As filed with the Securities and Exchange Commission on May 3, 2006

Registration No. 333-133746

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)

Rockne J. Timm
President
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)

Copies to:

John Galbavy	Charles L.K. Higgins	Jonathan B. Newton	Kevin Rooney	Christopher J. Barry
Gold Reserve Inc.	Fasken Martineau DuMoulin LLP	Baker & McKenzie LLP	Heenan Blaikie LLP	Dorsey & Whitney LLP
926 West Sprague Ave.	Toronto Dominion Centre	Pennzoil Place, South Tower	Royal Bank Plaza	U.S. Bank Centre
Suite 200	66 Wellington St. W., #4200	711 Louisiana St., Suite 3400	Suite 2600	1420 Fifty Ave., Suite 3400
Spokane, WA 99201	Toronto Ontario M5K 1N6	Houston, TX 77002	Toronto, ON M5S 2J4	Seattle, WA 98101-4010
(509) 623-1500	(416) 865-4392	(713) 427-5000	(416) 360-6336	(206) 903-8815

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.[X] at some future date (check appropriate box below)

1.[_] pursuant to Rule 467(b) on ( ) at ( ) (designate a time not sooner than seven calendar days after filing).

2.[_] 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.[_] 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.[X] 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. [_]

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Class A common shares, no par value	$30,987,900 (3)	$3,316 (4)
Class A common shares, no par value	$15,584 (5)	$2 (6)

Class A common share purchase rights	N/A	N/A (7)

(1) Includes Class A common shares that the Underwriters have the option to purchase to cover over-allotments, if any.
(2) Rule 457(o) permits the registration fee to be calculated on the basis of the maximum offering price of all of the securities listed and, therefore, the table does not specify by each class information as to the amount to be registered or the proposed maximum offer price per security.
(3) Determined based on the initial proposed maximum aggregate offering price in Canadian dollars of $34,500,000 using an exchange rate of US$0.8982 per Cdn.$1.00.
(4) Previously paid.
(5) Determined based on the additional amount of proposed maximum aggregate offering price in Canadian dollars of $17,250 using an exchange rate of US$0.9034 per Cdn.$1.00.
(6) Paid herewith.
(7) In accordance with Rule 457(g), no additional registration fee is required in respect of the Class A common share purchase rights.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the 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

+++
+Information contained herein is subject to completion or amendment. A +
+registration statement relating to these securities has been filed with the +
+Securities and Exchange Commission. These securities may not be sold nor may +
+offers to buy be accepted prior to the time the registration statement +
+becomes effective. This prospectus shall not constitute an offer to sell or +
+the solicitation of an offer to buy nor shall there be any sale of these +
+securities in any State in which such offer, solicitation or sale would be +
+unlawful prior to registration or qualification under the securities laws of +
+such State. +
+++

Subject to Completion, dated May 3, 2006

AMENDED AND RESTATED SHORT FORM PROSPECTUS

[LOGO GOLD RESERVE INC.]

Cdn.$30,015,000

3,335,000 Class A Common Shares

This short form prospectus relates to the offering (the "Offering") by Gold Reserve Inc. (the "Company" or "Gold Reserve") of 3,335,000 Class A common shares ("Common Shares") of the Company at a price of Cdn.$9.00 per Common Share. The offering price of the Common Shares was determined by negotiation between the Company and Sprott Securities Inc. and RBC Dominion Securities Inc. (the "Underwriters"). The Underwriters are acting as underwriters in respect of the Offering in Canada and the Underwriters' U.S. affiliates are acting as underwriters in respect of the Offering in the United States. The outstanding Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX") and the American Stock Exchange (the "AMEX") under the symbol "GRZ". On May 2, 2006, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX and AMEX was Cdn.$9.67 and US$8.73, respectively. Applications have been made to have the Common Shares qualified for distribution by this short form prospectus listed on the TSX and AMEX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and AMEX.

Investing in the Common Shares involves risks. See "Risk Factors" beginning on page 9.

	Price to Public	Underwriters' Fee	Net Proceeds to the Company(1)
Per Class A Common Share.......	Cdn.$9.00	Cdn.$0.45	Cdn.$8.55
Total(2).......................	Cdn.$30,015,000	Cdn.$1,500,750	Cdn.$28,514,250

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(1) Before deducting the expenses of the Offering, which are estimated to be approximately Cdn.$450,000, that will be paid by the Company from the proceeds of the Offering.

(2) The Company has granted to the Underwriters an option (the "Over-Allotment Option") exercisable at any time, in whole or in part, for a period of 30 days following the closing of the Offering, to purchase up to an additional 500,250 Common Shares at the same price as set forth above. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be Cdn.$34,517,250, Cdn.$1,725,862.50, and Cdn.$32,791,387.50, respectively. See "Plan of Distribution".

The public offering price of the Common Shares offered in Canada and the United States is payable in Canadian dollars only.

Definitive certificates representing the Common Shares are expected to be available for delivery at closing of the Offering, which is anticipated to be on or about May 15, 2006 or such other date as may be agreed upon by the Company and the Underwriters but in any event no later than may 30, 2006.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, 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 are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies. See "Additional Report with Respect to Supplementary Information".

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion under "Certain United States Federal Income Tax Considerations".

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated

under the laws of Yukon Territory, Canada, that some of its directors are residents of Canada, that some or all of the underwriters or experts named in the registration statement are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.

These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

SPROTT SECURITIES (U.S.A.) LIMITED	RBC CAPITAL MARKETS

The date of this prospectus is May 3, 2006

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Investors should rely only on the information contained in or incorporated by reference into this short form prospectus. The Company has not authorized anyone to provide investors with different information. Neither the Company nor the Underwriters are making an offer of these securities in any jurisdiction where the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this prospectus. The Company's business, operating results, financial condition and prospects may have changed since that date.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the Over-Allotment Option.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This prospectus, including the documents incorporated by reference herein, has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. Without limiting the foregoing, this prospectus, including the documents incorporated by reference herein, 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 the Company's annual information form incorporated herein by reference, 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. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, 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, 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 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 resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies or in a U.S.-style prospectus.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references to "$", "Cdn.$" or "dollars" in this short form prospectus refer to Canadian dollars and references to "US$" or "U.S. dollars" in this short form prospectus refer to United States dollars.

The Company's accounts are maintained in United States dollars but prepared in accordance with Canadian generally accepted accounting principles.

The following table sets forth the rate of exchange for one Canadian dollar, expressed in U.S. dollars, for each period indicated, the average of such exchange rates, 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				
	2005	2004	2003	2002	2001
	U.S. dollars per one Canadian dollar				
Average rate for period.......	US$0.8254	US$0.7684	US$0.7138	US$0.6369	US$0.6458
Rate at end of period.........	US$0.8598	US$0.8319	US$0.7713	US$0.6339	US$0.6278

The noon rate of exchange on May 2, 2006 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Cdn.$1.00 equals US$0.9034.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to Gold Reserve, and Heenan Blaikie LLP, counsel to the Underwriters, the Common Shares offered hereby, if issued on the date hereof, would be qualified investments under the Income Tax Act (Canada) and the regulations thereunder ("Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada and forms an integral part of this short form prospectus. Copies of the documents incorporated herein by reference may be obtained on request without charge from Mary Smith, Secretary of Gold Reserve, 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. 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 short form prospectus. You should review them prior to making an investment decision:

(a) annual information form of Gold Reserve in the form of Form 20-F (the "AIF") for the year ended December 31, 2005;

(b) audited annual consolidated comparative financial statements of Gold Reserve for the year ended December 31, 2005 and the auditors' report thereon, together with management's discussion and analysis for the year ended December 31, 2005;

(c) management information circular dated April 14, 2005 prepared in connection with Gold Reserve's annual and special meeting of shareholders held on June 2, 2005;

(d) management information circular dated January 31, 2006 prepared in connection with Gold Reserve's special meeting of shareholders held on March 22, 2006; and

(e) the summary, being pages 1.1 to 1.13 inclusive, of NI 43-101 Technical Report Gold and Copper Project Brisas Project dated February 24, 2005 as prepared by Pincock, Allen & Holt.

Any document of the type referred to in items (a) to (d) above and any material change reports (other than confidential material change reports) filed by the Company with the securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into and form an integral part of this short form prospectus. The documents incorporated or deemed incorporated by reference herein contain meaningful and material information relating to the Company and prospective investors of Common Shares should review all information contained in this short form prospectus and the documents incorporated by reference before making an investment decision. Any information that is intended to be incorporated by reference to the Company's SEC filings will only be incorporated by reference if expressly referenced as such in the Company's Registration Statement on Form F-10 filed with the SEC with respect to the Offering (and of which this short form prospectus forms a part) or as expressly referenced as such in any Report on Form 6-K furnished to the SEC (or other applicable filing).

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, 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 short form prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information presented or incorporated by reference in this short form 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 "Securities Act"), and Section 21E of the United States Securities Exchange Act of 1934, as amended (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 the results of the Company and its consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation, concentration of operations and assets in Venezuela; corruption and uncertain legal enforcement; requests for improper payments; regulatory, political and economic risks associated with Venezuelan operations (including changes in previously established legal regimes, rules or processes); the ability to obtain or maintain the necessary permits or additional funding for the development of the Brisas Project; in the event any key findings or assumptions previously determined by the Company or the Company's consultants in conjunction with the feasibility study concerning the Brisas Project prepared in 2005 (as updated or modified from time to time) (the "Bankable Feasibility Study") significantly differ or change as a result of actual results in the Company's expected construction and production at the Brisas Project (including capital and operating cost estimates); risk that actual mineral reserves may vary considerably from estimates presently made; impact of currency, metal prices and metal production volatility; fluctuations in energy prices; changes in proposed development plans (including technology used); the Company's dependence upon the abilities and continued participation of certain key employees; and risks normally incident to the operation and development of mining properties. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

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 that are predictions of or indicate future events and future trends that do not relate to historical matters, identify forward-looking statements. Any such forward-looking statements are not intended to give any assurances as to future results.

Investors are cautioned not to put undue reliance on forward-looking statements, and should not infer that there has been no change in the affairs of the Company since the date of this short form prospectus or the documents incorporated by reference herein 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 the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Investors are urged to read the Company's filings with U.S. and Canadian securities regulatory agencies, which can be viewed on-line at www.sedar.com or www.sec.gov. Additionally, investors can request a copy of any of these filings directly from the Company as described elsewhere herein. See "Documents Incorporated by Reference".

THE COMPANY

Overview

Name, Address and Incorporation

Gold Reserve is a mining company engaged in the exploration and development of precious metal properties. The Company was incorporated in 1998 under the laws of the Yukon Territory, Canada and is the successor issuer to Gold Reserve Corporation, a Montana corporation formed in 1956. Gold Reserve's registered agent is Austring, Fendrick, Fairman & Parkkari, The Drury Building, 3801 Third Avenue, Whitehorse, Yukon Y1A 4Z7. Telephone and fax numbers for Gold Reserve's registered office are (867) 668-4405 and (867) 668-3710, respectively. Venezuelan administrative and technical offices are located in Caracas and Puerto Ordaz, Venezuela. Telephone and fax numbers for the Company's administrative office located in Spokane, Washington are (509) 623-1500 and (509) 623-1634, respectively. The Company also maintains technical staff in Toronto, Canada and Denver, Colorado.

The Company is presently focused primarily on its most significant asset, the "Brisas Project", an advanced stage development project, and to a lesser extent on the exploration of its Choco 5 property, both located in Bolivar State, Venezuela. The Company has no commercial production at this time.

The Brisas Project Bankable Feasibility Study was completed in early 2005. Following receipt of the Bankable Feasibility Study, the Company's board of directors approved a plan to proceed with financing and, if successful, construction of the Brisas Project based on the results of the study. As a prerequisite to the Company obtaining formal commitments to finance construction of the Brisas Project, the Company must resolve pending non-mining concession land issues and obtain the required permits for the construction and operation of the Brisas Project described below. Initial capital costs to construct and place the Brisas Project into production are currently contemplated to be US$638 million (up from approximately US$552 million in the Bankable Feasibility Study) excluding value added taxes and import duties, which management believes could total as much as US$69 million. Management is in the process of preparing applications for all possible tax exonerations in Venezuela for such amounts and expects to obtain such exonerations prior to construction of the Brisas Project. There can be no assurances that such exonerations will be obtained, the primary result of which would be to increase initial capital costs.

Organizational Structure

References throughout this short form prospectus to the "Company" or the terms "we," "us" and "our," except as otherwise indicated herein, refer primarily to Gold Reserve Inc., Gold Reserve Corporation (incorporated in

Montana), Gold Reserve de Barbados Ltd. (domiciled in Canada, the U.S. and Barbados, respectively), Gold Reserve de Venezuela, C.A., Compania Aurifera Brisas del Cuyuni, C.A. ("BRISAS") (both domiciled in Venezuela), and Great Basin Energies, Inc. ("Great Basin") and MGC Ventures Inc. ("MGC Ventures") (both domiciled in the U.S.). Great Basin and MGC Ventures have no current business activities. All of the consolidated companies noted above are wholly owned except for Great Basin and MGC Ventures, each of which are approximately 47% owned.

Summary Description of the Business

The Company's primary mining asset, the Brisas Project, is a gold/copper deposit located in the Kilometre 88 mining district of the State of Bolivar in southeastern Venezuela. Approximately US$100 million has been expended (including costs capitalized and costs expensed in the period incurred) on the Brisas Project since its acquisition by the Company in 1992. In 2005, the Company, with the assistance of a number of independent consultants, completed a Bankable Feasibility Study for the Brisas Project. Based on the conclusions contained in the Bankable Feasibility Study, the board of directors approved proceeding with the financing and construction of the mine.

The Brisas Project consists of the following: a 500-hectare land parcel consisting of the Brisas alluvial concession and the Brisas hardrock concession beneath the alluvial concession (the "Brisas concessions"). Together these concessions contain substantially all of the mineralization identified in the Bankable Feasibility Study. The Brisas Project also includes a number of other existing or pending applications for concessions, alfarjetas, Corporacion Venezolana de Guayana ("CVG") work contracts, land use permits and easements, adjacent to or near the Brisas concessions, totalling another 13,000 hectares.

The Company's original Brisas Project operating plan was approved by the Ministry of Energy and Mines (now the Ministry of Basic Industries and Mines ("MIBAM")) in 2003 and, since that approval, the Company has submitted to MIBAM a number of modifications in order to minimize impact to the environment and optimize economics of the Brisas Project. Contained within the approved operating plan are the existing or pending applications for concessions, alfarjetas, CVG work contracts, land use permits and easements, adjacent to or near the Brisas concessions described above. These additional land parcels comprise the bulk of the land required for the mining and milling facility and related infrastructure contemplated in the Bankable Feasibility Study. A number of these parcels are integral to the Company's proposed operating plan and others may be necessary for future needs. Failure to obtain one or more of these rights or properties could have a material adverse effect on the Company.

In addition to the pending land use issues related to project infrastructure needs, the Company has a number of permits relating to the Brisas Project pending before MIBAM, the Venezuelan Ministry of the Environment and Natural Resources ("MARN") and other regulatory or government agencies. Most importantly, the Company must obtain the Administrative Authorization to Affect Natural Resources for Construction of Infrastructure and Exploitation of Alluvial and Vein Deposits of Gold and Copper from MARN, which is issued in part based on MIBAM's approval of the project operating plan as well as the Company's Venezuelan Environmental and Social Impact Assessment (V-ESIA), which was submitted in August 2005. Receipt of this material permit is required before the Company can commence construction and operation at the Brisas Project. The Company requires significant financing to commence such construction and any financing relating to the Brisas Project is expected to be subject to the receipt of this material permit. The Company's current financial plan is to seek the required financing after the receipt of the material permit, although the financial plan is subject to change with potential changes in the price of the Common Shares and gold and copper prices.

The Company is dependent on the Venezuelan regulatory authorities issuing the Company the required operational and land use permits before it may begin construction on, and operate, the Brisas Project. Obtaining these required permits is also necessary in order for the Company to adequately identify and obtain suitable financing for the Brisas Project. Further, the Company previously filed an administrative protest with MARN with respect to a water diversionary plan that includes a structure to divert water proposed by a third party for a property adjacent to the northern boundary of the Brisas Project, construction of which could impair the Company's proposed set-back arrangement for its northern boundary as described in the Company's original operating plan. A number of these pending items have been outstanding for some time. The resolution of these pending issues may be further delayed or withheld for reasons within or outside of the Company's control or in response to the Company's lawful actions, including policy decisions of the Venezuelan government or its regulators or agents that have no legal basis, unexpected changes in laws or regulations, arbitrary decisions by relevant officials, corruption, requests for improper payments, favoritism towards other companies or persons or any other actions that may result from the changing and uncertain regulatory environment with respect to mining rights.

As of April 28, 2006, the Company had approximately US$19.5 million in cash and investments. The Company currently does not generate revenue from operations and has historically financed operating activities primarily from

the sale of Common Shares or other equity securities. In the near-term, management believes that cash and investment balances, together with the proceeds of this Offering, are sufficient to enable the Company to fund its pre-construction activities through 2007. These pre-construction activities are expected to consist of detailed project engineering, development and implementation of project related contracts such as engineering, procurement and construction management, port facilities, concentrate sales contracts, electricity and fuel supply contracts, and a number of other agreements related to the construction and operation of the Brisas Project, pursuing the required permits and identifying suitable funding sources for construction of the Brisas Project. Management can provide no assurances that it will be able to obtain the substantial additional financing that will be needed to construct the Brisas Project. Failure to raise the required funds will mean the Company is unable to construct and operate the Brisas Project, which would have a material adverse effect on the Company.

In May 2005, Pincock, Allen & Holt of Denver, Colorado ("PAH") calculated the updated mineral resource and reserve estimates summarized in the tables below in accordance with NI 43-101 for the Brisas Project. The Bankable Feasibility Study described earlier has not yet been updated with this new data. A supplement to the Bankable Feasibility Study was completed in November 2005 based on the May 2005 reserves, new waste dump designs and a larger pit volume. The results are very similar to the Bankable Feasibility Study results.

BRISAS MINERAL RESERVE AS AT MAY 2005

The Brisas Project is estimated to contain a proven and probable mineral reserve of approximately 10.1 million ounces of gold and 1.29 billion pounds of copper as 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......	206.9	0.726	0.125	4,829	570			
Probable....	239.3	0.683	0.136	5,255	720			
Total.......	446.2	0.703	0.131	10,084	1,290	963.8	1,410.0	2.16

The mineral reserve (within a pit design) has been estimated in accordance with NI 43-101. The mineral reserve was estimated using average recovery rates for gold and copper of approximately 83% and 87% respectively, metal prices of US$350 per ounce gold and US$0.90 per pound copper and an internal revenue cut-off of US$3.00 per tonne. The qualified persons involved in the property evaluation and resource and reserve estimate were Raul Borrastero, C.P.G. and Susan Poos, P.E. (both formerly of PAH) and Brad Yonaka, Exploration Manager for Gold Reserve.

BRISAS MINERAL RESOURCE ESTIMATE AS AT MAY 2005

The Brisas Project is estimated to contain a measured and indicated mineral resource of 12.4 million ounces of gold and approximately 1.6 billion pounds of copper (based on 0.4 gram per tonne gold equivalent cut-off).

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Resources. This section uses the terms "measured" and "indicated resource". The Company advises investors that while the terms "measured" and "indicated resource" are recognized and required by Canadian regulations, the SEC does not recognize them. Investors are cautioned not to assume that the mineralization not already categorized as mineral reserves, will ever be converted into reserves. Disclosure of contained ounces is permitted under Canadian regulations, however, the SEC generally permits resources to be reported only as in place tonnage and grade. See "Cautionary Note to United States Investors".

The May 2005 estimated, measured and indicated mineral resource utilizing an off-site smelter process is summarized in the following table:

(kt =1,000 tonnes) Au Eq Cut-off Grade	Measured			Indicated			Measured and Indicated		
	kt	Au (gpt)	Cu (%)	kt	Au (gpt)	Cu (%)	kt	Au (gpt)	Cu (%)
0.40	250,184	0.689	0.119	332,314	0.640	0.132	582,498	0.661	0.126

(In Millions) Au Eq Cut-off Grade	Measured			Indicated			Measured and Indicated		
		Au oz.	Cu lb.		Au oz.	Cu lb.		Au oz.	Cu lb.
0.40	--	5.541	656	--	6.837	966	--	12.378	1,622

The inferred mineral resource, based on an off-site smelter process (0.4 gram per tonne gold equivalent cut-off), is estimated at 129.0 million tonnes containing 0.594 grams gold per tonne and 0.122 percent copper, or 2.46 million ounces of gold and 346 million pounds of copper. The mineral resource estimate has been calculated in accordance with NI 43-101. The mineral resource and gold equivalent (AuEq) cut-off is based on US$350 per gold ounce and US$0.90 per pound copper. The qualified persons involved in the property evaluation and resource and reserve estimate were Raul Borrastero, C.P.G. and Susan Poos P.E. (both formerly of PAH) and Brad Yonaka, Exploration Manager for Gold Reserve.

Cautionary Note to U.S. Investors concerning estimates of Inferred Resources. This section uses the term "inferred" resources. The Company advises investors that while the term "inferred resource" is recognized and required by Canadian regulations, the SEC does not recognize such terms. An "inferred resource" has a great amount of uncertainty as to its existence and its economic and legal feasibility. Under Canadian disclosure rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Investors are cautioned not to assume that part or all of an inferred resource exists, is economically or legally mineable or that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Disclosure of contained ounces is permitted under Canadian regulations, however, the SEC generally permits resources to be reported only as in place tonnage and grade. See "Cautionary Note to United States Investors".

RECENT DEVELOPMENTS

Receipt of Permit for Detailed Engineering Activities on Brisas Project

On January 4, 2006, the Company announced that the Government of Venezuela through MARN, granted the Company's subsidiary BRISAS, operator of the Brisas Project, additional permits for the Company's continuing detailed engineering activities related to the development of the Brisas Project.

The permits are for geotechnical drilling to support detailed engineering work related to pit slope analysis, crusher design, process facility design, tailing dam design, and overall site development for the Brisas Project, which is anticipated to utilize conventional open pit mining methods with the processing of ore at full production of 70,000 tonnes per day, yielding an average annual production of 486,000 ounces of gold and 63 million pounds of copper over an estimated mine life determined currently by the Company to be approximately 18 years.

Receipt of Permit to Impact Natural Resources

On March 16, 2006, the Company announced that MARN had issued to the Company's subsidiary BRISAS the "Permit to Impact Natural Resources" for the quarry on the Barbarita property, which is expected to provide aggregate for the Company's adjacent Brisas Project. Aggregate is required for the construction and operating phase of the Brisas Project. The Barbarita property is located approximately 5 kilometres from the Brisas Project site and near the planned mill site.

Special Meeting of Shareholders

On March 22, 2006, shareholders of the Company passed resolutions approving: (i) the continuation of and amendment to the Company's shareholder rights plan; (ii) certain amendments to the Company's Equity Incentive

Plan; and (iii) the extension of the expiry date from June 8, 2006 to December 31, 2006 of certain outstanding options held by insiders of the Company, and providing the board of directors discretion to further extend the expiry date to no later than June 8, 2008.

Contracts with SNC-Lavalin Engineers & Constructors, Inc.

On April 24, 2006, the Company announced the completion of the initial engineering definition phase of the Brisas Project and the signing of the Engineering Procurement ("EP") and Construction Management ("CM") contracts with SNC-Lavalin Engineers & Constructors, Inc. and its affiliates (collectively, "SNC"). The scope of work for the contracts includes detailed engineering, procurement and construction management for the process, infrastructure, tailings and camp facilities as further defined in the EP&CM contracts. Commencement of construction activities at the Brisas Project will commence after receipt of the Administrative Authorization to Affect Natural Resources for Construction of Infrastructure and Exploitation of Gold and Copper Deposits from MARN and after obtaining the necessary financing for construction. The estimated cost of the EP contract is approximately US$22.8 million and for the CM contract approximately US$16.3 million for a total of approximately US$39.1 million. The Company has the right to terminate for convenience such contracts at any time with notice and upon payment to SNC by the Company of any unpaid amounts that have accrued under the terms of the contracts to the date of termination plus the demobilization costs and expenses of SNC. Construction is estimated to take 24 to 30 months from date of commencement.

Capital Costs

The Company has estimated initial capital costs for the Brisas Project to now total approximately US$638 million compared to the Bankable Feasibility Study capital costs of US$552 million. The primary components of the initial capital cost increases are: US$29 million for flotation and grinding, US$16.1 million for primary crushing and conveying, US$14.6 million for camp and temporary services, US$7.3 million for port facility for concentrate shipping and US$10.4 million for contingency purposes. Value added tax of 14% on approximately 80% of the capital costs is not included in the current or previous capital cost estimates as it is expected to be exonerated and/or recovered pursuant to Venezuelan tax regulations. The working capital, life of mine capital, equipment capital costs, closure costs and environmental management plans for the project are now being updated. This analysis is expected to be completed in the next five to six weeks. Thereafter, the Company is expected to provide an updated project economic model for the Brisas Project.

RISK FACTORS

An investment in the Common Shares is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of exploration and development of its mineral properties. The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to the Company. Prospective investors should carefully consider the following risk factors along with the other matters set out or incorporated by reference in this short form prospectus, including under the heading "Risk Factors" in the AIF.

Risks Relating to Gold Reserve and its Industry

The Company's mining assets are concentrated in a foreign country and, as a result, the Company's operations are subject to inherent local risks.

The Company's exploration and development activities in Venezuela are affected by certain factors including those listed below, some of which are beyond the Company's control, any one of which could have a material adverse affect on the Company's financial position and results of operations.

Political and Economic Environment

The Company's foreign operations 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;

- invalidation or rescission of governmental orders, permits, agreements or property rights;
- exchange controls and export or sale restrictions;
- currency fluctuations and repatriation restrictions;
- disadvantages of competing against 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.

Certain Permits are Required Prior to Obtaining Financing and Beginning Construction on the Brisas Project

The Company is dependent on the Venezuelan regulatory authorities issuing the Company the required operational and land use permits before it may begin construction on, and operate, the Brisas Project. Most importantly, the Company must obtain the Administrative Authorization to Affect Natural Resources for Construction of Infrastructure and Exploitation of Alluvial and Vein Deposits of Gold and Copper from MARN, which is typically issued subsequent to a company obtaining approval of its operating plan by MIBAM.

The Company's original operating plan was approved by MEM (now MIBAM) in 2003. Since approval of the original operating plan, the Company has submitted to MIBAM a number of modifications to the plan in order to minimize impact to the environment and optimize economics of the Brisas Project, including an increase in milling capacity up to 70,000 tons per day and relocation of certain surface facilities and infrastructure.

Management can give no assurance that the issuance of items the Company still requires for proceeding with the Brisas Project will not be delayed or withheld, or any existing rights or approvals already issued or granted to the Company for its operations in Venezuela will not be rescinded, or otherwise challenged. The reasons for any such action could relate to a number of factors noted herein, which are mostly outside of the Company's control or in response to the Company's lawful actions and, as a result, management is unable to provide any assurance as to if and when the remaining required Venezuelan permits will be issued to the Company. Failure to obtain any of these required permits will result in the Company not being able to construct and operate the Brisas Project, which will result in a material adverse affect on the Company's operations and investments in Venezuela and continued operating losses.

Government Review of Contracts and Concessions for Compliance

In early 2005, Venezuela's Minister of MIBAM, Victor Alvarez, announced that Venezuela would review all foreign investments in non-oil basic industries, including gold projects. In September 2005, Venezuelan President Hugo Chavez announced that the Venezuelan government planned to revoke gold and diamond concessions and/or contracts and also that he planned to create a new state mining company as part of an effort to increase government control over the sector. President Chavez did not specify which concessions and/or contracts would be revoked, but later Minister Alvarez said inactive and out of compliance mines would be handed over to small mining cooperatives supported by the government through a new government mining corporation. The date for the completion of the review and the announcement of the results of this review has been deferred several times and it is unclear when such announcement will take place or whether the final policy when announced will be consistent with prior public statements. The Company believes, based on communications with the relevant regulatory agencies, that all of the Company's properties are in compliance with applicable regulations, including the Company's required and voluntary commitments to various social, cultural and environmental programs in the immediate and surrounding areas near the Brisas Project. However, due to the uncertainty regarding the creation of the new state mining company and expected changes in the mining law, the Company cannot provide any assurance that the creation of a state mining company will not adversely affect the Company's ability to develop and operate the Company's Venezuelan properties.

Currency and Exchange Controls

In 2003, the Central Bank of Venezuela enacted exchange control regulations as a measure to protect international reserves. The exchange rate was fixed at approximately 1,600 Bolivars per one U.S. dollar until February 2004 when it was adjusted to 1,920 Bolivars per one U.S. dollar. In March 2005, the exchange rate was increased to approximately 2,150 Bolivars per one U.S. dollar, which is unchanged as of the date of this prospectus. In February 2005, the Venezuelan government announced new regulations concerning exports from Venezuela, which required, effective April 1, 2005, all goods and services to be invoiced in the currency of the country of destination or in U.S. dollars. To

date these regulations have not adversely affected the Company's operations as the Company primarily transfers funds into Venezuela for its operations. However, this will change in the future to the extent that the Company begins production and exports gold from Venezuela and the Company is unable to predict future the impact, if any, at this time. Future fluctuations of the Venezuelan Bolivar against the U.S. dollar and exchange controls could negatively impact the Company's financial condition.

Small Miners

A significant number of unauthorized small miners have occupied various properties near the Brisas Project. However, there are no unauthorized small miners currently located on the Brisas Project. 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 the Brisas Project. The Company maintains security guards and has implemented other procedures to mitigate the risk that the small miners might try to occupy the Brisas Project, although management can give no assurances that such activities will not occur in the future.

Imataca Forest Reserve

The Brisas Project is located within the boundaries of the Imataca Forest Reserve (the "Imataca") in an area presently approved by Presidential Decree for mining activities. On September 22, 2004, after public consultation, Presidential Decree 3110 ("Decree 3110") was published in the Official Gazette identifying approximately 13% of the Imataca in the State of Bolivar to be used for various activities, including mining. Decree 3110 was issued in response to: (i) legal challenges to prior Presidential Decree 1850 ("Decree 1850") published in the Official Gazette on May 28, 1997 which opened an even larger part of the Imataca to mining and other activities, and (ii) to a Venezuelan Supreme Court prohibition issued on November 11, 1997 that prohibited MEM (now MIBAM) from granting concessions, authorizations and any other acts relating to mining activities, exploration, exploitation and infrastructure in the Imataca pertaining to Decree 1850 until the Court rules on the merits of the nullity action.

The Company has been advised that the legal proceeding before the Venezuelan Supreme Court became moot upon the issuance of Decree 3110. Since the issuance of Decree 3110, MIBAM and its predecessor MEM have, on a selective basis, issued concessions, authorizations and other acts relating to mining activities, exploration, exploitation and infrastructure in the Imataca. However, the pending legal proceeding has not been formally concluded in the Court and therefore management can give no assurances that MIBAM and MARN's willingness to issue the required permits to construct and operate the Brisas Project will not be adversely affected in the future by this pending legal proceeding.

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. MARN, 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. 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 the Company has 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 the Company.

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. The Company believes it has the necessary title and/or rights to all of the properties for which it holds concessions or other contracts and leases. However, the Company does not know whether someone will 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.

In addition to the Brisas Project alluvial and hardrock concessions, management has also applied to the appropriate government agencies for various concessions, alfarjetas, land use permits and easements allowing the use of certain land parcels contiguous to and nearby the Brisas Project for infrastructure needs. Although these applications for infrastructure needs were contained in an operating plan that has already been approved by the appropriate regulatory agencies, management can give no assurances when such applications will be issued, if ever. From 1992 to late 1994 the Company was involved in a lawsuit relating to ownership of the Brisas Project. The Company successfully defended its ownership rights in the Venezuelan courts and subsequently settled the lawsuit for a substantial sum. A claim that the Company does not have title or contract rights to a property could have an adverse impact on the Company's business in the short-term and a successful claim or the failure of the Venezuelan government to approve the required permits could have a material adverse impact on the future results of the Company.

Compliance with Other Laws and Regulations

In addition to protection of the environment, the Company's activities are subject to extensive laws and regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. Obtaining the necessary permits is critical to the Company's business. Obtaining and maintaining permits can be a complex, time consuming process and as a result the Company cannot assess whether necessary permits will be obtained or maintained on acceptable terms, in a timely manner or at all. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of the Company's operations or material fines, penalties or other liabilities.

Obtaining funding for project planning, construction and development and related operating activities is essential to the Company's future plans.

The board of directors approved a plan to proceed with financing and, if successful, construction of the Brisas Project based on the results of the Bankable Feasibility Study completed in early 2005. The Company has estimated initial capital in costs for the Brisas Project to now total approximately US$638 million compared to the capital cost estimate contained in the Bankable Feasibility Study of US$552 million, excluding value added taxes and import duties which could total as much as US$69 million. Although management is in the process of preparing applications for tax exonerations or payment holidays for certain taxes including value added tax and import duty tax on the initial capital costs, which are provided by law, there can be no assurances that such exonerations will be obtained, the primary result of which would be to increase initial capital. The timing and extent of funding such investment depends on a number of important factors, including the receipt of required permits, actual timetable of the Company's development plan, the price of gold and copper, results of the Company's efforts to obtain financing, the political and economic conditions in Venezuela, the ultimate capital costs of the project including the Company's ability to obtain tax exonerations or payment holidays and the Company's share price.

As of April 28, 2006, the Company had approximately US$19.5 million in cash and investments. The Company currently does not generate revenue from operations and has historically financed operating activities primarily from the sale of Common Shares or other equity securities. In the near-term, management believes that cash and investment balances are sufficient to enable the Company to fund its pre-construction activities through 2007 (excluding any substantial Brisas Project construction activities). These pre-construction activities are expected to consist of detailed project engineering, development and implementation of project related contracts such as engineering, procurement and construction management, port facilities, concentrate sales contracts, electricity and fuel supply contracts, and a number of other agreements related to the construction and operation of the Brisas Project, obtaining the required permits and identifying suitable funding sources.

Management provides no assurances that it will be able to obtain the substantial additional financing that will be needed to construct the Brisas Project. Failure to raise the required funds will mean the Company is unable to construct and operate the Brisas Project, which would have a material adverse effect on the Company.

The actual cost and time of placing the Brisas Project into production could differ significantly from the Company's estimates.

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 prices. 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.

Each of these factors involves uncertainties and the making of assumptions and, as a result, the Company cannot give any assurance that the overall feasibility study will prove accurate in preparation, construction and development of the Brisas Project or that any key finding or underlying assumption will not prove to be inaccurate, including for reasons outside the control of management, including changes in costs as a result of the passage of time between the completion of the Bankable Feasibility Study and the Company's estimates and the date 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 the Brisas Project into production could differ significantly from estimates contained in the Bankable Feasibility Study and other estimates by the Company. Likewise, if and after the Brisas Project is developed, actual operating results may differ from those anticipated in the feasibility study.

Future results depend on the Brisas Project.

The Company is dependent on the Brisas Project, which is a development stage project and which may never be developed into a commercially viable ore body. Any adverse event affecting this property, or the Company's ability to finance and/or construct and operate this property, would have a material adverse impact on the future results of the Company.

The Company's mineral resource and reserve estimates may vary from estimates in the future.

As part of the completion of the Bankable Feasibility Study, the Company's methods and procedures for gathering geological, geotechnical, and assaying information were evaluated by independent consultants who concluded, along with management, that the Company's methods and procedures met generally accepted industry standards for a bankable feasibility level of study. Notwithstanding the conclusions of management and its qualified consultants, mineral reserve estimation is an interpretive process based on drilling results and experience as well as estimates of mineralization characteristics and mining dilution, metal prices, costs of mining and processing, capital expenditures and many other factors. Grades of mineralization processed at any time may also vary from mineral reserve estimates due to geologic variations within areas mined. Actual quality and characteristics of deposits cannot be fully assessed until mineralization is actually mined and, as a result, mineral reserves change over time to reflect actual experience.

Risks inherent in the mining industry could have a significant impact on the Company's future operations.

Gold and copper projects are subject to all of the risks inherent in the mining industry, including environmental hazards, industrial accidents, fires, labor disputes, legal regulations or restrictions, unusual or unexpected geologic formations, cave-ins, flooding, and periodic interruptions due to inclement weather. 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 the Company constructs or acquire an operating mine.

The Company has experienced losses from operations for each of the last five years and expect this trend to continue until the Brisas Project is operational as the result of, among other factors, expenditures associated with the corporate activities on the Brisas Project, as well as other unrelated non-property expenses, which are recorded in the consolidated statement of operations. Such losses may increase in the short-term if the Company obtains additional financing and subsequently begin construction of the Brisas Project. This trend is expected to reverse if and when gold and copper are produced at the Brisas Project in commercial quantities at a prices equal to or in excess of the prices assumed in the feasibility study. However, management can give no assurances that this trend will be reversed in the future, as a result of the operation of the Brisas Project or if the Company acquires a profitable operating mine.

The Company may incur costs in connection with future reclamation activities that may have a material adverse effect on the Company's earnings and financial condition.

The Company is required to obtain government approval of its plan to reclaim the Brisas Project after the minerals have been mined from the site. The Brisas Project reclamation plan has already been incorporated into the environmental studies submitted to MARN. Reclaiming the Brisas Project will 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 and will be provided by the Company for the reclamation of the mine. The Company 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 the Company's earnings and financial condition. The Company expects 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 the Company's reclamation and closure accruals will be sufficient or that the Company 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 the Company's current and future operations.

The price of gold and copper has a significant influence on the market price of the Common Shares and the Company's business activities. Fluctuation in gold and copper prices directly affects, among other things, the overall economic viability of the project, the Company's ability to obtain sufficient financing required to construct the Brisas Project, including the terms of any such financing, and the calculation of reserve estimates. The price of gold is affected by numerous factors beyond the Company's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, sale of gold by central banks 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 2, 2006, the closing spot price for gold in New York was US$668.80 per ounce and the closing spot price in London for copper was US$3.30 per pound. 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.	2005	2004	2003	2002	2001
Gold (US$ per ounce).........	US$ 360	US$ 445	US$ 410	US$ 363	US$ 310	US$ 271
Copper (US$ per pound).......	US$1.04	US$1.67	US$1.37	US$0.81	US$0.71	US$0.72

Future hedging activities could negatively impact future operating results.

The Company has not entered into forward contracts or other derivative instruments to sell gold or copper that it might produce in the future. Although the Company has no near term plans to enter such transactions, it 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 the Company entered into the contracts, so that the product must be sold at a price lower than could have been received if the contract was not entered. The Company may enter into option contracts for gold and copper to mitigate the effects of such hedging.

Changes in critical accounting estimates could adversely affect the financial results of the Company.

The Company's most significant accounting estimate relates to the carrying value of its Brisas Project, which is more fully discussed in the Company's annual financial statements and related footnotes. Management regularly reviews the net carrying value of its mineral properties. Estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may effect the recoverability of mineral property costs. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered. Although management has made its best estimate of these factors as it relates its 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 the Company's internal controls over financial reporting could adversely affect the Company's financial results or condition and share price.

The Company must, for its fiscal year ending December 31, 2006, begin to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), which among other things requires the Company's external auditors to issue an opinion on the adequacy of management's assessment and their own assessment of the effectiveness of internal controls over financial reporting. Management believes that there are no reportable material weaknesses in the Company's internal controls as defined by Section 404 of Sarbanes-Oxley as of the date of this prospectus. However, there can be no assurance that material weaknesses regarding the Company's internal controls will not be discovered in the future, which could result in costs to remediate such controls or inaccuracies in the Company's financial statements. A material weakness in controls over financial reporting may result in increased difficulty or expense in transactions such as financings, or a risk of adverse reaction by the market generally that would result in a decrease of the Company's stock prices.

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

The Company is 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 operations of the Brisas Project. If the services of the Company's key employees were lost or the Company is unable to obtain the new personnel necessary to construct, manage and operate the Brisas Project, it could have a material adverse effect on future operations.

Management anticipates that if and when it constructs the Brisas Project and puts it into production, the Company will experience significant growth in its operations resulting in increased demands on its management, internal controls and operating and financial systems.

Management anticipates that if and when it constructs the Brisas Project and puts it into production, the Company will experience significant growth in its operations resulting in increased demands on its management, internal controls and operating and financial systems. There can be no assurance that management will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth. The failure to manage growth effectively could have a material adverse impact on the Company's business, financial condition and results of operations.

Risks Relating to the Common Shares

Gold Reserve may raise funds for future operations through the issuance of Common Shares or securities convertible into Common Shares, including warrants or debt instruments, and such financing may result in the dilution of present and prospective shareholdings.

The Company will need to raise significant funds (currently estimated at US$638 million) to finance the construction and the commencement of operations at the Brisas Project. In order to finance future operations, the Company will likely be required to raise funds through the issuance of Common Shares or securities convertible into Common Shares such as warrants or debt instruments. The Company may also seek third party financing. The Company cannot predict the size of future issuances of Common Shares or securities convertible into Common Shares such as warrants or debt instruments or the effect, if any, that future issuances and sales of the these securities and debt instruments will have on the market price of the Common Shares or if such financing will be available on terms

acceptable to the Company, or at all. Any such transaction would result in dilution, likely substantial, to present and prospective holders of Common Shares.

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.

The market price of the Common Shares on the TSX and AMEX could fluctuate significantly, in which case Common Shares purchased pursuant to this Offering may not be able to be resold at or above the offering price. The market price of the Common Shares may fluctuate based on a number of factors, including:

- the Company's operating performance, and financial condition and the performance of competitors and other similar companies;

- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;

- the price of gold and copper and other metal prices, as well as metal production volatility;

- the fact the Company's primary asset is located in Venezuela;

- changes in recommendations by research analysts who track the 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 the Company or its competitors;

- other factors listed under "Cautionary Statement Regarding Forward-Looking Statements";

- the public's reaction to press releases and other public announcements of the Company's competitors regarding mining development or other matters;

- economic and political developments in North America and Venezuela, including any new regulatory rules or actions;

- general worldwide and overall market perceptions of the attractiveness of particular industries; and

- the dilutive effect of the sale of significantly more Common Shares in order to finance the Company's activities.

In addition, the market price of the Common Shares are affected by many variables not directly related to the Company's performance and are therefore not within the Company's control, including 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 the AMEX has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

The Company does not intend to pay any cash dividends in the foreseeable future.

The Company has not declared or paid any dividends on its Common Shares since the date the Company was incorporated. The Company intends to retain its earnings, if any, to finance the growth and development of the business and does not intend to pay cash dividends on the Common Shares in the foreseeable future. Any return on an investment in the Common Shares will likely only come from the appreciation, if any, in the value of the Common Shares. The Company cannot assure you of any such appreciation. The payment of future cash dividends, if any, will be reviewed periodically by the Company's 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.

The Company determined that it is 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 "Certain United States Federal Income Tax Considerations - U.S. Holders," should be aware that the Company has determined that the Company was a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code for taxable year ended December 31, 2005 and expects to be a "passive foreign investment company" for the taxable year ending December 31, 2006. As a result, a U.S. Holder may 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 income or gains of the Company, 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 potential adverse U.S. federal income tax consequences are described more fully under "Certain United States Federal Income Tax Considerations - U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares".

The determination of whether the Company will be a "passive foreign investment company" for a future 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 over the course of each such taxable year. As a result, the Company's status as a "passive foreign investment company" in any future taxable year cannot be predicted with certainty as of the date of this prospectus. Accordingly, there can be no assurance that the Company will not be a "passive foreign investment company" for any future taxable year.

The "passive foreign investment company" rules are complex. A potential investor should consult its own financial advisor, legal counsel, or accountant regarding the application of the "passive foreign investment company" rules on an investment in Common Shares.

Investors in Canada or in other jurisdictions outside of the United States may have difficulty bringing actions and enforcing judgments against Gold Reserve, its directors and some of the experts named in this prospectus based on civil liability provisions of Canadian securities laws.

Investors in Canada or in other jurisdictions outside of the United States may have difficulty bringing actions and enforcing judgments against Gold Reserve, its directors that are not residents of Canada or who are residents of other jurisdictions and some of the experts named in this prospectus based on civil liability provisions of Canadian securities laws.

Despite being organized under the laws of the territory of the Yukon, a majority of the directors and officers and the experts named in this prospectus reside principally in the United States and all or a substantial portion of their assets and all or a substantial portion of the Company's assets are located outside of Canada. Consequently, it may be difficult for holders of Common Shares to effect service of process within Canada upon the Corporation's directors, officers or experts who are not residents of Canada. Furthermore, it may not be possible to enforce against the Corporation or such directors, officers or experts, in the United States, judgments obtained in Canadian courts, including judgments based upon the civil liability provisions of the Canadian securities law, because a substantial portion of the Company's assets and the assets of these persons are located outside of Canada. The Company believes that a monetary judgment of a Canadian court predicated solely upon the civil liability provisions of Canadian securities laws would likely be enforceable in the United States if the Canadian court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a U.S. court for such purposes. The Company cannot assure you that this will be the case. It is unlikely that an action could be brought in the United States in the first instance on the basis of liability predicated solely upon the civil liability provisions of Canadian securities laws.

The Company has broad discretion in the use of the net proceeds from the Offering and may not use the proceeds effectively.

The Company proposes to use the net proceeds from the Offering primarily to fund ongoing development of the Brisas Project, to fund the Company's initial obligations under the EP and CM contracts with SNC, and, to a lesser extent to fund ongoing exploration of the Choco 5 project. See "Use of Proceeds". In doing so, the Company will have broad discretion in the application of the proceeds and could spend the proceeds in ways that do not improve the

Company's business prospects or enhance the value of the Common Shares. The failure to apply these funds effectively could result in financial losses that could have a material adverse effect on the Company's business, cause the price of the Common Shares to decline and delay the development and productivity of the Company's mining operations.

The Company is a "foreign private issuer" for purposes of U.S. securities laws and is subject to different U.S. rules and regulations than a domestic U.S. issuer, which may limit the information publicly available to the Company's shareholders.

As a foreign private issuer, the Company is not required to comply with all the periodic disclosure requirements of the U.S. Exchange Act and therefore there may be less publicly available information about the Company than if the Company was a U.S. domestic issuer. In addition, the Company's 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 thereunder. Therefore, the Company's shareholders may not know on a timely basis when the Company's officers, directors and principal shareholders purchase or sell Common Shares.

USE OF PROCEEDS

The gross proceeds to the Company from the sale of the Common Shares will be Cdn.$30,015,000. The net proceeds to the Company will be Cdn.$28,064,250 after payment of the Underwriters' fee of Cdn.$1,500,750 and after deducting the estimated expenses of the Offering, including expenses related to the preparation and filing of this short form prospectus (Cdn.$32,341,387.50 assuming the exercise of the Over-Allotment Option in full). The Company proposes to use the net proceeds from the Offering primarily to fund ongoing development of the Brisas Project, to fund the Company's initial obligations under the EP and CM contracts with SNC, and, to a lesser extent to fund ongoing exploration of the Choco 5 project.

CONSOLIDATED CAPITALIZATION

Since December 31, 2005, the date of the financial statements for the Company's most recently completed financial year, there have been no material changes in the capitalization of the Company. The following table sets forth the consolidated capitalization of the Company as at December 31, 2005 and at December 31, 2005 after giving effect to the Offering, but not the exercise of the Over-Allotment Option. This table should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended December 31, 2005, including the notes thereto and management's discussion and analysis of results of operations and financial conditions for such period, each incorporated by reference in this short form prospectus.

Designation	As at December 31, 2005	As at December 31, 2005, after giving effect to the Offering(1)
Common Shares and Equity Units	US$140,512,063	US$ 165,865,306
(Authorized - Unlimited)	(35,196,287 Common Shares and 1,110,020 Equity Units outstanding)	(38,531,287 Common Shares and 1,110,020 Equity Units outstanding)
Less Common Shares and Equity Units held by affiliates	US$ (674,598)	US$ (674,598)
Stock options	US$ 1,867,537	US$ 1,867,537
Accumulated deficit	US$(61,983,016)	US$(61,983,016)
KSOP debt	US$ (84,220)	US$ (84,220)
Total Shareholders' Equity	US$ 79,637,766	US$104,991,009

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(1) After deducting the Underwriters' fee and expenses of the Offering but not giving effect to the exercise of the Over-Allotment Option.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A common shares without par value of which 35,324,977 Class A common shares were issued and outstanding at May 1, 2006. 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 the board of directors of the Company. Shareholders are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders. The Common Shares include associated Common Share purchase rights under the Company's Shareholder Rights Plan Agreement, as amended and restated as of January 29, 2006, which agreement is attached to the AIF.

In February 1999, Gold Reserve Corporation became a subsidiary of the Company, the successor issuer (the "Reorganization"). Generally, each shareholder of Gold Reserve Corporation received one Class A common share of the Company for each common share owned in Gold Reserve Corporation. Certain U.S. holders elected, for tax reasons, to receive equity units in lieu of Class A common shares. An equity unit, comprised of one Class B common share of the Company and one Gold Reserve Corporation Class B common share, is substantially equivalent to a Class A common share and is generally immediately convertible into Class A common shares. Equity units, of which 1,085,099 were issued and outstanding at May 1, 2006, are not listed for trading on any stock exchange, but subject to compliance with applicable federal, provincial and state securities laws, may be transferred.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

The Offering consists of 3,335,000 Common Shares. The Company has also granted to the Underwriters the Over-Allotment Option to purchase up to an additional 500,250 Common Shares. Refer to "Description of Share Capital" for a description of the authorized share capital of the Company.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Purchasers Resident in Canada

In the opinion of Fasken Martineau DuMoulin LLP, counsel to Gold Reserve, and Heenan Blaikie LLP, 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 Common Shares to be issued pursuant to this Offering. This 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 Gold Reserve, and who will acquire and hold such Common Shares as capital property (a "Holder"), all within the meaning of the Tax Act. Any 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 Common Shares 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 Common Shares 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 does not apply to a Holder that is a "financial institution" for purposes of the mark-to-market provisions of the Tax Act or a "specified financial institution" for purposes of the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, 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 herein. No assurances can be given that such 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 herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares, and does not describe the income tax considerations relating to the deductibility of interest on money borrowed by a Holder. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.

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. The adjusted cost base of Common Shares to a holder will be the average cost of all Common Shares held by the holder at the time.

One-half of any capital gain (a "taxable capital gain") must be included in income and one-half of any capital loss may be used to offset taxable capital gains incurred in the year, in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act. A capital loss realized from the disposition of a Common Share by a Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been previously received or deemed to have been received by the Holder on such shares. Similar rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust that owns Common Shares.

Capital gains realized by an individual and certain trusts may result in the individual or trust paying alternative minimum tax under the Tax Act.

A Holder that is, throughout the relevant taxation year, 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 its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains.

Taxation of Dividends Received by Holders of Common Shares

A Holder of Common Shares will be subject to the normal treatment under the Tax Act applicable to dividends received from a taxable Canadian corporation.

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. Taxable dividends received by such Holders 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 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.

On November 23, 2005, the Minister of Finance released proposals to amend the Tax Act which would provide an enhanced gross-up and dividend tax credit on eligible dividends paid to eligible shareholders. There can be no assurance that the new federal government, which was elected on January 23, 2006, will seek enactment of this proposal.

Purchasers Resident in the United States

The following is a general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the holding and disposition of Common Shares by a holder who, at all relevant times for purposes of the Tax Act, is not resident or deemed to be resident in Canada, deals at arm's length with the Company, holds the common shares as capital property and does not use or hold, and is not deemed to use or hold the common shares in the course of carrying on, or otherwise in connection with, a business in Canada and who, for purposes of the Canada-United States Income Tax Convention (the "Treaty"), is a resident of the United States. United States limited liability companies (LLCs) generally are not considered residents of the United States for the purposes of the Treaty. Generally, Common Shares will be considered to be capital property to a holder thereof provided that the holder does not use the Common Shares in the course of carrying on a business and such holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. This summary does not deal with special situations, such as particular circumstances of traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, and financial institutions. For purposes of the Tax Act, all amounts relevant in computing a

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.

Dividends

Dividends on Common Shares paid or credited to a U.S. Holder (as defined below) 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.

Dispositions

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. The 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 the 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. Even if a Common Share constitutes taxable Canadian property to a U.S. Holder, by reason of the Treaty, 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. Provided that the Common Shares are not taxable Canadian property to a U.S. Holder, there are no clearance certificate requirements imposed by the Tax Act on that U.S. Holder in respect of a disposition of Common Shares.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. federal income tax consequences to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of Common Shares acquired pursuant to this prospectus.

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 U.S. Holder as a result of the acquisition, ownership, and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of 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 U.S. Holder. Each U.S. 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 Common Shares.

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder (whether final or temporary), 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 (the "Canada-U.S. Tax Convention"), 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 U.S. Holder of the 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 Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S. (including certain former citizens and former long-term residents), (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 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 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 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 Common Shares.

U.S. 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 Common Shares to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities, commodities or currencies, or U.S. Holders that are traders in securities or commodities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that are liable for the alternative minimum tax under the Code; (f) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; or (i) U.S. Holders that own (directly, indirectly, or constructively) 10% or more, by voting power or value, of the outstanding shares of the Company. U.S. Holders that are subject to special provisions under the Code, including U.S. 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 Common Shares.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds 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 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 U.S. Holders of the acquisition, ownership, and disposition of Common Shares. Each U.S. 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 Common Shares.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

Distributions

For U.S. federal income tax purposes, the amount of distributions 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 above under "Canadian Federal Income Tax Considerations - Purchasers Resident in the United States". Except as discussed below under "Passive Foreign Investment Company", an amount of the distribution will be treated as a dividend, taxable to a U.S. Holder as ordinary 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 tax basis in its Common Shares and then, to the extent in excess of such U.S. Holder's tax basis, as gain from the sale or exchange of such Common Shares generally taxable as capital gain. (See discussion below under "Disposition.") 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.

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 2009 may be lower than the rate applicable to other categories of ordinary income if certain conditions are met. Dividends will not qualify for the reduced rate, however, if the Company is treated, for the tax year in which the dividends are paid or the preceding tax year, as a "passive foreign investment company" for U.S. federal income tax purposes. For the taxable year ended December 31, 2005, the Company was considered a "passive foreign investment company". (See discussion below under "Passive Foreign Investment Company.") There can be no assurance that the Company will not be a "passive foreign investment company" in future taxable years. Accordingly, if the Company continues to be considered a "passive foreign investment company," a dividend paid by the Company to a U.S. Holder generally will not qualify for the lower U.S. federal income tax rate. The U.S. federal income tax rules applicable to dividends are complex and each U.S. Holder should consult it own financial advisor, legal counsel or accountant regarding the dividend rules.

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 receipt by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date of 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.

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".

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 that depend on the proportionate share that a U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income with respect to each separate category of income described below.

For U.S. foreign tax credit purposes, for taxable years beginning before January 1, 2007, dividends on the Common Shares will generally constitute foreign source "passive income" or, in the case of certain U.S. Holders, "financial services income." However, for taxable years beginning after December 31, 2006, dividends paid on the Common Shares generally will be treated as "passive income" (or "general income" for certain U.S. Holders). If, and for so long as, the Company is a United States-owned foreign corporation (as defined below), dividends paid by the Company on the Common Shares may, subject to certain exceptions and elections, instead be treated for U.S. foreign tax credit purposes as partly foreign source "passive income" (or "financial services income" for certain U.S. Holders) for taxable years beginning before January 1, 2007 or "passive income" (or "general income" for certain U.S. Holders) for taxable years beginning after December 31, 2006, and partly U.S.-source income, in proportion to the earnings and profits of the Company in the year of such distribution allocable to foreign and U.S. sources, respectively. The Company will be treated as a United States-owned foreign corporation if stock representing 50% or more of the voting power or value of the stock of the Company is held, directly or indirectly, by U.S. Holders. No assurance can be given as to whether the Company is or will become a United States-owned foreign corporation.

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

Subject to the discussion below under "Passive Foreign Investment Company," a U.S. Holder's sale, exchange or other 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 the U.S. dollar value of the amount of cash and fair market value of any property received upon the sale, exchange or other disposition and 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 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. 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.

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.

Controlled Foreign Corporation Status

Under Section 951(a) of the Code, each "United States shareholder" of a "controlled foreign corporation" ("CFC") must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not actually distributed to the "United States shareholder." In addition, gain on the sale of stock in a CFC realized by a "United States shareholder" is treated as ordinary income, potentially eligible for the reduced tax rate applicable to certain dividends, to the extent of such shareholder's proportionate share of the CFC's undistributed earnings and profits accumulated during such shareholder's holding period for the stock. Section 951(b) of the Code defines a "United States shareholder" as any U.S. corporation, citizen, resident or other U.S. person who owns (directly or through certain deemed ownership rules) 10% or more of the total combined voting power of all classes of stock of a foreign corporation. In general, a foreign corporation is treated as a CFC only if such "United States shareholders" collectively own more than 50% of the total combined voting power or total value of the foreign corporation's stock. Under these rules, the Company does not expect to be a CFC but there can be no assurance that the Company will not become a CFC. If the Company is treated as a CFC, the Company's status as a CFC should have no adverse effect on any shareholder of the Company that is not a "United States shareholder."

Passive Foreign Investment Company

If the Company is a "passive foreign investment company" (as defined below), the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of 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 "passive foreign investment companies" ("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, 2005, the Company determined that it was a PFIC because it met the Income Test. In addition, the Company expects that it will meet the Income Test for the taxable year ending December 31, 2006, and, as a result, will be treated as a PFIC for such taxable year. The determination of whether the Company will be a PFIC for a subsequent 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 over the course of each such taxable year. As a result, whether the Company will be a PFIC for any subsequent taxable year cannot be predicted with certainty as of the date of this prospectus. Accordingly, there can be no assurance that the Company will not be a PFIC for any taxable year.

For taxable years in which the Company is a PFIC, each U.S. Holder, in absence of an election by such holder to treat the Company as a "qualified electing fund" (a "QEF" 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 period to which the income is allocated plus interest on the tax, as if the distribution or gain had been recognized ratably over 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 in which the U.S. Holder owned the Common Shares and the Company was considered a PFIC. A U.S. Holder who makes such a 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.) The Company will comply with the applicable information reporting requirements under the QEF rules.

A U.S. Holder who makes a QEF election for the first taxable year in which the U.S. Holder owns Common Shares and in which the Company is a PFIC (and complies with certain U.S. federal income tax reporting requirements) should not have any material adverse U.S. federal income tax consequences 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). A U.S. Holder choosing to make a QEF election also must include with its income tax return a shareholder election statement and the PFIC annual information statement that the Company will provide. 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 supply the PFIC annual information statement necessary to make the QEF election for such taxable year.

As an alternative to the QEF election, a U.S. Holder of certain publicly traded PFIC stock can elect to mark the stock to market, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year 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 mark-to-market 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.

Due to the complexity of the PFIC rules, a U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the Company's status as PFIC and the eligibility, manner and advisability of making a QEF election or a mark-to-market 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.

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 U.S. Holder may be subject to information reporting to the IRS and possible U.S. backup withholding at a current rate of 28%. Backup withholding generally would not apply to a U.S. Holder that 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 U.S. Holder's U.S. federal income tax liability. Additionally, a U.S. Holder or non-U.S. 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 U.S. Holder and non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and backup withholding tax rules.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated May 3, 2006 (the "Underwriting Agreement") between Gold Reserve and the Underwriters, Gold Reserve has agreed to issue and sell 3,335,000 Common Shares and the Underwriters have severally agreed to purchase on the closing date of the Offering in the proportions set out in the Underwriting Agreement, which is expected to be on or about May 15, 2006 or any other date as may be agreed upon by Gold Reserve and the Underwriters, but in any event not later than May 30, 2006, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all such Common Shares at a price of Cdn.$9.00 per Common Share, payable in cash against delivery of certificates representing the Common Shares, in the number of Common Shares set forth opposite the Underwriter's name:

Underwriter	Number of Common Shares
Sprott Securities Inc	1,667,500
RBC Dominion Securities Inc	1,667,500
Total	3,335,500

The offering price of the Common Shares was determined by negotiation between Gold Reserve and the Underwriters. The Underwriting Agreement provides that Gold Reserve will pay to the Underwriters, in consideration for their services in connection with the Offering, a fee of Cdn.$0.45 per Common Share, for an aggregate fee of Cdn.$1,500,750 or 5% of the gross proceeds of the Offering.

Gold Reserve has also granted to the Underwriters an Over-Allotment Option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an aggregate of 500,250 additional Common Shares, at a price of Cdn.$9.00 per Common Share, payable in cash against delivery of such additional shares. The Over-Allotment Option is exercisable in whole or in any part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Common Shares issued and sold upon the exercise of the Over-Allotment Option.

The following table summarizes the compensation of the Offering payable by the Company to the Underwriters:

	Per Common Share		Total	
	Without Over-Allotment Option	With Over-Allotment Option	Without Over-Allotment Option	With Over-Allotment Option
Underwriters' Fee...	Cdn.$0.45	Cdn.$0.45	Cdn.$1,500,750	Cdn.$1,725,862.50

The Company estimates that its total expenses of the Offering will be Cdn.$450,000. The Company has agreed to reimburse the Underwriters for certain of its expenses relating to the Offering.

The Common Shares are being offered to the public concurrently in all of the provinces of Canada, other than Quebec, 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 Common Shares will be offered in Canada and the United States by the Underwriters either directly or through their U.S. registered broker-dealer affiliates or agents, as applicable. The Underwriters may offer the Common Shares for sale in jurisdictions outside of Canada and the United States provided such offer and sale will not require the Company to comply with the registration, prospectus, filing, continuous disclosure or other similar requirements under the applicable securities laws of such other jurisdictions or pay any additional governmental filing fees which relate to such other jurisdictions.

The Common Shares are listed on both the TSX and AMEX under the symbol "GRZ". Applications have been made to have the Common Shares qualified for distribution by this short form prospectus listed on the TSX and AMEX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and AMEX.

The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events. Subject to the above, the Underwriters are severally obligated to take up and pay for all Common Shares they have obliged themselves to purchase if any of the Common Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that Gold Reserve will indemnify the Underwriters against certain liabilities and expenses, including liability under applicable securities laws, or contribute to payments the Underwriters may be required to make in respect thereof. The closing of the Offering is conditional upon the receipt of an opinion from the National Association of Securities Dealers, Inc. that it has no objection to the proposed underwriting terms among the Company, and the Underwriters, set forth in the Underwriting Agreement.

The public offering price for the Common Shares offered in Canada and in the United States is payable in Canadian dollars only.

The Company has agreed that it will not, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC, a registration statement under the Securities Act or a prospectus under applicable Canadian securities legislation relating to, any of the Common Shares or securities convertible into or exchangeable for any of the Common Shares without the prior written consent of Sprott Securities Inc. for a period of 90 days after the date of the Underwriting Agreement, except for grants of employee stock options by the Company or issuances of the Common Shares pursuant to the exercise of employee stock options previously granted by the Company and outstanding on the date hereof.

Pursuant to rules and policy statements of certain Canadian provincial securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or

raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The rules of the SEC may limit the ability of the Underwriters to bid for or purchase Common Shares before the distribution of the Common Shares in the Offering is completed. However, the Underwriters may engage in the following activities in accordance with the rules:

- Stabilizing transactions permit bids to purchase the Common Shares so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the Underwriters of Common Shares in excess of the number of Common Shares the Underwriters are obligated to purchase, which creates a syndicate short position. The Underwriters may close out any short position by purchasing Common Shares in the open market.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of preventing or mitigating a decline in the market price of the Common Shares, and may cause the price of the Common Shares to be higher than would otherwise exist in the open market absent such stabilizing activities. As a result, the price of the Common Shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the AMEX, the TSX or otherwise and, if commenced, may be discontinued at any time.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates evidencing the Common Shares will be available for delivery on the closing date of the Offering.

LEGAL MATTERS

Certain legal matters relating to the Offering and to the Common Shares to be distributed pursuant to this short form prospectus will be passed upon on behalf of the Company by Fasken Martineau DuMoulin LLP, with respect to Canadian legal matters, and by Baker & McKenzie LLP, with respect to U.S. legal matters, and on behalf of the Underwriters by Heenan Blaikie LLP, with respect to Canadian legal matters, and by Dorsey & Whitney LLP, with respect to U.S. legal matters.

INTEREST OF EXPERTS

As of the date hereof, none of the partners and associates of Fasken Martineau DuMoulin LLP and Heenan Blaikie LLP, or Pincock, Allen & Holt, Raul Borrastero, C.P.G, Susan Poos, P.E., and Richard Addison, P.E., C Eng, Eur.Ing, Richard J. Lambert, P.E., and Brad Yonaka, each being companies or persons who have prepared reports relating to the Company's mineral properties, or any director, officer, employee or partner thereof, as applicable, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. As at the date hereof, the aforementioned persons, and the 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 the securities of the Company.

Neither the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, of 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7 who advise that they are independent of the Company within the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. The auditors are registered with the U.S. Public Accounting Oversight Board.

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

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: (i) the documents referred to under the heading "Documents Incorporated by Reference"; (ii) the form of Underwriting Agreement; (iii) consent of PricewaterhouseCoopers LLP; (iv) consent of Fasken Martineau DuMoulin LLP; (v) consent of Heenan Blaikie LLP; (vi) consent of Pincock Allen & Holt; (vii) consent of Raul Borrastero, C.P.G; (viii) consent of Susan Poos, P.E.; (ix) consent of Richard Addison, P.E., C Eng, Eur.Ing; (x) consent of Richard J. Lambert, P.E.; (xi) consent of Brad Yonaka, Exploration Manager for Gold Reserve; and (xi) powers of attorney from directors and officers of Gold Reserve.

ADDITIONAL INFORMATION

The Company has filed with the SEC a registration statement on Form F-10 relating to the Common Shares. This short form 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. Statements included or incorporated by reference in this prospectus about the contents of any contract, agreement or other document referred to are not complete, and in each instance you should refer to the exhibits for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

The Company is subject to the information requirements of the U.S. Exchange Act and applicable Canadian securities legislation, and in accordance therewith files 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 the Company files with 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, the Company is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and its 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, the Company is not required to publish financial statements as promptly as U.S. companies.

You may read any document that the Company has 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 the Company has 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 the Company has filed with the Canadian securities regulatory authorities at www.sedar.com.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is a corporation existing under the Business Corporations Act (Yukon). Some of the Company's 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 the Company's assets, are located outside the United States. The Company has appointed an agent for service of process in the United States, but it may be difficult for holders of Common Shares 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 Common Shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon the Company's civil liability and the civil liability of its directors, officers and experts under the United States federal securities laws. The Company has been advised by its Canadian counsel, Fasken Martineau DuMoulin LLP, that a judgment of a United States court predicated solely upon civil liability under United States federal securities laws would probably be enforceable in Canada if the United States 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. The Company has 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 United States federal securities laws.

The Company filed with the SEC, concurrently with its 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, the Company appointed Gold Reserve Corporation, its Montana subsidiary, as its 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 the Company in a United States court arising out of or related to or concerning the offering of the Common Shares under this prospectus.

INTERNATIONAL ISSUER

Although the Company resides in Canada, a substantial portion of its assets are located outside of Canada. Although Gold Reserve has appointed Austring, Fendrick, Fairman & Pakkari, The Drury Building, 3801 Third Avenue, Whitehorse, Yukon Y1A 4Z7, as its agent for service of process in Canada, it may not be possible for investors to collect from Gold Reserve judgements obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORT WITH RESPECT TO SUPPLEMENTARY INFORMATION

To the Board of Directors of
Gold Reserve Inc.

Our audit of the consolidated financial statements of Gold Reserve Inc. referred to in our report to the Shareholders dated February 17, 2006 included consideration of note 11, Differences Between Canadian and U.S. GAAP as at December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005.

Management has also prepared supplementary disclosure under U.S. GAAP as at December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005 ("Supplementary Information on Differences Between Canadian and U.S. GAAP"). In our opinion, this Supplementary Information on Differences Between Canadian and U.S. GAAP presents fairly, in all material respects, the disclosures set forth therein when read in conjunction with the related consolidated financial statements of the Company.

Vancouver, British Columbia, Canada
February 17, 2006

/s/ PricewaterhouseCoopers
Chartered Accountants

U.S. GAAP RECONCILIATION TO FINANCIAL STATEMENTS

The Company prepares its consolidated financial statements in U.S. dollars in accordance with Canadian GAAP, which principles differ in certain respects from United States GAAP. The Company has previously reported its financial statements in accordance with Item 17 under Form 20-F, including the U.S. GAAP reconciliation requirements thereunder. In order to be eligible for use of the SEC's registration statement on Form F-10, of which this short form prospectus constitute a part, the Company must reconcile its financial statements pursuant to Item 18 under Form 20-F, which requires more detailed reconciliation with U.S. GAAP and the rules and regulations promulgated by the SEC. This "U.S. GAAP Reconciliation to Financial Statements" section supplements the Company's financial statements set forth in its AIF in order to comply with Item 18 under Form 20-F. This section should be read in conjunction with the financial statements of the Company set forth in the AIF.

The effect of the principal differences between U.S. and Canadian GAAP as required by Item 18 of Form 20-F (and the rules and regulations of the SEC) are summarized below.

Consolidated Summarized Balance Sheets

	Canadian GAAP	Change	U.S. GAAP
2005			
Assets			
Current assets(A)	$ 22,797,616	$ 4,112,904	$ 26,910,520
Mineral property costs(C)	46,381,380	(41,034,321)	5,347,059
Other assets	12,775,876	--	12,775,876
	$ 81,954,872	$(36,921,417)	$ 45,033,455
Liabilities	$ 2,317,106	$ --	$ 2,317,106
Shareholders' equity			
Common shares & equity units(B)	140,512,063	(5,185,930)	135,326,133
Less, common shares & equity units held by affiliates	(674,598)	--	(674,598)
Contributed surplus	--	1,489,156	1,489,156
Stock options(B)	1,867,537	3,922,652	5,790,189
Value assigned to warrants	--	3,682,447	3,682,447
Accumulated deficit(B),(C)	(61,983,016)	(44,942,646)	(106,925,662)
Accumulated other comprehensive income(A)	--	4,112,904	4,112,904
KSOP debt	(84,220)	--	(84,220)
	79,637,766	(36,921,417)	42,716,349
	$ 81,954,872	$(36,921,417)	$ 45,033,455

	Canadian GAAP	Change	U.S. GAAP
2004			
Assets			
Current assets(A)	$ 33,057,053	3,043,978	$ 36,101,031
Mineral property costs(C)	41,034,321	(41,034,321)	--
Other assets	12,514,157	--	12,514,157
	$ 86,605,531	$(37,990,343)	$ 48,615,188
Liabilities	$ 2,429,473	$ --	$ 2,429,473
Shareholders' equity			
Common shares & equity units(B)	136,907,516	(5,409,346)	131,498,170
Less, common shares & equity units held by affiliates	(674,598)	--	(674,598)
Stock options(B)	1,004,197	7,071,690	8,075,887
Value assigned to warrants	--	5,395,019	5,395,019
Accumulated deficit(B),(C)	(52,955,734)	(48,091,684)	(101,047,418)
Accumulated other comprehensive income(A)	--	3,043,978	3,043,978
KSOP debt	(105,323)	--	(105,323)
	84,176,058	(37,990,343)	46,185,715
	$ 86,605,531	$(37,990,343)	$ 48,615,188

Consolidated Summarized Statements of Operations

	2005	2004	2003
Net Loss under Canadian GAAP..........	$(9,027,282)	$ (5,482,629)	$ (3,707,336)
Stock based compensation(B)..........	3,149,038	1,391,066	(7,704,726)
Mineral property costs(C)............	--	(6,268,328)	--
Net loss under U.S. GAAP.............	(5,878,244)	(10,359,891)	(11,412,062)
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale securities(A).............	1,068,926	(70,147)	3,072,941
Reclassification adjustment for (gain) loss included in net loss....	55,957	--	(176,375)
Total comprehensive loss under U.S. GAAP...............................	$(4,753,361)	$(10,430,038)	$ (8,515,496)
Basic and diluted net loss per share under U.S. GAAP.....................	$(.17)	$(.35)	$(.46)

Consolidated Summarized Statements of Cash Flows

	2005	2004	2003
Cash flow used by operating activities under Canadian GAAP..................	$(7,729,508)	$ (3,958,108)	$ (2,898,151)
Mineral property costs(C)............	--	(6,268,328)	--
Cash flow used by operating activities under U.S. GAAP......................	$(7,729,508)	$(10,226,436)	$ (2,898,151)
Cash flow (used) provided by investing activities under Canadian GAAP.......	$(2,691,289)	$ (3,661,785)	$ 2,731,267
Mineral property costs(C)............	--	6,268,328	--
Cash flow (used) provided by investing activities under U.S. GAAP..........	$(2,691,289)	$ 2,606,543	$ 2,731,267

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(A) Under U.S. GAAP, marketable securities would be divided between held-to-maturity securities and available-for-sale securities. Those securities classified as available-for-sale would be recorded at market value and the unrealized gain or loss would be recorded as part of comprehensive income.

(B) For U.S. GAAP purposes, the Company accounts for stock-based employee compensation arrangements using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No.25, "Accounting for Stock Issued to Employees." Under U.S. GAAP, when the exercise price of certain stock options is amended (the "Repricing"), these options are accounted for as variable compensation from the date of the effective Repricing. Under this method, following the Repricing date, compensation expense is recognized when the quoted market value of the Company's common shares exceeds the amended exercise price. Should the quoted market value subsequently decrease, a recovery of a portion, or all of the previously recognized compensation expense will be recognized. For U.S. GAAP purposes, the Company will adopt SFAS 123R, "Accounting for Stock Based Compensation" effective January 1, 2006. SFAS 123R requires the use of the fair value method of accounting for stock based compensation. This standard is substantially consistent with the revised provisions of CICA 3870, which was adopted by the Company for Canadian GAAP effective January 1, 2004. For U.S.GAAP, the Company has not yet determined which acceptable method of adoption it will apply.

(C) Under Canadian GAAP, the Company capitalizes mineral property exploration and development costs after proven and probable reserves have been established. The Company also capitalizes costs on properties where it has found non-reserve material that does not meet all the criteria required for classification as proven or probable reserves. Under U.S. GAAP, exploration and development expenditures incurred on properties where mineralization has not been classified as a proven and probable reserve under SEC rules, are expensed as incurred. Accordingly, certain expenditures are capitalized for Canadian GAAP purposes but expensed under U.S. GAAP.

Pro-forma stock based compensation

For U.S. GAAP purposes, the Company accounts for stock-based employee compensation arrangements using the intrinsic value method. Had the fair value method of accounting been used under U.S. GAAP, the net loss and net loss per share would have been as follows:

	2005	2004	2003
Net loss under U.S. GAAP............	$ (5,878,244)	$(10,359,891)	$(11,412,062)

Variable plan accounting adjustment included in net loss................	(2,285,698)	(791,643)	7,704,726
Stock based compensation under the fair value method...................	(863,340)	(599,423)	(406,108)
Pro-forma net loss under U.S. GAAP...	$ (9,027,282)	$(11,750,957)	$ (4,113,444)
Pro-forma basic and diluted net loss per share under U.S. GAAP...........	$(.26)	$(.40)	$(.17)

Development Stage Enterprise

In August of 1992, the Company acquired the Brisas Project. Beginning in 1993 the Company decided to focus its efforts on the development of Brisas thereby meeting the definition of a development stage enterprise under Statement of Financial Accounting Standards No. 7 (FAS 7), Accounting and Reporting by Development Stage Enterprises. The following additional information is required under FAS 7.

Consolidated Summarized Statements of Operations - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

Other income	$(14,935,581)
Mineral property exploration and development	39,505,080
General & administrative expense	27,345,826
Other expense	49,085,509
Deficit accumulated during the development stage from January 1, 1993 to December 31, 2005	101,000,834
Accumulated deficit, December 31, 1992	5,924,828
Accumulated deficit, December 31, 2005	$106,925,662

Consolidated Summarized Statements of Cash Flows - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

Cash used by operating activities	$(73,097,165)
Cash used by investing activities	(12,432,736)
Cash provided by financing activities	103,271,301
Increase in cash and cash equivalents for the period from January 1, 1993 to December 31, 2005	17,741,400
Cash and cash equivalents at December 31, 1992	1,628,852
Cash and cash equivalents at December 31, 2005	$ 19,370,252

Additional Shareholders' Equity disclosure - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

	Common Shares and Equity Units Issued									
	Issue Price	Common Shares	Equity Units	Amount	Shares and units held by affiliates	Contributed surplus	Value assigned to options	Value assigned to warrants	Accumulated Deficit	Comprehensive income (loss)
Balance, December 31, 1992..........		8,875,862		$ 8,290,819	$ (70,944)				$ (5,924,828)	
Stock issued for cash										
Private placement......	4.12	2,530,000		10,413,976						
Exercise of options........	1.34	300,000		401,000						
Exercise of warrants.......	3.52	5,037		17,749						
Stock issued for services.......	3.89	12,552		48,851						
Net loss........									(5,495,061)	
Change in KSOP debt...........										
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......				(25,050)						
Balance, December 31, 1993..........		11,723,451		$19,147,345	(70,944)				(11,419,889)	
Stock issued for cash										
Private placement......	9.82	2,000,000		19,630,530						
Exercise of options........	2.32	295,967		687,494						
Exercise of warrants.......	6.07	2,134,250		12,962,750						
Stock issued for services.......	5.50	6,000		33,000						
Stock issued to KSOP..........	6.19	20,000		123,760						
Stock issued for litigation settlement.....	6.15	2,750,000		16,912,500						
Value attributed to warrants issued in litigation settlement.....				800,000						
Net loss........									(26,297,415)	
Increase in common stock held by affiliates.....					(433,332)					
Effect of change in accounting For investments....										108,425
Decrease in unrealized gain on available-for-sale securities.....										(29,408)
Change in KSOP debt..........										
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......				(843,986)						
Balance, December 31, 1994..........		18,929,668		69,453,393	(504,276)				(37,717,304)	79,017
Stock issued for cash										
Exercise of options........	2.74	167,835		460,162						
Stock issued to KSOP..........	5.60	50,000		280,195						
Stock issued for										

minority interest in subsidiaries...	7.43	1,329,185	9,882,028			
Net loss........					(3,847,605)	
Increase in common stock held by affiliates.....				(924,289)		
Increase in unrealized gain on available-for-sale securities.....						6,943
Change in KSOP debt...........						
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......			(6,924)			
Balance, December 31, 1995...........		20,476,688	80,068,854	(1,428,565)	(41,564,909)	85,960
Stock issued for cash						
Exercise of options........	5.37	497,623	2,673,988			
Exercise of warrants.......	10.52	1,729,500	18,202,500			
Net loss........					(7,908,701)	
Decrease in unrealized gain on available-for-sale securities.....						(83,210)
Change in KSOP debt...........						
Addition to shareholders' equity due to change in subsidiaries' minority interest.......			7,436			

	KSOP debt
Balance, December 31, 1992...........	$(50,000)
Stock issued for cash	
Private placement......	
Exercise of options........	
Exercise of warrants.......	
Stock issued for services.......	
Net loss........	
Change in KSOP debt...........	5,000
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......	
Balance, December 31, 1993...........	$(45,000)
Stock issued for cash	
Private placement......	
Exercise of options........	
Exercise of warrants.......	
Stock issued for services.......	
Stock issued to KSOP...........	
Stock issued for litigation settlement.....	
Value attributed to warrants issued in	

litigation settlement.....	
Net loss........	
Increase in common stock held by affiliates.....	
Effect of change in accounting For investments....	
Decrease in unrealized gain on available-for-sale securities.....	
Change in KSOP debt...........	(103,760)
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......	
Balance, December 31, 1994...........	(148,760)
Stock issued for cash	
Exercise of options........	
Stock issued to KSOP...........	
Stock issued for minority interest in subsidiaries...	
Net loss........	
Increase in common stock held by affiliates.....	
Increase in unrealized gain on available-for-sale securities.....	
Change in KSOP debt...........	(187,949)
Reduction of shareholders' equity due to change in subsidiaries' minority interest.......	
Balance, December 31, 1995...........	(336,709)
Stock issued for cash	
Exercise of options........	
Exercise of warrants.......	
Net loss........	
Decrease in unrealized gain on available-for-sale securities.....	
Change in KSOP debt...........	150,001
Addition to shareholders' equity due to change in subsidiaries' minority interest.......	

	Common Shares and Equity Units Issued								
	Issue Price	Common Shares	Equity Units	Amount	Shares and units held by affiliates	Contributed surplus	Value assigned to options	Value assigned to warrants	Accumulated Deficit
Balance, December 31, 1996..........		22,703,811		$100,952,778	$(1,428,565)				(49,473,610)
Stock issued for cash									
Exercise of options........	5.75	124,649		716,716					
Stock issued to KSOP..........	5.02	89,683		450,000					
Net loss........									(10,918,111)
Increase in unrealized gain on available-for-sale securities.....									
Change in KSOP debt..........									
Balance, December 31, 1997..........		22,918,143		102,119,494	(1,428,565)				(60,391,721)
Stock issued for cash									
Exercise of options........	1.90	223,624		425,883					
Stock issued to KSOP..........	3.00	50,000		150,000					
Net loss........									(5,147,658)
Change in shares held by affiliates.....				(1,034,323)	1,025,234				
Decrease in unrealized gain (loss) on available-for-sale securities.....									
Change in KSOP debt..........									
Balance, December 31, 1998..........		23,191,767		101,661,054	(403,331)				(65,539,379)
Stock issued for cash									
Exercise of options........	1.19	12,500		14,899					
Stock issued for services.......	0.84	70,000		58,760					
Stock issued to KSOP..........	1.13	300,000		337,500					
Stock retired...	3.02	(1,629)		(4,915)					
Net loss........									(4,499,321)
Net common shares exchanged for equity units...		(1,584,966)	1,584,966						
Decrease in unrealized loss on available-for-sale securities.....									
Change in KSOP debt..........									
Balance, December 31, 1999..........	21,987,672	1,584,966	102,067,298	(403,331)					(70,038,700)
Stock issued for services.......	0.55	70,000	38,688						
Net loss........									(2,807,648)
Equity units exchanged for common shares..		138,570	(138,570)						
Increase in unrealized gain on available-for-sale securities.....									
Change in KSOP debt..........									
Balance, December 31, 2000..........		22,196,242	1,446,396	102,105,986	(403,331)				(72,846,348)

Stock issued for cash Exercise of options........	0.78	5,500		4,285			
Stock issued for services.......	0.75	20,000		15,000			
Stock issued to KSOP..........	0.47	300,000		140,640			
Net loss........							(2,258,191)
Change in common stock held by affiliates.....					(271,267)		
Equity units exchanged for common shares..		133,380	(133,380)				
Increase in unrealized gain on available-for-sale securities.....							
Change in KSOP debt..........							
Balance, December 31, 2001..........		22,655,122	1,313,016	102,265,911	(674,598)		(75,104,539)
Stock issued for cash Exercise of options........	0.72	18,000		12,960			
Stock issued for services.......	0.85	100,000		85,200			
Stock issued to KSOP..........	0.67	200,000		134,000			
Variable plan accounting for options........						1,162,804	
Net loss........							(4,170,926)
Equity units exchanged for common shares..		23,036	(23,036)				
Decrease in unrealized gain on available-for-sale securities.....							
Change in KSOP debt..........							

	Comprehensive income (loss)	KSOP debt
Balance, December 31, 1996..........	2,750	(186,708)
Stock issued for cash Exercise of options........		
Stock issued to KSOP..........		
Net loss........		
Increase in unrealized gain on available-for-sale securities.....	8,250	
Change in KSOP debt..........		(436,152)
Balance, December 31, 1997..........	11,000	(622,860)
Stock issued for cash Exercise of options........		
Stock issued to KSOP..........		
Net loss........		
Change in shares held by affiliates.....		
Decrease in unrealized gain (loss) on available-for-sale securities.....	(22,625)	
Change in KSOP debt..........		208,089
Balance, December 31, 1998..........	(11,625)	(414,771)

Stock issued for cash Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Stock retired...		
Net loss........		
Net common shares exchanged for equity units...		
Decrease in unrealized loss on available-for-sale securities.....	(328,618)	
Change in KSOP debt...........		230,352
Balance, December 31, 1999...........	(340,243)	(184,419)
Stock issued for services.......		
Net loss........		
Equity units exchanged for common shares..		
Increase in unrealized gain on available-for-sale securities.....	437,875	
Change in KSOP debt...........		99,310
Balance, December 31, 2000...........	97,632	(85,109)
Stock issued for cash Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Net loss........		
Change in common stock held by affiliates.....		
Equity units exchanged for common shares..		
Increase in unrealized gain on available-for-sale securities.....	62,368	
Change in KSOP debt...........		1,322
Balance, December 31, 2001...........	160,000	(83,787)
Stock issued for cash Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Variable plan accounting for options........		
Net loss........		
Equity units exchanged for common shares..		
Decrease in unrealized gain on available-for-sale securities.....	(118,816)	
Change in KSOP debt...........		19,003

	Common Shares and Equity Units Issued								
	Issue Price	Common Shares	Equity Units	Amount	Shares and units held by affiliates	Contributed surplus	Value assigned to options	Value assigned to warrants	Accumulated Deficit
Balance, December 31, 2002..........		22,996,158	1,289,980	102,498,071	(674,598)		1,162,804		(79,275,465)
Stock issued for cash									
Private placement......	1.95	4,042,000		7,888,508					
Exercise of options........	0.74	400,000		294,605					
Stock issued for services.......	5.06	60,000		303,600					
Stock issued to KSOP...........	1.28	200,000		256,000					
Value assigned to warrants issued.........								1,730,641	
Variable plan accounting for options........							7,704,726		
Net loss........									(11,412,062)
Equity units exchanged for common shares..		52,100	(52,100)						
Increase in unrealized gain on available-for-sale securities.....									
Change in KSOP debt...........									
Balance, December 31, 2003..........		27,750,258	1,237,880	111,240,784	(674,598)		8,867,530	1,730,641	(90,687,527)
Stock issued for cash									
Private placement......	3.61	5,361,000		19,337,034					
Exercise of warrants.......	4.28	21,100		90,211					
Exercise of options........	0.89	373,954		333,310					
Stock issued for services.......	4.13	54,000		223,012					
Stock issued to KSOP...........	3.41	75,000		255,750					
Value assigned to warrants issued.........								3,682,447	
Variable plan accounting for options........							(791,643)		
Assigned value of exercised warrants.......				18,069				(18,069)	
Net loss........									(10,359,891)
Equity units exchanged for common shares..		80,483	(80,483)						
Decrease in unrealized gain on available-for-sale securities.....									
Change in KSOP debt...........									
Balance, December 31, 2004..........		33,715,795	1,157,397	131,498,170	(674,598)		8,075,887	5,395,019	(101,047,418)
Stock issued for cash									
Exercise of warrants.......	4.33	260,900		1,129,905					
Exercise of underwriter compensation options........	3.00	202,100		605,468					
Exercise of underwriter compensation warrants.......	4.32	70,735		305,646					
Exercise of options........	1.00	573,030		571,326					
Stock issued for									

services.......	2.92	251,350		733,231					
Stock issued to KSOP...........	3.45	75,000		258,971					
Net loss........									(5,878,244)
Variable plan accounting for options........							(2,285,698)		
Assigned value of exercised warrants......				223,416				(223,416)	
Assigned value of expired warrants.......						1,489,156		(1,489,156)	
Equity units exchanged for common shares..		47,377	(47,377)						
Increase in unrealized gain on available-for-sale securities.....									
Change in KSOP debt...........									
Balance, December 31, 2005...........		$35,196,287	1,110,020	$135,326,133	(674,598)	$1,489,156	$5,790,189	$3,682,447	$(106,925,662)

	Comprehensive income (loss)	KSOP debt
Balance, December 31, 2002...........	41,184	(64,784)
Stock issued for cash		
Private placement......		
Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Value assigned to warrants issued.........		
Variable plan accounting for options........		
Net loss........		
Equity units exchanged for common shares..		
Increase in unrealized gain on available-for-sale securities.....	3,072,941	
Change in KSOP debt...........		(39,568)
Balance, December 31, 2003...........	3,114,125	(104,352)
Stock issued for cash		
Private placement......		
Exercise of warrants.......		
Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Value assigned to warrants issued.........		
Variable plan accounting for options........		
Assigned value of exercised warrants.......		
Net loss........		
Equity units exchanged for common shares..		
Decrease in		

unrealized gain on available-for-sale securities.....	(70,147)	
Change in KSOP debt...........		(971)
Balance, December 31, 2004...........	3,043,978	(105,323)
Stock issued for cash		
Exercise of warrants.......		
Exercise of underwriter compensation options........		
Exercise of underwriter compensation warrants.......		
Exercise of options........		
Stock issued for services.......		
Stock issued to KSOP...........		
Net loss........		
Variable plan accounting for options........		
Assigned value of exercised warrants.......		
Assigned value of expired warrants.......		
Equity units exchanged for common shares..		
Increase in unrealized gain on available-for-sale securities.....	1,068,926	
Change in KSOP debt...........		21,103
Balance, December 31, 2005...........	4,112,904	(84,220)

[GOLD RESERVE LOGO]

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 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 provided the officer or director seeking indemnity (1) was substantially successful on the merits in the defense of the action or proceeding, (2) (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, and (3) is fairly and reasonably entitled to indemnity.

YUKON LAW

Section 126 of the Yukon Business Corporations 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 Yukon Business Corporations 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 a director or officer of the corporation, a former director or officer of the corporation or 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 an 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 that corporation or 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 that his conduct was lawful.

(2) A corporation may with the approval of the Supreme Court indemnify a person 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 he is made a party by reason of being or having been a director or an officer of the corporation or body corporate, against all costs, charges and expenses reasonably incurred by him in connection with the action if he fulfils the conditions set out in paragraphs (1)(a) and (b).

(3) Notwithstanding anything in this section, a person referred to in subsection (1) is entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by him in connection with the defense 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 body corporate, if the person seeking indemnity:

(a) was substantially successful on the merits in his 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 him:

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

(b) in his capacity as a director or officer of another body corporate if he acts or acted in that capacity at the corporation's request, except when the liability relates to his 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 tortuous 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 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 Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable.

EXHIBITS

Exhibit	Description
3.1	Form of Underwriting Agreement
4.1	Annual information form of the Registrant in the form of Form 20-F for the year ended December 31, 2005 (incorporated by reference to the Registrant's annual report on Form 20-F filed with the Commission on April 3, 2006)
4.2	Audited annual consolidated comparative financial statements of the Registrant for the year ended December 31, 2005 and the auditors' report thereon, together with management's discussion and analysis for the year ended December 31, 2005 (incorporated by reference to the Registrant's annual report on Form 20-F filed with the Commission on April 3, 2006)
4.3	Management information circular dated April 14, 2005 prepared in connection with the Registrant's annual and special meeting of shareholders held on June 2, 2005 (incorporated by reference to the Registrant's Form 6-K furnished to the Commission May 2, 2006)
4.4	Management information circular dated January 31, 2006 prepared in connection with the Registrant's special meeting of shareholders held on March 22, 2006 (incorporated by reference to the Registrant's Form 6-K furnished to the Commission May 2, 2006)
4.5	Summary, being pages 1.1 to 1.13 inclusive of NT 43-101 Technical Report on the Brisas Project dated February 24, 2005 as prepared by Pincock Allen of Holt (incorporated by reference to the Registrant's Form 6-K furnished to the Commission May 2, 2006)
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
5.5*	Consent of Raul Borrastero, C.P.G.
5.6*	Consent of Susan Poos, P.E.
5.7*	Consent of Richard Addison, P.E., C Eng, Eur.Ing
5.8*	Consent of Richard J. Lambert, P.E.
5.9#	Consent of Brad Yonaka
6.1*	Power of Attorney

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* Previously filed.

To be filed by amendment.

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 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 3, 2006.

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 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 3, 2006
* Robert A. McGuinness	Vice President Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	May 3, 2006
* A. Douglas Belanger	President and Director	May 3, 2006
* James P. Geyer	Senior Vice President and Director	May 3, 2006
* James H. Coleman	Chairman of the Board	May 3, 2006
* Patrick D. McChesney	Director	May 3, 2006
* Chris D. Mikkelsen	Director	May 3, 2006
* Jean Charles Potvin	Director	May 3, 2006
*By: /s/ Rockne J. Timm Name: Rockne J. Timm Attorney-in-Fact		May 3, 2006

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 3rd day of May, 2006.

GOLD RESERVE CORPORATION

By: /s/ Rockne J. Timm

Rockne J. Timm
President

EXHIBIT INDEX

Exhibit	Description
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6.1*	Power of Attorney

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* Previously filed.

To be filed by amendment.

EXHIBIT 3.1

UNDERWRITING AGREEMENT

May 3, 2006

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

Attention: Mr. Douglas Belanger, President

Dear Sirs:

Sprott Securities Inc. ("Sprott") and RBC Dominion Securities Inc. ("RBC" and, together with Sprott, the "Underwriters" and each individually an "Underwriter") understands that Gold Reserve Inc. (the "Corporation") proposes to issue and sell 3,335,000 Class A common shares of the Corporation (the "Underwritten Shares"). The Underwriters further understand that the Corporation has prepared and filed a preliminary short form prospectus, a registration statement and all necessary documents relating thereto and will take all additional necessary steps to qualify the Offered Shares (as defined below) for distribution in each of the Qualifying Provinces (as defined below) and in the United States.

Upon and subject to the terms and conditions contained herein, the Underwriters hereby severally offer to purchase from the Corporation in the respective percentages set forth in Section 18 hereof and the Corporation hereby agrees to issue and sell to the Underwriters all but not less than all of the Underwritten Shares at the purchaser price of $9.00 per Underwritten Share, which will constitute an aggregate purchase price of $30,015,000 payable to the Corporation in respect of the Underwritten Shares.

The Corporation hereby grants to the Underwriters (in accordance with the percentages set forth in Section 18 hereof) an option (the "Over Allotment Option") to purchase severally and not jointly and offer for sale to the public pursuant hereto up to 500,250 additional Common Shares in the capital of the Corporation at the same price per share as the Underwritten Shares (the "Additional Shares" and together with the Underwritten Shares, the "Offered Shares") upon the terms and conditions set forth herein. The Over Allotment Option shall be exercisable, in whole or in part, not less than 48 hours prior to the Over-Allotment Option Closing Date by notice in writing to the Corporation delivered by Sprott (on behalf of the Underwriters), at any time up until 5:00 p.m. (Toronto time) on the day which is 30 days following the Closing Date. The Additional Shares shall have attributes identical to the Underwritten Shares.

In consideration of the agreement of the Underwriters to purchase the Underwritten Shares and to offer them to the public pursuant to the Prospectuses and the Registration Statement (as hereinafter defined), the Corporation agrees to pay to the Underwriters, at the Time of Closing (as hereinafter defined), a fee equal to 5.0% of the aggregate purchase price for the Offered Shares or $0.45 per Offered Share.

All actions to be undertaken by the Underwriters in connection with the offering or sale of the Offered Shares in the United States, shall be undertaken through their respective U.S. Dealers.

Terms and Conditions

The following are additional terms and conditions of this Agreement between the Corporation and the Underwriters:

1. (a) Definitions. Where used in this Agreement or in any amendment hereto, the following terms shall have the following meanings, respectively:

"1933 Act" and "Rules" mean the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

"1934 Act" means the United States Securities Exchange Act of 1934, as amended;

"affiliate", "distribution", "material change", "material fact", "misrepresentation", and "subsidiary" when used in connection with the Canadian Preliminary Prospectus, Canadian Final Prospectus or any Prospectus Amendment thereto shall have the respective meanings given to them under the Canadian Securities Laws, when used in connection with the Registration Statement, the U.S. Preliminary Prospectus, the U.S. Final Prospectus, the Amended Preliminary Prospectus, any Prospectus Amendment thereto, the Disclosure Package or any Issuer Free Writing Prospectus shall have the respective meanings (to the extent applicable) under the U.S. Securities Laws including judicial and administrative interpretations thereof, and in all other contexts shall have the respective meanings given to them under Canadian Securities Laws;

"Agreement" means the agreement resulting from the acceptance by the Corporation of the offer made by the Underwriters pursuant to this letter;

"AMEX" means the American Stock Exchange;

"Amended Preliminary Prospectuses" means together (i) the amended Canadian Preliminary Prospectus to be dated May 3, 2006, signed and certified in

accordance with the Securities Laws, relating to the qualification for distribution of the Offered Shares under the Securities Laws in all the Qualifying Provinces through the Underwriters, including all of the Documents Incorporated By Reference reflecting the terms of this Agreement (also referred to as the "Canadian Amended Preliminary Prospectus") and (ii) the amended U.S. Preliminary Prospectus, to be dated May 3, 2006, included in the Registration Statement and relating to the offering of Offered Shares in the United States reflecting the terms of this Agreement (also referred to as the "U.S. Amended Preliminary Prospectus");

"Applicable Securities Laws" means the Canadian Securities Laws and the U.S. Securities Laws;

"Applicable Time" shall mean the date and time immediately prior to the Effective Date;

"Brisas Project" means the Brisas gold-copper project of the Corporation located in the Kilometer 88 mining district of Bolivar State in southeast Venezuela;

"business day" means a day which is not a Saturday, a Sunday or a day on which chartered banks are not open for business in Toronto, Ontario or New York City and a day on which the office of the SEC in Washington D.C. is open for business;

"Canadian Preliminary Prospectus" means the preliminary short form prospectus of the Corporation in the English language dated May 2, 2006, signed and certified in accordance with the Securities Laws, relating to the qualification for distribution of the Offered Shares under the Securities Laws in all the Qualifying Provinces through the Underwriters, including all of the Documents Incorporated by Reference;

"Canadian Prospectus" or "Canadian Final Prospectus" means the (final) short form prospectus of the Corporation in the English language to be approved, signed and certified in accordance with the Securities Laws, and relating to the qualification for distribution of the Offered Shares under the Securities Laws in all the Qualifying Provinces through the Underwriters, including all of the Documents Incorporated By Reference;

"Canadian Securities Laws" means all applicable securities laws in each of the Qualifying Provinces and the respective regulations and rules under such laws together with applicable published policy statements of the Canadian Securities Regulators in the Qualifying Provinces;

"Canadian Securities Regulators" means the applicable securities commission or regulatory authority in each of the Qualifying Provinces;

"Closing Date" means May 15, 2006 or such earlier or later date as may be agreed to in writing by the Corporation and the Underwriters each acting reasonably but in any event no later than May 30, 2006;

"Common Shares" means the Class A common shares in the capital of the Corporation;

"Disclosure Package" shall mean (i) the U.S. Amended Preliminary Prospectus or such subsequent U.S. Prospectus Amendments filed prior to the Effective Date, (ii) the Issuer Free Writing Prospectuses, if any, identified in Schedule D hereto, and (iii) any other Free Writing Prospectus that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package.

"Documents Incorporated by Reference" means the documents specified in Schedule "A", together with such additional documents expressly incorporated by reference into the applicable prospectus and the Registration Statement subsequent to the date hereof, determined at any time as of the date of the statement or representation made up to and including the Effective Date;

"Effective Date" shall mean each date and time that the Registration Statement and any post-effective amendment or amendments became or become effective;

"Feasibility Study" means the feasibility study relating to the Brisas Project dated January 2005 prepared by Aker Kvaerner ASA, and any updates thereto;

"Final Prospectuses" or "Prospectuses" means, collectively, the Canadian Final Prospectus and the U.S. Final Prospectus;

"Financial Information" means the Corporation's financial statements included in the Documents Incorporated by Reference or included in the Registration Statement under the heading "Auditors' Report with Respect to Supplementary Information", together with any auditors' report thereon and the notes thereto;

"Free Writing Prospectus" shall mean a free writing prospectus, as defined in Rule 405 under the U.S. Securities Act;

"Historical Financial Statements" means audited consolidated comparative financial statements of the Corporation as at December 31, 2005 and December 31, 2004, and for each of the fiscal years ended December 31, 2005 and December 31, 2004 and the related notes thereto, each prepared in accordance with Canadian generally accepted accounting principles, and reconciliations thereof to United States generally accepted accounting principles, together with the auditors' reports thereon, in each case as included or incorporated by reference in the Prospectuses or the Registration Statement; including under the heading "Auditors' Report with Respect to Supplementary Information";

"Issuer Free Writing Prospectus" shall mean an issuer free writing prospectus, as defined in Rule 433 under the 1933 Act; provided, however, if such Issuer Free Writing Prospectus is made by any Underwriter or other third party, such Underwriter or other third party has obtained the prior written consent of the Corporation with regard to such issuer free writing prospectus;

"Material Adverse Effect" means a material adverse effect on the assets or properties, business, results of operations, or condition (financial or otherwise) of the Corporation and its Subsidiaries (on a consolidated basis) or on the power or authority of the Corporation to perform its obligations under this Agreement;

"Mutual Reliance Procedures" means the mutual reliance review system procedures provided for under National Policy 43-201 - Mutual Reliance Review System for Prospectuses and Annual Information Forms of the Canadian Securities Administrators;

"NASD" means the National Association of Securities Dealers, Inc.;

"National Instrument 44-101" means National Instrument 44-101 adopted by the Canadian Securities Administrators;

"National Policy 43-201" means National Policy 43-201 adopted by the Canadian Securities Regulators;

"Offering Documents" has the meaning ascribed thereto in Subsection 6(a)(ii);

"OSC" means the Ontario Securities Commission;

"PAH Report" means the technical report entitled "NI 43-101 Technical Report, Gold and Copper Project, Brisas Project" dated February 24, 2005 prepared by Pincock Allen & Holt for the Corporation, as amended or updated;

"POP System" means the short form prospectus distribution rules established by National Instrument 44-101 of the Canadian Securities Administrators;

"Preliminary Prospectuses" means, collectively, the Canadian Preliminary Prospectus and the U.S. Preliminary Prospectus;

"Prospectus Amendments" means any amendment to any of the Preliminary Prospectuses, including the Amended Preliminary Prospectuses, or the Final Prospectuses (also referred to as the "Canadian Prospectus Amendment" or "U.S. Prospectus Amendment" as applicable);

"Qualifying Provinces" means, collectively, each of the provinces of Canada other than the Province of Quebec;

"Registration Statement" means the registration statement on Form F-10, including the U.S. Preliminary Prospectus and the U.S. Final Prospectus, as the case may be, as amended at the Effective Date;

"SEC" means the United States Securities and Exchange Commission;

"Securities Laws" means, collectively, the applicable securities laws of each of the Qualifying Provinces and the respective regulations and rules made thereunder together with all applicable published policy statements, blanket orders and rulings of the Canadian Securities Regulators and all discretionary orders or rulings, if any, of the Canadian Securities Regulators made in connection with the transactions contemplated hereunder;

"Standard Listing Conditions" has the meaning ascribed thereto in Subsection 5(a)(v);

"Subsequent Disclosure Documents" means any financial statements, management information circulars, annual information forms, material change reports or other documents issued by the Corporation after the date of this Agreement that are required to be incorporated by reference in the Prospectuses and Registration Statement;

"Subsidiaries" means, collectively, the subsidiaries of the Corporation set out in Schedule "B" to this Agreement;

"Supplementary Material" means, collectively, any amendment to the Canadian Preliminary Prospectus or Canadian Prospectus, any amendment or supplemental prospectus or ancillary materials that may be filed by or on behalf of the Corporation under the Securities Laws relating to the distribution of the Offered Shares thereunder;

"Time of Closing" means 8:00 a.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as may be agreed to by the Corporation and the Underwriters;

"to the best of the Corporation's knowledge" means the actual knowledge of the senior officers of the Corporation;

"Transfer Agent" means Computershare Trust Company of Canada, the registrar and transfer agent in respect of the Common Shares;

"TSX" means the Toronto Stock Exchange;

"United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and

"U.S. Dealers" means the U.S. broker-dealer affiliates of the Underwriters, registered as such with the SEC under Section 15 of the 1934 Act, who are members of the NASD;

"U.S. Final Prospectus" means the Canadian Final Prospectus (with such deletions therefrom and additions thereto as are permitted or required by Form F-10 and the applicable rules and regulations of the SEC) included in the Registration Statement at the Effective Date (including the Documents Incorporated

by Reference therein not otherwise superceded or modified thereby) relating to the offering of Offered Shares in the United States, except that if the U.S. Final Prospectus first furnished to the U.S. Dealers after the Effective Date for use in connection with the offering of the Underwritten Shares in the United States differs from the prospectus included in the Registration Statement at the Effective Date, the term "U.S. Final Prospectus" shall refer to the final prospectus first furnished to the U.S. Dealers for such use (including the Documents Incorporated by Reference therein not otherwise superceded or modified thereby);

"U.S. Preliminary Prospectus" means 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 of the SEC), included in the Registration Statement before the Effective Date (including the Documents Incorporated by Reference therein not otherwise superceded or modified thereby) relating to the offering of Offered Shares in the United States; and

"U.S. Securities Laws" means all applicable securities legislation in the United States, including without limitation the 1933 Act and 1934 Act, and the rules and regulations promulgated thereunder, including judicial and administrative interpretations thereof.

(b) Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectuses and Registration Statement.

(c) Any reference in this Agreement to a paragraph or subparagraph shall refer to a paragraph or subparagraph of this Agreement.

(d) All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and/or pronoun.

(e) Any reference in this Agreement to $ or to dollars shall refer to the lawful currency of Canada, unless otherwise specified.

2. Attributes of the Offered Shares. The Offered Shares to be issued and sold by the Corporation hereunder shall be duly and validly created and issued by the Corporation and, when issued and sold by the Corporation, such Offered Shares shall have the rights, privileges, restrictions and conditions that conform in all material respects to the rights, privileges, restrictions and conditions set forth in the Preliminary Prospectuses, the Amended Preliminary Prospectuses, any subsequent Prospectus Amendment, the Prospectuses and the Registration Statement, subject to such modifications or changes (if any) prior to the Closing Date as may be agreed to in writing by the Corporation and the Underwriters.

3. Filing of Prospectus.

(a) The Corporation represents and warrants to, and covenants and agrees with, the Underwriters that:

(i) the Corporation has filed the Canadian Preliminary Prospectus in each of the Qualifying Provinces pursuant to National Policy 43-201 and has obtained an MRRS decision document evidencing receipts by each of the Canadian Securities Regulators for the Canadian Preliminary Prospectus;

(ii) the Corporation shall fulfill or cause to be fulfilled to the reasonable satisfaction of the Underwriters' counsel all relevant provisions of Canadian Securities Laws that are required to be fulfilled by the Corporation to permit the distribution of the Offered Shares in each of the Qualifying Provinces, by or through the Underwriters who shall comply with the relevant provisions of Canadian Securities Laws;

(iii) following execution of this Agreement, the Corporation shall file the Canadian Amended Preliminary Prospectus in each of the Qualifying Provinces pursuant to National Policy 43-201;

(iv) forthwith after any comments with respect to the Canadian Preliminary Prospectus or the Canadian Amended Preliminary Prospectus have been received from the Canadian Securities Regulators but not later than May 8, 2006 (or such later date as may be agreed to in writing by the Corporation and the Underwriters but in any event not later than May 12, 2006), the Corporation shall have used its best efforts to have prepared, filed and obtained a decision document from the OSC under the Mutual Reliance Procedures evidencing that a receipt has been issued for the Canadian Prospectus by each of the Canadian Securities Regulators or otherwise fulfilled all legal requirements to enable the Offered Shares to be offered and sold to the public in Canada through the Underwriters or any other investment dealer or broker registered to transact such business in the applicable Qualifying Province;

(v) prior to the filing of the Amended Preliminary Prospectuses and thereafter, and prior to the completion of the distribution of the Offered Shares, the Corporation shall have allowed the Underwriters to participate fully in the preparation of such document and shall have allowed the Underwriters to conduct all due diligence investigations which they may reasonably require in order to fulfil their obligations as underwriters and in order to enable them to execute the certificate required to be executed by them in such document; and

(vi) the Corporation: (i) has prepared and filed with the SEC the Registration Statement, which does and will comply in all material respects with the applicable requirements of the 1933 Act and the rules thereunder, including the U.S. Preliminary Prospectus and a written appointment of agent for services of process upon the Corporation on Form F-X (the "Form F-X"); (ii) as soon as practicable after the filing of the Canadian Amended Preliminary Prospectus with the OSC and, in any event, on the date on which the Canadian Amended Preliminary Prospectus is filed with the OSC, will file an amendment to such Registration Statement including the U.S. Amended Preliminary Prospectus, which will comply in all material respects with the applicable requirements of the 1933 Act and the rules thereunder; (iii) as soon as practicable after the filing of any further Prospectus Amendment with the OSC and, in any event, on the date on which the Prospectus Amendment is filed with the OSC, will file an amendment to such Registration Statement including the U.S. Prospectus Amendment, which will comply in all material respects with the applicable requirements of the 1933 Act and the rules thereunder; and (iv) as soon as practicable after the filing of the Canadian Final Prospectus with

the OSC and, in any event, on the date on which the Canadian Final Prospectus is filed with the OSC, will file an amendment to such Registration Statement including the U.S. Final Prospectus and take all actions as may be necessary or desirable to cause the Registration Statement to become effective under the 1933 Act and shall have fulfilled and complied with, to the reasonable satisfaction of the Underwriters, the U.S. Securities Laws required to be fulfilled or complied with by the Corporation to enable the Offered Shares to be lawfully distributed to the public in the United States.

4. Distribution and Certain Obligations of Underwriters.

(a) The Underwriters shall, and shall require any investment dealer or broker (other than the Underwriters) with which the Underwriters have a contractual relationship in respect of the distribution of the Offered Shares (each, a "Selling Firm") to agree to, comply with the Securities Laws in connection with the distribution hereof and shall offer the Offered Shares for sale to the public directly and through Selling Firms upon the terms and conditions set out in the Prospectuses, Registration Statement and this Agreement. The Underwriters shall, and shall require any Selling Firm to offer for sale to the public and sell the Offered Shares only in those jurisdictions where they may be lawfully offered for sale or sold. The Underwriters shall: (i) use all reasonable efforts to complete and cause each Selling Firm to complete the distribution of the Offered Shares as soon as reasonably practicable; and (ii) promptly notify the Corporation when, in their opinion, the Underwriters and the Selling Firms have ceased distribution of the Offered Shares and provide a breakdown of the number of Offered Shares distributed in each of the Qualifying Provinces where such breakdown is required for the purpose of calculating fees payable to the Canadian Securities Regulators.

(b) The Underwriters shall, and shall require any Selling Firm to agree to, distribute the Offered Shares in a manner which complies with and observes all applicable laws and regulations in each jurisdiction into and from which they may offer to sell the Offered Shares or distribute the applicable Prospectus and will not, directly or indirectly, offer, sell or deliver any Offered Shares or deliver the applicable Prospectus or any Supplementary Material to any person in any jurisdiction other than in the Qualifying Provinces except in a manner which will not require the Corporation to comply with the registration, prospectus, filing, continuous disclosure or other similar requirements under the applicable securities laws of such other jurisdictions or pay any additional governmental filing fees which relate to such other jurisdictions. Subject to the foregoing, the Underwriters and any Selling Firm shall be entitled to offer and sell the Offered Shares in Europe in accordance with any applicable securities and other laws in the jurisdictions in which the Underwriters and/or Selling Firms offer the Offered Shares. Any offer or sale of the Offered Shares in the United States will be made only by U.S. Dealers.

(c) For the purposes of this Section 4, the Underwriters shall be entitled to assume that the Offered Shares are qualified for distribution in any Qualifying Province where a receipt or similar document for the Canadian Final Prospectus shall have been obtained from the applicable Securities Commission (including a decision document for the Canadian Final Prospectus issued under the Mutual Reliance Procedures) unless otherwise notified in writing.

(d) For purposes of this Section 4, the Underwriters shall be entitled to assume that the Offered Shares are available for sale in the United States when the Registration Statement has gone effective unless otherwise notified in writing.

5. Deliveries on Filing and Related Matters.

(a) The Corporation shall deliver to each of the Underwriters:

(i) at the Time of Closing, copies of the Registration Statement, the Prospectuses, the Amended Preliminary Prospectuses, any other Prospectus Amendments and the Prospectuses, signed and certified by the Corporation as required by the Applicable Securities Laws, if applicable;

(ii) at the Time of Closing, a copy of any Issuer Free Writing Prospectuses or Supplementary Material required to be filed by the Corporation in compliance with Applicable Securities Laws;

(iii) concurrently with the filing of the Canadian Final Prospectus with the Canadian Securities Regulators, a long-form comfort letter dated the date of the Canadian Final Prospectus, in form and substance satisfactory to the Underwriters, acting reasonably, addressed to the Underwriters and the directors of the Corporation from the auditors of the Corporation, PricewaterhouseCoopers LLP, which has been prepared in accordance with SAS 72 and SAS 100, and contains statements and information of the type ordinarily included in accountants' "comfort letters" to U.S. underwriters with respect to the financial statements and certain financial information contained in the U.S. Prospectus and the Canadian Prospectus with respect to financial and accounting information relating to the Corporation contained in the Prospectuses and Registration Statement, which letter shall be based on a review by PricewaterhouseCoopers LLP within a cut-off date of not more than two business days prior to the date of the letter, and which letter shall be in addition to the auditors' consent letter and/or comfort letter addressed to the Canadian Securities Regulators in the Qualifying Provinces; and

(iv) prior to the filing of the Canadian Final Prospectus with the Canadian Securities Regulators or the final Amendment to the Registration Statement with the SEC, copies of correspondence from the TSX and AMEX indicating that the Offered Shares have been approved for listing on the TSX and AMEX or otherwise subject only to satisfaction by the Corporation of such post-closing conditions imposed by the TSX and AMEX (the "Standard Listing Conditions").

(b) Supplementary Material

The Corporation shall also prepare and deliver promptly to the Underwriters signed copies of all Supplementary Material. Concurrently with the delivery of any Supplementary Material or the incorporation by reference in the Prospectus of any Subsequent Disclosure Document, the Corporation shall deliver to the Underwriters, with respect to such Supplementary Material or Subsequent Disclosure Document, and comfort letters substantially similar to those referred to in Section 5(a)(iii) to the extent that such Supplementary Material contains any Financial Information.

(c) Representations as to Prospectus and Supplementary Material

Delivery of the Preliminary Prospectuses, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Prospectuses, and Issuer Free Writing Prospectuses and any Supplementary Material by the Corporation shall constitute the representation and warranty of the Corporation to the Underwriters that:

(i) all information and statements (except information and statements furnished to the Corporation by the Underwriters relating solely to the Underwriters) contained and incorporated by reference in the Canadian Preliminary Prospectus, the Canadian Amended Preliminary Prospectus or the Canadian Prospectus or any Supplementary Material, as the case may be, at the respective dates of filing thereof (A) true and correct, in all material respects, and contain no misrepresentation and, on the respective dates of delivery thereof, the Canadian Preliminary Prospectus, the Canadian Amended Preliminary Prospectus, the Canadian Prospectus or any Supplementary Material constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares and (B) 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 not misleading in light of the circumstances under which they were made;

(ii) no known material fact or information has been omitted therefrom (except facts or information furnished to the Corporation by the Underwriters relating solely to the Underwriters) which is required to be stated in such disclosure or is necessary to make the statements or information contained in such disclosure not misleading in light of the circumstances under which they were made;

(iii) except information furnished to the Corporation by the Underwriters relating solely to the Underwriters, such documents comply in all material respects with the requirements of the Securities Laws;

(iv) as at their respective dates, the Canadian Preliminary Prospectus does, and the Canadian Amended Preliminary Prospectus, any other Canadian Prospectus Amendment, and the Canadian Final Prospectus will, comply in all material respects with the Canadian Securities Laws and, at the time of delivery of the Offered Shares to the Underwriters, the Canadian Final Prospectus, as amended by a Prospectus Amendment, if any, will comply in all material respects with the Canadian Securities Laws;

(v) (i) the U.S. Preliminary Prospectus conforms and the U.S. Final Prospectus will conform to the Canadian Preliminary Prospectus and Canadian Final Prospectus, respectively, except for such deletions therefrom and additions thereto as are permitted or required by Form F-10 and the Rules; (ii) the Registration Statement as amended, does not and, on the Effective Date, will 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 not misleading; (iii) the U.S. Preliminary Prospectus and the Corporation's Form F-X comply, and the U.S. Amended Preliminary Prospectus, any other U.S. Prospectus Amendment, U.S. Final Prospectus, any Issuer Free Writing

Prospectuses and the Registration Statement, as amended, will comply, in all material respects with the 1933 Act and the Rules on the date of filing; (iv) the U.S. Preliminary Prospectus as of the date of filing does not, and the Disclosure Package as of the Applicable Time and U.S. Final Prospectus as of the date of filing and as of the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading on the date of filing; and (v) the Canadian Preliminary Prospectus contains, and the Canadian Amended Preliminary Prospectus, any subsequent Canadian Prospectus Amendment and the Canadian Final Prospectus and any Supplementary Material will contain, full, true and plain disclosure of all material facts required to be stated therein relating to the Corporation, the operations of the Corporation, and the Offered Shares, and the Canadian Preliminary Prospectus as of the date of its filing will, and the Canadian Amended Preliminary Prospectus as of the Applicable Time and the Canadian Final Prospectus as of the date of filing and as of the Closing Date contain no untrue statement of a material fact and will not omit to state a material fact that is necessary to make any statement therein not misleading in light of the circumstances in which it was made; provided, however, that this representation and warranty shall not apply to statements or omissions made in reliance upon and in conformity with information relating to the Underwriters furnished in writing to the Corporation by the Underwriters expressly for use in the Preliminary Prospectuses, the Disclosure Package, the Final Prospectuses or the Registration Statement; and

(vi) each Issuer Free Writing Prospectus does not include any information that conflicts with the information contained in the Registration Statement or the Canadian Preliminary Prospectus or Canadian Prospectus, including any Document Incorporated by Reference therein deemed to be a part thereof that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Corporation by any Underwriter specifically for use therein.

Such deliveries shall also constitute the Corporation's consent to the Underwriters' use of the Preliminary Prospectuses, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Disclosure Package, the Prospectuses and any Supplementary Material in connection with the distribution of the Offered Shares in compliance with this Agreement unless otherwise advised in writing.

(d) Commercial Copies

(i) The Corporation has caused an electronic copy of the Preliminary Prospectuses, and will cause an electronic copy of the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Disclosure Package, the Prospectuses, the Issuer Free Writing Prospectuses and any Supplementary Material to be delivered to the Underwriters without charge after the Underwriters have been advised that the Corporation has complied with the Applicable Securities Laws in the Qualifying Provinces and the United States in accordance with Section 3. The Corporation shall cause commercial copies of the Amended Preliminary Prospectuses and the

Prospectuses to be delivered to the Underwriters without charge (including in circumstances where any delivery requirement may be satisfied pursuant to Rule 172 under the 1933 Act), in such numbers and in such cities in the Qualifying Provinces and in the United States as the Underwriters may reasonably request by oral instructions to the Corporation of the Preliminary Prospectuses, the amended Preliminary Prospectuses and the Prospectuses and each Issuer Free Writing Prospectus given forthwith after the Underwriters have been advised that the Corporation has complied with the Securities Laws in the Qualifying Provinces and in the United States pursuant to Section 3. Such delivery shall be effected as soon as possible and, in any event, on or before a date which is one business day after compliance with applicable Securities Laws in the Qualifying Provinces and in the United States pursuant to Section 3 with respect to the Preliminary Prospectuses, the amended Preliminary Prospectuses and the Prospectuses, and on or before a date which is one business day after the issuance of the MRRS decision document or accept for filing, as the case may be, of any Supplementary Material.

(ii) The Corporation shall cause to be provided to the Underwriters, without charge, such number of copies of any Documents Incorporated By Reference in the Preliminary Prospectuses, the Amended Preliminary Prospectuses, the Prospectuses, any other Prospectus Supplements or any Supplementary Material the Underwriters may reasonably request for use in connection with the distribution of the Offered Shares.

(e) Press Releases

During the period commencing on the date hereof and until completion of distribution of the Offered Shares, (i) the Corporation will promptly provide to Underwriters drafts of any press releases of the Corporation for review by Underwriters and the Underwriters' counsel prior to issuance, and (ii) the Underwriters will promptly provide to the Corporation drafts of any press releases of the Underwriters regarding the Corporation for review by the Corporation and the Corporation's counsel prior to issuance. All press releases shall comply with Applicable Securities Laws.

6. Material Change.

(a) The Corporation shall promptly inform the Underwriters (and if requested by the Underwriters, confirm such notification in writing) during the period prior to the Underwriters notifying the Corporation of the completion of the distribution of the Offered Shares in accordance with Section 4(a) hereof of the full particulars of:

(i) any material change in the assets, liabilities (contingent or otherwise), business, affairs, operations or capital of the Corporation and the Subsidiaries taken together as a whole; or

(ii) any change in any material fact contained in the Preliminary Prospectuses, the Amended Preliminary Prospectuses, the Prospectuses, the Registration Statement or any Supplementary Material (collectively, the "Offering Documents") or whether any event or state of facts has occurred after the date hereof, which, in any case, is, or may be, of such a nature as to render any of

the Offering Documents untrue or misleading in any material respect or to result in any misrepresentation in any of the Offering Documents, or which would result in the Prospectuses, the Registration Statement or any Supplementary Material not complying (to the extent that such compliance is required) with Applicable the Securities Laws of any Qualifying Province or the United States.

(b) The Corporation will comply with Section 57 of the Securities Act (Ontario) and with the comparable provisions of the other Securities Laws, and the Corporation will prepare and file promptly any Supplementary Material which may be necessary and will otherwise comply with all legal requirements necessary to continue to qualify the Offered Shares for distribution in each of the Qualifying Provinces.

(c) In addition to the provisions of Subsections 6(a) and 6(b) hereof, the Corporation shall in good faith discuss with the Underwriters any change, event or fact contemplated in Subsections 6(a) and 6(b) which is of such a nature that there is or could be reasonable doubt as to whether notice should be given to the Underwriters under Subsection 6(a) hereof and shall consult with the Underwriters with respect to the form and content of any amendment proposed to be filed by the Corporation, it being understood and agreed that no such amendment shall be filed with any Securities Commission prior to the review thereof by the Underwriters and their counsel, acting reasonably.

7. Regulatory Approvals. Prior to the filing of the Canadian Final Prospectus with the Canadian Securities Regulators, the Corporation shall file or cause to be filed with the TSX and AMEX all necessary documents and shall take or cause to be taken all necessary steps to ensure that the Corporation has obtained all necessary approvals for the Offered Shares to be conditionally listed on the TSX and AMEX subject only to the Standard Listing Conditions.

8. Representations and Warranties of the Corporation. For purposes of Section 8, "Preliminary Prospectuses" shall mean "Amended Preliminary Prospectuses." The Corporation represents and warrants to the Underwriters and acknowledges that each of them is relying upon such representations and warranties in purchasing the Offered Shares that:

(a) the Corporation and each of the Subsidiaries is an entity constituted and validly existing under the laws of the jurisdiction in which it was incorporated, amalgamated or continued, as the case may be. No proceedings have been instituted or, to the knowledge of the Corporation, are pending for the dissolution or liquidation of the Corporation or any of the Subsidiaries;

(b) each of the Corporation and the Subsidiaries has the requisite corporate power, authority and capacity to own, lease, or own and lease and to operate its property and assets including all material licenses or other similar rights necessary to carry on the business customarily carried on by it, except as described in the Preliminary Prospectuses and the Registration Statement, and the Corporation has all requisite power and authority to enter into this Agreement and to carry out its obligations thereunder;

(c) attached hereto as Schedule "B" is a list of the Subsidiaries, the particulars of the jurisdiction of subsistence and percentage of the voting and equity interest in such Subsidiaries held by the Corporation. Each of the Subsidiaries has been duly incorporated or organized in its

respective jurisdiction and is and will be at the Time of Closing up-to-date in all of such Subsidiary's filings and in good standing under the laws of such jurisdiction as the case may be. Such Subsidiaries' issued and outstanding securities have been duly authorized and validly issued and are outstanding as fully paid shares and no person has any right, agreement or option, present or future, contingent or absolute, or any right or privilege capable of becoming a right, agreement or option, for the purchase from the Corporation of any interest in any of such securities or for the issue or allotment of any unissued shares in the capital of any such Subsidiary or any other security convertible into or exchangeable for any such securities. The Subsidiaries are the only subsidiaries which are material to the Corporation and its operations and no Subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Corporation, from making any other distribution on such Subsidiary's capital stock, from repaying to the Corporation any loans or advances to such Subsidiary from the Corporation or from transferring any of such Subsidiary's property or assets to the Corporation or any other subsidiary of the Corporation;

(d) each of the Corporation and the Subsidiaries has conducted and is conducting its business in material compliance with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on and, to its knowledge, is licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such licenses, registrations and qualifications are and will be at the Time of Closing valid, subsisting and in good standing, except in each case in respect of matters which do not and will not result in any material adverse change to the business or condition (financial or otherwise) of the Corporation and its Subsidiaries (on a consolidated basis), and except for the absence of any such license, registration or qualification which does not and will not have a Material Adverse Effect;

(e) neither the Corporation nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modifications of any material mining or exploration authorities, permits or licenses previously granted to the Corporation, nor have any of them received notice of the revocation or cancellation of, or any intention to revoke or cancel, any mining claims, groups of claims, exploration rights, concessions or leases with respect to any of the resource properties described in the Preliminary Prospectuses and the Registration Statement where such proceedings, revocations, modifications, or cancellations, would have a material adverse effect on the Corporation and the Subsidiaries, taken as a whole;

(f) except as otherwise disclosed in the Preliminary Prospectuses and Registration Statement, the Corporation and the Subsidiaries are the absolute legal and beneficial owner of, and have good and marketable title to, all of the material property or assets thereof as described in the Preliminary Prospectuses and the Registration Statement, and no other property rights are necessary for the conduct of the business of the Corporation or any Subsidiary as currently conducted except with does not and will not have a Material Adverse Effect. None of the Corporation or the Subsidiaries knows of any claim or the basis for any claim that might or could adversely affect the right thereof to use, transfer or otherwise exploit such property rights and, except as disclosed in the Preliminary Prospectuses and the Registration Statement, none of the Corporation 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

(g) the Corporation and the Subsidiaries hold either freehold title, mining leases, mining concessions, mining claims 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 Corporation and the Subsidiaries have an interest as described in the Preliminary Prospectuses and the Registration Statement under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit the Corporation or applicable Subsidiary to explore the minerals relating thereto. All property, leases or claims in which the Corporation 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 Corporation and Subsidiaries, taken as a whole. The Corporation and the Subsidiaries have all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Corporation and the Subsidiaries have an interest as described in the Preliminary Prospectuses and the Registration Statement granting the Corporation 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 Corporation or applicable Subsidiary, with only such exceptions as do not interfere with the use made by the Corporation 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 Corporation or a Subsidiary where the failure to be so would have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole;

(h) the Corporation has made available to the respective authors thereof prior to the issuance of the PAH Report and the Feasibility Study, for the purpose of preparing the PAH Report and the Feasibility Study, as applicable, all information requested, and to the knowledge and belief of the Corporation, no such information contains any material misrepresentation. The Corporation 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;

(i) to the best of Corporation's knowledge, each of the PAH Report and the Feasibility Study accurately and completely sets forth all material facts relating to the properties that are subject thereto. Since the date of preparation of the PAH Report and the Feasibility Study there has been no change, to the best of the Corporation's knowledge, that would disaffirm or change any aspect of the PAH Report or the Feasibility Study in any material respect;

(j) the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurances that (1) transactions are executed in accordance with management's general or specific authorization, and (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with Canadian

generally accepted accounting principles and to maintain accountability for assets and the Corporation is not aware of any material weakness in its internal controls over financial reporting;

(k) except as otherwise described in the Preliminary Prospectuses and Registration Statement, there is no action, proceeding or investigation (whether or not purportedly on behalf of the Corporation or any of the Subsidiaries) pending or, to the best of the Corporation's knowledge, threatened against the Corporation or any of the Subsidiaries at law or in equity, or before or by any federal, provincial, municipal or other governmental department, commission, board or agency, regulatory authority, domestic or foreign, which is, or could reasonably be expected to, result in any material change in the business or in the condition (financial or otherwise) of the Corporation and the Subsidiaries, or their properties or assets (taken as a whole), or which questions the validity of any action taken or to be taken by the Corporation pursuant to or in connection with this Agreement;

(l) the Historical Financial Statements:

(i) have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with those of preceding fiscal periods;

(ii) present fairly and correctly, in all material respects, the assets, liabilities and financial condition of the Corporation as at the dates thereof and the results of its operations and the changes in its cash flows for the periods then ended;

(iii) have been reconciled to generally accepted accounting principles in the United States of America ("U.S. GAAP") in accordance with Item 18 of Form 20-F under the 1934 Act to the extent required by the 1933 Act and the Rules for use of Form F-10; and

(iv) comply with the requirements of Canadian Securities Laws and the 1933 Act and Rules and the 1934 Act and the rules and regulations promulgated thereunder;

(m) the auditors of the Corporation who audited the financial statements of the Corporation most recently delivered to the security holders of the Corporation are independent public accountants as required by the 1933 Act and the Rules and the Sarbanes-Oxley Act of 2002 and are independent public accountants as required by the Canadian Securities Laws and there has never been any reportable disagreement or event (within the meaning of National Instrument 51-102) with the present or any former auditors of the Corporation;

(n) to the best of the Corporation's knowledge, none of the directors or senior officers of the Corporation, any known holder of more than 10% of any class of securities of the Corporation 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;

(o) the Corporation and the Subsidiaries have filed all federal, provincial, state, local and foreign tax returns that are required to be filed or have requested extensions thereof (except in the case in which the failure to do so would not have a material adverse affect on the

Corporation and the Subsidiaries, taken as a whole) and have paid all taxes required to be paid and any other assessment, fine or penalty levied against the Corporation or any of the Subsidiaries, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith;

(p) no domestic or foreign taxation authority has asserted or to, to the best of the Corporation'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 Corporation or any of the Subsidiaries (including, without limitation, any predecessor companies) filed for any year which would have a material adverse effect on the Corporation and the Subsidiaries, taken as a whole;

(q) the Corporation and the Subsidiaries own or possess the right to use all material patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights described in the Preliminary Prospectuses and Registration Statement as being owned by them or any of them or necessary for the conduct of their respective businesses, and the Corporation is not aware of any claim to the contrary or any challenge by any other person to the rights of the Corporation and the Subsidiaries with respect to the foregoing. To the best of the Corporation's knowledge, the Corporation's business, including that of its Subsidiaries, as now conducted does not, and as currently proposed to be conducted will not, infringe or conflict with in any material respect patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses or other intellectual property or franchise right of any person. No claim has been made against the Corporation alleging the infringement by the Corporation of any patent, trademark, service mark, trade name, copyright, trade secret, license in or other intellectual property right or franchise right of any person;

(r) the Corporation is a reporting issuer not in default under the Securities Laws of each Qualifying Province and is subject to the reporting requirements of the 1934 Act and is current in its filings; where applicable, the Corporation is in compliance with its timely disclosure obligations under the Applicable Securities Laws in all of the Qualifying Provinces and the United States and under the rules of the TSX and AMEX 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 Corporation and the Subsidiaries (taken as a whole) which has not been publicly disclosed; the Corporation has not filed any confidential material change reports since the date of such statements which remain confidential at the date hereof;

(s) the documents to be incorporated or deemed to be incorporated by reference in the Registration Statement and the U.S. Prospectus, at the time they were or hereafter are filed with the SEC, complied or will comply, as applicable, in all material respects with the requirements of the 1934 Act, and the rules and regulations of the SEC thereunder (the "1934 Act Regulations");

(t) to the best of the Corporation'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 Corporation or any of the Subsidiaries (other than as reflected in the Schedule 13D filed with the SEC on May 12, 2005 by Strongbow Capital, Ltd., et al, and any and all amendments thereto);

(u) the authorized capital of the Corporation consists of an unlimited number of Common Shares, Class B common shares and preferred shares issuable in series, of which, as at April 28, 2006, 35,324,977 Common Shares and 1,085,099 Class B common shares and no preferred shares were issued and outstanding as fully paid and non-assessable shares; except as disclosed in Schedule "C" hereto, no person, firm or corporation, as of the date hereof has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase from the Corporation of any unissued shares of the Corporation or any other security convertible or exchangeable for shares of the Corporation, except as otherwise described in the Preliminary Prospectuses and Registration Statement;

(v) the execution and delivery of this Agreement and the performance of the transactions contemplated hereby have been duly authorized by all necessary corporate action of the Corporation and this Agreement has been duly executed and delivered by the Corporation and constitutes a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, provided that enforcement thereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that the proviso relating to indemnity, contribution and waiver of contribution may be unenforceable;

(w) the execution and delivery of this Agreement, the fulfilment of the terms hereof by the Corporation and the issuance, sale and delivery of the Offered Shares to be issued and sold by the Corporation at the Time of Closing do not and will not:

(i) require the consent, approval, authorization, filing, registration or qualification of or with any governmental authority, stock exchange, Securities Commission or other third party, except such as have been obtained or such as may be required (and shall be obtained prior to the Time of Closing) under applicable Securities Laws or stock exchange regulations; or

(ii) result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles, by-laws or resolutions of the shareholders, directors or any committee of directors of the Corporation or any of its Subsidiaries or any material indenture, agreement or instrument to which the Corporation or any of its Subsidiaries is a party or by which it or they are contractually bound;

(B) any statute, rule, regulation or law applicable to the Corporation or any of its Subsidiaries, including, without limitation, the Securities Laws, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Corporation or its Subsidiaries; or

(C) any mortgage, note, indenture, contract, agreement, lease or other document to which the Corporation is a party or by which it is bound;

(x) the Offered Shares to be issued and sold as hereinbefore described have been, or prior to the Time of Closing will be, duly authorized for issuance, and, upon payment of the issue price for the Offered Shares and when certificates for such Offered Shares to be sold at Time of Closing are countersigned by the Transfer Agent, such Offered Shares will be validly issued and fully paid and non-assessable and all statements made in the Preliminary Prospectuses and Registration Statement describing the Offered Shares will be accurate in all material respects;

(y) except as otherwise described in the Preliminary Prospectuses and Registration Statement, none of the Corporation nor the Subsidiaries is in violation of its constating documents, no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach of by the Corporation, its Subsidiaries or any other person, any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan agreement, note, lease or other agreement or instrument to which the Corporation or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound where such default or event would have a material adverse effect on the Corporation and the Subsidiaries, taken as a whole;

(z) no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Offered Shares, the Common Shares or any other security of the Corporation 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 Corporation's knowledge, contemplated or threatened by any such authority or under any Applicable Securities Laws;

(aa) except as provided herein, there is no person, firm or corporation acting for the Corporation entitled to any brokerage or finders fee in connection with this Agreement or any of the transactions contemplated hereunder;

(bb) the Corporation is eligible to file a short form prospectus in each of the Qualifying Provinces pursuant to the POP System and on the date of and upon filing of the Prospectus there will be no documents required to be filed under the Securities Laws in connection with the offering of the Offered Shares that will not have been filed as required;

(cc) the Corporation meets the general eligibility requirements for use of Form F-10 under the 1933 Act;

(dd) the minute books and records of the Corporation and the Subsidiaries made available to counsel for the Underwriters in connection with their due diligence investigations of each of the Corporation and the Subsidiaries for the periods from their respective dates of incorporation to the date of examination thereof are all of the minute books and records of the Corporation 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 Corporation 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 Corporation 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 Corporation and the Subsidiaries, on a consolidated basis;

(ee) with respect to each of the premises which is material to the Corporation on a consolidated basis and which the Corporation or any of the Subsidiaries occupies as tenant (the "Leased Premises"), the Corporation 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 Corporation and/or the Subsidiaries occupies the Leased Premises is in good standing and in full force and effect;

(ff) there has not been in the last two years and there is not currently any labour disruption or conflict which could reasonably be expected to materially adversely affect the carrying on of the Corporation's or the Subsidiaries' business, considered as a whole;

(gg) the Corporation and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which they engage, and the Corporation and the Subsidiaries have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue their business at a similar cost to that of their existing coverage;

(hh) except as disclosed in the Preliminary Prospectuses and the Registration Statement, the Corporation and the Subsidiaries:

(i) and the property, assets and operations thereof comply in all material respects with all applicable "Environmental Laws" (which term means and includes, without limitation, any and all applicable international, federal, provincial, state, municipal or local laws, statutes, regulations, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations relating to the environment, occupational health and safety) or any "Environmental Activity" (which term means and includes, without limitation, any past, present or future activity, event or circumstance) in respect of a "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), including, without limitation, the storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation thereof or the release, escape, leaching, dispersal or migration thereof into the natural environment, including the movement through or in the air, soil, surface water or groundwater;

(ii) 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 Corporation or any Subsidiary or any of the property, assets or operations thereof relating to, or alleging any violation of any

Environmental Laws, the Corporation is not aware of any facts which could give rise to any such claim or judicial or administrative proceeding and neither the Corporation 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 into the environment, except for compliance investigations conducted in the normal course by any Governmental Authority;

(iii) have not given or filed any notice under any federal, state, provincial or local law with respect to any Environmental Activity, the Corporation and the Subsidiaries do not have any liability (whether contingent or otherwise) in connection with any Environmental Activity and the Corporation is not aware of any notice being given under any federal, state, provincial or local law or of any liability (whether contingent or otherwise) with respect to any Environmental Activity relating to or affecting the Corporation or any Subsidiary or the property, assets, business or operations thereof

(iv) 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 Corporation or any Subsidiary carries on business, in each case other than in compliance with Environmental Laws; and

(v) to the best of the Corporation'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 Law;

(ii) other than as disclosed in the Preliminary Prospectuses and the Registration Statement, the Corporation has not made any loans to or guaranteed the obligations of any person other than the Subsidiaries;

(jj) other than as set out in the Preliminary Prospectuses and the Registration Statement, to the knowledge of the Corporation, none of the directors, officers or employees of the Corporation or any associate or affiliate of any of the foregoing had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation or its Subsidiaries which, as the case may be, materially affects, is material to or will materially affect the Corporation or its Subsidiaries, on a consolidated basis;

(kk) the Corporation intends to use the net proceeds of the Offering in the manner specified in the Preliminary Prospectuses and Registration Statement under the caption "Use of Proceeds";

(ll) the Corporation is not, and after giving effect to the offering and sale of the Offered Shares and the application of the proceeds thereof as described in the Preliminary Prospectuses, will not be an "investment company" as such term is defined in the U.S. Investment Company Act of 1940, as amended;

(mm) each of the Corporation and its Subsidiaries that is incorporated under the laws of any state in the United States, whose principal place of business is within the United States or that employs employees resident in the United States is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA");

(nn) (i) at the time of filing the Registration Statement with the SEC and (ii) as of the Applicable Time (with such date being used as the determination date for purposes of this clause (ii)), the Corporation was not and is not an Ineligible Issuer (as defined in Rule 405 under the 1933 Act), without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Corporation be considered an Ineligible Issuer;

(oo) the Corporation is, and following the completion of the transactions contemplated by this Agreement and assuming the use of proceeds as described in the Disclosure Package and the Prospectuses, will be a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act;

(pp) no holders of securities of the Corporation have rights to the registration or qualification of such securities under the Registration Statement or Canadian Prospectus;

(qq) the Corporation has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the 1934 Act, the Canadian Securities Laws or otherwise, stabilization or manipulation of the price of any security of the Corporation to facilitate the sale or resale of the Offered Shares;

(rr) neither the Corporation nor any of its Subsidiaries nor, to the knowledge of the Corporation, any director, officer, agent, employee or affiliate of the Corporation or any of its Subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the FCPA, including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Corporation, its Subsidiaries and, to the knowledge of the Corporation, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure continued compliance

therewith. "FCPA" means Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder;

(ss) the Corporation and its Subsidiaries maintain "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the 1934 Act), such disclosure controls and procedures are effective, and there is and has been no failure on the part of the Corporation and any of the Corporation's directors or officers, in their capacity as such, to comply in any material respect with any material provision of the Sarbanes-Oxley Act of 2002 to the extent applicable to the Corporation as a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act; and

(tt) the Transfer Agent, at its principal office in Toronto, Ontario, has been duly appointed as the registrar and transfer agent in respect of the Common Shares.

9. Covenants.

(a) The Corporation covenants and agrees with the Underwriters that the Corporation will advise the Underwriters, promptly after receiving notice thereof of (i) the time when the amended Preliminary Prospectuses, the Prospectuses, the Issuer Free Writing Prospectuses, the Registration Statement and any Supplementary Material has been filed, (ii) the effectiveness of the Registration Statement, (iii) when any post effective amendment to the Registration Statement shall have been filed with the SEC or shall have become effective and (iv) receipts for the Canadian Preliminary Prospectus or the Canadian Prospectus therefor have been obtained (v) of the receipt of any comments from the Canadian Securities Regulators or the SEC, (vi) of any request by the Canadian Securities Regulators to amend or supplement the Canadian Preliminary Prospectus or the Canadian Prospectus or for additional information or of any request by the SEC to amend the Registration Statement or to amend or supplement the U.S. Prospectus or for additional information, (vii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Offered Shares for offering or sale in any jurisdiction, or of the institution or, to the knowledge of the Corporation, threatening of any proceedings for any such purpose, and (viii) of the issuance by the Canadian Securities Regulators or any stock exchange of any order having the effect of ceasing or suspending the distribution of the Securities or the trading in the securities of the Corporation, or of the institution or, to the knowledge of the Corporation, threatening of any proceedings for any such purpose. The Corporation will use every reasonable effort to prevent the issuance of any such stop order or of any order preventing or suspending such use or such order ceasing or suspending the distribution of the Offered Shares or the trading in the securities of the Corporation and, if any such order is issued, to obtain the lifting thereof at the earliest possible time. and will provide evidence reasonably satisfactory to the Underwriters of each such filing and copies of such receipts;

(b) Subject to the Corporation's board of directors' exercise of its fiduciary duty to consider a transaction that might result in the Corporation ceasing to be a public company, the Corporation covenants and agrees with the Underwriters that the Corporation 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 Securities Laws of each of the Qualifying Provinces 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 Corporation with the SEC pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the SEC thereunder;

(c) Subject to the Corporation's board of directors' exercise of its fiduciary duty to consider a transaction that might result in the Corporation ceasing to be a public company, the Corporation covenants and agrees with the Underwriters that the Corporation will use its reasonable best efforts to maintain the listing of the Common Shares on the TSX and AMEX or such other recognized stock exchange or quotation system as the Underwriters may approve, acting reasonably, to the date that is two years following the Closing Date so long as the Corporation meets the minimum listing requirements of the TSX, AMEX or such other exchange or quotation system;

(d) The Corporation will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement (which need not be audited but shall be in reasonable detail) for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act and the regulations thereunder;

(e) The Corporation will use its reasonable best efforts, in cooperation with the Underwriters, to qualify the Offered Shares for offering and sale under the applicable securities laws of such states and other jurisdictions as the Underwriters may designate and to maintain such qualifications in effect for a period of not less than one year from the effective date of the Registration Statement; provided, however, that the Corporation shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject;

(f) The Corporation covenants and agrees with the Underwriters that the Corporation will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the 1934 Act, the Canadian Securities Laws or otherwise, stabilization or manipulation of the price of any security of the Corporation to facilitate the sale or resale of the Offered Shares;

(g) The Corporation covenants and agrees with the Underwriters that the Corporation that, unless it obtains the prior written consent of each Underwriter, and each Underwriter, severally and not jointly, covenants and agrees with the Corporation that, unless it has obtained or will obtain, as the case may be, the prior written consent of the Corporation, it has not made and will not make any offer relating to the Offered Shares that would constitute an "issuer free writing prospectus" as defined under Rule 433 under the 1933 Act, or that would otherwise constitute a Free Writing Prospectus required to be filed by the Corporation with the SEC or retained by the Corporation under Rule 433 under the 1933 Act; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Free Writing Prospectuses included in Schedule D hereto. Any such Free Writing Prospectus consented to by the Underwriters or the Corporation is hereinafter referred to as a "Permitted Free Writing Prospectus." The Corporation agrees that (x) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing

Prospectus and (y) it has complied and will comply, as the case may be, with the requirements of Rules 164 and 433 under the 1933 Act applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the SEC, legending and record keeping;

(h) Each Underwriter, severally and not jointly, covenants and agrees with the Corporation that:

(i) without the prior written consent of the Corporation, it has not distributed and will not distribute any Free Writing Prospectus in a manner reasonably designed to lead to its broad unrestricted dissemination;

(ii) without the prior written consent of the Corporation, it has not used and will not use any Free Writing Prospectus that contains the final terms of the Offered Shares unless such terms have previously been or will be included in a Free Writing Prospectus filed with the SEC;

(iii) it will, pursuant to reasonable procedures developed in good faith, retain copies of, and comply with any legending requirements applicable to, each Free Writing Prospectus used or referred to by it, in accordance with the 1933 Act;

(iv) it is not subject to any pending proceeding under Section 8A of the 1933 Act with respect to the offering of the Offered Shares (and will promptly notify the Corporation if any such proceeding against it is initiated during the delivery period for any offering documents); and

(v) without the prior written consent of the Corporation, it has not prepared or conducted, or participated in, or will prepare or conduct, or participate in, the preparation or conduct of any "road show" relating to the Offered Shares that did not originate live, in real-time to a live audience or the preparation or provision of any communication used in connection with such road show that is a graphic or other written communication that is provided separately, for example by graphic means in a file designed to be copied or downloaded separately.

10. Conditions of Closing. The obligation of the Underwriters to purchase the Offered Shares shall be subject to the following:

(a) The Canadian Final Prospectus shall have been timely filed with the Canadian Securities Regulators and a Mutual Reliance Review System Decision Document shall have been obtained in respect thereof and the Registration Statement shall have become effective; and at the Time of Closing no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the SEC, no order having the effect of ceasing or suspending the distribution of the Offered Shares or the trading in the securities of the Corporation or any other securities of the Corporation shall have been issued or proceedings therefor initiated or threatened by any securities commission, securities regulatory authority or stock exchange in Canada or the United States, and any request on the part of the Canadian Securities Regulators or the SEC for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters;

(b) the Corporation shall cause its Yukon counsel, in respect of the laws of the Yukon, and Fasken Martineau DuMoulin LLP in respect of the laws of the Provinces of British Columbia, Alberta and Ontario, to deliver to the Underwriters and their counsel a legal opinion dated and delivered the Closing Date, in form and substance satisfactory to the Underwriters and their counsel, acting reasonably, with respect to the following matters:

(i) the Corporation is a "reporting issuer", or its equivalent, in each of the Qualifying Provinces and it is not listed as in default of any requirement of the Securities Laws in any of the Qualifying Provinces;

(ii) the Corporation is a corporation existing under the laws of the Yukon Territory and has all requisite corporate power to carry on its business as now conducted and to own, lease and operate its property and assets;

(iii) the authorized capital of the Corporation;

(iv) the Corporation has all necessary corporate power and capacity: (i) to execute and deliver this Agreement and perform its obligations under this Agreement; and (ii) to create, issue and sell the Offered Shares;

(v) all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of each of the Preliminary Prospectus, the amended Preliminary Prospectus and the Prospectus and the filing thereof with the Canadian Securities Regulators;

(vi) upon the payment therefor, the Underwritten Shares will have been validly issued as fully paid and non-assessable, and upon exercise of the Over-Allotment Option and payment therefor, the Additional Shares will have been validly issued as fully paid and nonassessable;

(vii) all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder and this Agreement has been executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and subject to such other standard assumptions and qualifications including the qualifications that equitable remedies may be granted in the discretion of a court of competent jurisdiction and that enforcement of rights to indemnity, contribution and waiver of contribution set out in this Agreement may be limited by applicable law;

(viii) the rights, privileges, restrictions and conditions attaching to the Common Shares are accurately summarized in all material respects in the Prospectuses and Registration Statement;

(ix) all necessary documents have been filed, all requisite proceedings have been taken and all approvals, permits and consents of the appropriate regulatory authority in each of the Qualifying

Provinces to qualify the distribution or distribution to the public of the Offered Shares in each of the Qualifying Provinces through persons who are registered under applicable legislation and who have complied with the relevant provisions of such applicable legislation;

(x) subject only to the Standard Listing Conditions, the Offered Shares have been conditionally listed on the TSX;

(xi) the execution and delivery of this Agreement, the fulfilment of the terms hereof by the Corporation and the issuance, sale and delivery of the Offered Shares to be issued and sold by the Corporation at the Time of Closing do not and will not result in a breach of or default under and do not and will not conflict with any of the terms, conditions or provisions of the articles or by-laws of the Corporation;

(xii) Computershare Trust Company of Canada has been duly appointed the transfer agent and registrar for the Common Shares;

(xiii) the Offered Shares will, on the Closing Date, be qualified investments under the Income Tax Act (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans;

(xiv) the statements set forth in the Canadian Final Prospectus under the caption "Canadian Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws referred to therein, are fair summaries of the matters discussed therein;

(xv) To the knowledge of such counsel, there are no persons with registration rights or other similar rights to have any securities qualified for distribution under Canadian Securities Laws;

(xvi) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency in Canada is necessary or required to be made or obtained by the Corporation in connection with the due authorization, execution and delivery of this Agreement or for the offering, sale or delivery of the Offered Shares;

(xvii) To the knowledge of such counsel, there is not pending or threatened any action, suit, proceeding, inquiry, or investigation, to which the Corporation is a party, or to which the property of the Corporation is subject, before or brought by any court or governmental agency or body, domestic or foreign, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets of the Corporation or the consummation of the transactions contemplated in this Agreement or the performance by the Corporation of its obligations thereunder;

(xviii) The Canadian Prospectus (excluding the financial statements and other financial data included or incorporated therein or omitted therefrom, as to which such counsel need not express any opinion) complies as to form in all material respects to the requirements of Canadian Securities Laws; and

(xix) The documents incorporated by reference in the Canadian Prospectus as amended or supplemented (other than the financial statements and other financial data included or incorporated or deemed to be incorporated therein, as to which such counsel need not express any opinion), when they were filed with the Canadian Securities Regulators, complied as to form in all material respects to the formal requirements of the securities laws, rules and regulations of the Province of Ontario as interpreted and applied by the Canadian Securities Regulators and of the Qualifying Provinces as interpreted and applied by the relevant Canadian Securities Regulators under published policy statements,

In connection with such opinion, counsel to the Corporation may rely on the opinions of local counsel in the Qualifying Provinces acceptable to counsel to the Underwriters, acting reasonably, as to the qualification for distribution of the Offered Shares or opinions may be given directly by local counsel of the Corporation with respect to those items and as to other matters governed by the laws of jurisdictions other than the province in which they are qualified to practise and may rely, to the extent appropriate in the circumstances, as to matters of fact on certificates of officers of the Corporation and others. In addition to rendering the opinions set forth above, such counsel shall also include a statement to the effect that such counsel has participated in the preparation of the Disclosure Package (except that the reference to "U.S. Amended Preliminary Prospectus" and "U.S. Prospectus Amendment" in the definition of "Disclosure Package" herein shall be replaced with "Canadian Amended Preliminary Prospectus" and "Canadian Prospectus Amendment," as amended or supplemented at the Applicable Time, for the purpose of such counsel's opinion), and the Canadian Prospectus and in conferences with officers and other representatives of the Corporation, U.S. counsel for the Corporation, representatives of the independent accountants for the Corporation, counsel for the Underwriters and representatives of the Underwriters at which the contents of the Disclosure Package and the Canadian Final Prospectus and related matters were discussed and although such counsel has not independently verified, and (except as to those matters and to the extent set forth in the opinions referred to in subsections (xiv) of this Section 10(b)) is not passing upon and does not assume any responsibility for, the factual accuracy, completeness or fairness of the statements contained in the Disclosure Package and Canadian Prospectus, on the basis of such participation, no facts have come to such counsel's attention which have caused such counsel to believe that (i) the Disclosure Package, when taken as a whole, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, or (ii) as of the date of the Canadian Prospectus and as of the Closing Date, the Canadian Prospectus contains any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading (in each case, other than the financial statements and other financial and statistical information, and the information derived from the reports of or attributed to persons named in the Canadian Prospectus under the heading "Interest of Experts", included or incorporated by reference therein, as to which such counsel need express no belief).

(c) the Corporation shall cause its U.S. counsel, Baker & McKenzie, together with Baker & McKenzie, Caracas, Venezuela, to deliver to the

Underwriters and their counsel a legal opinion dated and delivered the Closing Date, in form and substance satisfactory to the Underwriters and their counsel, acting reasonably, with respect to the following matters:

(i) the Offered Shares are approved for listing subject to notice of issuance on the American Stock Exchange;

(ii) to the knowledge of such counsel, there is no franchise, contract or other document of a character required to be filed as an exhibit to the Registration Statement which is not filed as required;

(iii) the statements included or incorporated by reference in the Amended Preliminary Prospectuses and Final Prospectuses under the heading "Certain United States Federal Income Tax Considerations" and "Risk Factors - The Company determined that it is a "passive foreign investment company"..." insofar as such statements summarize legal matters discussed therein, are accurate and fair summaries of such legal matters in all material respects;

(iv) the Registration Statement has become effective under the 1933 Act and the Form F-X was filed with the Commission prior to the effectiveness of the Registration Statement; the filing of the U.S. Final Prospectus and any amendments thereto, has been made in the manner and within the time periods required by Form F-10 and the applicable rules and regulations of the SEC; to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement and no proceedings for that purpose have been instituted or threatened by the SEC, and the Registration Statement and the U.S. Final Prospectus (other than the financial statements and other financial and statistical information and the information derived from the reports of or attributed to persons named in the U.S. Preliminary Prospectus and the U.S. Final Prospectus under the heading "Interests of Experts" included or incorporated by reference therein as to which such counsel need express no opinion) as of the Effective Date and the Form F-X appeared on its face to comply as to form in all material respects with the applicable requirements of the Act and the rules thereunder;

(v) the Corporation is not and, after giving effect to the offering and sale of the Offered Shares and the application of the proceeds thereof as described in the U.S. Final Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended;

(vi) no approval or authorization, or filing with any governmental authority of the U.S. is required for transactions contemplated by the Agreement in connection with the sale of the Offered Shares such as have been obtained or made under the 1933 Act, except for such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Offered Shares by the Underwriters in the manner contemplated in this Agreement and in the U.S. Amended Preliminary Prospectus and the U.S. Final Prospectus and such other approvals (specified in such opinion) as have been obtained;

(vii) neither the issue and sale of the Offered Shares, nor the transactions contemplated by the Agreement in connection with the

sale of the Offered Shares will result in a breach or violation of, or imposition of any lien, charge or encumbrance upon any property or assets of the Corporation or its subsidiaries pursuant to, any U.S. federal, Texas or Venezuelan statute, law, rule, regulation, judgment, order or decree applicable to the Corporation or its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Corporation or its Subsidiaries or any of its or their properties; and

(viii) to the knowledge of such counsel, no holders of securities of the Corporation have rights to the registration of such securities under the Registration Statement.

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than the Federal laws of the United States, to the extent they deem proper and specified in such opinion, upon the opinion of other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Corporation and public officials. In addition to rendering the opinions set forth above, such counsel shall also include a statement to the effect that such counsel has participated in the preparation of the Registration Statement, the Disclosure Package and the U.S. Final Prospectus and in conferences and telephone conversations with officers and other representatives of the Corporation, Canadian counsel for the Corporation, representatives of the independent accountants for the Corporation, counsel for the Underwriters and representatives of the Underwriters during which the contents of the Registration Statement, the Disclosure Package and U.S. Final Prospectus were discussed and although such counsel has not independently verified, and (except as to those matters and to the extent set forth in the opinions referred to in subsection (iii) of this Section 10(c)) is not passing upon and does not assume any responsibility for, the factual accuracy, completeness or fairness of the statements contained in the Registration Statement, the Disclosure Package and U.S. Final Prospectus, on the basis of such participation, there is not reason for such counsel to believe that (i) on the Effective Date, the Registration Statement contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Disclosure Package, when taken as a whole, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) as of the date of the U.S. Final Prospectus and as of the Closing Date, the U.S. Final Prospectus included an untrue statement of a material fact or omitted to state 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, other than the financial statements and other financial and statistical information, and the information derived from the reports of or attributed to persons named in the U.S. Preliminary Prospectus and the U.S. Final Prospectus under the heading "Interest of Experts", included or incorporated by reference therein, as to which such counsel need express no opinion).

(d) the Underwriters shall have received favourable legal opinions addressed to the Underwriters and legal counsel to the Underwriters in form and

substance satisfactory to the Underwriters, acting reasonably, dated as of the Closing Date from Barbados counsel to the Corporation, with respect to Gold Reserve de Barbados Ltd.;

(e) the Underwriters shall have received favourable legal opinions addressed to the Underwriters and legal counsel to the Underwriters in form and substance satisfactory to the Underwriters, acting reasonably, dated as of the Closing Date from Montana counsel to the Corporation, with respect to Gold Reserve Corp.; (f) the Underwriters shall have received favourable legal opinions addressed to the Underwriters in form and substance satisfactory to the Underwriters, acting reasonably, dated as of the Closing Date from Baker & McKenzie, Caracas, Venezuelan counsel to the Corporation, addressed to the Underwriters, legal counsel to the Underwriters and the Purchasers with respect to Gold Reserve de Venezuela, C.A. and Compania Aurifera Brisas del Cuyuni, CA. and with respect to title to the mineral concessions in Bolivar State, Venezuela, known as the Brisas Property similar in nature to the opinion dated November 3, 2004 delivered in connection with the last public offering by the Corporation;

(g) the Underwriters shall have received at the Time of Closing a legal opinion dated the Closing Date from the Underwriters' Canadian counsel, Heenan Blaikie LLP, with respect to matters related to the transactions contemplated hereby reasonably requested by the Underwriters. In providing such opinion Heenan Blaikie LLP shall be entitled to rely on the opinions of local counsel as to matters governed by the laws of jurisdictions other than the laws of Canada and Province of Ontario respectively, and as to matters of fact, on certificates of the Corporation's registrar and transfer agents, auditors, public and stock exchange officials and officers of the Corporation. Heenan Blaikie LLP shall also be entitled to rely upon the opinion of counsel to the Corporation described in subparagraph 10(b);

(h) the Underwriters shall have received at the Time of Closing a legal opinion dated the Closing Date from the Underwriters' U.S. counsel, Dorsey & Whitney LLP in form and substance satisfactory to the Underwriters, acting reasonably, with respect to such matters related to the transactions contemplated hereby reasonably requested by the Underwriters, including, without limitation, a negative assurance letter;

(i) the Underwriters shall have received a certificate dated the Closing Date, signed by the President and Chief Executive Officer of the Corporation or any other senior officer of the Corporation as may be acceptable to the Underwriters, in form and content satisfactory to the Underwriters' counsel, acting reasonably, with respect to:

(i) the articles and by-laws of the Corporation;

(ii) the resolutions of the Corporation's board of directors relevant to the issue and sale of the Offered Shares to be issued and sold by the Corporation and the authorization of the other agreements and transactions contemplated herein; and

(iii) the incumbency and signatures of signing officers of the Corporation;

(j) the Corporation shall cause its auditors, PricewaterhouseCoopers LLP, to deliver to the Underwriters a comfort letter, dated the Closing Date, in form and substance satisfactory to the Underwriters, acting reasonably, bringing forward to a date not more than two business days prior to the Closing Date the information contained in the comfort letter referred to in Subsection 5(a)(iii) hereof;

(k) the Corporation shall deliver to the Underwriters, at the Time of Closing, certificates dated the Closing Date addressed to the Underwriters and signed by the President and Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation, or such other senior officer(s) of the Corporation as may be acceptable to the Underwriters, certifying for and on behalf of the Corporation and without personal liability, after having made due enquiries, to the effect that:

(i) the Corporation has complied in all respects with all the covenants and satisfied all the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Time of Closing;

(ii) the representations and warranties of the Corporation contained herein, including without limitation those representations in Section 5(c), are true and correct in all respects as at the Time of Closing, with the same force and effect as if made on and as at the Time of Closing after giving effect to the transactions contemplated hereby (for purposes of this certificate, references to Preliminary Prospectuses in the representations and warranties in Section 8 shall be deemed to be references to the Disclosure Package and Final Prospectuses);

(iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Corporation, are contemplated by the SEC;

(iv) decision documents have been issued by the Canadian Securities Regulators in the Qualifying Provinces for the Canadian Final Prospectus and no order, ruling or determination having the effect of ceasing the trading or suspending the sale of the Common Shares or the Offered Shares to be issued and sold by the Corporation has been issued and no proceedings for such purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened; and

(v) since the respective dates as of which information is given in the Prospectuses (A) there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and the Subsidiaries on a consolidated basis, and (B) no transaction has been entered into by any of the Corporation or the Subsidiaries which is material to the Corporation on a consolidated basis, other than as disclosed in the Prospectuses;

(l) the Underwriters shall have received copies of correspondence indicating that the Corporation has obtained all necessary approvals for the Offered Shares to be conditionally listed on the TSX and AMEX, subject only to the Standard Listing Conditions;

(m) the NASD shall have confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements; and

(n) the Underwriters shall have received from the directors and senior officers of the Corporation, written undertakings in favour of the Underwriters agreeing not to sell, transfer, assign or otherwise dispose of any securities of the Corporation owned directly or indirectly, by such directors or officers for a period of 90 days following the Closing Date without the prior consent of the Underwriters, which shall not be unreasonably withheld.

11. Closing. The closing of the purchase and sale of the Offered Shares shall be completed at the Time of Closing at the offices of Fasken Martineau DuMoulin LLP, Toronto, Ontario, or at such other place as the Corporation and the Underwriters may agree in writing. At the Time of Closing, the Corporation shall deliver to the Underwriters:

(a) (i) one definitive certificate representing in the aggregate the total number of the Offered Shares, registered in the name of "Sprott Securities Inc.", or in such other name or names as shall be designated in writing by Sprott on behalf of the Underwriters not less than 48 hours prior to the Time of Closing. The Corporation shall make all necessary arrangements for the exchange of such definitive certificates, on the date of delivery, at the principal office of the Transfer Agent in the City of Toronto for certificates representing the Offered Shares in such amounts and registered in such names as shall be designated by Sprott in writing on behalf of the Underwriters not less than 48 hours prior to the Time of Closing. The Corporation shall pay all fees and expenses payable to or incurred by the Transfer Agent in connection with the preparation, delivery, certification and exchange of the definitive share certificate contemplated by this Subsection 11(a) and the fees and expenses payable to or incurred by the Transfer Agent in connection with such additional transfers required in the course of the distribution of the Offered Shares; and

(b) one or more cheques or wire transfers to "Sprott Securities Inc." (or as Sprott may otherwise direct), on behalf of the Underwriters, representing the fees payable by the Corporation to the Underwriters as provided in the fourth paragraph of this Agreement and the expenses of the Underwriters payable pursuant to Section 15 hereof,

against payment by the Underwriters to the Corporation of the purchase price for the Offered Shares being issued and sold by them hereunder by wire transfer (provided that the Underwriters may make payment by a net cheque or wire transfer delivered by Sprott payable to the Corporation representing the gross proceeds of the Offering less the fees payable by the Corporation to the Underwriters and any expenses (pursuant to section 15) of the Underwriters in which case the Corporation shall not be required to deliver the Underwriters the cheque referred to in Subsection 11(b)).

Any notice of the exercise of the Over Allotment Option (the "Over-Allotment Option Notice") to purchase Additional Shares, in whole or in part, shall be given by Sprott on behalf of the Underwriters to the Corporation in the manner set forth in Section 19 hereof and shall specify the number of Additional Shares to be purchased by the Underwriters under the Over Allotment Option and the closing date for the issuance of the Additional Shares (the "Over-Allotment Option Closing Date") and time of closing. The Over-Allotment Option Closing Date, which may be the same as the Closing Date but shall in no event be earlier than the Closing Date, shall be not less than two nor more than five business

days after providing the Over-Allotment Option Notice, as shall be specified in the Over-Allotment Option Notice.

If any Additional Shares are purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional Common Shares as Sprott may determine) that bears the same proportion to the total number of Additional Shares as the percentages of the aggregate amount of Offered Shares to be purchased at the Time of Closing set out in Section 18 opposite the name of such Underwriter.

In the event the Over Allotment Option is exercised in accordance with its terms, the Corporation shall deliver to the Underwriters at the closing time specified in the Over-Allotment Option Notice:

(i) the documents, opinions, certificates and other agreements and materials required under Sections 10(a), (b), (c), (d), (i), (j) and (k), in each case dated the Over-Allotment Option Closing Date (other than certificates of status which may be dated within 5 days prior to the Over-Allotment Option Closing Date), together with such further documentation as may be contemplated herein or as the Underwriters may reasonably require; and

(ii) such other items set forth in Section 11 herein.

12. Restrictions on Further Issues or Sales. During the period commencing the date hereof and ending on the day which is 90 days following the Closing Date, the Corporation shall not, directly or indirectly, without the prior written consent of the Underwriters, such consent not to be unreasonably withheld, issue, or announce any offer, sale or other issuance, of any Common Shares or any securities convertible into or exchangeable for Common Shares other than pursuant to:

(a) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements;

(b) outstanding warrants or other convertible securities and any rights which have been granted or issued, subject to any necessary regulatory approval;

(c) obligations in respect of existing mineral property agreements; and

(d) the issuance of securities in connection with a bona fide arm's length acquisition of a business or asset whether by way of purchase of shares or assets, merger, plan of arrangement, amalgamation or otherwise which does not exceed 10% of the basic shares outstanding of the Corporation immediately following the completion of the Offering.

13. Indemnification by the Corporation.

(a) The Corporation (the "Indemnifying Party" with respect to indemnification under Section 13(a)) shall fully indemnify and save harmless each of the Underwriters and their respective affiliates, their respective directors, officers, employees and agents, which shall include without limitation, the U.S. Dealers (collectively, the "Indemnified Parties" and individually an "Indemnified Party" with respect to indemnification under Section 13(a)) from and against all losses (other than losses of profit), claims, actions, damages, liabilities, costs and expenses, (including the reasonable fees and expenses of the Underwriters' counsel that may be incurred in advising

with respect to or defending such claim), in any way caused by or arising directly or indirectly from or in consequence of:

(i) any information or statement (except information and statements furnished to the Corporation by the Underwriters relating solely to the Underwriters) contained in the Registration Statement, Preliminary Prospectuses, the amended Preliminary Prospectuses, the Prospectuses or any Issuer Free Writing Prospectus, including any Documents Incorporated by Reference, filed in connection with the sale of the Offered Shares pursuant to the Offering or any certificate of the Corporation delivered under the Agreement which at the time and in light of the circumstances in which it was made contains or is alleged to contain a misrepresentation;

(ii) any omission or alleged omission to state in the Registration Statement, the Preliminary Prospectuses, the amended Preliminary Prospectuses, the Prospectuses or any Issuer Free Writing Prospectus, including any Documents Incorporated by Reference, or any certificate of the Corporation delivered under the Agreement any fact (except any omission or alleged omission made in reliance upon and in conformity with written information furnished to the Corporation by the Underwriters expressly for use in the Prospectuses or the Registration Statement relating solely to the Underwriters) required to be stated in such document or necessary to make any statement in such document not misleading in light of the circumstances under which it was made;

(iii) any order made or enquiry, investigation or proceeding commenced or threatened by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or alleged omission or any misrepresentation or alleged misrepresentation (except a statement or omission or alleged statement or omission or a misrepresentation or alleged misrepresentation made in reliance upon and in conformity with written information furnished to the Corporation by the Underwriters expressly for use in the Prospectuses or the Registration Statement) in the Registration Statement, the Preliminary Prospectuses, the amended Preliminary Prospectuses, the Prospectuses or any Issuer Free Writing Prospectus, including any Documents Incorporated by Reference, or based upon any failure to comply with Applicable Securities Laws (other than any failure or alleged failure to comply by the Underwriters) preventing or materially restricting the trading in or the sale of the Offered Shares in any Qualifying Province of in the United States;

(iv) the non-compliance or alleged non-compliance by the Corporation with any requirements of the Applicable Securities Laws or other applicable securities laws, regulations or rules including the Corporation's non-compliance with any statutory requirement to make any document available for inspection; or

(v) any breach of any representation, warranty, or covenant of the Corporation in this Agreement.

(b) Each Underwriter and U.S. Dealer (collectively, the "Indemnifying Parties" and individually the "Indemnifying Party" with respect to

indemnification under Section 13(b)), severally and not jointly, agrees to fully indemnify and save harmless the Corporation, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Corporation within the meaning of either the 1933 Act or the 1934 Act (collectively, the "Indemnified Parties" and individually an "Indemnified Party" with respect to indemnification under Section 13(b)), to the same extent as the foregoing indemnity in Section 13(a) to each Underwriter, but only with reference to written information furnished to the Corporation relating solely to such Underwriter, by or on behalf of such Underwriter specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. With respect to Section 13(b), references to Underwriters shall be deemed to include references to U.S. Dealers.

(c) If any claim contemplated by this Section 13 shall be asserted against any of the Indemnified Parties, or if any potential claim contemplated by this Section 13 shall come to the knowledge of any of the Indemnified Parties, the Indemnified Party concerned shall notify in writing the Indemnifying Party as soon as possible of the nature of such claim (provided that any failure to so notify in respect of any potential claim shall affect the liability of the Indemnifying Party under this Section 13 only to the extent that the Indemnifying Party is materially prejudiced by such failure). The Indemnifying Party shall, subject as hereinafter provided, be entitled (but not required) to assume the defence on behalf of the Indemnified Party of any suit brought to enforce such claim; provided, however, that the defence shall be through legal counsel selected by the Indemnifying Party and acceptable to the Indemnified Party, acting reasonably and no admission of liability shall be made by the Indemnifying Party or the Indemnified Party without, in each case, the prior written consent of all the Indemnified Parties affected and the Indemnifying Party, in each case such consent not to be unreasonably withheld. An Indemnified Party shall have the right to employ separate counsel in any such suit and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless:

(i) the Indemnifying Party fails to assume the defence of such suit on behalf of the Indemnified Party within twenty days of receiving notice of such suit;

(ii) the employment of such counsel has been authorized by the Indemnifying Party; or

(iii) the named parties to any such suit (including any added or third parties) include the Indemnified Party and the Indemnifying Party and the Indemnified Party and the Indemnifying Party shall have been advised in writing by counsel that representation of the Indemnified Party by counsel for the Indemnifying Party is inappropriate as a result of the potential or actual conflicting interests of those represented;

(in each of cases (i), (ii) or (iii), the Indemnifying Party shall not have the right to assume the defence of such suit on behalf of the Indemnified Party, but the Indemnifying Party shall only be liable to pay the reasonable fees and disbursements of one firm of separate counsel for all Indemnified Parties. In no event shall the Indemnifying

Party be required to pay the fees and disbursements of more than one set of counsel for all Indemnity Parties in respect of any particular claim or set of claims). The Indemnifying Party will not, without the prior written consent of the Indemnity Parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Indemnity Party from all liability arising out of such claim, action, suit or proceeding.

(d) The Corporation hereby acknowledges and agrees that, with respect to Sections 13 and 14 hereof, the Underwriters are contracting on their own behalf and as agents for their affiliates, directors, officers, employees and agents and their respective directors, officers, employees and agents (collectively, the "Beneficiaries"). In this regard, each of the Underwriters shall act as trustee for the Beneficiaries of the covenants of the Corporation under Sections 13 and 14 hereof with respect to the Beneficiaries and accepts these trusts and shall hold and enforce such covenants on behalf of the Beneficiaries.

14. Contribution.

(a) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in Section 13 hereof would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Indemnified Parties or enforceable otherwise than in accordance with its terms, the Underwriters and the Corporation shall contribute to the aggregate of all claims, damages, liabilities, costs and expenses and all losses (other than losses of profits) of the nature contemplated in Section 13 hereof and suffered or incurred by the Indemnified Parties in such proportions so that the Underwriters shall be responsible for the portion represented by the percentage that the total Underwriters' fee payable to the Underwriters bears to the aggregate purchase price of the Offered Shares, as determined pursuant to the provisions hereof, and the Corporation shall, subject to paragraph (b) of this Section, be responsible for the balance. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amount in excess of such total fee or any portion thereof actually received. However, no party who has engaged in any fraud, fraudulent misrepresentation or gross negligence shall be entitled to claim contribution from any person who has not engaged in such fraud, fraudulent misrepresentation or gross negligence.

(b) For greater certainty, the Indemnifying Party shall not have any obligation to contribute pursuant to this Section 14 in respect of any claim except to the extent the indemnity given by it in Section 13 hereof would have been applicable to such claim in accordance with its terms, had such indemnity been found to be enforceable and available to the Indemnified Parties.

(c) The rights to contribution provided in this Section 14 shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties may have by statute or otherwise at law provided that paragraphs (a) and (b) of this Section 14 shall apply, mutatis mutandis, in respect of such other right.

(d) If an Indemnified Party has reason to believe that a claim for contribution may arise, the Indemnified Party shall give the Indemnifying Party notice thereof in writing as soon as reasonably practicable, but failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation which it may have to the Indemnified Party under this Section 14 provided that the Indemnifying Party is not prejudiced by such failure, and the right of the Indemnifying Party to assume the defence of such Indemnified Party shall apply as set out in Section 13 hereof, mutatis mutandis.

15. Expenses. Whether or not the purchase and sale of the Offered Shares shall be completed, all expenses of or incidental to the creation, issuance and delivery of the Offered Shares and of or incidental to all matters in connection with the transactions herein set out shall be borne by the Corporation including, without limitation:

(a) all expenses of or incidental to the creation, issue, sale or distribution of the Offered Shares and the filing of the Registration Statement, the Preliminary Prospectuses, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Prospectuses, any Supplementary Material and any Issuer Free Writing Prospectuses and the reasonable out-of-pocket expenses of the Underwriters and the reasonable fees of the Underwriters' counsel; provided that in connection with the Underwriters' legal fees, the Corporation shall be solely responsible for paying the first $100,000 in fees (including disbursements and applicable taxes) and any fees, disbursements and applicable taxes in excess of $100,000 shall be shared equally between the Corporation, on the one hand, and the Underwriters, on the other hand subject to a maximum total reimbursement by the Corporation of $150,000;

(b) all expenses of or incidental to any filings required to be made with the NASD (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such filings);

(c) the reasonable fees and expenses of the auditors, counsel to the Corporation and all local counsel (including GST and other applicable taxes on all of the foregoing) and the transfer agent for the Common Shares; and

(d) all costs incurred in connection with the preparation, filing and printing of the Registration Statement, the Preliminary Prospectuses, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Prospectuses, any Issuer Free Writing Prospectuses and any Supplementary Material and the share certificates contemplated hereunder.

16. All Terms to be Conditions. The Corporation agrees that the conditions contained in this Agreement will be complied with insofar as the same relate to acts to be performed or caused to be performed by the Corporation and that it will use its commercially reasonable efforts to cause all such conditions to be complied with. Any breach or failure to comply with any of the conditions set out in this Agreement shall entitle the Underwriters to terminate their obligation to purchase the Offered Shares, by written notice to that effect given to the Corporation at or prior to the Time of Closing. It is understood that the Underwriters may waive, in whole or in part, or extend the time for compliance with, any terms and conditions in this Agreement without prejudice to the rights of the Underwriters in respect of any such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Underwriters any such waiver or extension must be in writing.

17. Termination by Underwriters in Certain Events.

(a) Each Underwriter shall also be entitled to terminate its obligation to purchase the Offered Shares by written notice to that effect given to the Corporation at or prior to the Time of Closing if:

(i) material change - there shall be any material change in the affairs of the Corporation, or change in any material fact or there should be discovered any previously undisclosed material fact or material change required to be disclosed in the Registration Statement, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Prospectuses, any Issuer Free Writing Prospectus or Supplementary Material or there should occur a change (other than a change related solely to the Underwriters) in a material fact contained in the Registration Statement, the Amended Preliminary Prospectuses, any other Prospectus Amendments, the Prospectuses, any Issuer Free Writing Prospectus or Supplementary Material, in each case which, in the reasonable opinion of the Underwriters (or any of them), has or would be expected to have a significant adverse effect on the market price or value of the Common Shares; or

(ii) disaster out - (A) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, announced or threatened or any order made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the TSX, the AMEX or any securities regulatory authority or any law or regulation is enacted or changed which in the opinion of the Underwriters (or any of them), acting reasonably, operates to prevent or restrict the trading of the Common Shares or materially and adversely affects or will materially and adversely affect the market price or value of the Common Shares; or (B) if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the reasonable opinion of the Underwriters (or any one of them) seriously adversely affects, or involves, or will, or could reasonably be expected to, seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation and its Subsidiaries taken as a whole.

(b) If this Agreement is terminated by any of the Underwriters pursuant to Subsection 17(a), there shall be no further liability on the part of such Underwriter or of the Corporation to such Underwriter, except in respect of any liability which may have arisen or may thereafter arise under Sections 13, 14 and 15.

(c) The right of the Underwriters or either of them to terminate their respective obligations under this Agreement is in addition to such other remedies as they may have in respect of any default, act or failure to act of the Corporation in respect of any of the matters contemplated by this Agreement. A notice of termination given by one Underwriter under this Section 17 shall not be binding upon the other Underwriter.

18. Obligations of the Underwriters to be Several. Subject to the terms and conditions hereof, the obligation of the Underwriters to purchase the Offered

Shares shall be several and not joint. The percentage of the Offered Shares to be severally purchased and paid for by each of the Underwriters shall be as follows:

Sprott Securities Inc.	-	50%
RBC Dominion Securities Inc.	-	50%

If an Underwriter (a "Refusing Underwriter") shall not complete the purchase and sale of the Offered Shares which such Underwriter has agreed to purchase hereunder for any reason whatsoever, the other Underwriter (the "Continuing Underwriter") shall be obligated severally to take up and pay for any and all Offered Shares (whether Underwritten Shares or Additional Shares) which the Refusing Underwriter agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Offered Shares which the Refusing Underwriter agreed but failed to purchase shall exceed 10% of the aggregate amount of Offered Shares, the Continuing Underwriter shall be entitled, at its option, to purchase all but not less than all of the Offered Shares which would otherwise have been purchased by such Refusing Underwriter. If the Continuing Underwriter does not elect to purchase the balance of the Offered Shares pursuant to the foregoing:

(a) the Continuing Underwriter shall not be obliged to purchase any of the Offered Shares that any Refusing Underwriter is obligated to purchase; and

(b) the Corporation shall not be obliged to sell less than all of the Offered Shares,

and the Corporation shall be entitled to terminate its obligations under this Agreement arising from their acceptance of this offer, in which event there shall be no further liability on the part of the Corporation or the Continuing Underwriter, except pursuant to the provisions of Sections 13, 14 and 15. Nothing in this Section 18 shall relieve from liability to the Corporation any Refusing Underwriter.

19. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered to,

in the case of the Corporation, to:

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

Attention: Douglas Belanger, President
Facsimile No.: (509) 623-1634

with copies of any such notice to:

Fasken Martineau DuMoulin LLP
4200 TD Bank Tower
Toronto Dominion Centre
Toronto, Ontario
M5K 1N6

Attention: Charles Higgins and Georges Dube
Facsimile No.: (416) 364-7813

and:

Baker & McKenzie LLP
Pennzoil Place, South Tower
711 Louisiana, Suite 3400
Houston, Texas 77002

Attention: Jonathan B. Newton
Facsimile No.: (713) 427-5099

in the case of Sprott Securities Inc. to:

Sprott Securities Inc.
Royal Bank Plaza
P.O. Box 63 South Tower, Suite 2750 Toronto, ON M5J 2J2

Attention: Darren Wallace
Facsimile No.: (416) 943-6496

in the case of RBC Dominion Securities Inc.

RBC Dominion Securities Inc.
Royal Bank Plaza, South Tower
200 Bay Street
Toronto, ON M5J 2W7

Attention: Gary A. Sugar
Facsimile No.: (416) 842-7527

with a copy of any such notice to:

Heenan Blaikie LLP
Royal Bank Plaza, South Tower
200 Bay Street
Toronto, ON M5J 2J4

Attention: Kevin Rooney
Facsimile No.: (416) 360-8425

and

Dorsey & Whitney LLP
1420 Fifth Avenue, Suite 3400
Seattle, WA 98101

Attention: Kimberley Anderson
Facsimile No.: (206) 903-8820

The Corporation and the Underwriters may change their respective addresses for notices by notice given in the manner aforesaid. Any such notice or other communication shall be in writing, and unless delivered personally to the addressee or to a responsible officer of the addressee, as applicable, shall be given by telecopy and shall be deemed to have been given when: (i) in the case of a notice delivered personally to a responsible officer of the addressee, when so delivered; and (ii) in the case of a notice delivered or given by telecopy on the first business day following the day on which it is sent.

20. Miscellaneous.

(a) Except with respect to Sections 13, 14, 17 and 18, all transactions and notices on behalf of the Underwriters hereunder or contemplated hereby may be carried out or given on behalf of the Underwriters by Sprott and Sprott shall in good faith discuss with RBC the nature of any such transactions and notices prior to giving effect thereto or the delivery thereof, as the case may be.

(b) This Agreement shall enure to the benefit of, and shall be binding upon, the Underwriters and the Corporation and their respective successors and legal representatives. The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or unenforceability of the remaining provisions of this Agreement.

(c) This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(d) Time shall he of the essence hereof and, following any waiver or indulgence by any party, time shall again be of the essence hereof.

(e) The words, "hereunder", "hereof' and similar phrases mean and refer to the Agreement formed as a result of the acceptance by the Corporation of this offer by the Underwriters to purchase the Offered Shares.

(f) All representations, warranties, covenants and agreements of the Corporation and the Underwriters herein contained or contained in documents submitted pursuant to this Agreement and in connection with the transaction of purchase and sale herein contemplated shall survive the purchase and sale of the Offered Shares and the termination of this Agreement for a period of three years and shall continue in full force and effect for the benefit of the Underwriters or the Corporation, as the case may be, for a period of three years regardless of any subsequent disposition of the Offered Shares or any investigation by or on behalf of the Underwriters with respect thereto. The Underwriters and the Corporation shall be entitled to rely on the representations and warranties of the Corporation or the Underwriters, as the case may be, contained herein or delivered pursuant hereto notwithstanding any

investigation which the Underwriters or the Corporation may undertake or which may be undertaken on the Underwriters' behalf.

(g) Each of the parties hereto shall be entitled to rely on delivery of a facsimile copy of this Agreement and acceptance by each such party of any such facsimile copy shall be legally effective to create a valid and binding agreement between the parties hereto in accordance with the terms hereof.

(h) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

(i) It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation with respect to this offering.

[INTENTIONALLY LEFT BLANK]

If the foregoing accurately reflects the terms of the transactions which we are to enter into and are agreed to by you, please communicate your acceptance by executing the enclosed copies of this agreement where indicated and returning them to us.

Yours very truly

SPROTT SECURITIES INC.

By: /s/ Peter Grosskopf

Authorized Signing Officer

RBC DOMINION SECURITIES INC.

By: /s/ Gary A. Sugar

Authorized Signing Officer

Accepted and agreed to by the undersigned as of the date of this letter first written above.

GOLD RESERVE INC.

By: /s/ A. Douglas Belanger
A. Douglas Belanger
President

SCHEDULE "A"

(a) annual information form of the Corporation in the form of Form 20-F for the year ended December 31, 2005;

(b) audited annual consolidated comparative financial statements of the Corporation for the year ended December 31, 2005 and the auditors' report thereon, together with management's discussion and analysis for the year ended December 31, 2005;

(c) management information circular dated April 14, 2005 prepared in connection with the Corporation's annual and special meeting of shareholders held on June 2, 2005;

(d) management information circular dated January 31, 2006 prepared in connection with the Corporation's special meeting of shareholders held on March 22, 2006; and

(e) the summary, being pages 1.1 to 1.13 inclusive, of NI 43-101 Technical Report Gold and Copper Project Brisas Project dated February 24, 2005 as prepared by Pincock, Allen & Holt.

SCHEDULE "B"
SUBSIDIARIES OF THE CORPORATION

Subsidiary	Jurisdiction	Ownership Interest
Gold Reserve Corporation	Montana	100%
Gold Reserve de Venezuela, C.A.	Venezuela	100%
Gold Reserve de Barbados Ltd.	Barbados	100%
Companion Aurifera Brisas del Cuyoni, C.A.	Venezuela	100%

SCHEDULE "C"
OUTSTANDING CONVERTIBLE SECURITIES

Equity Units (Class B Shares)	1,085,099
Warrants to purchase Common Shares	2,680,500
Options to purchase Common Shares	562,058

As of April 28, 2006

SCHEDULE "D"
SCHEDULE OF FREE WRITING PROSPECTUSES INCLUDED IN THE DISCLOSURE PACKAGE

Preliminary term sheet dated May 2, 2006

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 (the "Registration Statement") of Gold Reserve Inc. of our report dated February 17, 2006 relating to the consolidated financial statements of Gold Reserve Inc., which appears in Gold Reserve Inc.'s Annual Report on Form 20F for the year ended December 31, 2005.

We also consent to the inclusion in this Amendment No. 1 to the Registration Statement of Gold Reserve Inc. of our report dated February 17, 2006 relating to the Supplementary Information on Differences Between Canadian and U.S. GAAP.

We further consent to the use of our name in the prospectus that is filed as a part of this Amendment No. 1 to the Registration Statement under the headings "Auditors, Transfer Agent and Registrar" and "Documents Filed as a Part of the Registration Statement".

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C., Canada
May 3, 2006