deposit or withdrawal of an interest in this Security, including an exchange, transfer, repurchase or conversion of this Security in part only, the Trustee, as custodian of the Depositary, shall make an adjustment on its records to reflect such deposit or withdrawal in accordance with the rules and procedures of the Depositary.]

If an Event of Default shall occur and be continuing, the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate Principal Amount of the Outstanding Securities. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate Principal Amount of the Outstanding Securities, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities, the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity satisfactory to it, and the Trustee shall not have received from the Holders of a majority in Principal Amount of Outstanding Securities a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this

Security for the enforcement of any payment of said principal hereof on or after the respective due dates expressed herein or for the enforcement of any conversion right.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the Principal Amount, Redemption Price or Fundamental Change Purchase Price of, and interest, including Additional Amounts, if any, on, this Security at the times, place and rate, and in the coin, currency or shares, herein prescribed. Notwithstanding the foregoing, prior to the occurrence of a Fundamental Change, the Company may, with the consent of the holders of not less than a majority of the Securities, amend the obligation of the Company to repurchase Securities upon a Fundamental Change.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate Principal Amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form in denominations of $1,000 and any integral multiple of $1,000 above that amount, as provided in the Indenture and subject to certain limitations therein set forth. Securities are exchangeable for a like aggregate Principal Amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Security shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

If you want to assign this Security, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Security to:

____

____

____

(Print or type name, address and zip code and social security or tax ID number of assignee)

and irrevocably appoint ____________________ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: ____________________________ Signed: ____________________________

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: ____

Note: Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“**STAMP**”) or such other “signature guarantee program” as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

CONVERSION NOTICE

If you want to convert this Security into cash and, if applicable, Common Shares of the Company, check the box: o

To convert only part of this Security, state the Principal Amount to be converted (which must be $1,000 or an integral multiple of $1,000):

$ ______________________________

If you want the stock certificate and Securities (if any) to be delivered, made out in another person's name, fill in the form below:

____

(Insert other person's social security or tax ID no.)

____

____

(Print or type other person's name, address and zip code)

Date: ______________________________ Signed: ______________________________

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: ______________________________

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

FUNDAMENTAL CHANGE PURCHASE OFFER ACCEPTANCE NOTICE

If you elect to have this Security purchased by the Company pursuant to the applicable provisions of the Indenture, check the box: o

If you elect to have only part of this Security purchased by the Company, state the Principal Amount to be purchased (which must be $1,000 or an integral multiple of $1,000):

$________________________

The undersigned hereby accepts the Fundamental Change Purchase Offer pursuant to the applicable provisions of the Securities.

Date: ______________________________ Signed: ______________________________

(Sign exactly as your name appears on the other side of this Security) Signature Guarantee:

Signature Guarantee: ______________________________

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

If Certificated Securities have been issued, the certificate numbers shall be stated in this notice.

NOTICE OF ELECTION UPON TAX REDEMPTION

If you elect not to have this Security redeemed by the Company, check the box: o

If you elect to have only part of this Security redeemed by the Company, state the Principal Amount to be redeemed (which must be $1,000 or an integral multiple of $1,000):

$________________________

Date: ________________________ Signed: ________________________

(Sign exactly as your name appears on the other side of this Security) Signature Guarantee:

Signature Guarantee: ________________________

Note: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Section 2.04 Form Of Trustee's Certificate Of Authentication. This is one of the Securities referred to in the within-mentioned Indenture.

Dated: ______________________________	THE BANK OF NEW YORK,
	as Trustee
	By: ______________________________
	Authorized Signatory

ARTICLE III

THE SECURITIES

Section 3.01 Title; Amount And Issue Of Securities; Principal And Interest. The Securities shall be known and designated as the "•% Senior Subordinated Convertible Notes due 2022" of the Company. The aggregate Principal Amount of Securities that may be authenticated and delivered under this Indenture is initially limited to $•, except for Securities authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of other Securities pursuant to Sections 3.03, 3.04, 3.06, 3.07, 3.08, 11.06, 13.05, 15.04 and 16.01, provided that Additional Securities with the same terms and with the same CUSIP numbers as the Securities issued on the date of this Indenture may be issued in an unlimited aggregate principal amount from time to time thereafter pursuant to Section 3.03; *provided* that such Additional Securities must be part of the same issue as the Securities issued on the date of this Indenture for U.S. federal income tax purposes. The Principal Amount shall be payable on June 22, 2022, unless earlier converted, redeemed or purchased. The Securities and the Additional Securities, if any, will be treated as a single class for purposes of this Indenture, including waivers, amendments and redemptions.

The Securities shall bear interest at a rate of •% per year. Provided the Company has received payment for the Securities, interest on the Securities shall accrue from the Issue Date. Interest shall be payable semiannually in arrears on June 15 and December 15, beginning December 15, 2007. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months. Each rate of interest which is calculated with reference to a period (the "**Deemed Interest Period**") that is less than the actual number of days in the calendar year of calculation is, for the purposes of the Interest Act (Canada), equivalent to a rate based on a calendar year calculated by multiplying such number of days in the Deemed Interest Period. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed in the period.

The Principal Amount of Physical Securities shall be payable at the office or agency designated by the Company in the Borough of Manhattan, The City of New York initially the Corporate Trust Office at 101 Barclay Street, New York, New York 10286. Interest (including Additional Amounts, if any) on Physical Securities shall be payable (i) to Holders having an aggregate Principal Amount of $5,000,000 or less, by check mailed to the Holders of these Securities and (ii) to Holders having an aggregate Principal Amount of more than $5,000,000,

either by check mailed to each Holder or, upon application by a Holder to the Security 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 Security Registrar to the contrary.

A Holder of any Security at 5:00 p.m., New York City time, on a Regular Record Date shall be entitled to receive interest (including Additional Amounts, if any), on such Security on the corresponding Interest Payment Date. Holders of Securities after 5:00 p.m., New York City time, on a Regular Record Date will receive payment of interest (including Additional Amounts, if any) payable on the corresponding interest payment date notwithstanding the conversion of such Securities at any time after the close of business on such Regular Record Date. Securities surrendered for conversion during the period after 5:00 p.m., New York City time, on any Regular Record Date to 9:00 a.m., New York City time, on the corresponding interest payment date must be accompanied by payment of an amount equal to the interest (including Additional Amounts, if any) that the Holder is to receive on the Securities. Notwithstanding the foregoing, no such payment of interest (including Additional Amounts, if any) need be made by any converting Holder (i) if the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the corresponding interest payment date, (ii) if the Company has specified a Fundamental Change Purchase Date during such period, or (iii) to the extent of any overdue interest (including Additional Amounts, if any) existing at the time of conversion of such Security. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest, Additional Amounts on converted Securities will be payable by the Company on any interest payment date subsequent to the date of conversion and delivery of the cash and Common Shares, if applicable, pursuant to Article XVI hereunder, together with any cash payment for any fractional share, upon conversion will be deemed to satisfy the Company's obligation to pay the principal amount of the Securities and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the related Conversion Date.

Principal of and interest (including Additional Amounts, if any) on Global Securities shall be payable in immediately available funds to the Depository.

The indebtedness evidenced by the Securities is unsecured indebtedness of the Company and is (1) subordinate in right of payment to future unsubordinated indebtedness for the construction and development of the Brisas gold and copper project, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (2) subordinate to senior secured bank indebtedness in right of payment, and will be effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by us or any of our subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of our other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of our future subordinated debt. However, the indebtedness evidenced by the Securities will be 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.

Section 3.02 Denominations. The Securities shall be issuable only in registered form without coupons and in denominations of $1,000 and any integral multiple of $1,000 above that amount.

Section 3.03 Execution, Authentication, Delivery And Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its Chief Operating Officer, its Chief Financial Officer, one of its Vice Presidents, its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities. The Company Order shall specify the amount of Securities to be authenticated, and shall further specify the amount of such Securities to be issued as a Global Security or as Physical Securities. The Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 3.04 Temporary Securities. Pending the preparation of definitive Securities, the Company may execute, and upon receipt of the Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 12.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Principal Amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 3.05 Paying Agent; Registrar**.** The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "**Security Registrar**") and an office or agency where Securities may be presented to the Paying Agent for payment. The Company shall cause each of the Registrar and the Paying Agent to maintain an office or agency in the Borough of Manhattan, The City of New York. The Security Registrar shall keep a register of the Securities and of their transfer and exchange (the "**Securities Register**"). The Company may have one or more co-registrars and one or more additional paying agents. The term "**Paying Agent**" includes any additional paying agent and the term "**Securities Registrar**" includes any co-registrar.

The Company initially appoints the Trustee as the Paying Agent and the Security Registrar. The Company may, however, change the Paying Agent or Security Registrar without prior notice to the Holders, and the Company may act as the Paying Agent and Security Registrar.

Section 3.06 Registration Of Transfer And Exchange.

(a) Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 12.02 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate Principal Amount and tenor, each such Security bearing such restrictive legends as may be required by this Indenture (including Section 2.02).

At the option of the Holder and subject to the other provisions of this Section 3.06, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate Principal Amount and tenor, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04 and Section 11.06 not involving any transfer.

The Company shall not be required to exchange or register a transfer of any Security (i) that has been surrendered for conversion or (ii) as to which a Fundamental Change Purchase Notice has been delivered and not withdrawn, except, where such Fundamental Change Purchase Notice provides that such Security is to be purchased only in part, the Company shall be required to exchange or register a transfer of the portion thereof not to be purchased.

(b) Neither the Trustee nor any of its agents shall (i) have any duty to monitor compliance with or with respect to any federal or state or other securities or tax laws or (ii) have any duty to obtain documentation on any transfers or exchanges other than as specifically required hereunder.

***Section 3.07 Mutilated, Destroyed, Lost And Stolen Securities*.** If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and Principal Amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and Principal Amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

***Section 3.08 Persons Deemed Owners*.** Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 3.09 Book-Entry Provisions For Global Securities.

(a) The Global Securities initially shall (i) be registered in the name of the Depositary or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for the Depositary and (iii) bear the legend as set forth on the face of the form of Security in Section 2.02.

Members of, or participants in, the Depositary ("**Agent Members**") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of any Holder.

(b) Transfers of the Global Securities shall be limited to transfers in whole, but not in part, to the Depositary, its successors or their respective nominees. Physical Securities shall be transferred to beneficial owners in exchange for their beneficial interests in the Global Securities only if (A) such Depositary has notified the Company (or the Company becomes aware) that the Depositary (i) is unwilling or unable to continue as Depositary for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act when the Depositary is required to be so registered to act as such Depositary and, in both such cases, no successor Depositary shall have been appointed within 90 days of such notification or of the Company becoming aware of such event, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security and the Outstanding Securities shall have become due and payable pursuant to Section 7.02 and any Holder requests that Physical Securities be issued or (C) the Company has determined in its sole discretion that the Securities shall no longer be represented by Global Securities.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in the Global Security to beneficial owners pursuant to paragraph (b), the Security Registrar shall (if one or more Physical Securities are to be issued) reflect on its books and records the date and a decrease in the Principal Amount of the Global Security in an amount equal to the Principal Amount of the beneficial interest in the Global Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Physical Securities of like tenor and amount.

(d) In connection with the transfer of the entire Global Security to beneficial owners pursuant to paragraph (b), the Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the Global Security, an equal aggregate Principal Amount of Physical Securities of authorized denominations and the same tenor.

(e) The Holder of the Global Securities may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

Section 3.10 Cancellation**.** The Company at any time may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold. The Trustee shall cancel and dispose of all Securities surrendered for registration of transfer, exchange, payment, purchase, redemption, conversion (pursuant to Article XVI hereof) or cancellation in accordance with its customary practices. If the Company shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation. The Company may not issue new Securities to replace Securities it has paid in full or delivered to the Trustee for cancellation.

Section 3.11 Defaulted Interest*.*

Any interest on any Security which is payable, but is not paid when the same becomes due and payable and such nonpayment continues for a period of 30 days, shall forthwith cease to be payable to the Holder on the Regular Record Date, and such defaulted interest and (to the extent lawful) interest on such defaulted interest at the rate set forth in Section 12.01 (such defaulted interest and interest thereon herein collectively called "**Defaulted Interest**") shall be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date (not less than 30 days after such notice) of the proposed payment (the "**Special Interest Payment Date**"), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a record date (the "**Special Record Date**") for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the Special Interest Payment Date and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date, and in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Interest Payment Date therefor to be given in the manner provided for in Section 15.02, not less than 10 days prior to such Special Record Date.

Notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Interest Payment Date therefor having been so given, such Defaulted Interest shall be paid on the Special Interest Payment Date to the Persons in whose names the Securities (or their respective predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 3.11, each Security delivered under this Indenture upon registration of, transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.12 CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice and that reliance may be placed only on the other identification numbers printed on the Securities, and any such notice shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

Section 3.13 Limitation on Layering. The Company shall not incur any indebtedness that is contractually senior in right of payment to the Securities and contractually subordinate in right of payment to any other indebtedness of the Company, other than any Senior Secured Bank Indebtedness that may be subordinate in right of payment to the Project Indebtedness.

Section 3.14 Sinking Fund. The Securities shall not have the benefit of a sinking fund.

ARTICLE IV

SUBORDINATION

Section 4.01 Securities Subordinated to Project Indebtedness and Senior Secured Bank Indebtedness. The Company agrees, and each Holder, by such Holder's acceptance thereof, likewise agrees, that the indebtedness represented by the Securities is hereby expressly subordinated and junior, to the extent and in the manner set forth in this Article IV, in right of payment to the prior payment in full of the Project Indebtedness and Senior Secured Bank Indebtedness and any guarantee relating to the Project Indebtedness and Senior Secured Bank Indebtedness. Only the Project Indebtedness and the Senior Secured Bank Indebtedness (and any related guarantees) shall rank senior to the Securities in accordance with the provisions set forth herein. The Notes shall in all respects rank *pari passu* with all other existing and future unsecured and unsubordinated indebtedness of the Company and rank senior in right of payment to all future subordinated debt of the Company.

(a) In the event of any distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company, whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshaling of the assets and liabilities of the Company or otherwise, the holders of all Project Indebtedness and Senior Secured Bank Indebtedness shall be entitled first to receive payment of the full amount due thereon in respect of all such Project Indebtedness and Senior Secured Bank Indebtedness and all other amounts due or provision shall be made for such amount in cash, or other payments satisfactory to the holders of Project Indebtedness and Senior Secured Bank Indebtedness, before the Holders are entitled to receive any payment or distribution of any character, whether in cash, securities or other property, on account of the principal of or interest on the indebtedness evidenced by the Securities.

(b) In the event of any acceleration of maturity of the Securities because of an Event of Default, unless the full amount due in respect of all Project Indebtedness and Senior Secured Bank Indebtedness is paid in cash or other form of payment satisfactory to the holders of Project Indebtedness and Senior Secured Bank Indebtedness, no payment shall be made by the Company with respect to the principal of, or interest on, the Securities or to acquire any of the Securities, and the Company shall give prompt written notice of such acceleration to such holders of Project Indebtedness and Senior Secured Bank Indebtedness.

(c) In the event of and during the continuance of any default in payment of the Project Indebtedness or Senior Secured Bank Indebtedness, unless all such payments due in respect of such Project Indebtedness and Senior Secured Bank Indebtedness have been paid in full in cash or other payments satisfactory to the holders of Project Indebtedness and Senior Secured Bank Indebtedness, no payment shall be made by the Company with respect to the principal of or interest on the Securities or to acquire any of the Securities. The Company shall give prompt written notice to the Trustee of any default under any Project Indebtedness and Senior Secured Bank Indebtedness or under any agreement pursuant to which Project Indebtedness and Senior Secured Bank Indebtedness may have been issued.

(d) During the continuance of any event of default with respect to any Project Indebtedness and Senior Secured Bank Indebtedness, as such event of default is defined under such Project Indebtedness and Senior Secured Bank Indebtedness or in any agreement pursuant to which any Project Indebtedness and Senior Secured Bank Indebtedness has been issued (other than a default in payment of the principal of or interest on any Project Indebtedness and Senior Secured Bank Indebtedness), permitting the holder or holders of such Project Indebtedness and Senior Secured Bank Indebtedness to accelerate the maturity thereof, no payment shall be made by the Company, directly or indirectly, with respect to principal of, or interest on, the Securities for 179 days following notice in writing (a "***Payment Blockage Notice***") to the Company, from any holder or holders of such Project Indebtedness and Senior Secured Bank Indebtedness or their representative or representatives or the trustee or trustees under any indenture or under which any instrument evidencing any such Project Indebtedness and Senior Secured Bank Indebtedness may have been issued, that such an event of default has occurred and is continuing, unless such event of default has been cured or waived or such Project Indebtedness and Senior Secured Bank Indebtedness has been paid in full; provided, however, if the maturity of such Project Indebtedness and Senior Secured Bank Indebtedness is accelerated, no payment may be made on the Securities until such Project Indebtedness and Senior Secured Bank Indebtedness

has been paid in full in cash or other payment satisfactory to the holders of such Project Indebtedness and Senior Secured Bank Indebtedness or such acceleration (or termination, in the case of a lease) has been cured or waived.

For purposes of this Section 4.01(d), such Payment Blockage Notice shall be deemed to include notice of all other events of default under such indenture or instrument which are continuing at the time of the event of default specified in such Payment Blockage Notice. The provisions of this Section 4.01(d) shall apply only to one such Payment Blockage Notice given in any period of 365 days with respect to any issue of Project Indebtedness and Senior Secured Bank Indebtedness, and no such continuing event of default that existed or was continuing on the date of delivery of any Payment Blockage Notice shall be, or shall be made, the basis for a subsequent Payment Blockage Notice.

(e) In the event that, notwithstanding the foregoing provisions of Section 4.01(a), (b), (c) and (d), any payment on account of principal of or interest on the Securities shall be made by or on behalf of the Company and received by the Trustee, by any Holder or by any Paying Agent (or, if the Company is acting as its own Paying Agent, money for any such payment shall be segregated and held in trust):

(i) after the occurrence of an event specified in Section 4.01(a) or Section 4.01(b), then, unless all Project Indebtedness and Senior Secured Bank Indebtedness is paid in full in cash, or provision shall be made therefor,

(ii) after the happening of an event of default of the type specified in Section 4.01(c) above, or

(iii) after the happening of an event of default of the type specified in Section 4.01(d) above and delivery of a Payment Blockage Notice,

then, unless the amount of such Project Indebtedness and Senior Secured Bank Indebtedness then due shall have been paid in full, or provision made therefor or such event of default shall have been cured or waived, such payment (subject, in each case, to the provisions of Section 4.07 hereof) shall be held in trust for the benefit of, and shall be immediately paid over to, the holders of Project Indebtedness and Senior Secured Bank Indebtedness or their representative or representatives or the trustee or trustees under any indenture under which any instruments evidencing any of the Project Indebtedness and Senior Secured Bank Indebtedness may have been issued, as their interests may appear.

Section 4.02 Subrogation. Subject to the payment in full of all Project Indebtedness and Senior Secured Bank Indebtedness to which the indebtedness evidenced by the Securities is in the circumstances subordinated as provided in Section 4.01 hereof and the agreements of the holders of any Project Indebtedness and Senior Secured Bank Indebtedness, the Holders shall be subrogated to the rights of the holders of such Project Indebtedness and Senior Secured Bank Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Project Indebtedness and Senior Secured Bank Indebtedness until all amounts owing on the Securities shall be paid in full, and, as between the Company, its creditors other than holders of such Project Indebtedness and Senior Secured Bank Indebtedness, and the

Holders, no such payment or distribution made to the holders of Project Indebtedness and Senior Secured Bank Indebtedness by virtue of this Article IV which otherwise would have been made to the holders of the Securities shall be deemed to be a payment by the Company on account of such Project Indebtedness and Senior Secured Bank Indebtedness, provided that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of Project Indebtedness and Senior Secured Bank Indebtedness, on the other hand.

Section 4.03 Obligation of the Company is Absolute and Unconditional. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Project Indebtedness and Senior Secured Bank Indebtedness, and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the Holders the principal of, and interest on, the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Company other than the holders of Project Indebtedness and Senior Secured Bank Indebtedness, nor shall anything contained herein or therein prevent the Trustee or the Holders from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article IV of the holders of Project Indebtedness and Senior Secured Bank Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Section 4.04 Maturity of or Default on Project Indebtedness and Senior Secured Bank Indebtedness. Upon the maturity of any Project Indebtedness and Senior Secured Bank Indebtedness by lapse of time, acceleration or otherwise, all principal of or premium, if any, or interest on, rent or other payment obligations in respect of all such matured Project Indebtedness and Senior Secured Bank Indebtedness shall first be paid in full, or such payment shall have been duly provided for, before any payment on account of principal or interest is made upon the Securities.

Section 4.05 Payments on Securities Permitted. Except as expressly provided in this Article IV, nothing contained in this Article IV shall affect the obligation of the Company to make, or prevent the Company from making, payments of the principal of or interest on the Securities in accordance with the provisions hereof and thereof, or shall prevent the Trustee or any Paying Agent from applying any moneys deposited with it hereunder to the payment of the principal of or interest on the Securities.

Section 4.06 Effectuation of Subordination by Trustee. Each Holder, by such Holder’s acceptance thereof, authorizes and directs the Trustee on such Holder’s behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article IV and appoints the Trustee such Holder’s attorney-in-fact for any and all such purposes.

Upon any payment or distribution of assets of the Company referred to in this Article IV, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any such dissolution, winding up, liquidation or reorganization proceedings affecting the affairs of the Company is pending or upon a certificate of the trustee in bankruptcy, receiver, assignee for the benefit of creditors, liquidating trustee or

agent or other Person making any payment or distribution, delivered to the Trustee or to the Holders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, and as to other facts pertinent to the right of such Persons under this Article IV, and if such evidence is not furnished, the Trustee may defer any payment to such Persons pending judicial determination as to the right of such Persons to receive such payment.

Section 4.07 Knowledge of Trustee. Notwithstanding the provision of this Article IV or any other provisions of this Indenture, the Trustee shall not be charged with knowledge of the existence of any Project Indebtedness or Senior Secured Bank Indebtedness, of any default in payment of principal of or interest on, rent or other payment obligation in respect of any Project Indebtedness and Senior Secured Bank Indebtedness, or of any facts which would prohibit the making of any payment of moneys to or by the Trustee, or the taking of any other action by the Trustee, unless a Responsible Officer of the Trustee having responsibility for the administration of the trust established by this Indenture shall have received written notice thereof from the Company, any Holder, any Paying Agent of the Company or the holder or representative of any class of Project Indebtedness and Senior Secured Bank Indebtedness, and, prior to the receipt of any such written notice, the Trustee shall be entitled in all respects to assume that no such default or facts exist; provided, however, that unless on the third Business Day prior to the date upon which by the terms hereof any such moneys may become payable for any purpose the Trustee shall have received the notice provided for in this Section 4.07, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such moneys and apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date.

Section 4.08 Trustee's Relation to Project Indebtedness and Senior Secured Bank Indebtedness. The Trustee shall be entitled to all the rights set forth in this Article IV with respect to any Project Indebtedness and Senior Secured Bank Indebtedness at the time held by it, to the same extent as any other holder of Project Indebtedness and Senior Secured Bank Indebtedness and nothing contained in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Project Indebtedness and Senior Secured Bank Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of Project Indebtedness and Senior Secured Bank Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Project Indebtedness and Senior Secured Bank Indebtedness and the Trustee shall not be liable to any holder of Project Indebtedness and Senior Secured Bank Indebtedness if it shall pay over or deliver to Holders, the Company or any other Person moneys or assets to which any holder of Project Indebtedness and Senior Secured Bank Indebtedness shall be entitled by virtue of this Article or otherwise.

Section 4.09 Rights of Holders of Project Indebtedness and Senior Secured Bank Indebtedness Not Impaired. No right of any present or future holder of any Project Indebtedness and Senior Secured Bank Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Section 4.10 Modification of Terms of Project Indebtedness and Senior Secured Bank Indebtedness. Any renewal or extension of the time of payment of any Project Indebtedness or Senior Secured Bank Indebtedness (including renewals or extensions of certain guarantees) or the exercise by the holders of Project Indebtedness or Senior Secured Bank Indebtedness of any of their rights under any instrument creating or evidencing Project Indebtedness or Senior Secured Bank Indebtedness, including without limitation the waiver of default thereunder, may be made or done all without notice to or assent from the Holders or the Trustee.

No compromise, alteration, amendment, modification, extension, renewal or other change of, or waiver, consent or other action in respect of, any liability or obligation under or in respect of, or of any of the terms, covenants or conditions of any indenture or other instrument under which any Project Indebtedness or Senior Secured Bank Indebtedness is outstanding or of such Project Indebtedness or Senior Secured Bank Indebtedness, whether or not such release is in accordance with the provisions or any applicable document, shall in any way alter or affect any of the provisions of this Article IV or of the Securities relating to the subordination thereof.

ARTICLE V

OPTIONAL REDEMPTION

Section 5.01 Company's Right to Redeem; Notices to Trustee.

(a) At any time on or after June 16, 2010, and until June 15, 2012 the Company may redeem the Securities, in whole or in part, for cash at a Redemption Price equal to 100% of the Principal Amount being redeemed plus accrued and unpaid interest, to but excluding the Redemption Date, if the closing sale price of the Common Shares is equal to or greater than 150% of the Conversion Price then in effect for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the Trading Day prior to the date of mailing of the Notice of Redemption.

(b) Beginning on June 16, 2012 the Company may, at its option, redeem all or part of the Securities for cash at a Redemption Price equal to 100% of the Principal Amount being redeemed plus accrued and unpaid interest, to but excluding the Redemption Date.

(c) If the Company elects to redeem Securities, it shall notify the Trustee in writing of the Redemption Date, the Principal Amount of Securities to be redeemed, the Conversion Price and the Redemption Price payable on the Redemption Date. The Company shall give such notice to the Trustee in accordance with Section 3.03.

(d) In connection with any redemption, the Company shall furnish to the Trustee an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, to the redemption have been complied with.

Section 5.02 Selection of Securities to Be Redeemed. If fewer than all of the outstanding Securities are to be redeemed, the Trustee shall, upon 15 days' prior notice from the Company (unless the Trustee consents to a shorter period), select the Securities to be redeemed in Principal Amounts of $1,000 or integral multiples thereof. The Trustee may select the Securities by lot, pro rata or by any other method the trustee considers fair and appropriate or in any manner required by the Depositary.

If a portion of a Holder's Securities is selected for partial redemption and the Holder thereafter surrenders a portion of such Securities for conversion before termination of the conversion right with respect to the portion of the Security so selected for redemption, the portion of such Security surrendered for conversion shall be deemed (so far as may be), solely for purposes of determining the aggregate Principal Amount of Securities to be redeemed by the Company, to be the portion selected for redemption.

Securities which have been converted during a selection of Securities to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection. Nothing in this Section 5.02 shall affect the right of any Holder to convert any Security pursuant to Article XVI before the termination of the conversion right with respect thereto.

Section 5.03 Notice of Redemption.

(a) At least 30 days but not more than 60 days before a Redemption Date, the Company shall provide a notice of redemption (a "**Notice of Redemption**") to the Trustee and to each Holder of Securities to be redeemed at such Holder's address kept by the Registrar.

(b) The Notice of Redemption shall identify the Securities to be redeemed and shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) the applicable Conversion Rate as of the Trading Day prior to the date of the mailing of the Notice of Redemption;

(iv) the name and address of the Paying Agent and the Conversion Agent;

(v) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(vi) that the Securities called for redemption may be converted at any time before the close of business on the second Business Day prior to the Redemption Date;

(vii) that Holders who wish to convert Securities must comply with the procedures in Section 11.02;

(viii) that, unless the Company defaults in making payment of the Redemption Price for the Securities called for redemption, interest on the Securities will cease to accrue on and after the Redemption Date and the only remaining right of the Holder will be to receive payment of the Redemption Price upon presentation and surrender to the Paying Agent of the Securities;

(ix) if fewer than all the outstanding Securities are to be redeemed, the certificate number and Principal Amounts of the particular Securities to be redeemed; and

(x) the CUSIP number or numbers for the Securities called for redemption.

(c) At the Company's request, the Trustee shall give the Notice of Redemption in the Company's name and at the Company's expense.

Section 5.04 Effect of Notice of Redemption. Once a Notice of Redemption is given by the Company, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in such notice, except for Securities that are converted in accordance with the provisions of Section 11.02. Upon their presentation and surrender to the Paying Agent, Securities called for redemption shall be paid at the Redemption Price. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

Section 5.05 Deposit of Redemption Price. Prior to 10:00 a.m. (New York City time) on the Redemption Date, the Company shall deposit with the Paying Agent (or, if the Company or an Affiliate of the Company is acting as the Paying Agent, shall segregate and hold in trust) an amount of money sufficient to pay the aggregate Redemption Price of all the Securities to be redeemed on the Redemption Date other than the Securities or portions thereof called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Trustee and the Paying Agent shall, as promptly as practicable, return to the Company any money not required to pay the aggregate Redemption Price because of conversion of the Securities in accordance with the provisions of Section 11.02. If such money is then held by the Company or an Affiliate of the Company in trust and is not required for such purpose, it shall be discharged from such trust.

Section 5.06 No Redemption Upon Acceleration. Notwithstanding the foregoing, the Company may not redeem the Securities if the principal amount of Securities has been accelerated, and such acceleration has not been rescinded, on or prior to such Redemption Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Redemption Price with respect to such Securities).

Section 5.07 Partial Redemption Qualifications. In the event of any redemption of the Securities in part, the Company will not be required to:

(a) issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before any selection of Securities for redemption and ending at the close of business on the earliest date on which the relevant Notice of Redemption is deemed to have been given to all Holders of Securities to be so redeemed, or

(b) register the transfer of or exchange any Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

ARTICLE VI

SATISFACTION AND DISCHARGE

***Section 6.01 Satisfaction And Discharge Of Indenture*.** This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either:

(i) all Securities theretofore authenticated and delivered (other than (A) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.07 and (B) Securities for whose payment money has theretofore been deposited with the Trustee in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust as provided in Section 12.03) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness evidenced by such Securities not theretofore delivered to the Trustee for cancellation;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 8.07 and, if money shall have been deposited with the Trustee pursuant to subclause (ii) of clause (a) of this Section 6.01, the obligations of the Trustee under Section 6.02 and the last paragraph of Section 12.03 shall survive such satisfaction and discharge.

***Section 6.02 Application Of Trust Money*.** Subject to the provisions of the last paragraph of Section 12.03, all money deposited with the Trustee pursuant to Section 6.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of

the principal and interest (including Additional Amounts, if any), for whose payment such money has been deposited with the Trustee.

ARTICLE VII

REMEDIES

Section 7.01 Events Of Default. "**Event of Default**", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of the Principal Amount, Redemption Price, Repurchase Price or Fundamental Change Purchase Price on any Security when it becomes due and payable;

(b) default in the payment of interest, Additional Amounts, if any, upon any Security, when such amounts become due and payable, and continuance of such default for a period of 30 days;

(c) default in the performance of any covenant, agreement or condition of the Company in this Indenture or the Securities (other than a default specified in Section 7.01(a) or (b), and continuance of such default for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate Principal Amount of the Outstanding Securities a written notice specifying such default and requiring it to be remedied and stating that such notice is a "**Notice of Default**" hereunder;

(d) failure by the Company to convert Securities into Common Shares and/or for cash at the Company's election upon exercise of a Holder's conversion right and such failure continues for 5 Business Days or more;

(e) default in the payment of any indebtedness (other than indebtedness that is non-recourse to the Company or its subsidiaries) for borrowed money by the Company or any of its Subsidiaries (all or substantially all of the outstanding voting securities of which are owned, directly or indirectly, by the Company) in an outstanding principal amount in excess of $15,000,000 when such amounts become due at final maturity or upon acceleration, and such indebtedness is not discharged, or such default in payment or acceleration is not cured or rescinded within the period specified in such instrument;

(f) the rendering of a final judgment or judgments (not subject to appeal and not covered by insurance) against the Company or any of its Subsidiaries in excess of $15,000,000 which remains unstayed, undischarged or unbonded for a period of 60 days;

(g) failure by the Company to give notice of a Fundamental Change as set forth in Section 15.01(b).

(h) failure by the Company to comply with its obligations under Article X;

(i) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company or any of its Subsidiaries of a voluntary case or proceeding under any applicable U.S. or Canadian Federal, State or Provincial bankruptcy, insolvency, reorganization or other similar law (other than in the case of a transaction set out in Sections 10.01 or 16.01) or (ii) a decree or order adjudging the Company as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable U.S. or Canadian Federal, State or Provincial law (other than in the case of a transaction set out in Sections 10.01 or 16.01) or (iii) appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other appointment, decree or order unstayed and in effect for a period of 60 consecutive days; or

(j) the commencement by the Company or any of its Subsidiaries of a voluntary case or proceeding under any applicable U.S. or Canadian Federal, State or Provincial bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable U.S. or Canadian Federal, State or Provincial bankruptcy, insolvency, reorganization or other similar law (other than in the case of a transaction set out in Sections 10.01 or 16.01) or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable U.S. or Canadian Federal, State or provincial law (other than in the case of a transaction set out in Sections 10.01 or 16.01), or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors.

Section 7.02 Acceleration Of Maturity; Rescission And Annulment.

(a) If an Event of Default (other than those specified in Section 7.01(i) and Section 7.01(j) with respect to the Company) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities may declare the Principal Amount plus accrued and unpaid interest, including Additional Amounts, if any, on all the Outstanding Securities to be immediately due and payable, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, shall become immediately due and payable.

Notwithstanding the foregoing, in the case of an Event of Default specified in Section 7.01(i) and Section 7.01(j) with respect to the Company, the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, on all Outstanding Securities will *ipso facto* become due and payable without any declaration or other Act on the part of any Holder or the Trustee.

(b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article VII provided, the Holders of a majority in aggregate Principal Amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, Redemption Price, Repurchase Price or Fundamental Change Purchase Price, as applicable, on any Securities which have become due otherwise than by such declaration of acceleration, and interest on any such amounts that are overdue at the rate of 1.00% per annum from the required payment date, and

(B) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.07; and

(ii) all Events of Default, other than the non-payment of the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, on Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 7.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

***Section 7.03 Other Remedies*.** If an Event of Default occurs and is continuing, the Trustee may, but shall not be obligated to, pursue any available remedy to collect the payment of the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, on the Securities or to enforce the performance of any provision of the Securities or this Indenture. The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

***Section 7.04 Collection Of Indebtedness And Suits For Enforcement By Trustee*.** The Company covenants that if:

(a) default is made in the payment of any interest on any Security when such amounts become due and payable, and such default continues for a period of 30 days, or

(b) default is made in the payment of the Principal Amount plus accrued but unpaid interest, including Additional Amounts, if any, at the Stated Maturity thereof or in the payment of the Redemption Price, Repurchase Price or Fundamental Change Purchase Price in respect of any Security,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 7.05 Trustee May File Proofs Of Claim. In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 8.07.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 7.06 Application Of Money Collected. Any money collected by the Trustee pursuant to this Article VII shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money to Holders, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 8.07; and

SECOND: To the payment of the amounts then due and unpaid on the Securities for the Principal Amount, Redemption Price, Repurchase Price, Fundamental Change Purchase Price or interest, including Additional Amounts, if any, as the case may be, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities.

THIRD: To the Company.

Section 7.07 Limitation On Suits. No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the

appointment of a receiver or trustee, or for any other remedy hereunder (other than in the case of an Event of Default specified in Section 7.01(a) or Section 7.01(b)), unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Holders of not less than 25% in aggregate Principal Amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate Principal Amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Section 7.08 Unconditional Right Of Holders To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Principal Amount, Redemption Price, Repurchase Price, Fundamental Change Purchase Price or interest, including Additional Amounts, if any, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or on or after any Redemption Date, Repurchase Date or Fundamental Change Purchase Date, as applicable, and to convert the Securities in accordance with Article XVI hereof, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder. For purposes of clarification, prior to the occurrence of a Fundamental Change, the provisions relating to the right to receive payment upon a Fundamental Change Purchase Date may be modified in the manner set forth in Section 11.02.

Section 7.09 Restoration Of Rights And Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

***Section 7.10 Rights And Remedies Cumulative*.** Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.07, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

***Section 7.11 Delay Or Omission Not Waiver*.** No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article VII or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

***Section 7.12 Control By Holders*.** The Holders of a majority in Principal Amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, *provided* that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture; and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

***Section 7.13 Waiver Of Past Defaults*.** The Holders of not less than a majority in Principal Amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past Default hereunder and its consequences, except a Default:

(a) described in Section 7.01(a) or Section 7.01(b); or

(b) in respect of a covenant or provision hereof which under Article XI cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

***Section 7.14 Undertaking For Costs*.** In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, in either case in respect of the Securities, a court may require any party litigant in such suit to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorney’s fees and expenses, against any party litigant in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders,

holding in the aggregate more than 10% in Principal Amount of the Outstanding Securities, or to any suit instituted by any Holder for the enforcement of the payment of the Principal Amount or accrued but unpaid interest, including Additional Amounts, if any, on any Security on or after the Stated Maturity of such Security or the Redemption Price, Repurchase Price or Fundamental Change Purchase Price.

Section 7.15 Waiver Of Stay Or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay, or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Certain Duties And Responsibilities. The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act and as set forth herein. In case an Event of Default with respect to the Securities has occurred (which has not been cured or waived), the Trustee shall exercise the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person’s own affairs. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. Except during the continuance of an Event of Default, the Trustee need perform only those duties as are specifically set forth in this Indenture and no duties, covenants or obligations of the Trustee shall be implied in this Indenture. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.02 Notice Of Defaults. The Trustee shall give the Holders notice of any Default hereunder within 90 days after the occurrence thereof or, if later, within 15 days after it is known to the Trustee, unless such Default shall have been cured or waived before the giving of such notice; *provided*, that (except in the case of any Default in the payment of Principal Amount, interest, including Additional Amounts, if any, on any of the Securities, Redemption Price, Repurchase Price or Fundamental Change Purchase Price), the Trustee shall be protected in withholding such notice if and so long as a trust committee of directors or trustees and/or a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities.

Section 8.03 Certain Rights Of Trustee. Subject to the provisions of Section 8.01:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report,

notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any willful misconduct or gross negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Securities unless either (i) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default shall have been given to the Trustee by the Company or any other obligor on such Securities or by any Holder of such Securities;

(i) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder;

(k) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded; and

(l) in no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 8.04 Not Responsible For Recitals. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 8.05 May Hold Securities. The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Section 8.08 and Section 8.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 8.06 Money Held In Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

Section 8.07 Compensation And Reimbursement. The Company agrees:

(a) to pay to the Trustee (which for purposes of this Section 8.07(a) shall include its officers, directors, employees and agents) from time to time such compensation for all services rendered by it hereunder as the Company and the Trustee shall from time to time agree in writing (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or bad faith;

(c) to indemnify the Trustee (including when acting as Conversion Agent) and any predecessor Trustee for, and to hold it harmless against, any loss, liability, claim, damage or expense including taxes (other than taxes based upon, measured by or determined by the income of the Trustee) incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether assessed by the Company, by any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder; and

(d) the Trustee shall notify the Company promptly of any claim asserted against it. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations under this Section 8.07. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may at its option have separate counsel of its own choosing and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its written consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 8.07 shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture. To secure the Company's payment obligations in this Section 8.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on the Securities. Such lien shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture. When the Trustee incurs expenses or renders services after a Default or an Event of Default specified in Section 7.01(i) and Section 7.01(j) hereof occurs, the expenses and the compensation for the services (including, the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under United States Code, Title 11 or any other similar foreign, federal or state law for the relief of debtors.

Section 8.08 Disqualification; Conflicting Interests. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 8.09 Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VIII.

Section 8.10 Resignation And Removal; Appointment Of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article VIII shall become effective until the acceptance of appointment by the successor Trustee under Section 8.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction at the expense of the Trustee for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in Principal Amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the notice of removal, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 8.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 8.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or

(iv) a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company by a Company Order may remove the Trustee, or (B) subject to Section 7.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Company Order, shall promptly appoint a successor Trustee. If no successor Trustee shall have been so appointed by the Company and accepted appointment in the manner hereinafter provided within 30 days of such resignation, removal, incapability or vacancy, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in

Section 1.06. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

(g) If a Trustee is removed with or without cause, all fees and expenses (including the reasonable fees and expenses of counsel) of the Trustee incurred in the administration of the trust or in the performance of the duties hereunder prior to such removal shall be paid to the Trustee.

Section 8.11 Acceptance Of Appointment By Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article VIII.

Section 8.12 Merger, Conversion, Consolidation Or Succession To Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, *provided* such corporation shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 8.13 Preferential Collection Of Claims Against. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE IX

REPORTS BY TRUSTEE

Section 9.01 Preservation Of Information; Communications To Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 12.07 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 12.07 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 9.02 Reports By Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than December 15 in each calendar year, commencing in December 15, 2007. Each such report shall be dated as of a date not more than 60 days prior to the date of transmission.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company shall notify the Trustee promptly (and in any event within 10 days) whenever the Securities become listed on any stock exchange or of any delisting thereof.

ARTICLE X

CONSOLIDATION, MERGER, CONVEY, TRANSFER OR LEASE

Section 10.01 Company May Consolidate, Etc., Only On Certain Terms. The Company shall not, without the consent of any Holder of Securities, amalgamate, consolidate or combine with or merge with or into any other Person or sell, transfer or lease all or substantially all of its properties and assets, substantially as an entirety to another Person, unless:

(a) the resulting, surviving or transferee Person (the "**Successor Company**") shall be a corporation, partnership, limited liability company or trust organized and existing under the laws of the United States of America, any State thereof, Puerto Rico, the District of Columbia or the laws of Canada or any province or territory thereunder, and the Successor Company (if not the Company) shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(b) the Trustee is satisfied that the transaction will not result in the Successor Company being required to make any deduction or withholding on account of Canadian Taxes from any payments in respect of the Securities;

(c) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(d) the Company or the Successor Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such amalgamation, consolidation, merger or transfer, and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the provisions of this Indenture, including this Article X and Article XI.

Section 10.02 Successor Substituted. The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, but, in the case of a sale, transfer or lease of substantially all its assets that results in the sale, assignment, conveyance, transfer or other disposition or assets constituting or accounting for less than 95% of the Company's consolidated assets, revenue or net income (loss), the Company will not be released from the obligation to pay the principal of and interest on the Securities.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 11.01 Supplemental Indentures Without Consent Of Holders. Without the consent of any Holder, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may amend, modify or supplement this Indenture or the Securities, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(b) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(c) to provide for a successor Trustee with respect to the Securities; or

(d) to add any additional Events of Default with respect to the Securities; or

(e) to cure any ambiguity or defect, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, *provided* that such action pursuant to this clause (e) shall not adversely affect the interests of the Holders in any material respect; or

(f) to secure the Securities; or

(g) to reduce the Conversion Price; *provided, however*, that such reduction in the Conversion Price is in accordance with the terms of this Indenture or shall not adversely affect the interests of the Holders of Securities (after taking into account tax and other consequences of such reduction) in any material respect; or

(h) to supplement any of the provisions of the Indenture to such extent as shall be necessary to permit or facilitate the discharge of the Securities; *provided, however* that such change or modification does not adversely affect the interests of the Holders of the Securities in any material respect; or

(i) to add or modify any other provisions herein with respect to matters or questions arising hereunder which the Company and the Trustee may deem necessary or desirable and which would not reasonably be expected to adversely affect the interests of the Holders of Securities in any material respect; or

(j) to conform this Indenture or the Securities to the description thereof under the caption "Description of Notes" in the Prospectus; or

(k) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities any property or assets; or

(l) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act.

Section 11.02 Supplemental Indentures With Consent Of Holders.

(a) With the consent of the Holders of not less than a majority in Principal Amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(i) extend the fixed Maturity of any Security; or

(ii) reduce the Principal Amount of or reduce the interest rate on or extend the stated time for payment of interest, including Additional Amounts, if any, on any Security; or

(iii) reduce the Redemption Price, Repurchase Price or Fundamental Change Purchase Price of any Security; or

(iv) after the occurrence of a Fundamental Change, make any change that adversely affects the right of Holders of the Securities to require the Company to purchase such Securities in accordance with the terms thereof and this Indenture; or

(v) make any change that impairs the right of Holders of Securities to convert any Security; or

(vi) change the currency of any payment amount of any Security from U.S. Dollars or Common Shares as provided herein; or

(vii) make any change that impairs the right of Holders to institute suit for payment of the Securities; or

(viii) reduce the percentage in Principal Amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture; or

(ix) modify the obligation of the Company to maintain an agency in The City of New York as required under this Indenture; or

(x) change the ranking of the notes in any manner that adversely affects the rights of Holders of Securities under this Indenture;

(xi) modify any of the provisions of this Section or Section 7.13, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

(b) The Holders of not less than a majority in aggregate Principal Amount of the Outstanding Securities may, on behalf of the Holders of all of the Securities, waive any past default and its consequences under this Indenture, except a default (i) in the payment of the Principal Amount of or any interest, including Additional Amounts, if any, on or with respect to the Securities or (ii) in respect of a covenant or provision that cannot be modified without the consent of the Holder of each Security affected thereby as set forth in clause (a) above.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 11.03 Execution Of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article XI or the modifications thereby of the trusts created by this Indenture, the Trustee shall be provided with, and (subject to Section 8.01) shall be fully protected in relying upon, in addition to the documents required by Section 1.02, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and such other conclusions as the Trustee may require. Subject to the preceding sentence, the Trustee shall sign such supplemental indenture if the same does not affect the Trustee's own rights, duties or immunities under this Indenture or otherwise or subject it to undue risk. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

***Section 11.04 Effect Of Supplemental Indentures*.** Upon the execution of any supplemental indenture under this Article XI, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

***Section 11.05 Conformity With Trust Indenture Act*.** Every supplemental indenture executed pursuant to this Article XI shall conform to the requirements of the Trust Indenture Act.

***Section 11.06 Reference In Securities To Supplemental Indentures*.** Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article XI shall bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE XII

COVENANTS

***Section 12.01 Payments*.** The Company shall duly and punctually make all payments in respect of the Securities and this Indenture in accordance with the terms of the Securities and this Indenture. The Company shall, to the fullest extent permitted by law, pay interest on overdue payments of Principal Amount, plus accrued but unpaid interest, including Additional Amounts, if any, Redemption Price, Repurchase Price and Fundamental Change Purchase Price at the rate of 1% per annum from the required payment date of such overdue payment.

Any payments made or due pursuant to this Indenture shall be considered paid on the applicable date due if by 10:00 a.m., New York City time, on such date the Paying Agent holds, in accordance with this Indenture, cash sufficient to pay all such amounts then due. Payment of the principal of and interest, including Additional Amounts, if any, on the Securities shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

***Section 12.02 Maintenance Of Office Or Agency*.** The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange, repurchase or conversion and where notices and demands pursuant to this Section 12.02 to or upon the Company in respect of the Securities and this Indenture may be served, which shall initially be the Corporate Trust Office of the Trustee. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 12.03 Money For Security Payments To Be Held In Trust. If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of any payment in respect of any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to make the payment so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of any payment in respect of any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the making of payments in respect of any Security and remaining unclaimed for two years after such payment has become due shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general

circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

Section 12.04 Statement By Officers As To Default. (a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the knowledge of the signers thereof the Company is in Default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in Default, specifying all such Defaults and the nature and status thereof of which they may have knowledge.

(b) The Company shall deliver to the Trustee, as soon as possible and in any event within five days after the Company becomes aware of the occurrence of any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default and the action which the Company proposes to take with respect thereto.

Section 12.05 Existence**.** Subject to Article X hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; *provided*, *however*, that the Company shall not be required to preserve any such right or franchise if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 12.06 Book-Entry System**.** If the Securities cease to trade in the Depositary's book-entry settlement system, the Company covenants and agrees that it shall use reasonable efforts to make such other book entry arrangements that it determines are reasonable for the Securities.

Section 12.07 Company To Furnish Trustee Names And Addresses Of Holders. The Company will furnish or cause to be furnished to the Trustee:

(a) semi-annually, not later than 15 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date; and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

provided, *however*, that no such list need be furnished so long as the Trustee is acting as Security Registrar.

Section 12.08 Reports By Company And Delivery Of Certain Information**.** The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act;

provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission. In the event the Company is not subject to Section 13 or 15(d) of the Exchange Act, it shall file with the Trustee (i) all quarterly and annual financial information that is substantially equivalent to that which would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and, with respect to the annual information only, a report thereon by the Company's certified independent accountants and (ii) all reports that are substantially equivalent to that which would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports; *provided* that in each case the delivery of materials to the Trustee by electronic means shall be deemed to be "filed" with the Trustee for purposes of this Section 12.08; and *provided further* that so long as such filings by the Company are available on the Commission's Electronic Data Gathering, Analysis and Retrieval system (EDGAR), such filings shall be deemed to have been "filed" with the Trustee for purposes of this Section 12.08 without any further action required by the Company. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates). In addition, whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information with the Commission for public availability (unless the Commission will not accept such a filing) and make such information available to investors who request it in writing.

Section 12.09 Payment of Additional Amounts. All payments made by or on behalf of the Company under or with respect to the Securities will be made free and clear of and without withholding or deduction for, or on account of, any present or future duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having power to tax, including without limitation any taxes imposed under Part XIII of the Tax Act ("**Canadian Taxes**"), unless the Company is required by law or the interpretation or administration thereof, to withhold or deduct any amounts for, or on account of, Canadian Taxes. If the Company is so required to withhold or deduct any amount for or on account of Canadian Taxes from any payment made under or with respect to the Securities, the Company will make such withholding or deduction and pay as additional interest such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each Holder after such withholding or deduction (including any withholding or deduction required to be made in respect of Additional Amounts) will not be less than the amount the Holder would have received if such Canadian Taxes had not been withheld or deducted and similar payment (the term "Additional Amounts" shall also include any such similar payments) will also be made by the Company to Holders (other than Excluded Holders) of Securities that are exempt from withholding but are required to pay tax directly on amounts otherwise subject to withholding; provided, however, that no Additional Amounts will be payable with respect to:

(a) a payment made to a Holder or former Holder of Securities (an “**Excluded Holder**”) in respect of the beneficial owner thereof:

(i) with which the Company does not deal at arm’s length (within the meaning of the Tax Act) at the time of making such payment;

(ii) that is subject to such Canadian Taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian Taxes (provided that in the case of any imposition or change in any such certification, identification, information, documentation or other reporting requirement which applies generally to Holders of Securities who are not residents of Canada, at least sixty (60) days prior to the effective date of any such imposition or change, the Company shall give written notice, in the manner provided in this Indenture, to the Trustee and the Holders of the Securities then outstanding of such imposition or change, as the case may be, and provide the Trustee and such Holders with such forms or documentation, if any, as may be required to comply with such certification, identification, information, documentation, or other reporting requirement); or

(iii) that is subject to such Canadian Taxes by reason of its carrying on business in or otherwise being connected with Canada or any province or territory thereof otherwise than by the mere holding of such Securities or the receipt of payments or exercise of any enforcement rights, thereunder; or

(b) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or governmental charge (“**Excluded Taxes**”).

The Company will (1) make such withholding or deduction and (2) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

The Company will furnish to the Trustee, within thirty (30) days after the date the payment of any Canadian Taxes is due pursuant to applicable law in respect of such Securities, certified copies of tax receipts evidencing such payment by the Company.

The Company will indemnify and hold harmless each Holder of any Securities (other than an Excluded Holder or with respect to Excluded Taxes) and upon written request reimburse each such Holder for the amount of:

(i) any Canadian Taxes so levied or imposed and paid by such Holder as a result of payments made under or with respect to the Securities;

(ii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; and

(iii) any Canadian Taxes levied or imposed and paid by the Holder with respect to any reimbursement under clause (i) or (ii) above, but excluding any Excluded Taxes.

Additional Amounts will be paid in cash semi-annually on the applicable June 15 or December 15, at Maturity, on any Redemption Date, on a Repurchase Date, on a Conversion Date or on any Fundamental Change Purchase Date.

Whenever in this Indenture there is mentioned, in any context, the payment of principal and interest or any other amount payable under or with respect to any Security, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Anything in this Indenture to the contrary notwithstanding, the covenants and provisions of this Section 12.09 shall survive any termination or discharge of this Indenture, and the repayment of all or any of the Securities, and shall remain in full force and effect.

Section 12.10 Information For IRS Filings. The Company shall provide to the Trustee on a timely basis such information and documentation as the Trustee or the Holders may require with respect to the Internal Revenue Service and the Holders.

Section 12.11 Further Instruments And Acts. Upon reasonable request of the Trustee, or as otherwise necessary, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE XIII

REDEMPTION

Section 13.01 Redemption For Tax Reasons. The Company may, at its option, redeem the Securities, in whole but not in part, at a redemption price equal to 100% of the Principal Amount of the Securities, plus accrued and unpaid interest (including Additional Amounts, if any), to, but excluding, the Redemption Date (the “**Redemption Price**”), if the Company has become or would become obligated to pay to the Holders Additional Amounts (which are more than a *de minimis* amount) as a result of any amendment or change occurring from May •, 2007 onwards in the laws or any regulations of Canada or any Canadian political subdivision or taxing authority, or any change occurring from May •, 2007 onwards in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency, taxing authority or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory or administrative determination); provided the Company cannot avoid these obligations by taking reasonable measures available to it and that it delivers to the Trustee an opinion of Canadian legal counsel specializing in taxation and an Officers’ Certificate attesting to such change and obligation to pay Additional Amounts. The Company will not and will not cause any Paying Agent or the Trustee to deduct from such Redemption Price any amounts on account of, or in respect of, any Canadian Taxes other than Excluded Taxes (except

in respect of certain Excluded Holders). In such event, the Company will give the Trustee and the Holders of the Securities not less than 30 days' nor more than 60 days' notice of this redemption pursuant to Section 13.02, except that (i) the Company will not give notice of redemption earlier than 60 days prior to the earliest date on or from which it would be obligated to pay any such Additional Amounts, and (ii) at the time the Company gives the notice, the circumstances creating its obligation to pay such Additional Amounts remain in effect.

Upon receiving such notice of redemption, each Holder who does not wish to have the Company redeem its Securities pursuant to this Section 13.01 can elect to (i) convert its Securities pursuant to Article XVI or (ii) not have its Securities redeemed, provided that no Additional Amounts will be payable by the Company on any payment of interest or principal with respect to the Securities after such Redemption Date. Securities and portions of Securities that are to be redeemed are convertible by the Holder until 5:00 p.m., New York City time, on the Business Day immediately preceding the Redemption Date. All future payments will be subject to the deduction or withholding of any Canadian Taxes required to be deducted or withheld.

Where no such election is made, the Holder will have its Securities redeemed without any further action. If a Holder does not elect to convert its Securities pursuant to Article XVI but wishes to elect to not have its Securities redeemed pursuant to clause (ii) of the preceding paragraph, such Holder must deliver to the Company (if the Company is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the notice of redemption, a written Notice of Election upon Tax Redemption (the "**Notice of Election**") on the back of the Securities, or any other form of written notice substantially similar to the Notice of Election, in each case, duly completed and signed, so as to be received by the Paying Agent no later than the Close of Business on a Business Day at least five Business Days prior to the Redemption Date.

A Holder may withdraw any Notice of Election by delivering to the Company (if the Company is acting as its own Paying Agent), or to a Paying Agent designated by the Company in the notice of redemption, a written notice of withdrawal prior to the Close of Business on the Business Day prior to the Redemption Date.

Section 13.02 Notice Of Redemption.

The notice of redemption shall identify the Securities to be redeemed and shall state:

(a) the Redemption Date;

(b) the Redemption Price;

(c) the then current Conversion Rate for conversion of Securities;

(d) the name and address of the Paying Agent and Conversion Agent;

(e) that Securities called for redemption may be converted at any time prior to 5:00 p.m., New York City time, on the Business Day preceding the Redemption Date;

(f) that Holders who want to convert their Securities must satisfy the requirements set forth in Article XIII;

(g) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(h) that, unless the Company defaults in making payment of such Redemption Price, any interest (including Additional Amounts, if any) on Securities called for redemption will cease to accrue on and after the Redemption Date;

(i) the CUSIP number(s) of the Securities; and

(j) any other information the Company wants to present.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; *provided*, *however*, that the Company makes such request at least five Business Days (unless a shorter period shall be satisfactory to the Trustee) prior to the date by which such notice of redemption must be given to Holders in accordance with this Section 13.02; *provided*, *further*, that the text of the notice of redemption shall be prepared by the Company.

Section 13.03 Effect Of Notice Of Redemption. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price, except for Securities which are converted in accordance with the terms of this Indenture. Upon surrender to the Paying Agent, such redeemed Securities shall be paid at the Redemption Price.

Section 13.04 Deposit Of Redemption Price. Prior to 10:00 a.m., New York City time, on the applicable Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of any of them is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 12.03) an amount of cash (in immediately available funds if deposited on the Redemption Date) sufficient to pay the aggregate Redemption Price of all Securities or portions thereof which are to be redeemed as of such Redemption Date other than Securities or portions of Securities called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted.

If the Paying Agent holds, in accordance with the terms hereof, at 10:00 a.m., New York City time, on the applicable Redemption Date, cash sufficient to pay the Redemption Price of any Securities for which notice of redemption has been given, then, on such Redemption Date, such Securities will cease to be outstanding and interest (including Additional Amounts, if any), on such Securities will cease to accrue, whether or not such Securities are delivered to the Paying Agent, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Redemption Price upon delivery of such Securities).

Section 13.05 Securities Redeemed In Part. Any Physical Security which is to be redeemed only in part shall be surrendered at the office of the Paying Agent and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without charge, a new Security or Securities, of any authorized denomination as requested by

such Holder in aggregate Principal Amount equal to the unredeemed portion of the Security surrendered.

***Section 13.06 Repayment To The Company*.** To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 13.04 exceeds the aggregate Redemption Price of the Securities or portions thereof which the Company is redeeming as of the Redemption Date, then, promptly after the Redemption Date, the Paying Agent shall return any such excess to the Company.

***Section 13.07 Other Repurchases*.** The Company may, from time to time, at its option (and nothing contained in this Indenture shall limit the Company's right to), repurchase the Securities in open market purchases or negotiated transactions, without any prior notice to any Holders, *provided* that in exercising its right under this Section 13.07, the Company complies with all applicable federal and state securities laws.

ARTICLE XIV

REPURCHASE OF SECURITIES AT THE OPTION OF HOLDERS

***Section 14.01 Repurchase Of Securities At The Option Of Holders On June 15, 2012*.**

(a) Securities shall be repurchased by the Company for cash, at the option of the Holder thereof, on June 15, 2012 (the "**Repurchase Date**") at a price equal to 100% of the Principal Amount of those Securities plus accrued but unpaid interest, to, but excluding, the Repurchase Date (the "**Repurchase Price**"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 14.01(c). Subject to the satisfaction of the conditions set forth in Section 14.07, the Company may elect to satisfy its obligation to pay the Repurchase Price, in whole or in part, by delivering Common Shares as set forth in Section 15.07.

(b) No less than 20 Business Days prior to the Repurchase Date, the Company shall mail a written notice of the repurchase right by first class mail to the Trustee and to each Holder, at their addresses shown in the register of the Registrar (and to beneficial owners as required by applicable law). The notice shall include a form of Repurchase Notice to be completed by the Holder and shall briefly state, as applicable:

(i) the date by which the Repurchase Notice must be delivered to the Paying Agent in order for a Holder to exercise the repurchase right;

(ii) the Repurchase Date;

(iii) the Repurchase Price;

(iv) the name and address of the Paying Agent and the Conversion Agent;

(v) the conversion rights, if any, of the Securities;

(vi) the Conversion Rate and any adjustments thereto;

(vii) that the Securities as to which a Repurchase Notice has been given may be converted if they are otherwise convertible pursuant to Article XIV hereof only if the Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(viii) the procedures for withdrawing a Repurchase Notice;

(ix) that the Securities must be surrendered to the Paying Agent to collect payment;

(x) that the Repurchase Price for any Security as to which a Repurchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Repurchase Date and the time of surrender of such Security;

(xi) the procedures the Holder must follow to exercise its repurchase right under this Section 14.01;

(xii) that, unless the Company defaults in making payment of such Repurchase Price, any interest, on Securities surrendered for repurchase by the Company will cease to accrue on and after the Repurchase Date; and

(xiii) the CUSIP number(s) of the Securities.

At the Company's request, the Trustee shall give the notice of repurchase right in the Company's name and at the Company's expense; *provided*, *however*, that the Company makes such request at least three Business Days (unless a shorter period shall be satisfactory to the Trustee) prior to the date by which such notice of repurchase right must be given to the Holder in accordance with this Section 14.01(b); *provided*, *further*, that the text of the notice of repurchase right shall be prepared by the Company.

(c) A Holder may exercise its right specified in Section 14.01(a) upon delivery of a written notice of repurchase (a "**Repurchase Notice**") to the Paying Agent at any time during the period beginning at 9:00 a.m., New York City time, on the date that is 20 Business Days immediately preceding the Repurchase Date until 5:00 p.m., New York City time, on the Repurchase Date, stating:

(i) the certificate number of the Security which the Holder will deliver to be repurchased or the appropriate Depositary procedures if Physical Securities have not been issued;

(ii) the portion of the Principal Amount of the Security which the Holder will deliver to be repurchased, which portion must be in Principal Amounts of $1,000 or an integral multiple of $1,000; and

(iii) that such Security shall be repurchased by the Company as of the Repurchase Date pursuant to the terms and conditions specified in the Securities and in this Indenture.

The delivery of such Security to the Paying Agent with, or at any time after delivery of, the Repurchase Notice (together with all necessary endorsements) at the offices of the Paying Agent shall be a condition to the receipt by the Holder of the Repurchase Price therefor; *provided*, *however*, that such Repurchase Price shall be so paid pursuant to this Section 14.01 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Repurchase Notice.

The Company shall repurchase from the Holder thereof, pursuant to this Section 14.01, a portion of a Security, so long as the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the repurchase of all of a Security also apply to the repurchase of such portion of such Security.

Any repurchase by the Company contemplated pursuant to the provisions of this Section 14.01 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Repurchase Date and the time of delivery of the Security.

Notwithstanding anything contained herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 14.01(c) shall have the right to withdraw such Repurchase Notice at any applicable time prior to 5:00 p.m., New York City time, on the Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 14.02.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

***Section 14.02 Effect Of Repurchase Notice*.** Upon receipt by the Paying Agent of the Repurchase Notice specified in Section 14.01(c), the Holder of the Security in respect of which such Repurchase Notice was given shall (unless such Repurchase Notice is withdrawn as specified in the following paragraph) thereafter be entitled to receive solely the Repurchase Price with respect to such Security. Such Repurchase Price shall be paid to such Holder, subject to receipt of cash by the Paying Agent, promptly following the later of (a) the Repurchase Date with respect to such Security (provided the conditions in Section 14.01(c) have been satisfied) and (b) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 14.01(c). Securities in respect of which a Repurchase Notice has been given by the Holder thereof may not be converted pursuant to Article XIV hereof on or after the date of the delivery of such Repurchase Notice unless such Repurchase Notice has first been validly withdrawn as specified in the following paragraph.

A Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Repurchase Notice at any time prior to 5:00 p.m., New York City time, on the Repurchase Date, specifying:

(a) the certificate number, if any, or the appropriate Depositary procedures, if applicable, of the Security in respect of which such notice of withdrawal is being submitted;

(b) the Principal Amount of the Security with respect to which such notice of withdrawal is being submitted; and

(c) the Principal Amount, if any, of such Security which remains subject to the original Repurchase Notice and which has been or will be delivered for repurchase by the Company.

There shall be no purchase of any Securities pursuant to Section 14.01 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Repurchase Notice) and is continuing an Event of Default (other than a default in the payment of the Repurchase Price with respect to such Securities). The Paying Agent will promptly return to the respective Holders any Securities (x) with respect to which a Repurchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Repurchase Price with respect to such Securities) in which case, upon such return, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 14.03 Deposit Of Repurchase Price. Prior to 10:00 a.m., New York City time, on the Repurchase Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of any of them is acting as the Paying Agent, shall segregate and hold in trust) an amount of cash (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Repurchase Price of all the Securities or portions thereof which are to be repurchased on such Repurchase Date.

If the Paying Agent holds, in accordance with the terms hereof, at 10:00 a.m., New York City time, on the first Business Day after the Repurchase Date, cash sufficient to pay the Repurchase Price of any Securities for which a Repurchase Notice has been tendered and not withdrawn pursuant to Section 14.02, then, immediately after the Repurchase Date, such Securities will cease to be outstanding and any interest, on such Securities will cease to accrue, whether or not such Securities are delivered to the Paying Agent, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Repurchase Price upon delivery of such Securities).

Section 14.04 Securities Repurchased In Part. Any Physical Security which is to be repurchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder’s attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the Security so surrendered which is not repurchased.

Section 14.05 Covenant To Comply With Securities Laws Upon Repurchase Of Securities. When complying with the provisions of Section 14.01 hereof (*provided* that such offer or purchase constitutes an “issuer tender offer” for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase) or an “issuer bid” for the purposes of applicable Canadian Securities Laws, and subject to any exemptions available under applicable law, the Company shall:

(a) comply with Rule 13e-4 and Rule 14e-1 (or any successor provision) under the Exchange Act, and the requirements of Canadian Securities Laws relating to issuer bids, as applicable;

(b) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, as applicable, and any issuer bid circular, form or report required under Canadian Securities Laws; and

(c) otherwise comply with all federal, state and provincial securities laws so as to permit the rights and obligations under this Article XII to be exercised in the time and in the manner specified herein.

To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Article XII, the Company's compliance with such laws and regulations shall not in and of itself cause a breach of its obligations under this Article XII.

Section 14.06 Repayment To The Company**.** The Paying Agent shall return to the Company any cash that remains unclaimed for two years, together with interest thereon, held by it for the payment of the Repurchase Price; *provided*, *however*, to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 14.03 exceeds the aggregate Repurchase Price of the Securities or portions thereof which the Company is obligated to repurchase on the Repurchase Date, then, promptly after the Repurchase Date, the Paying Agent shall return any such excess to the Company.

Section 14.07 Right to Pay Repurchase Price in Shares.

(a) Subject to the other provisions of this Section 14.07, and subject to regulatory approval, the Company may, at its option, elect to satisfy its obligation to pay all or any portion of the Repurchase Price by issuing and delivering to Holders on the Repurchase Date that number of Common Shares obtained by dividing the Repurchase Price, or such portion thereof payable in Common Shares, as the case may be, by 95% of the average of the daily VWAP prices of the Common Shares for the ten consecutive trading days ending on the third trading day preceding the Repurchase Date (the "**Repurchase Put Right**"), approximately adjusted to take into account the occurrence, during the period commencing on the first of such trading days during such ten day period and ending on such Repurchase Date, of certain events that would result in an adjustment of the conversion rate with respect to the Common Shares;

(b) The Company shall exercise the Repurchase Put Right by so specifying in the Repurchase Notice. The Repurchase Notice shall also specify the portion of the Repurchase Price in respect of which the Company is exercising the Repurchase Put Right, if both cash and Common Shares are payable, the percentage of each on a per Security basis and the method of calculating the daily VWAP. When the Company determines the actual number of Common Shares to be issued and delivered in accordance with the provisions of this Section 14.07, it will issue a press release on a national newswire and publish such information on its website.

The Company may not change the form of components or percentages of consideration set out in a Repurchase Notice except with respect to the payment of the Repurchase Price in cash pursuant to the non-satisfaction of the conditions under this Section 14.07.

(c) The Company's right to exercise the Repurchase Put Right shall be conditional upon the following conditions being met on the Business Day immediately preceding the Repurchase Date:

(i) the Common Shares to be issued on exercise of the Repurchase Put Right shall be qualified for distribution under applicable securities laws of each province of Canada, other than Quebec, and registered under the U.S. Securities Act and the U.S. Exchange Act ;

(ii) the Common Shares to be issued on exercise of the Repurchase Put Right shall be listed on the principal United States and Canadian securities exchanges on which the Common Shares are then listed, or if not so listed, the listing of the Common Shares on a U.S. national securities exchange;

(iii) the receipt of any necessary qualification or registration under applicable state securities laws or the availability of an exemption from qualification and registration;

(iv) the Company being a reporting issuer not in default of its reporting obligations under applicable securities legislation where the distribution of such Common Shares occurs;

(v) no Event of Default shall have occurred and be continuing;

(vi) the receipt by the Trustee of an Officers' Certificate stating that conditions (i), (ii), (iii), (iv) and (v) above have been satisfied and setting forth the number of Common Shares to be issued and delivered for each $1,000 principal amount of Securities and the daily VWAP used for calculating the number of Common Shares to be issued and delivered to Holders for each $1,000 principal amount of Securities; and

(vii) the receipt by the Trustee of an Opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment (whether in whole or in part) of the Repurchase Price, will be validly issued, fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on certificates of no default issued by the relevant securities authorities, condition (iv) above is satisfied, except that the opinion in respect of condition (iv) need not be expressed with respect to those provinces where such certificates are not issued.

If the foregoing conditions are not satisfied prior to the close of business on the Repurchase Date, the Company shall pay the Repurchase Price in cash unless each of the Holder and the Company waives the conditions which are not satisfied.

(d) In the event that the Company duly exercises its Repurchase Put Right, upon presentation and surrender of the Securities for payment on the Repurchase Date, at any place where a register is maintained pursuant to Section 3.06 or any other place specified in the Repurchase Notice, the Company shall on, or before 11:00 a.m. Toronto Time on the Repurchase

Date, make the delivery to the Trustee for delivery to and on account of the Holders, of certificates representing the Common Shares to which such holders are entitled.

(e) The Company will not issue fractional Common Shares upon the exercise of the Repurchase Put Right. If more than one Security shall be surrendered for purchase at one time by the same Holder, the number of full Common Shares that shall be issuable upon purchase shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted hereby) so surrendered. In lieu of any fractional Common Shares, the Company will pay to the Trustee for the account of the Holders, at the time contemplated in Section 14.07(d), the cash equivalent thereof (less any tax required to be deducted, if any) determined by subtracting from the Repurchase Price a number equal to the product obtained by multiplying the number of Common Shares issued and delivered under this Section 14.07 by 95% of the daily VWAP prices of the Common Shares for the ten consecutive trading days ending on the third trading day preceding the Repurchase Date.

(f) A Holder shall be treated as the Holder of record of the Common Shares issued on due exercise by the Company of its Repurchase Put Right effective immediately after the close of business on the Repurchase Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including dividends or distributions in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same for the benefit of such Holder.

(g) The Company shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon the exercise of the Repurchase Put Right as provided herein, and shall issue to Holders to whom Common Shares will be issued pursuant to the exercise of the Repurchase Put Right, such number of Common Shares as shall be issuable in such event. All Common Shares which shall be so issuable shall be duly and validly issued, fully paid and non-assessable.

ARTICLE XV

OFFER TO PURCHASE UPON A FUNDAMENTAL CHANGE

Section 15.01 Offer to Purchase Upon A Fundamental Change.

(a) General. In the event of a Fundamental Change with respect to the Company at any time prior to June 22, 2022, the Company will be required to make an offer to purchase (a “**Fundamental Change Purchase Offer**”) on the date (the “**Fundament Change Purchase Date**”) that is 30 business days after the Fundamental Change Purchase Offer, all outstanding Securities in integral multiples of $1,000 principal amount at a price equal to the Principal Amount of the Securities to be purchased plus accrued but unpaid interest, including Additional Amounts, if any (the “**Fundamental Change Purchase Price**”), up to but excluding the Fundamental Change Purchase Date, subject to satisfaction by or on behalf of any Holder of the requirements set forth in Section 15.01(c).

If such purchase date is after a Record Date but on or prior to an Interest Payment Date, however, then the interest payable on such date will be paid to the Holder of record of the Securities on the relevant Record Date. Subject to the satisfaction of the conditions set forth in Section 15.07(c), the Company may elect to satisfy its obligation to pay the Fundamental Change Purchase Price, in whole or in part, by delivering Common Shares as set forth in Section 15.07.

Within 30 Business Days after the occurrence of a Fundamental Change with respect to the Company, the Company shall mail to the Trustee and all Holders of the Securities at their addresses shown in the Security Register, and to beneficial owners of the Securities as may be required by applicable law, a notice (the "**Fundamental Change Notice**") of the occurrence of such Fundamental Change and the Fundamental Change Purchase Offer arising as a result thereof in accordance with Section 15.01(b).

A "**Fundamental Change**" shall be deemed to have occurred at the time after the Securities are originally issued that any of the following occurs:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than the Company, any Subsidiary of the Company or any employee benefit plan of the Company or any such Subsidiary, files a Schedule TO or any schedule, form or report under the Exchange Act or applicable Canadian Securities Laws disclosing that such person or group has become the direct or indirect ultimate "**Beneficial Owner**," as defined in Rule 13d-3 under the Exchange Act or applicable Canadian Securities Laws, of Common Equity of the Company representing more than 50% of the voting power of the Company's Common Equity;

(ii) consummation of any share exchange, consolidation, amalgamation, merger, statutory arrangement or other combination pursuant to which the Common Shares will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company's wholly-owned Subsidiaries; *provided*, *however*, that a transaction where the holders of more than 50% of all classes of the Company's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee immediately after such event shall not be a Fundamental Change;

(iii) Continuing Directors cease to constitute at least a majority of the Company's Board of Directors; or

(iv) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company.

A Fundamental Change will not be deemed to have occurred, however, if at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or transactions otherwise constituting the Fundamental Change consists of common shares or American

Depositary Shares that are traded or listed on, or immediately after the transaction or event will be traded or listed on a U.S. national securities exchange or the Toronto Stock Exchange.

(b) Notice of Fundamental Change. Within 30 days after the occurrence of a Fundamental Change, the Company shall mail the Fundamental Change Notice by first-class mail to the Trustee and to each Holder (and to beneficial owners as required by applicable law). The notice shall include a form of Fundamental Change purchase notice (the "**Fundamental Change Purchase Notice**") to be completed by the Holder and shall state:

(i) the events causing a Fundamental Change and the date of such Fundamental Change;

(ii) that a Fundamental Change Purchase Offer is being made pursuant to Article XV and that all Securities validly tendered and not withdrawn will be purchased pursuant to the terms of such Article XV;

(iii) the date by which the Fundamental Change Purchase Notice pursuant to this Section 15.01 must be delivered to the Paying Agent in order for a Holder to accept the Fundamental Change Purchase Offer;

(iv) the Fundamental Change Purchase Date;

(v) the Fundamental Change Purchase Price (including whether the Fundamental Change Purchase Price will be paid in cash or Common Shares or any combination of cash or Common Shares, specifying the percentages of each);

(vi) the name and address of the Paying Agent and the Conversion Agent;

(vii) the conversion rights, if any, of the Securities;

(viii) the Conversion Rate applicable on the Fundamental Change Purchase Date;

(ix) that Securities as to which a Fundamental Change Purchase Notice has been given may be converted pursuant to Article XVI hereof only if the Fundamental Change Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(x) that Securities must be surrendered to the Paying Agent for cancellation to collect payment;

(xi) that the Fundamental Change Purchase Price for any Security as to which a Fundamental Change Purchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Fundamental Change Purchase Date and the time of surrender of such Security as described in (ix);

(xii) the procedures the Holder must follow to exercise rights under this Section 15.01;

(xiii) the procedures for withdrawing a Fundamental Change Purchase Notice; and

(xiv) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give such Fundamental Change Company Notice in the Company's name and at the Company's expense; *provided*, *however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company.

(c) Fundamental Change Purchase Notice. To accept the Fundamental Change Purchase Offer, a Holder of Securities must deliver to the Company (if the Company is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the Fundamental Change Notice and the Trustee, on or before the close of business on the third Business Day immediately preceding the Fundamental Change Purchase Date, (i) written notice of acceptance of the Fundamental Change Purchase Offer in the form set forth in the Fundamental Change Purchase Notice, or any other form of written notice substantially similar to the Fundamental Change Purchase Notice, in each case, duly completed and signed, with appropriate signature guarantee, and (ii) such Securities that the Holder wishes to tender for purchase by the Company pursuant to the Fundamental Change Purchase Offer, duly endorsed for transfer to the Company on the back of the Securities.

Such notice shall state, among other things (a) that if certificated Securities have been issued, the certificate numbers (or, if the Securities are not certificated, the notice must comply with the Depositary's procedures); (b) the portion of the principal amount of Securities to be purchased, which must be in US$1,000 multiples; and (c) that the Securities are to be purchased by the Company pursuant to the applicable provisions of the Securities and the Indenture.

The delivery of such Security to the Paying Agent with, or at any time after delivery of, the Fundamental Change Purchase Notice (together with all necessary endorsements) at the offices of the Paying Agent shall be a condition to the receipt by the Holder of the Fundamental Change Purchase Price therefor; *provided, however*, that such purchase price shall be so paid pursuant to this Section 15.01 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof set forth in the related Fundamental Change Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 15.01, a portion of a Security, so long as the Principal Amount of such portion is $1,000 or an integral multiple thereof. Provisions of this Indenture that apply to the repurchase of all of a Security also apply to the repurchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 15.01 shall be consummated by the delivery of the Fundamental Change Purchase Price to be received by the Holder promptly following the later of the Purchase Date and the time of delivery of the Security; *provided*, *howeve*r, that if the Fundamental Change Purchase Notice is

delivered after a date which is two (2) Business Days prior to the Fundamental Change Purchase Date, such payment may be made as promptly after such Purchase Date as is practicable.

Notwithstanding anything contained herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Purchase Notice contemplated by this Section 15.01(c) shall have the right to withdraw such Fundamental Change Purchase Notice at any time prior to the close of business on the Business Day prior to the Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 15.02.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Purchase Notice or written notice of withdrawal thereof.

***Section 15.02 Effect Of Fundamental Change Purchase Notice*.** Upon receipt by the Paying Agent of the Fundamental Change Purchase Notice specified in Section 15.01(c), the Holder of the Security in respect of which such Fundamental Change Purchase Notice was given shall (unless such Fundamental Change Purchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Fundamental Change Purchase Price with respect to such Security. Such purchase price shall be paid to such Holder, subject to receipt of funds and/or securities by the Paying Agent, promptly following the later of (x) the Purchase Date with respect to such Security (provided the conditions in Section 15.01(c) have been satisfied) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 15.01(c). Securities in respect of which a Fundamental Change Purchase Notice has been given by the Holder thereof may not be converted pursuant to Article XVI hereof on or after the date of the delivery of such Fundamental Change Purchase Notice unless such Fundamental Change Purchase Notice has first been validly withdrawn as specified in the following two paragraphs.

A Fundamental Change Purchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the procedures set forth in the Fundamental Change Company Notice at any time prior to the close of business on the Business Day prior to the Purchase Date specifying:

(i) the Principal Amount of the Security with respect to which such notice of withdrawal is being submitted;

(ii) the certificate number, if any, or the appropriate Depositary procedures, if applicable, of the Security in respect of which such notice of withdrawal is being submitted; and

(iii) the Principal Amount, if any, of such Security which remains subject to the original Fundamental Change Purchase Notice and which has been or will be delivered for repurchase by the Company.

There shall be no purchase of any Securities pursuant to Section 15.01 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Fundamental Change Purchase Notice) and is continuing an Event of Default (other than an Event of Default that is cured by the payment of the Fundamental Change Purchase Price with respect to such Securities). The Paying Agent will promptly return to the

respective Holders any Securities (x) with respect to which a Fundamental Change Purchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Fundamental Change Purchase Price with respect to such Securities) in which case, upon such return, the Fundamental Change Purchase Notice with respect thereto shall be deemed to have been withdrawn.

***Section 15.03 Deposit Of Fundamental Change Purchase Price*.** Prior to 10:00 a.m. (New York City time) on the Business Day following the Fundamental Change Purchase Date, the Company shall deposit with the Trustee or with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of any of them is acting as the Paying Agent, shall segregate and hold in trust as provided herein) an amount of cash (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Fundamental Change Purchase Price of all the Securities or portions thereof which are to be purchased on such Fundamental Change Purchase Date.

If the Paying Agent holds, in accordance with the terms hereof, at 10:00 a.m. (New York City time) on the Business Day immediately following the applicable Fundamental Change Purchase Date, cash sufficient to pay the Fundamental Change Purchase Price of any Securities for which a Fundamental Change Purchase Notice has been tendered and not withdrawn pursuant to Section 15.02, then, immediately after such Fundamental Change Purchase Date, such Securities will cease to be outstanding, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Fundamental Change Purchase Price upon delivery of such Securities).

***Section 15.04 Securities Purchased In Part*.** Any Security which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the Security so surrendered which is not purchased.

***Section 15.05 Covenant To Comply With Securities Laws Upon Repurchase Of Securities*.** In connection with any offer to repurchase Securities under Section 15.01 hereof (*provided* that such offer or repurchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), and subject to any exemptions under applicable law, the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 (or any successor provision) under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, (iii) otherwise comply with all Federal and state securities laws so as to permit the rights and obligations under Section 15.02 to be exercised in the time and in the manner specified in Section 15.02 and (iv) comply with any Canadian Securities Laws which may then be applicable in the event of a fundamental change.

To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Article XII, the Company's compliance with such laws and regulations including the extension of the payment or notice periods contemplated by this Article, shall not in and of itself cause a breach of their obligations under this Article XIII.

***Section 15.06 Repayment To The Company*.** The Trustee and the Paying Agent shall return to the Company any cash that remain unclaimed, together with interest, if any, thereon, held by them for the payment of the Fundamental Change Purchase Price; *provided*, *however*, that to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 15.03 exceeds the aggregate Fundamental Change Purchase Price of the Securities or portions thereof which the Company is obligated to purchase as of the Fundamental Change Purchase Date then the Trustee or the Paying Agent, as the case may be, shall return any such excess to the Company.

Section 15.07 Right to Pay Fundamental Change Purchase Price in Shares.

(a) Subject to the other provisions of this Section 15.07, the Company may, at its option, elect to satisfy its obligation to pay all or any portion of the Fundamental Change Purchase Price by issuing and delivering to Holders on the Fundamental Change Purchase Date that number of Common Shares obtained by dividing the Fundamental Change Purchase Price, or such portion thereof payable in Common Shares, as the case may be, by 95% of the average of the daily VWAP prices of the Common Shares for the ten consecutive trading days ending on the third trading day preceding the Fundamental Change Purchase Date (the "**Share Put Right**"), approximately adjusted to take into account the occurrence, during the period commencing on the first of such trading days during such ten day period and ending on such Fundamental Change Purchase Date, of certain events that would result in an adjustment of the conversion rate with respect to the Common Shares;

(b) The Company shall exercise the Share Put Right by so specifying in the Fundamental Change Notice. The Fundamental Change Notice shall also specify the portion of the Fundamental Change Purchase Price in respect of which the Company is exercising the Share Put Right, if both cash and Common Shares are payable, the percentage of each on a per Security basis and the method of calculating the daily VWAP. When the Company determines the actual number of Common Shares to be issued and delivered in accordance with the provisions of this Section 15.07, it will issue a press release on a national newswire and publish such information on its website.

The Company may not change the form of components or percentages of consideration set out in a Fundamental Change Notice except with respect to the payment of the Fundamental Change Purchase Price in cash pursuant to the non-satisfaction of the conditions under Section 15.07(c).

(c) The Company's right to exercise the Share Put Right shall be conditional upon the following conditions being met on the Business Day immediately preceding the Fundamental Change Purchase Date:

(i) the Common Shares to be issued on exercise of the Share Put Right shall be qualified for distribution under applicable securities laws of each province of Canada, other than Quebec, and registered under the U.S. Securities Act and the U.S. Exchange Act ;

(ii) the Common Shares to be issued on exercise of the Share Put Right shall be listed on the principal United States and Canadian securities exchanges on which the Common Shares are then listed, or if not so listed, the listing of the Common Shares on a U.S. national securities exchange;

(iii) the receipt of any necessary qualification or registration under applicable state securities laws or the availability of an exemption from qualification and registration;

(iv) the Company being a reporting issuer not in default of its reporting obligations under applicable securities legislation where the distribution of such Common Shares occurs;

(v) no Event of Default shall have occurred and be continuing;

(vi) the receipt by the Trustee of an Officers' Certificate stating that conditions (i), (ii), (iii), (iv) and (v) above have been satisfied and setting forth the number of Common Shares to be issued and delivered for each $1,000 principal amount of Securities and the daily VWAP used for calculating the number of Common Shares to be issued and delivered to Holders for each $1,000 principal amount of Securities; and

(vii) the receipt by the Trustee of an Opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment (whether in whole or in part) of the Fundamental Change Purchase Price, will be validly issued as fully paid and non-assessable, that conditions (i), (ii) and (iii) above have been satisfied and that, relying exclusively on certificates of no default issued by the relevant securities authorities, condition (iv) above is satisfied, except that the opinion in respect of condition (iv) need not be expressed with respect to those provinces where such certificates are not issued.

If the foregoing conditions are not satisfied prior to the close of business on the Fundamental Change Purchase Date, the Company shall pay the Fundamental Change Purchase Price in cash unless each of the Holder and the Company waives the conditions which are not satisfied.

(d) In the event that the Company duly exercises its Share Put Right, upon presentation and surrender of the Securities for payment on the Fundamental Change Purchase Date, at any place where a register is maintained pursuant to Section 3.06 or any other place specified in the Fundamental Change Notice, the Company shall on or before 11:00 a.m. Toronto Time on the Fundamental Change Purchase Date make the delivery to the Trustee for delivery to and on account of the Holders, of certificates representing the Common Shares to which such holders are entitled.

(e) The Company will not issue fractional Common Shares upon the exercise of the Share Put Right. If more than one Security shall be surrendered for purchase at one time by the same Holder, the number of full Common Shares that shall be issuable upon purchase shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted hereby) so surrendered. In lieu of any fractional Common Shares, the Company will pay to the Trustee for the account of the Holders, at the time contemplated in Section 15.07(e), the cash equivalent thereof (less any tax required to be deducted, if any) determined by subtracting from the Fundamental Change Purchase Price a number equal to the product obtained by multiplying the number of Common Shares issued and delivered under this Section 15.07 by 95% of the daily VWAP prices of the Common Shares for the ten consecutive trading days ending on the third trading day preceding the Fundamental Change Purchase Date.

(f) A Holder shall be treated as the Holder of record of the Common Shares issued on due exercise by the Company of its Share Put Right effective immediately after the close of business on the Fundamental Change Purchase Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including dividends or distributions in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same for the benefit of such Holder.

(g) The Company shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon the exercise of the Share Put Right as provided herein, and shall issue to Holders to whom Common Shares will be issued pursuant to the exercise of the Share Put Right, such number of Common Shares as shall be issuable in such event. All Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

ARTICLE XVI

CONVERSION

Section 16.01 Right To Convert.

(a) Subject to and upon compliance with the provisions of this Indenture, each Holder shall have the right, at such Holder’s option, at any time following the Issue Date of the Securities hereunder through prior to the close of business on the business day immediately preceding the Stated Maturity to convert the Principal Amount of any such Securities, or any portion of such Principal Amount which is $1,000 or an integral multiple thereof at the Conversion Price then in effect, subject to prior repurchase of the Securities.

(b) Conversion Upon Specified Corporate Transactions

(i) If the Company becomes a party to a consolidation, amalgamation, merger, binding share exchange, statutory arrangement, sale of all or substantially all of the Company’s assets or other combination, in each case pursuant to which the Common Shares are converted into cash, securities, or other property, then at the effective time of the transaction, a Holder of Securities’ right to convert the Securities into Common

Shares will be changed into a right to convert such Securities into the kind and amount of cash, securities and other property which Holders of the Securities would have received if those Holders had converted such Securities immediately prior to the transaction (the "**Reference Property**"). If the transaction causes the 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 Securities shall be convertible shall be deemed to be the weighted average of the types and amounts of consideration received by the Holders of the Common Shares that affirmatively make such an election. The Company shall not become a party to any such transaction unless its terms are consistent with the foregoing.

(ii) If Holders of Securities would otherwise be entitled to receive, upon conversion of the Securities, any property (including cash) or securities that would not constitute "**Prescribed Securities**'' for the purposes of clause 212(1)(b)(vii)(E) of the Income Tax Act (Canada) (referred to herein as "**Ineligible Consideration**''), such Holders shall not be entitled to receive such Ineligible Consideration but the Company or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Company or the successor or acquirer, as the case may be) to deliver either such Ineligible Consideration or Prescribed Securities for the purposes of clause 212(1)(b)(vii)(E) of the Income Tax Act (Canada) with a market value equal to the market value of such Ineligible Consideration. In general, Prescribed Securities would include Common Shares and other shares which are not redeemable by the Holder within five years of the date of issuance of the Securities. The Company shall give notice to the Holders of Securities at least 30 days prior to the effective date of such transaction in writing and by release to a business newswire stating the consideration into which the Securities will be convertible after the effective date of such transaction. After such notice, the Company or the successor or acquirer, as the case may be, may not change the consideration to be delivered upon conversion of the Security except in accordance with any other provision of this Indenture.

(iii) If the transaction also constitutes a Fundamental Change, the Company will be required, subject to, to offer to purchase for cash all or a portion of a Holder's Securities in accordance with Article XII.

(c) Notwithstanding the foregoing, a Security in respect of which a Holder has delivered a Fundamental Change Purchase Notice may be converted only if such Fundamental Change Repurchase Notice is withdrawn in accordance with Article XII prior to the close of business on the Business Day immediately preceding the Fundamental Change Purchase Date.

Section 16.02 Conversion Procedure.

(a) Each Security shall be convertible at the office of the Conversion Agent.

(b) In order to exercise the conversion privilege with respect to any Securities in certificated form, the Holder of any such Securities to be converted, in whole or in part, shall:

(i) complete and manually sign the conversion notice provided on the back of the Security (the "**Conversion Notice**") or facsimile of the conversion notice and deliver such notice to a Conversion Agent;

(ii) surrender the Security to the Conversion Agent;

(iii) furnish appropriate endorsements and transfer documents, if required; and

(iv) pay any transfer or similar tax, if required.

The date on which the Holder satisfies all of the requirements set forth in (i) through (iv) above is the "**Conversion Date**." Such notice shall also state the name or names (with address or addresses) in which any certificate or certificates for Common Shares which shall be issuable on such conversion shall be issued. All such Securities surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such Securities, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or his duly authorized attorney.

In order to exercise the conversion privilege with respect to any interest in Securities in global form, the Holder must complete the appropriate instruction form for conversion pursuant to the Depositary's book-entry conversion program, furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or Conversion Agent, and pay the funds, if any, required by this Section 16.02 and any transfer taxes if required pursuant to Section 16.07.

(c) As promptly as practicable after the later of (i) the Conversion Date (but in no event later than 5 Business Days after the Conversion Date) or (ii) the date all the calculations necessary to make such payment and delivery have been made (but in no event later than as specified in Section 16.03), subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than that of the Holder (as if such transfer were a transfer of the Securities (or portion thereof) so converted), the Company shall issue and shall deliver to such Holder at the office of the Conversion Agent, a check or cash and a certificate or certificates for the number of full Common Shares issuable in accordance with the provisions of this Article XVI, if applicable. In case any Securities of a denomination greater than $1,000 shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of the Securities so surrendered, without charge to him, new Securities in authorized denominations in an aggregate Principal Amount equal to the unconverted portion of the surrendered Securities.

Each conversion shall be deemed to have been effected as to any such Securities (or portion thereof) on the date on which the requirements set forth above in this Section 16.02 have been satisfied as to such Securities (or portion thereof), and the person in whose name any certificate or certificates for Common Shares shall be issuable upon such conversion shall be deemed to have become on said date the Holder of record of the shares represented thereby; *provided*, *however*, that in case of any such surrender on any date when the stock transfer books of the Company shall be closed, the person or persons in whose name the certificate or

certificates for such shares are to be issued shall be deemed to have become the record Holder thereof for all purposes on the next day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Securities shall be surrendered.

(d) Upon the conversion of an interest in Global Securities, the Trustee (or other Conversion Agent appointed by the Company) shall make a notation on such Global Securities as to the reduction in the Principal Amount represented thereby. The Company shall notify the Trustee in writing of any conversions of Securities effected through any Conversion Agent other than the Trustee.

Section 16.03 Company to deliver Common Shares, cash or combination of thereof.

(a) Upon conversion of a Security, the Company will have the option to deliver Common Shares, cash or a combination of cash and Common Shares for the Securities surrendered as set forth below. The Trustee will initially act as Conversion Agent. A Holder may convert fewer than all of such Holder's Securities so long as the Securities converted are an integral multiple of US$1,000 principal amount.

The Company will have the option to deliver cash in lieu of some or all of the Common Shares to be delivered upon conversion of the Securities. The Company will give notice of its election to deliver part or all of the conversion consideration in cash to the Holder converting the Securities within two Business Days of the Company's receipt of the Holder's notice of conversion. The amount of cash to be delivered per Security 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 the Company's notice of election to deliver all or part of the conversion consideration in cash if it has not given a Redemption Notice or (b) the conversion date, in the case of conversion following notice of redemption specifying the Company's intention to deliver cash upon conversion.

If the Company elects to deliver cash in lieu of some or all of the Common Shares issuable upon conversion, it will make the payment, including delivery of the Common Shares, through the Conversion Agent, to Holders surrendering Securities no later than the fourteenth Business Day following the Conversion Date. Otherwise, the Company 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.

The Company 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 the Company calls Securities for redemption, a Holder of Securities may convert the Securities only until the close of business on the business day immediately preceding the Redemption Date unless the Company fails to pay the Redemption Price. If a Holder of Securities has submitted the Securities for purchase upon a Fundamental Change, a Holder of

Securities may convert the Securities only if that Holder withdraws the purchase election made by that Holder.

Upon conversion, a Holder will not receive any separate cash payment for accrued and unpaid interest and Additional Amounts, if any, unless such conversion occurs between a regular record date and the Interest Payment Date to which it relates. The Company will not issue fractional Common Shares upon conversion of Securities. Instead, the Company 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.

The Company's delivery to the Holder 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 Security is convertible, will be deemed to satisfy the Company's obligation to pay

(i) the principal amount of the Security; and

(ii) accrued and unpaid interest and Additional Amounts, if any, to, but not including, the Conversion Date.

As a result, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the Conversion Date will be deemed to be paid in full rather than cancelled, extinguished or forfeited.

(b) Notwithstanding the preceding paragraph, if Securities are converted after 5:00 p.m., New York City time, on a regular Record Date for the payment of interest, Holders of such Securities at 5:00 p.m., New York City time, on such Record Date will receive the interest and Additional Amounts, if any, payable on such Securities on the corresponding Interest Payment Date notwithstanding the conversion. Securities, 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 Amounts, if any, payable on the Securities so converted; provided that no such payment need be made

- if the Company has specified a Redemption Date that is after a Record Date and on or prior to the corresponding Interest Payment Date;
- if the Company has 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 Security.

If a Holder converts Securities, the Company will pay any documentary, stamp or similar issue or transfer tax due on the issue of any of its 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.

(c) Upon conversion, Holders will not receive any separate cash payment for accrued and unpaid interest and Additional Amounts, if any, unless such conversion occurs between a Regular Record Date and the Interest Payment Date to which it relates.

(d) The Company will not issue fractional Common Shares upon conversion of Securities. If multiple Securities shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate Principal Amount of the Securities (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of stock would be issuable upon the conversion of any Securities, the Company shall make payment therefor in cash equal to the fraction of a common share otherwise issuable multiplied by the Current Market Price to the Holder of such Securities.

Section 16.04 Conversion Rate Adjustments. The Conversion Rate shall be adjusted from time to time by the Company as follows, except that the Company shall not make any adjustment if holders of Securities may participate, as a result of holding the Securities, in the transaction described without having to convert their Securities.

(a) If the Company, at any time or from time to time while any of the Securities are outstanding, pays a dividend or make a distribution in Common Shares to all holders of its outstanding Common Shares, or if the Company subdivides or combines its Common Shares then the Conversion Rate will be adjusted based on the following formula:

$$CR' = CR_0 x \frac{OS'}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to such event

CR’ = the Conversion Rate in effect immediately after such event

OS_0 = the number of Common Shares outstanding immediately prior to such event

OS’ = the number of Common Shares outstanding immediately after such event

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date for such dividend or distribution, or the date fixed for determination for such share split or share combination. If any dividend or distribution of the type described in this Section 16.04(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

(b) If the Company, at any time or from time to time while any of the Securities are outstanding, issues to all or substantially all holders of its outstanding Common Shares certain rights or warrants to purchase Common Shares (or securities convertible into or exchangeable or exercisable for Common Shares) at a price per share (or having a conversion,

exchange or exercise price per share) less than the Closing Sale Price of Common Shares on the Record Date for shareholders entitled to receive such rights and warrants, which rights or warrants are exercisable for not more than 60 days, the Conversion Rate shall be adjusted based on the following formula (*provided* that the Conversion Rate shall be readjusted to the extent that such rights or warrants are not exercised prior to their expiration):

$$CR' = CR_0 x \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 =	the Conversion Rate in effect immediately prior to such event
CR' =	the Conversion Rate in effect immediately after such event
OS_0 =	the number of Common Shares outstanding on the close of business on the next Business Day following such Record Date
X =	the total number of Common Shares issuable pursuant to such rights
Y =	the number of Common Shares equal to the aggregate offering price that the total number of shares so offered would purchase at such Closing Sale Price of Common Shares on the Record Date of such issuance determined by multiplying such total number of shares so offered by the exercise price of such rights or warrants and dividing the product so obtained by such Closing Sale Price.

Such adjustment shall become effective immediately after the opening of business on the day following the date of announcement of such issuance.

To the extent that Common Shares (or securities convertible into or exchangeable or exercisable for Common Shares) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of Common Shares (or securities convertible into or exchangeable or exercisable for Common Shares) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if the date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase Common Shares at less than such Closing Sale Price, and in determining the aggregate offering price of such Common Shares, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration, if other than cash, to be determined in good faith by the Board of Directors of the Company.

For the purposes of this Section 16.04(b), rights or warrants distributed by the Company to all holders of its Common Shares entitling them to subscribe for or purchase shares of the

Company’s capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events (“**Trigger Event**”): (1) are deemed to be transferred with such Common Shares; (2) are not exercisable; and (3) are also issued in respect of future issuances of Common Shares, shall be deemed not to have been distributed for purposes of this Section 16.04(b) (and no adjustment to the Conversion Price under this Section 16.04(b) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 16.04(b). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 16.04(b) was made, (1) in the case of any such rights or warrants which shall all have been redeemed or purchased without exercise by any Holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder of Common Shares with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all applicable holders of Common Shares as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants which shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

(c) If the Company, at any time or from time to time while the Securities are outstanding, distributes to all or substantially all holders of its Common Shares, Common Shares of the Company, evidences of its indebtedness or assets, including securities, but excluding:

(i) dividends or distributions referred to in Section 16.04(a);

(ii) rights or warrants referred to in Section 16.04(b); and

(iii) dividends or distributions referred to in Section 16.04(d);

then the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 x \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to such distribution

CR' = the Conversion Rate in effect immediately after such distribution

SP_0 = the Current Market Price of Common Shares on such Record Date for such distribution

FMV = the fair market value (as determined by the Board of Directors of the Company) of the Common Shares, evidences of indebtedness, assets or property distributed with respect to each outstanding Common Share on the Record Date for such distribution

Such adjustment shall become effective immediately prior to the opening of business on the day following the Record Date for such distribution. If the Board of Directors of the Company determines the fair market value of any distribution for purposes of this Section 16.04(c) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price of the Common Shares.

To the extent that the Company has a rights plan in effect upon conversion of the Securities into Common Shares, a Holder shall receive, in addition to the Common Shares, the rights under the rights plan unless the rights have separated from the Common Shares at the time of conversion, in which case the Conversion Rate will be adjusted as if the Company distributed to all holders of Common Shares, Common Shares, evidences of indebtedness or assets, subject to readjustment in the event of the expiration, termination or redemption of such rights.

With respect to an adjustment pursuant to this Section 16.04(c) where there has been a payment of a dividend or other distribution on the Common Shares or common shares of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit (a “**Spin-Off**”), the Conversion Rate in effect immediately before 5:00 p.m., New York City time, on the effective date fixed for determination of shareholders entitled to receive the distribution shall be increased based on the following formula:

$$CR' = CR_0 x \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to such distribution

CR' = the Conversion Rate in effect immediately after such distribution

FMV_0 = the average of the Closing Sale Prices of the Common Shares or similar equity interest distributed to holders of Common Shares applicable to one common share over the ten consecutive Trading-Day period commencing on and including the fifth Trading Day after the date on which Ex-Dividend Trading commences for such distribution on The American Stock Exchange or such other national or regional exchange or market on which the Securities are then listed or quoted

MP_0 = the average of the Closing Sale Prices of Common Shares over the ten consecutive Trading-Day period commencing on and including the fifth Trading Day after the date

on which Ex-Dividend Trading commences for such distribution on The American Stock Exchange or such other national or regional exchange or market on which the Securities are then listed or quoted

The adjustment to the Conversion Rate under the preceding paragraph will occur on the fourteenth Trading Day after the date on which “Ex-Dividend Trading” commences for such distribution on The American Stock Exchange or such other national or regional exchange or market on which the Securities are then listed or quoted.

(d) If any cash dividend or other distribution is made to all or substantially all holders of Common Shares, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 x \frac{SP_0}{SP_0 - C}$$

where,

CR_0 = the Conversion Rate in effect on the Record Date for such distribution

CR’ = the Conversion Rate in effect immediately after the Record Date for such distribution

SP_0 = the Current Market Price of one of the Common Shares on the Record Date for such distribution

C = the amount in cash per share the Company distributes to holders of Common Shares.

Such adjustment shall become effective immediately after 5:00 p.m., New York City time, on the Record Date for such dividend or distribution; *provided* that if such dividend or distribution is not paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(e) If the Company or any of its Subsidiaries makes a payment in respect of a tender offer or exchange offer for Common Shares to the extent that the cash and value of any other consideration included in the payment per Common Share exceeds the last reported sale price per Common Share on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 x \frac{AC + (SP' x OS')}{OS_0 x SP'}$$

where,

CR_0 = the Conversion Rate in effect on the date such tender or exchange offer expires

CR’ = the Conversion Rate in effect on the day next succeeding the date such tender or exchange offer expires

AC = the fair market value (as determined by the Board of Directors) of the aggregate consideration paid or payable for shares purchased in such tender or exchange offer

OS_0 = the number of Common Shares outstanding on the Trading Day immediately preceding the date such tender or exchange offer is announced

OS’ = the number of Common Shares outstanding less any shares purchased in the tender or exchange offer at the time such tender or exchange offer expires

SP’ = the average of the last reported sale prices of the Common Shares over the ten consecutive trading day period commencing on the Trading Day next succeeding the date such tender or exchange offer expires.

The adjustment to the conversion rate under the preceding paragraph will occur on the tenth Trading Day next succeeding the date such tender or exchange offer expires.

If the Company is obligated to repurchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange had not been made.

(f) For purposes of this Section 16.04, the following terms shall have the meaning indicated:

(i) “**Current Market Price**” on any date means the average of the Closing Sale Prices per Common Share for the 10 consecutive Trading Days immediately preceding the day before the Record Date (or, if earlier, the Ex-Dividend Date) with respect to any distribution, issuance or other event requiring such computation.

(ii) “**fair market value**” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.

(iii) “**Record Date**” shall mean, with respect to any dividend, distribution or other transaction or event in which the Holders of Common Shares have the right to receive any cash, securities or other property or in which the Common Shares (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(g) Subject to subsection (i) below, the Company may make such increases in the Conversion Rate, in addition to any adjustments required by Section 16.04(a), Section 16.04(b), Section 16.04(c), Section 16.04(d), Section 16.04(e) or Section 16.04(f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Shares or rights to purchase Common Shares resulting from any dividend or

distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

(h) To the extent permitted by applicable law and subject to subsection (i) below, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Company, subject to the receipt of any required regulatory approvals, which determination shall be conclusive. Thereafter, the Conversion Rate will return to the level prior to such adjustment. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to Holders of record of the Securities a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(i) Any increase in the Conversion Rate pursuant to subsections (g) and (h) above shall not, without the approval of the shareholders of the Company, as required by Rule 713 of the American Stock Exchange Company Guide, result in the sale or issuance of 20% or more of the Common Shares, or 20% of more of the voting power, outstanding as of the date of the Prospectus.

(j) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% in such rate; *provided*, *however*, that any adjustments which by reason of this Section 16.04(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article XVI shall be made by the Company and shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. No adjustment need be made for rights to purchase Common Shares pursuant to a Company plan for reinvestment of dividends or interest. To the extent the Securities become convertible into cash, assets, property or securities (other than Common Shares of the Company), no adjustment need be made thereafter as to the cash, assets, property or such securities. Interest will not accrue on the cash.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any Conversion Agent an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to each Holder of Securities at such Holder's last address appearing on the list of Security holders provided for in Section 3.06, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) In any case in which this Section 16.04 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the

occurrence of such event (i) issuing to the Holder of any Securities converted after such Record Date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Common Shares issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 16.03.

(m) For purposes of this Section 16.04, the number of Common Shares at any time outstanding shall not include shares held in the treasury of the Company so long as the Company does not pay any dividend or make any distribution on Common Shares held in the treasury of the Company, but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of Common Shares.

(n) No adjustment to the Conversion Rate shall be made pursuant to this Section 16.04 if the Holders of the Securities may participate in the transaction that would otherwise give rise to an adjustment pursuant to this Section 16.04.

(o) Whenever any provision of this Indenture requires a calculation of an average of Closing Sale Prices or Daily VWAP over a span of multiple days, the Company shall make appropriate adjustments (determined in good faith by the Board of Directors) to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date of the event occurs at any time during the period from which the average is to be calculated.

***Section 16.05 Adjustments Upon Certain Fundamental Changes*.**

(a) If a Holder elects to convert Securities pursuant to Section 16.01 above in connection with a transaction described therein and the transaction also constitutes a Fundamental Change, the Conversion Rate for such Securities shall be increased by an additional number of Common Shares (the "**Additional Shares**") as described below. Any conversion occurring at a time when the Securities would be convertible in light of the expected or actual occurrence of a Fundamental Change will be deemed to have occurred in connection with such Fundamental Change notwithstanding the fact that a Security may then be convertible because another condition to conversion has been satisfied.

(b) The number of Additional Shares will be determined by reference to the table attached as Schedule A hereto, based on the date on which the Fundamental Change occurs or becomes effective (the "**Effective Date**") and the price (the "**Share Price**") paid per Common Share in the Fundamental Change. If the Fundamental Change is a transaction described in clause (ii) of the definition of Fundamental Change, and holders of Common Shares receive only cash in that Fundamental Change, the Share Price shall be the cash amount paid per share. Otherwise, the Share Price shall be the average of the Closing Sale Prices of Common Shares over the five Trading-Day period ending on the Trading Day preceding the Effective Date of the Fundamental Change.

(c) The Share Prices set forth in the first row of the table in Schedule A hereto shall be adjusted as of any date on which the Conversion Rate of the Securities is otherwise adjusted. The adjusted Share Prices shall equal the Share Prices applicable immediately prior to

such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the share price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares will be adjusted in the same manner as the Conversion Rate as set forth in Section 16.04.

(d) The table in Schedule A hereto sets forth the hypothetical Share Price and the number of additional shares to be received per $1,000 Principal Amount of Securities.

The exact Share Prices and Effective Dates may not be set forth in the table in Schedule A, in which case:

(i) If the Share Price is between two Share Price amounts in the table or the Effective Date is between two Effective Dates in the table, the number of Additional Shares will be determined by a straight-line interpolation between the number of Additional Shares set forth for the higher and lower Share Price amounts and the two dates, as applicable, based on a 365-day year.

(ii) If the Share Price is greater than $• per share (subject to adjustment), no Additional Shares will be issued upon conversion.

(iii) If the Share Price is less than $• per share (subject to adjustment), no Additional Shares will be issued upon conversion.

Notwithstanding the foregoing, in no event will the total number of Common Shares issuable upon conversion exceed • Common Shares per $1,000 Principal Amount of Securities, subject to adjustments in the same manner as the Conversion Rate as set forth in Section 16.04.

Section 16.06 Effect Of Reclassification, Consolidation, Merger Or Sale. If any of the following events occur, namely:

(i) any reclassification or change of Common Shares issuable upon conversion of the Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination, or any other change for which an adjustment is provided in Section 16.04(c));

(ii) any consolidation, merger or combination to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in outstanding Common Shares; or

(iii) any sale or conveyance of all or substantially all of the properties and assets of the Company to any other person as a result of which holders of Common Shares shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Shares,

then the Company or the successor or purchasing person, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in

force at the date of execution of such supplemental indenture) providing that such Securities shall be convertible into the kind and amount of Common Shares, securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of Common Shares issuable upon conversion of such Securities (assuming, for such purposes, a sufficient number of authorized Common Shares available to convert all such Securities) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance. Assuming such holder of Common Shares did not exercise his rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance (*provided* that, if the kind or amount of stock, securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance is not the same for each share of Common Shares in respect of which such rights of election shall not have been exercised ("**non-electing share**"), then for the purposes of this Section 16.06, the kind and amount of stock, securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such supplemental indenture shall provide that if Holders of Securities would otherwise be entitled to receive, upon conversion of the Securities, any Ineligible Consideration, such Holders shall not be entitled to receive such Ineligible Consideration but the Company or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Company or the successor or acquirer, as the case may be) to deliver either such Ineligible Consideration or Prescribed Securities for the purposes of clause 212(1)(b)(vii)(E) of the Income Tax Act (Canada) with a market value equal to the market value of such Ineligible Consideration. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article XVI. If, in the case of any such reclassification, change, consolidation, merger, combination, sale or conveyance, the stock, securities or other property or assets (including cash) receivable thereupon by a holder of Common Shares includes shares of stock, securities or other property or assets (including cash) of a corporation other than the successor or purchasing corporation, as the case may be, in such reclassification, change, consolidation, merger, combination, sale or conveyance, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders of the Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at the address of such Holder as it appears on the register of the Securities maintained by the Registrar, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture. The above provisions of this Section shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances. If this Section 16.06 applies to any event or occurrence, Section 16.04 shall not apply.

Section 16.07 Taxes On Shares Issued. Any issue of stock certificates on conversions of Securities shall be made without charge to the converting Holder for any documentary, transfer, stamp or any similar tax in respect of the issue thereof, and the Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of

the issue or delivery of Common Shares on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the Holder of any Securities converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 16.08 Reservation Of Shares; Shares To Be Fully Paid; Compliance With Governmental Requirements; Listing Of Common Shares. The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient Common Shares to provide for the conversion of the Securities from time to time as such Securities are presented for conversion (assuming that, at the time of the computation of such number of shares or securities, all such Securities would be held by a single Holder).

Before taking any action that would cause an adjustment increasing the Conversion Rate to an amount that would cause the Conversion Price to be reduced below the then par value, if any, of the Common Shares issuable upon conversion of the Securities, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue Common Shares at such adjusted Conversion Price.

The Company covenants that all Common Shares that may be issued upon conversion of Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and non-assessable and shall be free from preemptive rights and free from any lien or adverse claim.

The Company shall use its reasonable efforts to list or cause to have quoted any Common Shares to be issued upon conversion of Securities on each national securities exchange or over-the-counter or other domestic market on which the Common Shares are then listed or quoted.

Section 16.09 Responsibility Of Trustee**.** The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Securities to determine the Conversion Rate or whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Securities; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any Common Shares or stock certificates or other securities or property or cash upon the surrender of any Securities for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article XVI. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 16.06 relating either to the kind or amount of shares of stock or securities or property

(including cash) receivable by Holders upon the conversion of their Securities after any event referred to in such Section 16.06 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 8.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 16.10 Notice To Holders Prior To Certain Actions. In case,

(a) the Company shall declare a dividend (or any other distribution) on its Common Shares that would require an adjustment in the Conversion Rate pursuant to Section 16.04; or

(b) the Company shall authorize the granting to the holders of all or substantially all of its Common Shares of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification or reorganization of the Common Shares of the Company (other than a subdivision or combination of its outstanding Common Shares, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company or any of its significant subsidiaries; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company or any of its significant subsidiaries;

then, in each case, the Company shall cause to be filed with the Trustee and the Conversion Agent and to be mailed to each Holder of Securities at such Holder's address appearing on the list of Security holders provided for in Section 3.06 of this Indenture, as promptly as practicable but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Shares of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective or occur, and the date as of which it is expected that holders of Common Shares of record shall be entitled to exchange their Common Shares for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

Section 16.11 Company Determination Final. Any determination that the Company or its Board of Directors must make pursuant to this Article XVI shall be conclusive if made in good faith and in accordance with the provisions of this Article XVI, absent manifest error, and set forth in a Board Resolution.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

GOLD RESERVE INC.

By: ______________________________
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: ______________________________
Name:
Title:

SCHEDULE A

The following table sets forth the hypothetical Share Price and the number of Additional Shares to be received per $1,000 Principal Amount of Securities pursuant to Section 16.05 of this Indenture:

Share price (in US$)

Effective date	$	$	$	$	$	$	$	$	$	$	$	$	$	$
May 15, 2007														
June 1, 2008														
June 1, 2009														
June 1, 2010														
June 1, 2011														
June 1, 2012														

Certain Sections of this Indenture relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture Act Section		Indenture Section
§ 310	(a)(1)	8.09
	(a)(2)	8.09
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(b)	8.08
		8.10
§ 311	(a)	8.13
	(b)	8.13
§ 312	(a)	12.07
		9.01(a)
	(b)	9.01(b)
	(c)	9.01(c)
§ 313	(a)	9.02(a)
	(b)	9.02(a)
	(c)	9.02(a)
	(d)	9.02(b)
§ 314	(a)	12.08
	(b)	Not Applicable
	(c)(1)	1.02
	(c)(2)	1.02
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	1.02
§ 315	(a)	8.01
	(b)	8.02
	(c)	8.01
	(d)	8.01
	(e)	7.14
§ 316	(a)(1)(A)	7.12
	(a)(1)(B)	7.13
	(a)(2)	Not Applicable
	(b)	7.08
	(c)	1.04(c)
§ 317	(a)(1)	7.03
	(a)(2)	7.05
	(b)	20.03
§ 318	(a)	1.07

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of this Indenture.

Exhibit 7.2

Registration No. 333-142656

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) ☑

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
One Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

GOLD RESERVE INC.
(Exact name of obligor as specified in its charter)

Yukon Territory (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. employer identification no.)
926 West Sprague Avenue, Suite 200 Spokane, Washington (Address of principal executive offices)	99201 (Zip code)

% Senior Subordinated Convertible Notes due 2022
(Title of the indenture securities)

1. **General information. Furnish the following information as to the Trustee:**

   (a) **Name and address of each examining or supervising authority to which it is subject.**

Name	Address
Superintendent of Banks of the State of New York	One State Street, New York, N.Y. 10004-1417, and Albany, N.Y. 12223
Federal Reserve Bank of New York	33 Liberty Street, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

   (b) **Whether it is authorized to exercise corporate trust powers.**

   Yes.

2. **Affiliations with Obligor.**

   If the obligor is an affiliate of the trustee, describe each such affiliation.

   None.

16. **List of Exhibits.**

   Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

   1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672, Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121195.)

   4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-121195.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-106702.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 11th day of May, 2007.

THE BANK OF NEW YORK

By: /S/ ROBERT A. MASSIMILLO
Name: ROBERT A. MASSIMILLO
Title: VICE PRESIDENT

Consolidated Report of Condition of

THE BANK OF NEW YORK

of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 2007, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts In Thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	1,859,000
Interest-bearing balances	12,315,000
Securities:	
Held-to-maturity securities	1,572,000
Available-for-sale securities	20,948,000
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold in domestic offices	491,000
Securities purchased under agreements to resell	153,000
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	31,479,000
LESS: Allowance for loan and lease losses	289,000
Loans and leases, net of unearned income and allowance	31,190,000
Trading assets	3,171,000
Premises and fixed assets (including capitalized leases)	844,000
Other real estate owned	2,000
Investments in unconsolidated subsidiaries and associated companies	340,000
Not applicable	
Intangible assets:	
Goodwill	2,714,000
Other intangible assets	966,000
Other assets	7,043,000

	Dollar Amounts In Thousands
Total assets	83,608,000
LIABILITIES	
Deposits:	
In domestic offices	26,775,000
Noninterest-bearing	16,797,000
Interest-bearing	9,978,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	33,309,000
Noninterest-bearing	702,000
Interest-bearing	32,607,000
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased in domestic offices	712,000
Securities sold under agreements to repurchase	129,000
Trading liabilities	2,321,000
Other borrowed money:	
(includes mortgage indebtedness and obligations under capitalized leases)	3,621,000
Not applicable	
Not applicable	
Subordinated notes and debentures	2,255,000
Other liabilities	5,933,000
Total liabilities	75,055,000
Minority interest in consolidated subsidiaries	161,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,135,000
Surplus (exclude all surplus related to preferred stock)	2,143,000
Retained earnings	5,430,000
Accumulated other comprehensive income	-316,000
Other equity capital components	0
Total equity capital	8,392,000
Total liabilities, minority interest, and equity capital	83,608,000

I, Thomas P. Gibbons, Chief Financial Officer of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

/s/ Thomas P. Gibbons,
Chief Financial Officer

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

/s/ Thomas A. Renyi
/s/ Gerald L. Hassell — Directors
/s/ Catherine A. Rein