

GOLD RESERVE INC  
Form 6-K  
May 13, 2008

## FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

**For the Month of May 2008**

Commission file number 001-31819

## GOLD RESERVE INC.

Address of Principal Executive Offices: .....926 West Sprague Avenue  
Suite 200  
Spokane, Washington 99201

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F  Form 40-F .

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes  No .

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Filed with this Form 6-K are the following, which are incorporated herein by reference:

- 99.1 Notice of Annual and Special Meeting of Shareholders and Information Circular
- 99.2 Form of Proxy
- 99.3 Annual Report

Certain statements included herein, including those that express management's expectations or estimates of our future performance or concerning the Brisas Project or the Choco 5 exploration project, constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies. We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause the actual financial results, performance, or achievements of Gold Reserve Inc. to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward-

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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

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Project; in the event any key findings or assumptions previously determined by us or our experts in conjunction with our 2005 bankable feasibility study (as updated or modified from time to time) significantly differ or change as a result of actual results in our 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); our 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. Investors are cautioned not to put undue reliance on forward-looking statements. 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.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLD RESERVE INC.  
(Registrant)

By: s/ Robert A. McGuinness  
Vice President Finance & CFO  
May 13, 2008

### Exhibit Index

The following are filed as exhibits to this Form 6-K:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Notice of Annual and Special Meeting of Shareholders and Information Circular
99.2	Form of Proxy
99.3	Annual Report

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### **Exhibit 99.1 Notice of Annual and Special Meeting of Shareholders and Information Circular**

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#### **GOLD RESERVE INC.**

926 W. Sprague Avenue, Suite 200,  
Spokane, WA 99201

#### **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting (the Meeting) of the holders of Class A common shares and Class B common shares (collectively, the Shareholders) of GOLD RESERVE INC. (the Company) will be held at the Spokane Club, located at 1002 W. Riverside, Spokane, Washington USA, on Tuesday, the 10th day of June, 2008 at 9:30 a.m. (Pacific daylight time) for the following purposes:

- 1) To elect directors of the Company to hold such positions until the next annual meeting of Shareholders or until their successors are elected and have qualified;
- 2) To appoint auditors of the Company and to authorize the directors of the Company to fix their remuneration;

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- 3) To approve the issuance of 100,000 Class A common shares of the Company for purchase by the KSOP Plan;
- 4) To consider and, if deemed advisable approve, with or without variation, a resolution approving the adoption of the Venezuelan Equity Incentive Plan (the Venezuelan Plan );
- 5) To receive the financial statements of the Company for the year ended December 31, 2007, together with the report of the auditors thereon; and
- 6) To conduct any other business as may properly come before the meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person and who wish to ensure that their shares will be voted are requested to complete, sign and mail the enclosed form of proxy to Proxy Services, C/O Computershare Trust Company N.A., P.O. Box 43102, Providence, RI 02940-5068 not later than the close of business on the business day immediately preceding the Meeting or any adjournment thereof. A form of proxy, management information circular and a copy of the Company's Annual Report accompany this notice. The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

The Board of Directors has fixed the close of business on May 2, 2008 as the record date for the determination of Shareholders entitled to notice of the meeting and any adjournment or postponement thereof.

DATED this 23<sup>rd</sup> day of April, 2008

BY ORDER OF THE DIRECTORS

Rockne J. Timm  
Chief Executive Officer

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**GOLD RESERVE INC.**

**INFORMATION CIRCULAR**

(Containing information as of April 23, 2008)

### **MANAGEMENT SOLICITATION OF PROXIES**

This Management Information and Proxy Circular is furnished in connection with the solicitation of proxies by the management of GOLD RESERVE INC. (the Company) to be voted at the Annual and Special Meeting of Shareholders of the Company (the Meeting) to be held on Tuesday, the 10th day of June, 2008 at 9:30 a.m. (Pacific daylight time), at the Spokane Club located at 1002 W. Riverside, Spokane, Washington and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders. The solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Company. Employees will not receive any extra compensation for such activities. The Company may pay brokers, nominees or other persons holding shares of the Company in their name for others for their reasonable charges and expenses in forwarding proxies and proxy materials to beneficial owners of such shares, and obtaining their proxies. The Company may also retain independent proxy solicitation agents to assist in the solicitation of proxies for the Meeting. The cost of all solicitations of proxies will be borne by the Company. Except where otherwise stated, the information contained herein is given as of the 23rd day of April, 2008.

Unless otherwise indicated, all currency amounts referred to herein are stated in U.S. dollars.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The individuals named in the enclosed form of proxy are directors or officers of the Company. **A Shareholder submitting a proxy has the right to appoint a person or company, who need not be a Shareholder, to represent the Shareholder at the Meeting other than the**

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persons designated in the form of proxy furnished by the Company. To exercise this right, the Shareholder may insert the name of the desired representative in the blank space provided in the proxy or may submit another appropriate form of proxy.

The completed proxy must be deposited at the office of Proxy Services, C/O Computershare Trust Company N.A., P.O. Box 43102, Providence, RI 02940-5068, not later than the close of business on the business day preceding the day of the Meeting or any adjournment or postponement thereof, or with the Chairman of the Meeting immediately prior to the commencement of the Meeting or any adjournment or postponement thereof, otherwise the instrument of proxy will be invalid.

You may revoke or change your proxy at any time before it is exercised at the Meeting. In the case of Shareholders appearing on the registered shareholder records of the Company, a proxy

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may be revoked at any time prior to its exercise by sending or depositing a written notice of revocation or another signed proxy bearing a later date to the Secretary of the Company at its principal executive office located at 926 W. Sprague Avenue, Suite 200, Spokane, Washington 99201. You may also revoke your proxy by giving notice or by voting in person at the Meeting.

Shareholders appearing in the name of a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee in revoking their previously voted shares.

### EXERCISE OF DISCRETION BY PROXIES

**The shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. In the absence of such choice being specified, such shares will be voted for the matters specifically identified in the Notice of Annual and Special Meeting of Shareholders accompanying this management information circular (the Information Circular).**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders and with respect to other matters which may properly be brought before the Meeting. At the time of printing this Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting of Shareholders.

In February 1999, the Gold Reserve Corporation became a subsidiary of the Company, the successor issuer. For the purposes of disclosure in this Information Circular, references to the Company prior to February 4, 1999 are references to Gold Reserve Corporation.

### VOTING RIGHTS AND PRINCIPAL SHAREHOLDERS

The Company's issued and outstanding shares consist of Class A common shares (each, a Class A Share) and Class B common shares (each, a Class B Share). Unless otherwise noted, references to Common Shares in this Information Circular include both Class A Shares and Class B Shares. Holders of Common Shares (collectively, the Shareholders) are entitled to one vote per share and will vote as a single class on all matters to be considered and voted upon at the Meeting or any adjournment thereof. As of April 23, 2008, there were 55,761,192 issued and outstanding Class A Shares and 1,071,599 issued and outstanding Class B Shares for a total of 56,832,791 Common Shares eligible to vote.

The Company has set the close of business on May 2, 2008 as the record date for the Meeting. The Company will prepare a list of Shareholders of record at such time. Shareholders will be entitled to vote the shares then registered in their name at the Meeting except to the extent that (a) the holder has transferred the ownership of any of his shares after that date, and (b) the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he owns the shares, and demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his shares at the Meeting or any adjournment thereof.

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To the knowledge of the directors and senior officers of the Company, as of April 23, 2008, the only person, firm or corporation that beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of the voting rights attached to the Common Shares was:

Shareholder Name	Number of Common Shares Held (1)	Percentage of Shares Issued (2)
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Tradewinds Global Investors

10,472,572

17.2%

- (1) Information as to shareholdings has been provided to the Company by the Shareholder as of March 31, 2008.
- (2) As of March 31, 2008 Tradewinds Global Investors held 6,329,866 Class A Common Shares and upon conversion of the convertible notes an additional 4,142,706 Class A Common Shares would be issued.

A quorum for the transaction of business at any meeting of the Shareholders shall be holders of at least one-third (1/3) of the outstanding Common Shares present in person or represented by proxy. Except as otherwise stated in this Information Circular, the affirmative vote of the holders of a majority of the Common Shares present at the Meeting, in person or by proxy, is required to approve all items presented in this Information Circular.

### VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they designate as their proxies are permitted to vote at the Meeting. In many cases, however, the Common Shares owned by a person (a non-registered holder ) are registered either: (a) in the name of an intermediary (an Intermediary ) that the non-registered holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has distributed copies of this Information Circular and the accompanying notice of meeting and form of proxy (collectively, the Meeting Materials ) to the clearing agencies and Intermediaries for onward distribution to non-registered holders of Common Shares.

Intermediaries are required to forward the Meeting Materials to non-registered holders unless a non-registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive the Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered

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holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under the heading Appointment and Revocation of Proxies ; or

- (b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a Voting Instruction Form ) which the Intermediary must follow.

Typically, the non-registered holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its services company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the Common Shares they beneficially own. **Should a non-registered holder who receives either form of proxy wish to vote at the Meeting in person, the non-registered holder should strike out the persons named in the form of proxy and insert the non-registered holder's name in the blank space provided. Non-registered holders should carefully follow the instructions of their Intermediary, including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.**

### BUSINESS OF THE MEETING

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### Item 1 Election of Directors

The articles of the Company provide that the Board of Directors (the Board) shall consist of a minimum of 3 and a maximum of 15 directors, with the actual number of directors to be determined from time to time by the Board. The Company's Board presently consists of seven members.

The Board held 4 formal meetings during 2007 at which attendance, in person or by phone, averaged 89%. Various matters were considered and approved by written resolution during the year. The Board also held several informal meetings throughout the year.

The by-laws of the Company provide that each director shall be elected to hold office until the next annual meeting of the Company's Shareholders or until their qualified successors are elected. All of the current directors' terms expire the date of the Meeting and it is proposed by management that each of them be re-elected to serve another term.

The following table and notes thereto states the names of each person proposed to be nominated by management for election as a director, the province or state and country in which he is ordinarily resident, his age, all offices of the Company now held by him, his principal occupation, the period of time for which he has been a director of the Company and the number of Common Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

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The persons named in the accompanying form of proxy intend to vote for the election of these nominees unless otherwise directed. Management does not contemplate that the nominees will be unable to serve as directors.

Proposed Nominee and Position in the Company	Age	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned as of April 23, 2008 <sup>(1)</sup>
Rockne J. Timm <sup>(2)</sup> <sup>(3)</sup> <sup>(6)</sup> Washington, USA Chief Executive Officer and Director	62	Chief Executive Officer of the Company. Mr. Timm is also a Director and President of both MGC Ventures, Inc. and Great Basin Energies, Inc.	March 1984	1,621,251
A. Douglas Belanger <sup>(2)</sup> <sup>(3)</sup> <sup>(6)</sup> Washington, USA President and Director	54	President of the Company. Mr. Belanger is also a Director and Executive Vice President of both Great Basin Energies, Inc. and MGC Ventures, Inc.	August 1988	1,943,636
James P. Geyer Washington, USA Senior Vice-President and Director	56	Senior Vice President of the Company. Mr. Geyer is also a Director of Thompson Creek Metals Company Inc.	June 1997	445,823
James H. Coleman, Q.C. <sup>(2)</sup> <sup>(3)</sup> <sup>(6)</sup> Alberta, Canada Non-Executive	57	Senior Partner of the law firm of Macleod Dixon LLP of Calgary, Alberta. He is also a Director of various public companies including	February 1994	352,050

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Chairman and Director		Great Basin Energies, Inc. and MGC Ventures, Inc.		
Patrick D. McChesney (2) (3)(5) Washington, USA Director	58	Controller of Foothills Auto Group. He is also a Director of Great Basin Energies, Inc. and MGC Ventures, Inc.	August 1988	161,157
Chris D. Mikkelsen (2) (3) (4) (5) Washington, USA Director	56	Principal in McDermid, Mikkelsen & Secrest, P.S. (a certified public accounting firm). Mr. Mikkelsen is also a Director of Great Basin Energies, Inc. and MGC Ventures, Inc.	June 1997	374,041
Jean Charles Potvin (4) (5) Ontario, Canada Director	54	Director, Chairman and Chief Executive Officer of Tiomin Resources Inc.	November 1993	220,604

(1) Includes Common Shares issuable pursuant to options exercisable as of April 23, 2008 or exercisable within 60 days of April 23, 2008 as follows: Mr. Timm, 532,500; Mr. Belanger, 492,500; Mr. Geyer, 204,168; Mr. Coleman, 205,000; Mr. McChesney, 130,000; Mr. Mikkelsen, 130,000; and Mr. Potvin, 130,000. These numbers also include unvested, restricted shares held by each of the directors that carry full voting rights as follows: Mr. Timm 102,500 shares, Mr. Belanger 92,500 shares, Mr. Geyer 61,875 shares, Mr. Coleman 12,000 shares, Mr. McChesney 12,000 shares, Mr. Mikkelsen 12,000 shares, and Mr. Potvin 12,000 shares.

(2) Messrs. Timm, Belanger, Coleman, McChesney, and Mikkelsen are directors of Great Basin Energies, Inc., which owns 491,192 Common Shares, or 0.9% of the outstanding Common Shares. The foregoing individuals beneficially own 10.3%, 7.3%, 2.9%, 2.3%, and 1.8%, respectively, of the outstanding common shares of Great Basin Energies, Inc. and may be deemed indirectly to have an interest in the Company through their respective

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management positions and/or ownership interests in Great Basin Energies, Inc. Each of the foregoing individuals disclaims any beneficial ownership of the Common Shares owned by Great Basin Energies, Inc.

(3) Messrs. Timm, Belanger, Coleman, McChesney, and Mr. Mikkelsen are directors of MGC Ventures, Inc., which owns 258,083 Common Shares, or 0.5% of the outstanding Common Shares. The foregoing individuals beneficially own 11.5%, 11.7%, 4.8%, 3.8%, and 2.9%, respectively, of the outstanding common shares of MGC

Ventures, Inc. and may be deemed indirectly to have an interest in the Company through their respective management positions and/or ownership interests in MGC Ventures, Inc. Each of the foregoing individuals disclaims any beneficial ownership of the Common Shares owned by MGC Ventures, Inc.

(4) Member of the Compensation Committee.

(5) Member of the Audit Committee.

(6) Member of the Executive Committee.

Each of the foregoing nominees has held his present principal occupation with his current employer or other positions with the same firm throughout the last five years, with the exception of Mr. McChesney, who in addition to assuming his current position with Foothills Auto

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Group, was controller for Remtech, Inc. in 2004 and 2005, and was president of LMO Test Systems, Inc. from March 1996 until December 2005.

**If you complete and return the attached form of proxy, your representative at the Meeting, or any adjournment or postponement thereof, will vote your shares FOR the election of the nominees set out herein unless you specifically direct that your vote be withheld.**

### Item 2 Appointment of Auditors

It is proposed that the firm of PricewaterhouseCoopers LLP be re-appointed by the Shareholders as independent certified public accountants to audit the financial statements of the Company for the year ending December 31, 2008 and that the Board be authorized to fix the auditors remuneration. PricewaterhouseCoopers LLP were first appointed auditors of the Company in 1992.

**Unless such authority is withheld, the persons named in the accompanying proxy intend to vote FOR the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company until the next annual meeting of the Company's Shareholders, or until their successors are duly appointed, at a remuneration to be fixed by the Board.**

### Item 3 Approval of the Purchase of Class A Shares by the KSOP Plan

The Company's subsidiary, Gold Reserve Corporation, maintains a retirement plan, the KSOP Plan, for eligible employees. The annual contribution to the KSOP Plan participants is formula-driven based on a percentage of compensation and is used to allocate Class A Shares purchased by the KSOP Plan. For a more detailed description of the KSOP Plan, see Executive Compensation KSOP Plan .

As of December 31, 2007, 22,246 Class A Shares remained in the KSOP Plan to be allocated to KSOP Plan participants, representing less than 0.04% of the issued and outstanding Common Shares of the Company at that time.

On March 12, 2008, the Board approved, subject to Shareholder approval, the issuance of 100,000 Class A Shares for purchase by the KSOP Plan at a price of US \$4.95 (Cdn. \$4.93) per

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Class A Share, which represented the closing market price on the Toronto Stock Exchange (the TSX ) (converted to US \$) on March 11, 2008 of the Class A Shares.

Assuming the resolution approving the purchase of Class A Shares by the KSOP Plan is approved, 122,246 Class A Shares, representing approximately 0.2% of the issued and outstanding Common Shares, would be available for allocation to KSOP Plan participants.

In order for the acquisition of Class A Shares by the KSOP Plan to comply with certain requirements of the TSX, this resolution must be approved by a majority of the votes cast on such resolution, other than votes attaching to Common Shares beneficially owned by insiders of the Company eligible to participate in the KSOP Plan or associates of such insiders. In the event this resolution is approved by the holders of at least a majority of the votes cast on this resolution at the Meeting, in person or by proxy by disinterested Shareholders, it will be deemed approved but will remain subject to the policy limitations of the TSX with respect to the number of Class A Shares that may be allocated to directors and executive officers.

As of April 23, 2008, based on the information available to the Company, a total of 3,116,722 Common Shares, or 5.5% of the Company, were held by insiders or their associates eligible to participate in the KSOP Plan.

Approval of this resolution in compliance with the rules of the TSX will enable the allocation of Class A Shares pursuant to the employee stock ownership component of the KSOP Plan to eligible participants in compliance with the TSX's limitations on awards to such persons pursuant to share compensation arrangements.

The following resolution in respect of the issuance of Class A Shares for the KSOP Plan will be proposed at the Meeting:

BE IT RESOLVED THAT:

1. The issuance of 100,000 Class A Shares for purchase by the KSOP Plan at a price of US \$4.95 (Cdn. \$4.93) be and is hereby approved, and
- 2.



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Any officer or director of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all such instruments and documents and to perform and do all such other acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution.

**The Board has determined that the issuance to the KSOP Plan of 100,000 Class A Shares is in the best interests of the Company and recommends that the Shareholders vote in favor of the resolution authorizing such issuance.**

**The persons named in the accompanying proxy intend to vote FOR the approval of the authorization to issue 100,000 Class A Shares to the KSOP Plan unless otherwise directed.**

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### **Item 4 Adoption of the Venezuelan Equity Incentive Plan**

At the Meeting, Shareholders will be asked to consider, and if deemed advisable approve, with or without variation, a resolution approving the adoption of the Venezuelan Equity Incentive Plan (the "Venezuelan Plan") for employees and consultants of the Company's subsidiaries. The Venezuelan Plan permits the grant of stock options, stock appreciation rights and restricted stock.

The purpose of the Venezuelan Plan is to advance the interests of the Company and its subsidiaries and promote continuity of management by encouraging and providing its employees and consultants in Venezuela with the opportunity to acquire an equity interest in the Company and to participate in the increase in shareholder value as reflected in the growth in the price of the Company's shares and by enabling the Company's subsidiaries to attract and retain the services of employees, and consultants upon whose judgment, interest, skills, and special effort the successful conduct of its operations is largely dependent.

On April 10, 2008, the Board approved the Venezuelan Plan (subject to Shareholder and stock exchange approvals) whereby options are granted at the current fair market value of the underlying shares of the Company. The total number of shares subject to issuance under the Venezuelan Plan, whether in the form of restricted stock, options, or stock appreciation rights, or any combination thereof, shall be 10% of the Corporation's outstanding shares, from time to time. The Venezuelan Plan is administered by the Board and the committee of the Board to which it may delegate authority. As at April 23, 2008, no options have been granted under the Venezuelan Plan.

### **Insiders of the Company and its subsidiaries are not eligible to participate in the Venezuelan Plan.**

As of April 23, 2008, employees and consultants who would be considered eligible to participate in the Venezuelan Plan held 1,056,947 stock options in the Company's 1997 Equity Incentive Plan, as amended in 2006. If the Venezuelan Plan is approved these options would be transferred, retaining their current status, to the Venezuelan Plan.

Options, stock appreciation rights ("SARs") and restricted stock granted under the Venezuelan Plan are generally granted at the fair market value of the Class A Shares. The fair market value is defined as: subject to any applicable stock exchange rules, the volume weighted average trading price, expressed in the United States Dollar equivalent of the Stock, calculated by dividing the total value by the total volume of Stock on the principal market for the five trading days immediately preceding the relevant date

The principal market is the stock exchange where the majority of the trading volume and value of the Stock occurs over the last twelve-month period.

A SAR entitles the holder of the related option, upon exercise of the SAR, to surrender such option or any portion thereof to the extent unexercised, and to receive payment of an amount determined by multiplying (i) the excess of the Fair Market Value of the Class A Shares immediately preceding the date of exercise of such SAR over the option price under the related option, by (ii) the number of shares as to which such SAR has been exercised. Notwithstanding the foregoing, the agreement evidencing the SAR may limit in any manner the amount payable with respect to any SAR. Payment may be made by the Company in the form of Class A common shares, cash or a combination of Class A common shares and cash. Each option grant is

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limited to a maximum duration of 10 years from the time it is granted and the vesting period is discretionary.

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Restricted shares issued under the Venezuelan Plan may be subject to restrictions imposed by the Board, including restrictions on the sale, transfer, pledge or assignment of such shares. During the period of restriction, persons holding restricted shares granted pursuant to the Venezuelan Plan may exercise full voting rights and be entitled to all dividends and other distributions paid with respect to such shares.

The Venezuelan Plan provides the following for termination of employment with regard to the options outstanding at the date of termination:

*Retirement.* Any then outstanding and vested options under the Venezuelan Plan may be exercised at any time prior to the earlier of the expiration date of the outstanding options or 12 months after the date of retirement.

*For Cause.* Any then outstanding options become null and void.

*Involuntary Termination of Employment.* Any then outstanding options that are vested at the time of termination may be exercised at any time prior to the earlier of the expiration date of the vested outstanding options or 30 days after the date of termination.

*Voluntary Termination of Employment.* Any then outstanding options that are vested at the time of termination may be exercised at any time prior to the earlier of the expiration date of the vested outstanding options or 90 days after the date of termination.

The Board may, at any time and from time to time, modify, amend, suspend or terminate the Venezuelan Plan without Shareholder approval in any respect. Amendments to the Venezuelan Plan shall be subject to stockholder approval to the extent required to comply with any rules and regulations of any stock exchange on which the Shares are listed.

The full text of the resolution approving the amendment is attached to this Information Circular as found below. To be effective, the approval of the Venezuelan Plan must be given by resolution of the Shareholders. In order to be effective, the resolution must receive the affirmative vote of a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

**The Board recommends that Shareholders vote in favor of the resolution approving the Venezuelan Plan.**

**Unless such authority is withheld, it is the intention of the persons named in the accompanying proxy to vote the shares represented thereby in favor of approval of the Venezuelan Plan.**

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The following resolution in respect of the approval of the Venezuelan Plan will be proposed at the Meeting:

BE IT RESOLVED THAT:

1. The Venezuelan Equity Incentive Plan be approved effective April 10, 2008; and
2. Any officer or director of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all such instruments and documents and to perform and do all such other acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution.

### **Item 5 Consolidated Financial Statements**

A copy of the consolidated financial statements of the Company for the year ended December 31, 2007 and the report of the auditors on the consolidated financial statements are included in the Annual Report and will be submitted to the Meeting. Copies of the consolidated financial statements can also be obtained on [www.sedar.com](http://www.sedar.com).

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## **EXECUTIVE COMPENSATION**

### **Summary Compensation Table**

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The following table sets forth the compensation paid by the Company to the Chief Executive Officer, the Chief Financial Officer and to each of the next three most highly compensated executive officers of the Company who were serving in such capacities at December 31, 2007 (the Named Executive Officers ).

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (\$)	Long Term Compensation			All Other Compensation (\$)(3)
		Salary \$	Bonus		Awards	Payouts		
					Securities Under Options/SARs Granted (#) (2)	Restricted Shares Or Restricted Share Units (\$)	LTIP Payouts (\$)	
Rockne J. Timm	2007	250,000	395,308 <sup>(1)</sup>	-	300,000	-	-	44,995
Chief Executive Officer	2006	250,000	100,700 <sup>1)</sup>	-	250,000	-	-	38,763
	2005	250,000	80,000	-	-	-	-	42,000
Robert A. McGuinness	2007	140,000	134,579 <sup>(1)</sup>	-	62,500	-	-	44,995
Vice President Finance and CFO	2006	140,000	57,500	-	100,000	-	-	34,800
	2005	140,000	47,500	-	-	-	-	37,500
A. Douglas Belanger	2007	225,000	364,108 <sup>(1)</sup>	-	275,000	-	-	44,995
President	2006	225,000	96,525	-	250,000	-	-	38,763
	2005	225,000	62,500	-	-	-	-	42,000
James P. Geyer	2007	200,000	272,955 <sup>(1)</sup>	-	200,000	-	-	44,995
Senior Vice President	2006	200,000	74,025	-	150,000	-	-	38,763
	2005	200,000	55,000	-	-	-	-	42,000
Douglas E. Stewart	2007	149,000	169,772 <sup>(1)</sup>	-	75,000	-	-	44,995
Vice President	2006	139,833	47,500	-	50,000	-	-	33,007
Project Development	2005	126,000	40,000	-	40,000	-	-	33,200

(1)

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Consists of cash bonus and shares of stock, respectively as follows: Mr. Timm: \$125,075 and 60,000 shares; Mr. McGuinness: \$37,575 and 20,500 shares; Mr. Belanger: \$115,075 and 55,000 shares; Mr. Geyer: \$100,075 and 37,500 shares; and Mr. Stewart: \$50,075 and 25,625 shares. In December 2007, the Board approved the grant of Class A common shares to the Named Executive Officers as follows: Mr. Timm 150,000 shares; Mr. McGuinness 12,500 shares; Mr. Belanger 135,000 shares; Mr. Geyer 90,000 shares; and Mr. Stewart 60,000 shares. The shares vest in equal installments starting the date of the original grant as follows: In the case of Messrs. Timm, Belanger, Geyer and Stewart, the shares vest over a two year period; one third vest immediately, one-third vest in November of 2008 and one-third vest in November of 2009. In the case of Mr. McGuinness, the shares were vested immediately.

- (2) Options for Common Shares granted during the year.
- (3) Consists of the dollar value of the following number of Class A Shares purchased under the Company's KSOP Plan and allocated to the account of each Named Executive Officer during 2007, 2006, and 2005, respectively as follows: Mr. Timm: 9,043, 18,318, and 14,483; Mr. McGuinness: 9,043, 16,445, and 12,931; Mr. Belanger: 9,043, 18,318, and 14,483; Mr. Geyer: 9,043, 18,318, and 14,483; and Mr. Stewart: 9,043, 15,598, and 11,448.

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### Options Granted For Class A Shares of the Company to the Named Executive Officers During the Year Ended December 31, 2007.

The following table sets forth information concerning grants of stock options to acquire Class A Shares to the Named Executive Officers pursuant to the rules and policies of the TSX and the regulations of the American Stock Exchange (the AMEX) during the fiscal year ended December 31, 2007:

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Fiscal year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on Date of Grant (\$/Security) <sup>(1)</sup>	Expiration Date
Rockne J. Timm	50,000	2.4%	\$4.834	\$4.834	Nov. 27, 2008
	50,000	2.4%	\$4.834	\$4.834	May 27, 2009
	50,000	2.4%	\$4.834	\$4.834	Nov. 27, 2009
	50,000	2.4%	\$4.834	\$4.834	May 27, 2010
	50,000	2.4%	\$4.834	\$4.834	Nov. 27, 2010
	50,000	2.4%	\$4.834	\$4.834	May 27, 2011
<b>Total</b>	<b>300,000</b>	<b>14.4%</b>			
Robert A. McGuinness	10,417	0.5%	\$4.834	\$4.834	Nov. 27, 2008
	10,417	0.5%	\$4.834	\$4.834	May 27, 2009
	10,417	0.5%	\$4.834	\$4.834	Nov. 27, 2009
	10,417	0.5%	\$4.834	\$4.834	May 27, 2010
	10,416	0.5%	\$4.834	\$4.834	Nov. 27, 2010
	10,416	0.5%	\$4.834	\$4.834	May 27, 2011
<b>Total</b>	<b>62,500</b>	<b>3.0%</b>			
A. Douglas Belanger	45,834	2.2%	\$4.834	\$4.834	Nov. 27, 2008

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	45,834	2.2%	\$4.834	\$4.834	May 27, 2009
	45,833	2.2%	\$4.834	\$4.834	Nov. 27, 2009
	45,833	2.2%	\$4.834	\$4.834	May 27, 2010
	45,833	2.2%	\$4.834	\$4.834	Nov. 27, 2010
	45,833	2.2%	\$4.834	\$4.834	May 27, 2011
<b>Total</b>	<b>275,000</b>	<b>13.2%</b>			
<b>James P. Geyer</b>	33,334	1.6%	\$4.834	\$4.834	Nov. 27, 2008
	33,334	1.6%	\$4.834	\$4.834	May 27, 2009
	33,333	1.6%	\$4.834	\$4.834	Nov. 27, 2009
	33,333	1.6%	\$4.834	\$4.834	May 27, 2010
	33,333	1.6%	\$4.834	\$4.834	Nov. 27, 2010
	33,333	1.6%	\$4.834	\$4.834	May 27, 2011
<b>Total</b>	<b>200,000</b>	<b>9.6%</b>			
<b>Douglas E. Stewart</b>	12,500	0.6%	\$4.834	\$4.834	Nov. 27, 2008
	12,500	0.6%	\$4.834	\$4.834	May 27, 2009
	12,500	0.6%	\$4.834	\$4.834	Nov. 27, 2009
	12,500	0.6%	\$4.834	\$4.834	May 27, 2010
	12,500	0.6%	\$4.834	\$4.834	Nov. 27, 2010
	12,500	0.6%	\$4.834	\$4.834	May 27, 2011
<b>Total</b>	<b>75,000</b>	<b>3.6%</b>			

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(1) Based on the volume weighted average price on the Principal Market (AMEX) for the five trading days immediately preceding the grant date.

**Aggregated Option Exercises During the Year Ended December 31, 2007 and Option Values as of December 31, 2007.**

The following table sets forth all options exercised during 2007 and values for all options granted to the Named Executive Officers as of December 31, 2007.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (1)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the- Money Options/SARs at FY-End (\$) (2) Exercisable/ Unexercisable
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		(\$)		
Rockne J. Timm	-	-	470,000 / 125,000	304,785 / 113,535
Robert A. McGuinness	-	-	93,084 / 85,166	93,157 / 63,457
A. Douglas Belanger	-	-	430,000 / 125,000	218,071 / 63,121
James P. Geyer	-	-	168,043 / 206,957	94,326 / 70,698
Douglas E. Stewart	14,633	63,445	127,250 / 68,750	149,065 / 37,238

- (1) The Aggregate Value Realized, if applicable, was calculated by determining the difference between the market value of the securities acquired on the date of exercise (based on the closing price on the American Stock Exchange on the date of exercise, which approximates the closing price on the TSX also on the date of exercise) less the exercise price of the options exercised.
- (2) The Value of Unexercised in-the-Money Options at FY-End was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2007, the closing price of the Class A Shares on the American Stock Exchange was \$5.20.

#### Equity Incentive Plan

Employees, directors and consultants of the Company and its subsidiaries are eligible to receive grants under the Equity Incentive Plan (the Plan), as amended in 2006. The Board or a committee of the Board is responsible for the administration of the Plan. The Plan provides for the issuance of up to a rolling 10% of the outstanding shares of the Company, through the grant of incentive stock options and non-statutory options to purchase Class A Shares, stock appreciation rights (SARs) and restricted stock. Pursuant to TSX requirement the Plan must be re-approved every three years.

As of April 23, 2008, options for the purchase of 4,257,839 Class A Shares remained outstanding and 744,119 Class A Shares remained available for grant under the Plan. Since inception, 1,707,850 shares of restricted stock have been granted from the Plan and no SARs have been granted.

Options, stock appreciation rights (SARs) and restricted stock granted under the Plan are generally granted at the Fair Market Value of the Class A Shares defined as follows:

subject to any applicable Exchange rules, the volume weighted average trading price or the United States Dollar equivalent of the Stock calculated by dividing the total value by the total volume of Stock on the Exchange where the majority of the trading volume and

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value of the Stock occurs, for the five trading days immediately preceding the relevant date;...

A SAR entitles the holder of the related option, upon exercise of the SAR, to surrender such option or any portion thereof to the extent unexercised, and to receive payment of an amount determined by multiplying (i) the excess of the Fair Market Value of the Class A Shares immediately preceding the date of exercise of such SAR over the option price under the related option, by (ii) the number of shares as to which such SAR has been exercised. Notwithstanding the foregoing, the agreement evidencing the SAR may limit in any manner the amount payable with respect to any SAR.

The maximum number of shares of Class A Shares issuable to insiders:

a) at any time, under all security based compensation arrangements, cannot exceed 10% of the outstanding shares of stock of the Company on the date of grant; and

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b) within any one year period, under all security based compensation arrangements, cannot exceed 10% of the outstanding common shares on the date of grant.

Each option grant is limited to a maximum duration of 10 years from the time it is granted, except that an incentive stock option granted to a ten percent Shareholder shall have a maximum duration of five years from the time it is granted and the vesting period is discretionary.

All Options shall be exercisable, during the Optionee's lifetime, only by the Optionee or by the guardian or legal representative of the Optionee or its alternative payee pursuant to such qualified domestic relations order, it being understood that the terms holder and optionee include the guardian and legal representative of the Optionee named in the Option Agreement and any person to whom an Option is transferred by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order or a gift permitted by the Plan. Notwithstanding the above, incentive stock options shall only be transferable by will or by the laws of descent and distribution.

The Plan provides the following for termination of employment with regard to the options outstanding at the date of termination:

*Retirement.* Any then outstanding options under the Plan may be exercised at any time prior to the earlier of the expiration date of the outstanding options or 12 months after the date of retirement.

*For Cause.* Any then outstanding options become null and void.

*Involuntary Termination of Employment.* Any then outstanding options that are vested at the time of termination may be exercised at any time prior to the earlier of the expiration date of the vested outstanding options or 30 days after the date of termination.

*Voluntary Termination of Employment.* Any then outstanding options that are vested at the time of termination may be exercised at any time prior to the earlier of the expiration date of the vested outstanding options or 90 days after the date of termination.

The Board may, at any time and from time to time, modify, amend, suspend or terminate the Plan in any respect. Amendments to the Plan shall be subject to stockholder approval to the extent

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required to comply with any exemption to the short swing-profit provisions of Section 16 (b) of the U.S. Securities Exchange Act of 1934, as amended pursuant to rules and regulations promulgated thereunder, with the exclusion for performance-based compensation under Code Section 162 (m), or with the rules and regulations of any securities exchange on which the Shares are listed.

### Equity Compensation Plan Information

The following table sets forth the information regarding the Equity Incentive Plan as of December 31, 2007:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	4,445,139	\$4.14	1,169,464
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	<b>4,445,139</b>	<b>\$4.14</b>	<b>1,169,464</b>

### **KSOP Plan**

The Company's subsidiary, Gold Reserve Corporation, maintains a retirement plan, the KSOP Plan for the benefit of eligible employees. The KSOP Plan consists of two components—a salary reduction component (401(k)) and stock ownership component (ESOP). Eligible employees are those who have been employed for a period in excess of one year and who have worked at least 1,000 hours during the year in which any allocation is to be made.

Employee contributions to the 401(k) component of the KSOP Plan are limited in each year to the total amount of salary reduction the employee elects to defer during the year, which is limited in 2008 to \$15,500 (\$20,500 limit for participants who are 50 or more years of age, or who turn 50 during 2008).

Employer contributions, stated as a percentage of eligible compensation, are determined each year by the Board of Directors and allocations are made in the form of Class A Shares or by cash. The number of Class A Shares released for allocation is determined by multiplying the total eligible compensation by the contribution percentage approved by the Board of Directors and dividing that number by the average price of the Class A Shares remaining in the KSOP Plan for distribution. For KSOP Plan year 2008 the Company has adopted a "Safe Harbor" contribution of 3% of eligible compensation. As of December 31, 2007, 22,246 Class A Shares remained in the KSOP Plan to be allocated to KSOP Plan participants, representing less than 0.01% of the issued and outstanding Common Shares of the Company at that time.

Total employer and employee annual contributions to an employee participating in both the 401(k) and ESOP components of the KSOP Plan are limited (in 2008) to a maximum of \$46,000

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(\$51,000 limit for participants who are 50 or more years of age or who turn 50 during 2008). The annual dollar limit is an aggregate limit which applies to all contributions made under this plan or any other cash or deferral arrangements.

Distributions from the KSOP Plan are not permitted before the participating employee reaches the age of 59, except in the case of death, disability, termination of employment by the Company or financial hardship. The employee stock ownership component of the KSOP Plan is qualified under Sections 421 and 423 of the U.S. Internal Revenue Code of 1986, as amended.

Allocated contributions to eligible KSOP Plan participants for plan years 2007, 2006, and 2005 were \$386,930 (77,765 Class A Shares), \$272,412 (128,731 Class A Shares), and \$280,074 (96,578 Class A Shares), respectively. The aggregate number of Class A Shares for the three-year period is 303,074, which represents 0.5% of the current issued and outstanding Common Shares.

### **Retention Units**

On October 19, 2006 the Board authorized the director and employee retention plan (the "Retention Plan"). Under the Retention Plan, the Board or the Compensation Committee of the Board may grant retention units (the "Units") to directors and certain key employees of the Company or its subsidiaries. Under this arrangement, a participant would (subject to vesting requirements, the occurrence of certain major corporate milestones, including successfully financing the Brisas project and placing the project into production, or a change of control) receive a cash payment equal to the fair market value of one Class A Common Share per Unit. Any Units unvested at the time of termination of employment or service with the Company or its subsidiaries shall be forfeited and no payment will be made with respect to such Units.

An aggregate of 612,500 Units were granted in 2007 to Named Executive Officers and Directors as follows: Rockne J. Timm 100,000, A. Douglas Belanger 100,000, James P. Geyer 75,000, Robert A. McGuinness 37,500 and Douglas E. Stewart 100,000. Messrs. Coleman, McChesney, Mikkelsen, and Potvin were each granted 50,000 Units.

The cumulative Units granted to Named Executive Officers and Directors are as follows: Rockne J. Timm 350,000, A. Douglas Belanger 350,000, James P. Geyer 225,000, Robert A. McGuinness 137,500 and Douglas E. Stewart 150,000. Messrs. Coleman, McChesney, Mikkelsen, and Potvin each hold 100,000 Units.

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### **Report on Re-pricing of Options in Last Ten Completed Fiscal Years (2000 and 2001)**



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During the last ten years the Shareholders approved two re-pricings of certain options held by the Named Executive Officers. The first re-pricing, dated April 3, 2000 and approved on June 2, 2000, was re-priced at a 25% premium to the market price of the Company's shares. The second re-pricing, dated December 20, 2000 and approved June 8, 2001, was re-priced at a 50% premium to the market price of the Company's shares and fifty-percent of all vested options, or immediately exercisable options, were unvested for the following twelve-month period. All repriced options have five-year lives from the date of approval by Shareholders. The following table details the re-pricing information for options held by Named Executive Officers for the last ten years:

**10-YEAR TABLE OF OPTIONS AND SAR RE-PRICINGS**

Name	Date of Re-pricing	Securities Under Options/SARs Re-priced or Amended (#)	Market Price of Securities at Time of Re-pricing or Amendment (\$/Security)	Exercise Price at Time of Re-pricing or Amendment (\$/Security)	New Exercise Price (\$/Security)	Length of Original Option Term Remaining at Date of Re-pricing or Amendment
Rockne J. Timm	June 2, 2000	209,833	0.73	3.75	1.00	2.8 years
	June 8, 2001	27,200	0.47	1.13	0.72	1.7 years
		40,000	0.47	1.50	0.72	3.1 years
		50,000	0.47	2.59	0.72	2.2 years
		125,000	0.47	3.25	0.72	2.3 years
		244,667	0.47	3.75	0.72	2.2 years
Robert A. McGuinness	June 2, 2000	92,207	0.73	3.75	1.00	2.8 years
	June 8, 2001	30,000	0.47	1.50	0.72	3.1 years
		68,417	0.47	2.59	0.72	2.2 years
		115,998	0.47	3.75	0.72	2.2 years
A. Douglas Belanger	June 2, 2000	172,652	0.73	3.75	1.00	2.8 years
	June 8, 2001	26,000	0.47	1.13	0.72	1.7 years
		30,000	0.47	1.50	0.72	3.1 years
		65,000	0.47	2.59	0.72	2.2 years
		50,000	0.47	3.25	0.72	2.3 years
		230,303	0.47	3.75	0.72	2.2 years
James P. Geyer	June 2, 2000	84,736	0.73	3.75	1.00	2.8 years
	June 8, 2001	30,000	0.47	1.50	0.72	3.1 years
		64,209	0.47	2.59	0.72	2.2 years
		5,000	0.47	2.88	0.72	7.0 years
		100,264	0.47	3.75	0.72	2.2 years
Douglas E. Stewart	June 8, 2001	79,367	0.47	1.50	0.72	3.1 years

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

At this time, there are no written contracts of employment between the Company and the Named Executive Officers.

The Company does maintain Change of Control Agreements with each of the Named Executive Officers, which were implemented by the Board to induce the Named Executive Officers to remain with the Company in the event of a change of control. The Board believes these individuals familiarity and long-standing involvement with the Brisas project are important assets to the Company and, as such, their continued involvement in the on-going development of the Brisas project is important. The loss of their continued services could have a detrimental impact on future operations of the Company.

In the event of a change in control of the Company, each Named Executive Officer is entitled to, among other things, continue employment with the Company and, if his employment is terminated within twelve months following such change in control (other than for cause, disability, retirement or death) or if the Named Executive Officer terminates his employment for good reason (as defined in the agreements) at any time within twelve months following the change of control, such individual will be entitled to receive, among other things, two or three times his annual salary and KSOP contributions, an amount equal to any bonuses received during the twelve months prior to the change of control, a payment of two times the monthly premium for maintenance of health and insurance benefits for a period of 36 months and on the election of the Named Executive Officer, the buy-out of the cash value of any unexercised stock options.

### **Composition of the Compensation Committee**

The Company's compensation program was administered during 2007 by the Compensation Committee of the Board (the Compensation Committee), composed of Mr. Mikkelsen and Mr. Potvin. The function of the Compensation Committee was to evaluate the Company's performance and the performance of its executive officers, approve the cash and equity-based compensation of such executive officers and submit such approvals to the full Board for ratification. Compensation matters relating to the directors were administered by the full Board of Directors.

### **Report on Executive Compensation**

The goal of the compensation program is to attract, retain and reward employees and other individuals who contribute to both the immediate and the long-term success of the Company. Contributions are largely measured subjectively, and are rewarded through cash and equity-based compensation vehicles.

The Company evaluates the extent to which strategic and business goals are met and measures individual performance, albeit subjectively, against development objectives and the degree to which teamwork and Company objectives are promoted. The Company strives to achieve a balance between the compensation paid to a particular individual and the compensation paid to other employees and executives having similar responsibilities within the Company. The Company also strives to ensure that each employee understands the components of his or her salary, and the basis upon which it is determined and adjusted.

The components of executive compensation are as follows:

*Base Salary.* The administration of the program requires the Compensation Committee to review annually the base salary of each executive officer of the Company and to consider various factors, including individual performance, experience, time in position, future potential, responsibility, and the executive's current salary in relation to the executive salary range at other mining companies. These factors are considered subjectively and none are accorded a specific weight.

*Bonuses.* In addition to base salary, the Compensation Committee from time-to-time recommends to the Board payments of discretionary bonuses to executives and selected employees. Such bonuses are based on the same criteria and determined in a similar fashion as described above.

*Equity.* The Compensation Committee from time-to-time recommends to the Board grants of options and/or restricted stock awards to executives and selected employees. In addition, the Compensation Committee annually determines the contribution to the KSOP Plan for allocation to individual participants. Participation in the KSOP Plan by individual employees, including officers, is governed by the terms of the KSOP Plan.

**Chief Executive Officer's Compensation**

It is the responsibility of the Compensation Committee to review and recommend the compensation package for the Chief Executive Officer based on the same factors as those used in determining the base salaries for the other Named Executive Officers listed above.

The Compensation Committee has not developed specific quantitative or qualitative performance measures or other specific criteria for determining the compensation of the Company's Chief Executive Officer, primarily because the Company does not yet have a producing mine or other operations from which such quantitative data can be derived. As a consequence, the determination of the Chief Executive Officer's compensation in 2007 was largely subjective, and was based on the approval of the Brisas Environmental and Social Impact Assessment, the Permit to Affect, achievement of financing goals, advancement of the Brisas Project and identifying and analyzing new corporate opportunities.

Report submitted by Compensation Committee of the Board

s/ Chris D. Mikkelsen

s/ Jean Charles Potvin

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**Performance Graph**

The following chart compares the total cumulative shareholder return (assuming re-investment of dividends) for \$100 invested in shares of the Company with the cumulative total return of the Nasdaq Market and the S & P Gold and Precious Metals Mining Index for the period commencing on December 31, 2002 and ending on December 31, 2007.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among Gold Reserve Corporation, The NASDAQ Composite Index And The S&P Gold Index

\* \$100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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**Compensation of Directors**

Consistent with the Board's intent to have both directors and management hold shares of the Company, non-employee directors, Messrs. Coleman, McChesney, Mikkelsen and Potvin, were each granted 2,500 Class A Shares in January 2007, and 4,000 Class A Shares each in June, July and October 2007 for services during the fiscal year ended December 31, 2007. The value of each share was US \$3.99, \$5.82, \$5.40 and \$4.75, respectively.

Mr. Coleman was also paid approximately \$97,629 for services related to his position as director of the Company, during the fiscal year ended December 31, 2007.

Directors of the Company received no additional compensation for serving on Board committees or for attendance at the Board or committee meetings.

The following table sets forth information concerning grants of stock options to acquire Class A Shares to the non-employee directors pursuant to the rules and policies of the TSX and the regulations of the AMEX during the fiscal year ended December 31, 2007:

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Fiscal year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on Date of Grant (\$/Security) (1)	Expiration Date
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James H. Coleman	13,334	0.6%	\$4.834	\$4.834	Nov. 27, 2008
	13,334	0.6%	\$4.834	\$4.834	May 27, 2009
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2009
	13,333	0.6%	\$4.834	\$4.834	May 27, 2010
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2010
	13,333	0.6%	\$4.834	\$4.834	May 27, 2011

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Total	80,000	3.8%			
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Patrick D. McChesney	13,334	0.6%	\$4.834	\$4.834	Nov. 27, 2008
	13,334	0.6%	\$4.834	\$4.834	May 27, 2009
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2009
	13,333	0.6%	\$4.834	\$4.834	May 27, 2010
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2010
	13,333	0.6%	\$4.834	\$4.834	May 27, 2011

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Total	80,000	3.8%			
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Chris D. Mikkelsen	13,334	0.6%	\$4.834	\$4.834	Nov. 27, 2008
	13,334	0.6%	\$4.834	\$4.834	May 27, 2009
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2009
	13,333	0.6%	\$4.834	\$4.834	May 27, 2010
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2010
	13,333	0.6%	\$4.834	\$4.834	May 27, 2011

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Total	80,000	3.8%			
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J.C. Potvin	13,334	0.6%	\$4.834	\$4.834	Nov. 27, 2008
	13,334	0.6%	\$4.834	\$4.834	May 27, 2009
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2009
	13,333	0.6%	\$4.834	\$4.834	May 27, 2010
	13,333	0.6%	\$4.834	\$4.834	Nov. 27, 2010
	13,333	0.6%	\$4.834	\$4.834	May 27, 2011

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Total	80,000	3.8%			
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(1) Based on the volume weighted average price on the Principal Market (AMEX) for the five trading days immediately preceding the grant date.

The following sets forth information concerning the exercise of stock options by the non-employee directors during the fiscal year ended December 31, 2007:

Value of  
Unexercised in-

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Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (1)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	the-Money Options/SARs at FY-End (\$) <sup>(2)</sup> Exercisable/ Unexercisable
James H. Coleman	69,444	321,526	205,000 / -	169,452 / -
Patrick D. McChesney	-	-	130,000 / -	79,780 / -
Chris D. Mikkelsen	-	-	180,000 / -	261,780 / -
J. C. Potvin	-	-	130,000 / -	79,780 / -

- (1) The Aggregate Value Realized, if applicable, was calculated by determining the difference between the market value of the securities acquired on the date of exercise (based on the closing price on the American Stock Exchange on the date of exercise, which approximates the closing price on the TSX also on the date of exercise) less the exercise price of the options exercised.
- (2) The Value of Unexercised in-the-Money Options at FY-End was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2007, the closing price of the shares of common stock on the American Stock Exchange was \$5.20.

**Aggregate Compensation of Officers and Directors**

For the financial year ended December 31, 2007, the aggregate remuneration paid and payable by the Company and by each of its subsidiaries to the directors of the Company in their capacity as directors of the Company and any of its subsidiaries was \$393,049 and, separately, to the officers of the Company who received in their capacity as officers or employees of the Company and any of its subsidiaries aggregate remuneration in excess of Cdn. \$40,000 in that year was \$2,719,839.

**Directors and Officers Insurance**

The Company carries directors and officers liability insurance which is subject to a total aggregate limit of \$25,000,000 and deductibles of up to \$250,000 for each claim. The premium for the latest policy period is \$233,500.

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**INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN SECURITIES PURCHASE PROGRAMS**

No director, executive officer or senior officer, or associate or affiliate of any such director, executive officer or senior officer, is or at any time since the beginning of the most recently completed financial year of the Company was indebted to the Company.

**INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

None of the directors, officers of the Company, nor any person or corporation owning more than 10% or any class of voting securities of the Company, nor any associates or affiliates of any of them, had or has any material interest in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

**AUDIT COMMITTEE INFORMATION**

**Audit Committee Charter**

The Audit Committee of the Board of Directors operates within a written mandate, as approved by the Board of Directors, which describes the Committee's objectives and responsibilities. The full text of the Audit Committee Charter is attached as Appendix A to this Information Circular.

**Composition of the Audit Committee**

The Audit Committee is composed of the following 3 directors:

- Chris D. Mikkelsen (Chair)
- Jean Charles Potvin
- Patrick D. McChesney

The Board of Directors has determined each member of the Audit Committee to be independent and financially literate as such terms are defined under Canadian securities laws. In addition, the Chair of the Committee, Mr. Mikkelsen, is considered by the Board to qualify as an audit committee financial expert as defined by the U.S. Securities and Exchange Commission. The Board has made these determinations based on the education and experience of each member of the Committee, as outlined below.

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**Relevant Education and Experience**

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee: Mr. Mikkelsen is a Principal in McDirmid, Mikkelsen & Secrest, P.S., a certified public accounting firm. Mr. Mikkelsen has a Professional Accounting degree from Eastern Washington University. After working for a national accounting firm, he left in 1976 to form McDirmid, Mikkelsen and Secrest, P.S. He has extensive technical audit and accounting experience related to a variety of industries. Mr. Mikkelsen has been Chair of, and a member of, this Committee since August 1998.

Mr. Potvin is Chief Executive Officer of Tiomin Resources Inc., a company involved in the development of several large titanium-bearing mineral sands deposits in Kenya. Mr. Potvin holds a Bachelor of Science degree in Geology from Carleton University and an MBA from the University of Ottawa. He spent nearly 14 years as a mining investment analyst for a large Canadian investment brokerage firm (Burns Fry Ltd., now BMO Nesbitt Burns Inc.). He is also a member of the audit committee of Polaris Energy Corporation, a publicly-listed geothermal-based power producer and of Azimut Exploration Ltd also a publicly listed mineral exploration company. Mr. Potvin has been a member of this Committee since August 2003.

Mr. McChesney is the Controller of Foothills Auto Group, an operator of franchised auto dealerships, where he is responsible for the financial statements. He was President of LMO Test Systems, Inc., a manufacturer of automated test equipment for the semiconductor industry, from March 1996 until December 2005. Mr. McChesney graduated from the University of Portland, with a Bachelor degree in Accounting. For his entire 32 year working career, he has prepared and analyzed financial statements in the mining, public accounting, retail, electronics and construction industries. Mr. McChesney has been a member of this Committee since August 1998.

**External Auditor Service Fees**

Fees paid or payable to the Company's independent external auditor, PricewaterhouseCoopers LLP, are detailed in the following table:

Fee category	Year Ended 2007 (Cdn.\$)	Year Ended 2006 (Cdn.\$)
Audit	\$ 236,235	\$ 68,892
Audit related	130,200	92,192
Tax	14,305	137,917
All other fees		
<b>Total</b>	<b>\$380,740</b>	<b>\$299,001</b>

The nature of the services provided by PricewaterhouseCoopers LLP under each of the categories indicated in the table is described below.

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**Audit Fees**

Audit fees were for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements.

**Audit-related Fees**

Audit-related fees were for the review of the Company's quarterly financial statements and services provided in respect of other regulatory-required auditor attest functions associated with government audit reports, registration statements, prospectuses, periodic reports and other documents filed with securities regulatory authorities or other documents issued in connection with securities offerings.

**Tax Fees**

Tax fees were for services outside of the audit scope and represented consultations for tax compliance and advisory services relating to common forms of domestic and international taxation.

**All Other Fees**

None.

**Pre-approval Policies and Procedures**

The Company's Audit Committee has adopted policies and procedures for the pre-approval of services performed by the Company's external auditors, with the objective of maintaining the independence of the external auditors. The Company's policy requires that the Audit Committee pre-approve all audit, audit-related, tax and other permissible non-audit services to be performed by the external auditors, including all engagements of the external auditors with respect to the Company's subsidiaries. Prior approval of engagements for services other than the annual audit may, as required, be approved by the Chair of the Committee with the provision that such approvals be brought before the full Committee at its next regular meeting. The Company's policy sets out the details of the permissible non-audit services consistent with the independence requirements of the United States Sarbanes-Oxley Act of 2002 and the Canadian independence standards for auditors. The Chief Financial Officer presents the details of any proposed assignments of the external auditor for consideration by the Audit Committee. The procedures do not include delegation of the Audit Committee's responsibilities to management of the Company.

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**CORPORATE GOVERNANCE**

The TSX requires listed corporations to disclose their approach to corporate governance. The Company's disclosure in this regard is set out in Appendix B to this Information Circular.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as set forth in this Information Circular, no person who has been a director or senior officer of the Company at any time since the beginning of the last financial year, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon.

**ANY OTHER MATTERS**

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Annual and Special Meeting of Shareholders accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

**ADDITIONAL INFORMATION**

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Additional information about the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com), on the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com). Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for its year ended December 31, 2007, as contained in the 2007 Annual Report. A copy of this document and other public documents of the Company are available upon request to:

Gold Reserve Inc.

Attention: Robert A. McGuinness

926 W. Sprague Avenue, Suite 200

Spokane, Washington 99201

Phone: (509) 623-1500

Fax: (509) 623-1634

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### APPROVAL AND CERTIFICATION

The contents and the sending of this Information Circular have been approved by the Board.

The forgoing contains no untrue statement of a material fact and does not omit 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 in which it is made.

Dated at Spokane, Washington, this 23rd day of April, 2008

Rockne J. Timm

Robert A. McGuinness

Chief Executive Officer

Vice President Finance and Chief Financial Officer

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### APPENDIX A

#### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

##### Purpose

The primary purposes of the Audit Committee (the "Committee") are to oversee on behalf of the Board of Directors ("Board") of Gold Reserve Inc. (the "Company"):

- the Company's accounting and financial reporting processes and the integrity of its financial statements;
- the audits of the Company's financial statements and the appointment, compensation, qualifications, independence and performance of the Company's independent auditors and
- the Company's compliance with legal and regulatory requirements.

The Committee also has the purpose of preparing the financial report that rules of the U.S. Securities and Exchange Commission (the "SEC") or the Ontario Securities Commission (the "OSC") require the Company to include in its annual proxy or information statement and Form 20-F filed with the SEC and/or its equivalent filed with the OSC.

The Committee's function is one of oversight only and does not relieve management of its responsibilities for preparing financial statements that accurately and fairly present the Company's financial results and condition, nor the independent auditors of their responsibilities relating to the audit or review of financial statements.



### Organization

The Committee shall consist of at least three directors. The Board shall designate a Committee member as the chairperson of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as chairperson by a majority vote of the authorized number of Committee members.

All Committee members shall be independent, as defined and to the extent required in the applicable SEC and OSC rules and American Stock Exchange ( AMEX ) and Toronto Stock Exchange ( TSX ) listing standards and applicable laws and regulations, as they may be amended from time to time (collectively, such SEC and exchange requirements are referred to as the listing standards ), for purposes of audit committee membership.

**Notwithstanding the foregoing, one director who is not independent as defined by the AMEX listing standards, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the Committee if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is in the best interests of the Company and its Shareholders, and the Board discloses, in the next periodic filing made with the SEC subsequent to such determination, the nature of the relationship and the reasons for that determination; provided, however, that any such non-independent Committee member may only serve on**

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**the Committee for two (2) years and may not serve as the chairperson of the Committee.** Each Committee member shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cashflow statement upon appointment to the Committee. At all times there shall be at least one member of the Committee who, in the Board's business judgment, is an audit committee financial expert as defined in the SEC rules and is financially sophisticated as defined in the AMEX listing standards.

Subject to the requirements of the listing standards, the Board may appoint and remove Committee members in accordance with the Company's by-laws. Committee members shall serve for such terms as may be fixed by the Board, and in any case at the will of the Board whether or not a specific term is fixed.

### Independent Auditors and Their Services

The Committee shall have the sole authority and direct responsibility for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent auditors engaged by the Company for purposes of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee's authority includes the resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall pre-approve all audit, review, attest and permissible non-audit services to be provided to the Company or its subsidiaries by the independent auditors. The Committee may establish pre-approval policies and procedures in compliance with applicable listing standards. The Committee shall obtain and review, at least annually, a report by the independent auditors describing:

- the firm's internal quality-control procedures; and
- any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

In addition, the Committee's annual review of the independent auditors' qualifications shall also include the review and evaluation of the lead partner of the independent auditors for the Company's account, and evaluation of such other matters as the Committee may consider relevant to the engagement of the auditors, including views of company management and internal finance employees, and whether the lead partner or auditing firm itself should be rotated.

### Annual Financial Reporting

As often and to the extent the Committee deems necessary or appropriate, but at least annually in connection with the audit of each fiscal year's financial statements, the Committee shall:

1. Review and discuss with appropriate members of management the annual audited financial statements, related accounting and auditing principles and practices, and (when required of management under the applicable listing standards) management's assessment of internal control over financial reporting.
- 2.

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Timely request and receive from the independent auditors the report required (along with any required update thereto) pursuant to applicable listing standards prior to the filing of an audit report, concerning:

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- all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within generally accepted accounting principles for policies and practices relating to material items that have been discussed with company management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and
  - other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.
3. Discuss with the independent auditors the matters required to be discussed by AICPA Statement on Auditing Standards No. 61, including such matters as:
- the quality and acceptability of the accounting principles applied in the financial statements;
  - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
  - the selection, application and effects of critical accounting policies and estimates applied by the Company;
  - issues raised by any management or internal control letter from the auditors, problems or difficulties encountered in the audit (including any restrictions on the scope of the work or on access to requested information) and management's response to such problems or difficulties, significant disagreements with management, or other significant aspects of the audit; and
  - any off-balance sheet transactions, and relationships with any unconsolidated entities or any other persons, which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under SEC rules.
4. Review and discuss with appropriate members of management the Company's intended disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations (or equivalent disclosures) to be included in the Company's annual report on Form 20-F filed with the SEC and its equivalent filed with the OSC.
5. Receive from the independent auditors a formal written statement of all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1.
6. Actively discuss with the independent auditors any disclosed relationships or services that may impact their objectivity and independence, and take any other appropriate action to oversee their independence.

### Quarterly Financial Reporting

The Committee's quarterly review shall normally include:

1. Review and discuss the quarterly financial statements of the Company and the results of the independent auditors' review of these financial statements with appropriate members of management.
2. Review and discuss with Company management and, if appropriate, the independent auditors, significant matters relating to:

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- the quality and acceptability of the accounting principles applied in the financial statements;
  - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
  - the selection, application and effects of critical accounting policies and estimates applied by the Company; and
  - any off-balance sheet transactions and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under SEC rules.
3. Review and discuss with appropriate members of management the Company's intended disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations (or equivalent disclosures) to be included in the Company's quarterly reports prepared in accordance with Canadian requirements and filed on Form 6-K with the SEC and its equivalent filed with the OSC.

### Other Functions

The Committee shall review and assess the adequacy of this charter annually, recommend any proposed changes to the full Board and, to the extent required by the listing standards, certify annually to any AMEX, TSX or other listing market that the Committee reviewed and assessed the adequacy of the charter.

The Committee shall discuss with management earnings press releases (including the type and presentation of information to be included, paying particular attention to any use of pro forma or adjusted non-GAAP information), and financial information and earnings guidance provided to analysts and rating agencies. This may be conducted generally as to types of information and presentations, and need not include advance review of each release or other information or guidance.

The Committee, to the extent it deems necessary or appropriate, shall periodically review with management the Company's disclosure controls and procedures, internal control over financial reporting and systems and procedures to promote compliance with applicable laws.

The Committee shall periodically:

- inquire of management and the independent auditors about the Company's major financial risks or exposures;
- discuss the risks and exposures and assess the steps management has taken to monitor and control the risks and exposures; and
- discuss guidelines and policies with respect to risk assessment and risk management.

The Committee shall conduct any activities relating to the Company's code(s) of conduct and ethics as may be delegated, from time to time, to the Committee by the Board.

The Committee shall establish and maintain procedures for:

- the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

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- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

If the Committee so determines, the confidential, anonymous submission procedures may also include a method for interested parties to communicate directly with non-management directors. It is the Company's policy that the Company shall not enter into transactions required to be disclosed under item 404 of the Securities and Exchange Commission's Regulation S-K or other applicable Canadian requirements unless the Committee first reviews and approves such transactions.

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The Committee shall review and take appropriate action with respect to any reports to the Committee from internal or external legal counsel engaged by the Company concerning any material violation of securities law or breach of fiduciary duty or similar violation by the Company, its subsidiaries or any person acting on their behalf.

The Committee shall, from time to time as necessary, review the effect of regulatory and accounting initiatives on the financial statements of the Company. In addition, the Committee, as it considers appropriate, may consider and review with the full Board, company management, internal or external legal counsel, the independent auditors or any other appropriate person any other topics relating to the purposes of the Committee which may come to the Committee's attention.

The Committee may perform any other activities consistent with this charter, the Company's corporate governance documents and applicable listing standards, laws and regulations as the Committee or the Board considers appropriate.

### **Meetings, Reports and Resources**

The Committee shall meet as often as it determines is necessary, but not less than quarterly. The Committee shall meet separately with management and independent auditors. In addition, the Committee may meet with any other persons, as it deems necessary.

The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the by-laws or the listing standards. The chairperson or a majority of the Committee members may call meetings of the Committee. A majority of the authorized number of Committee members shall constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee, unless in either case a greater number is required by this charter, the by-laws or the listing standards. The Committee shall keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the Company's corporate records.

The Committee shall prepare any audit committee report required to be included in the Company's annual meeting proxy or information statement, and report to the Board on the other matters relating to the Committee or its purposes, as required by the listing standards. The Committee shall also report to the Board annually the overall results of its annual review of the independent auditors' qualifications, performance and independence. The Committee shall also report to the Board on the major items covered by the Committee at each Committee meeting, and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the full Board of any issues that arise from time to time with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors.

The Committee is at all times authorized to have direct, independent and confidential access to

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the independent auditors and to the Company's other directors, management and personnel to carry out the Committee's purposes. The Committee is authorized to conduct or authorize investigations into any matters relating to the purposes, duties or responsibilities of the Committee.

As the Committee deems necessary to carry out its duties, it is authorized to select, engage (including approval of the fees and terms of engagement), oversee, terminate, and obtain advice and assistance from outside legal, accounting, or other advisers or consultants. The company shall provide for appropriate funding, as determined by the Committee, for payment of:

- compensation to the independent auditors for their audit and audit-related, review and attest services;
- compensation to any advisers engaged by the Committee; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Nothing in this charter is intended to preclude or impair the protection provided under corporation law for good faith reliance by members of the Committee on reports or other information provided by others.

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## APPENDIX B

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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In this Appendix are the Company's corporate governance practices in accordance with National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101), and National Policy 58-201 Corporate Governance Guidelines (NP 58-201), which came into force in Canada on June 30, 2005. The Company's Board has reviewed this disclosure of the Company's corporate governance practices.

### Disclosure Requirement under Form 58-101F1

### Company's Governance Practices

- |        |  |   |
|--------|--|---|
| 1. (a) | Disclose the identity of directors who are independent.  | The Board of Directors (the Board) of the Company believes that Messrs. Coleman, McChesney, Mikkelsen, and Potvin are independent within the meaning of section 1.4 of Multilateral instrument 52-110 Audit Committees (MI 52-110) and section 1.2 of NI 58-101, as none of them is, or has been within the last three years, an executive officer or employee of the Company or party to any material contract with the Company and none of them receive remuneration from the Company in excess of directors' fees and grants of stock options. The Board believes that the four Directors are free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with their ability to act independently from management or to act as a director with a view to the best interests of the Company, other than interests and relationships arising from shareholdings. |
| (b)    | Disclose the identity of directors who are not independent, and describe the basis for that determination.   | Three Directors, Messrs. Timm, Belanger and Geyer, are employees of the Company and therefore not considered independent.   |
| (c)    | Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying | Four of seven, approximately 57.1% of the Company's current Directors, are independent.   |

**Disclosure Requirement under  
Form 58-101F1**

**Company's Governance Practices**

out its responsibilities.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Such other directorships have been disclosed in Item 1 - Election of Directors section of this Information Circular.

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

The Board has not adopted a formal policy for the independent Directors to meet without management present before and after each regularly scheduled meeting of the Board. Without management present, the independent Directors met on six occasions, in person or by telephone during 2007 and are expected to continue to meet on a regular basis. These sessions are of no fixed duration and participating Directors are encouraged to raise and discuss any issues of concern.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

The Board has appointed James H. Coleman as its Chairman. Mr. Coleman is an independent director of the Company. One of his responsibilities is to oversee the Board processes so that it operates efficiently and effectively in carrying out its duties and to act as liaison between the Board and management.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed

The Board held four (4) meetings during 2007 at which attendance, in person or by phone, averaged 89%. Various matters were considered and approved

financial year.

by written resolution during the year.  
Messrs. Belanger, Geyer, Mikkelsen,  
McChesney, and Timm attended all four  
meetings. Mr. Mr. Coleman and Mr.

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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2. Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

Potvin each attended three of the four meetings.

The Board is responsible for supervising the conduct of the Company's affairs and the management of its business. To assist the Board in implementing key policies, the Board delegates some of its responsibility to committees. Although the Board has delegated to management responsibility for the day-to-day operations of the Company, the Board has ultimate responsibility for the stewardship of the Company. Strategic planning is at the forefront of deliberations at meetings of the Board. Management is responsible for the development of overall corporate strategies. These strategies are under constant review by the Board and senior management. The Board's duties include overseeing strategic planning, reviewing and assessing principal risks to the Company's business and approving risk management strategies. The Board ensures that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of the Company's business. Management reports regularly to the Board in relation to principal risks, which potentially could affect the Company's business activities. The Board reviews and approves, for release to shareholders, quarterly and

annual reports on the performance of the Company. It seeks to ensure that the Company communicates effectively with its Shareholders, respective investors and the public, including dissemination of information on a timely basis. Through its officers, the Company responds to questions and provides information to individual Shareholders, institutional investors,

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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3. (a)

Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

financial analysts and the media. The Board's duties include supervising and evaluating management, authorizing significant expenditures, and overseeing the Company's internal controls and information systems.

The Board has not developed a written position description for the Chair. The responsibilities of the Chair include presiding over Board meetings, assuming principal responsibility for the Board's operation and functioning, and ensuring that Board functions are effectively carried out.

The Board has not developed written position descriptions for the chair of any committee of the Board.

The responsibilities of committee chairs include presiding over committee meetings, ensuring that the committee is properly organized and effectively discharges its duties, reporting to the Board with respect to the activities of the committee, and leading the committee in reviewing and assessing on an annual basis, the adequacy of the committee's mandate and its effectiveness in fulfilling its mandate.



- (b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.
- The board has not developed a written position description for the CEO. The CEO reports to the Board and has general supervision and control over the business and affairs of the Company. The CEO's responsibilities include:
- (a) fostering a corporate culture that promotes ethical practices, encourages individual integrity and fulfills social responsibility;
  - (b) developing and recommending to the Board a long-term strategy and vision for the Company that leads to creation of Shareholder value;

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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- (c) developing and recommending to the Board annual business plans and budgets that support the Company's long-term strategy; and
- (d) consistently striving to achieve the Company's financial and operating goals and objectives.
4. (a) Briefly describe what measures the board takes to orient new directors regarding the role of the board, its committees and its directors, and the nature and operation of the issuer's business.
- Due to its current size, the Board does not currently provide an orientation and education program for specifically training new recruits to the Board.
- (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their
- Due to its current size, the Board does not provide a continuing education program for its Directors. All Directors are given direct access to management, which is encouraged to provide information on the Company and its business and affairs to Directors. The Board believes that each of its Directors

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obligations as directors.

maintain the skills and knowledge necessary to meet their obligations as Directors.

5. (a) (i) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code, disclose how a person or company may obtain a copy of the code.

The Board has adopted the *Gold Reserve Inc. Code of Conduct and Ethics* (the Code), which can be found at [www.goldreserveinc.com](http://www.goldreserveinc.com) and is available in print to any Shareholder who requests it.

(a) (ii) Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code.

The Compliance Officer, as well as other officers, Directors and the Company's legal and other advisors, have the full power and authority to investigate any evidence of improper conduct, violations of laws, rules, regulations or the Code, and to determine what steps, if any, should be taken to resolve the problem and avoid the likelihood of its recurrence.

(a) (iii) Provide a cross-reference to any

The Company has not filed any material

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

change reports since the beginning of the 2007 financial year that pertains to any conduct of a Director or executive officer of the Company that constitutes a departure from the Code.

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Each Director must possess and exhibit the highest degree of integrity, professionalism and values, and must never be in a conflict of interest with the Company. A Director who has a conflict of interest regarding any particular matter under consideration must advise the Board, refrain from debate on the

matter and abstain from any vote regarding it.

All Company employees, including officers, and Directors are expected to use sound judgment to help maintain appropriate compliance procedures and to carry out the Company's business with honesty and in compliance with laws and high ethical standards. Each employee and Director is expected to read the Code and demonstrate personal commitment to the standards set forth in the Code.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

The Company will not tolerate retaliation against an employee or Director for reporting in good faith any violations of the Code, and any such retaliation is against Company policy. Employees and Directors who violate the Code may be subject to disciplinary action, including termination of employment.

Knowledge of a violation and failure to promptly report or correct the violation may also subject an employee or Director to disciplinary action up to and including immediate discharge from employment.

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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6. (a) Describe the process by which the board identifies new candidates for board nomination.

In considering and identifying new candidates for Board nomination, the Board, where relevant:

- (a) addresses succession and planning issues;
- (b) identifies the mix of expertise and qualities required for the Board;
- (c) assesses the attributes new directors should have for the appropriate mix to be maintained;
- (d) arranges for each candidate to meet

with the Board Chair and the CEO;  
 (e) recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and  
 (f) encourages diversity in the composition of the Board.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

Due to its current size, the Board does not currently have a separate committee for identifying new candidates for Board nomination. The size and composition of the Board is subject to periodic review by the Board as a whole. The Board as a whole bears this responsibility.

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating

The Board does not currently have a nominating committee.

committee.

7. (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

The Board reviews from time to time the compensation paid to Directors in order to ensure that they are being adequately compensated for the duties performed and the obligations they assume. The Board as a whole is responsible for determining the compensation paid to the Directors.

The Board considers evaluations

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**Disclosure Requirement under  
Form 58-101F1**

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**Company's Governance Practices**

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submitted by the Compensation Committee evaluating the Company's performance and the performance of its executive officers, and ratifies the cash and equity-based compensation of such executive officers approved by the

Compensation Committee.

The Company evaluates the extent to which strategic and business goals are met and measures individual performance, albeit subjectively, against development objectives and the degree to which teamwork and Company objectives are promoted. The Company strives to achieve a balance between the compensation paid to a particular individual and the compensation paid to other employees and executives having similar responsibilities within the Company. The Company also strives to ensure that each employee understands the components of his or her salary, and the basis upon which it is determined and adjusted.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The Compensation Committee, which met seven times during 2007 in person and by phone, consists of Messrs. Mikkelsen (Chair) and Potvin, both of whom are independent directors.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The function of the Compensation Committee is to evaluate the Company's performance and the performance of its executive officers, approve the cash and equity-based compensation of such executive officers and submit such approvals to the full Board for ratification.

The Compensation Committee has not developed specific quantitative or qualitative performance measures or

other specific criteria for determining the compensation of the Company's CEO, primarily because the Company does not yet have a producing mine or other operations from which such quantitative data can be derived. As a consequence, the determination of the CEO's compensation in 2007 was largely subjective, and based on the Company's progress in addressing its more immediate concerns, continued exploration, and identifying and analyzing new corporate opportunities.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

A compensation consultant has not been engaged by the Company since the beginning of the Company's most recent financial year to assist in determining compensation for the Directors or officers of the Company.

8. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Executive Committee, which is comprised of Messrs. Coleman, Timm and Belanger, meets in person or by phone on a regular basis. Mr. Coleman is considered an independent director. Messrs. Timm and Belanger are not considered independent directors within the definition in MI 52-110. The Executive Committee facilitates the Company's activities from an administrative perspective, but does not supplant the full Board in the consideration of significant issues facing the Company. The Audit Committee, the Compensation Committee and the Executive Committee are the only

Disclosure Requirement under Form 58-101F1	Company's Governance Practices
<p>9. Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>committees of the Board.</p> <p>Due to its current size, the Board does not currently have a separate committee for assessing the effectiveness of the Board as a whole, the committees of the Board, or the contribution of individual Directors. The Board as a whole bears these responsibilities.</p> <p>The Board chair meets annually with each director individually to discuss personal contributions and overall Board effectiveness.</p>

**Exhibit 99.2**

**Form of Proxy**

**GOLD RESERVE INC.**

**PROXY**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**June 10, 2008**

**THIS PROXY IS SOLICITED BY THE MANAGEMENT OF GOLD RESERVE INC.**

The undersigned shareholder of Gold Reserve Inc. (the Company) hereby appoints Rockne J. Timm, Chief Executive Officer of the Company, or failing him, Robert A. McGuinness, Vice President Finance and Chief Financial Officer of the Company, or instead of either of them

\_\_\_\_\_, as proxyholder for the undersigned, with power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual and Special Meeting of Shareholders of the Company to be held on June 10, 2008 (the Meeting) at 9:30 a.m. (Pacific daylight time) and at any adjournment or postponement thereof, in the same manner, to the same extent and with the same powers as if the undersigned were present at the said Meeting or any adjournment or adjournments thereof and, without limiting the general authorization given, the

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person above named is specifically directed to vote on behalf of the undersigned in the following manner:

- 1) On the election of directors, for the nominees set forth in the Information Circular of the Company dated April 23, 2008:

VOTE FOR or WITHHOLD VOTE
(and, if no specification is made, to VOTE FOR);

- 2) On the appointment of PricewaterhouseCoopers LLP as auditors of the Company:

VOTE FOR or WITHHOLD VOTE
(and, if no specification is made, to VOTE FOR);

- 3) On the approval of the issuance of 100,000 Class A common shares of the Company for purchase by the KSOP Plan:

VOTE FOR or VOTE AGAINST
(and, if no specification is made, to VOTE FOR);

- 4) On the approval of the adoption of the Venezuelan Equity Incentive Plan:

VOTE FOR or VOTE AGAINST
(and, if no specification is made, to VOTE FOR);

and conferring discretionary authority to vote on amendments or variations to the matters identified in the Notice of Annual and Special Meeting relating to the Meeting and on all other matters that may properly come before the Meeting or any adjournment thereof in such manner as the person above named may see fit. Management is not aware of any such amendments, variations or other matters to be presented at the Meeting.

This proxy should be read in conjunction with the accompanying Notice of Meeting and Management Information Circular.

The undersigned hereby revokes any instrument of proxy previously given and does hereby further ratify all the said proxy may lawfully do in the premises.

Please ensure that you date this proxy. If this proxy is not dated in the space below, it shall be deemed to bear the date on which it was mailed by the Company to the shareholder.

DATED this day of , 2008.

\_\_\_\_\_

Print Name of Shareholder

\_\_\_\_\_

Print Name of Shareholder (if held jointly)

\_\_\_\_\_

Signature of Shareholder

Signature of Shareholder (if held jointly)



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Exhibit 99.3

Annual Report

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TO OUR SHAREHOLDERS AND EMPLOYEES

2007 was another year of significant achievement for Gold Reserve, as we continued to build the foundation for construction and operation of the Brisas gold and copper project. I am proud to say a number of key milestones have been achieved in the past several months, but we still have several more hurdles to overcome before we attain our goal of producing gold and copper at Brisas, challenges which are typical of a project of this magnitude and location.

After a great deal of hard work by our employees and our advisors, the Permit to Affect Natural Resources authorizing us to begin construction at Brisas was issued to the Company in 2007 by the Venezuelan Ministry of the Environment.

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We will have many more permits to obtain leading to production at Brisas and currently we are looking to obtain an Initiation Act, or administrative authorization to proceed with construction from the Venezuelan Ministry of the Environment. We have met all conditions precedent to proceed and our near-term focus will be to obtain this authorization.

We continued our efforts to develop Brisas, updating our NI 43-101 Report, advancing detailed engineering, initiating long-lead procurement efforts, strengthening working partnerships with local, regional and international organizations and continuing efforts related to project debt financing.

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The recent NI 43-101 Report indicates that Brisas continues to demonstrate low projected operating costs, robust economics at conservative

At the end of the first quarter 2008 we are in a strong financial condition with a cash position of \$133 million. We are positioned to complete our

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metal prices and excellent leverage to rising metal prices. Further, the magnitude of the capital cost increase contained in the Report was reasonably moderate relative to the mining industry as a whole. Considering the project scope changes, the increased capital cost for Brisas was not as dramatic as some other projects and in line with management's expectations.

We expect the majority of the Brisas detailed engineering to be complete by mid 2008. The initial procurement function is now substantially complete, with the placement of orders for long-lead items such as the gyratory crusher, pebble crushers, semi autogenous grinding and ball mills, mill motors, and initial construction equipment.

In addition, we formed important working relationships with Conservation International and more locally with the Venezuelan Fundacion para el Desarrollo Sostenible- Foundation for Sustainable Development (FDS). We are supporting programs in the Brisas area on malaria prevention and control, sustainable agriculture for local communities, creation of ecotourism opportunities and several other initiatives - while developing a strong working relationship for collaboration well into the future as Brisas matures.

In 2007 we also completed two concurrent financings totaling \$183 million with lead underwriters J. P. Morgan Securities, Inc., RBC Capital Markets and Cormark Securities, Inc. We also continued work on the \$425 million project debt financing with a consortium of banks to complete all the conditions precedent for commitment.

funding efforts and commence full-scale construction once we receive the Initiation Act.

On our Choco 5 property we completed a 16-hole exploration drilling program in the last half of 2007 and 43 kilometers survey lines for geophysical and geochemical sampling. Unfortunately, as a result of high in-country demand for assay services, we are still waiting for our drill program assay results.

We are especially proud of the people who have become part of Gold Reserve in Venezuela. In December, our President in Venezuela, Arturo Rivero himself an employee for over 10 years, presented 28 people with long service recognition awards, many of which have been with the company for 15 years. Including these employees who have been with us for a long time, we would like to thank all our employees who share in the credit for the success the Company has achieved to date.

We look forward to 2008 to continue our goal of placing Brisas into production.

On Behalf of the Board of Directors of  
Gold Reserve Inc.

A. Douglas Belanger  
*President*

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### FORWARD-LOOKING STATEMENTS

The information presented or incorporated by reference herein contain both historical information and forward-looking statements (including within the meaning of the Securities Act (Ontario), Section 27A of the United States Securities Act of 1933, as amended,

and development of mining properties. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. See Risk factors contained in the Company's Annual Information Form.

Investors are urged to read our filings with Canadian and U.S. securities regulatory agencies, which can be

and Section 21E of the United States Securities Exchange Act of 1934, as amended). These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they never materialize,

prove incorrect or materialize other than as currently contemplated, could cause our results 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; operational, regulatory, political and economic risks associated with Venezuelan operations (including changes in previously established legal regimes, rules or processes); corruption and uncertain legal enforcement; requests for improper payments; civil unrest, military actions and crime; the ability to obtain or maintain the necessary permits or additional funding for the development of Brisas; 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) significantly differ or change as a result of actual results in the Company's expected construction and production at Brisas (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; currency controls and exchange rates; 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

viewed on-line at [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://www.sec.gov). Additionally, investors can request a copy of any of these filings directly from our administrative office.

## OVERVIEW

The following discussion of the Company's financial position as of December 31, 2007 and results of operations for the year ended December 31, 2007 is to be read in conjunction with the Company's audited consolidated financial statements and related notes.

We prepare our consolidated financial statements in U.S. Dollars in accordance with accounting principles generally accepted in Canada. These financial statements together with the following management's discussion and analysis, dated March 28, 2008, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the Company's potential. Additional information on the Company can be found at [www.sedar.com](http://www.sedar.com), [www.sec.gov](http://www.sec.gov) or the Company's web-site [www.goldreserveinc.com](http://www.goldreserveinc.com).

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The Company is engaged in the business of exploration and development of mining projects and continues to focus the majority of its management and financial resources on its most significant asset, Brisas, and to a lesser extent the exploration of its Choco 5 property, both located in Bolivar State, Venezuela.

Historically we have financed the Company's operations through the sale of common stock and other equity securities. Management expects Brisas, if constructed, to be similarly financed along with project and corporate debt financing.

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Venezuela has, at times, experienced high levels of inflation, political and civil unrest, government involvement in strategic industries and during the last several years has proposed changes in regulatory regimens. Despite these matters, we have not curtailed our investment activities in the country. However, as discussed in greater depth under Risk Factors contained elsewhere in our Annual Information Form, our operations and investments in Venezuela could be adversely affected by current and future Venezuelan regulatory changes and/or

MIBAM approved the Brisas operating plan during 2003 which was a prerequisite for submitting the Brisas Environmental and Social Impact Study for the Exploitation and Processing of Gold and Copper Ore ( Estudio de Impacto Ambiental y Sociocultural ) (ESIA) to MINAMB. MINAMB approved the ESIA in early 2007 and in March 2007 issued the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of the Brisas Project (the Authorization to Affect ).

domestic and international government policies.

#### PERMITTING

We are dependent on Venezuelan regulatory authorities issuing to us various permits and authorizations relating to Brisas that we require prior to completing construction of and subsequently operating Brisas. Consistent with other mining projects of this magnitude and, in addition to permits or authorizations that must be received from the Venezuelan Ministry of Environment ( MINAMB ), we require a number of other permits or authorizations from various local, state and federal agencies which will be an ongoing process during the construction period.

To our knowledge, all of our properties are in compliance with the appropriate regulations and requirements of the mining law and our related contractual obligations. In the third quarter of 2007 we received accreditation letters of technical compliance from MIBAM for all of the properties that comprise Brisas.

In addition, our social, cultural and environmental programs in the immediate and surrounding areas near Brisas are consistent with the government's social agenda including the framework of Mission Piar. Mission Piar is one of President Chavez's social initiatives which includes the local small miners and encompasses technical assistance and training to explore and minimize the miners' impact on the environment as well as their integration into the formal economy. We are committed to the economic and social development of Brisas in a mutually beneficial manner with the communities located near the project, the people in Bolivar State, and the Bolivarian Republic of Venezuela.

The Authorization to Affect allows us to commence certain infrastructure work, including various construction activities at or near the mine site, but does not permit us to construct the mill and exploit the gold and copper mineralization at Brisas at this time. The Authorization to Affect mandates that before commencing significant permitted activities we are required to obtain an Initiation Act from MINAMB which indicates that all conditions precedent to commencing activities have been met, documents our understanding of the obligations throughout the term of the authorization and certifies that the permitted activities can in fact commence.

After the Authorization to Affect was issued, MIBAM notified us that certain coordinates, related to a small section of a new access road designed to by-pass the community of Las Claritas contained in the Authorization to Affect, conflicted with several land parcels recently assigned to small miners by MIBAM. The Company along with SNC-Lavalin re-engineered the section of the road and submitted new coordinates to MIBAM that by-pass the land parcels. MIBAM subsequently approved the revised road and the Company duly notified MINAMB according to the procedure set forth in the Authorization to Affect.

We believe that we have met all conditions precedent to commencing the construction of infrastructure and services phase. Although certain work has been completed, the major activities outlined in the Authorization to Affect have been delayed until formal receipt of the Initiation Act. The timing of the issuance of the Initiation Act cannot be determined at this time.

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#### UPDATED NI 43-101 REPORT FOR THE BRISAS PROJECT

Management completed the original Brisas Project Feasibility Study in 2005. Since then we have continued to update the inputs and assumptions with the assistance of Pincock, Allen & Holt ( PAH ) and SNC Lavalin, including the mineral resource and reserve, initial capital cost and operating cost estimates contained therein. Most recently in March 2008, the Company with the

requirements estimated at \$269 million. Initial capital cost estimates exclude value added taxes of approximately \$54 million. Tax exonerations or tax payment holidays are available for various taxes including value added tax and import duty tax on the initial capital costs. Management plans to submit the required applications for all available exonerations and expects to obtain such exonerations prior to the construction of the project. As a result, the cost of such taxes and import duties are not included in the initial costs of the project. There

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assistance of Pincock, Allen & Holt ( PAH ) updated and prepared a new Canadian Securities Act ( CSA ) National Instrument 43-101 report for the Brisas Project, which is summarized below. The Company and SNC-Lavalin, the project s EPCM contractor, updated the capital costs contained in the NI 43-101 Report.

The March 2008 NI 43-101 Report utilizes \$600 per ounce gold and \$2.25 per pound copper for the base-case economic model and at such prices, cash operating costs (net of copper byproduct credits) are estimated at \$120 per ounce of gold. Total costs including cash operating costs, exploitation taxes, initial capital costs (excluding sunk cost), and sustaining capital costs are estimated at \$268 per ounce of gold.

The current operating plan assumes a large open pit mine containing proven and probable reserves of approximately 10.2 million ounces of gold and 1.4 billion pounds of copper in 483 million tonnes of ore grading 0.66 grams of gold per tonne and 0.13% copper, at a revenue cutoff grade of \$3.54 per tonne using a gold price of \$470 per ounce and a copper price of \$1.35 per pound. The operating plan anticipates utilizing conventional truck and shovel mining methods with the processing of ore at full production of 75,000 tonnes per day, yielding an average annual production of 457,000 ounces of gold and 63 million pounds of copper over an estimated mine life of approximately 18.25 years. The strip ratio is estimated at 2.24:1

The estimated initial capital cost to construct and place Brisas into production totaling \$731 million excluding working capital, critical spares and initial fills of approximately \$53 million and ongoing life-of-mine

can be no assurances that such exonerations will be obtained, the result of which would be to increase initial capital and operating costs.

### Initial Capital Cost summary

Mine	\$ 59.0
Mill	314.7
Infrastructure	67.8
Tailings	38.3
Owner s Costs	63.4
Pre-Stripping	16.7
Indirect Costs (includes EPCM and Camp)	127.6
Contingency	43.8
<hr/>	
Total Initial Capital	\$ 731.3

We have placed orders related to initial capital costs totaling approximately \$121 million, of which we have paid approximately \$29.1 million (see Contractual Obligations). In addition, we have paid an additional amount of approximately \$25 million for costs which are included in the estimate of initial capital costs. The net amount of initial capital costs remaining to be committed and paid is approximately \$585 million.

The magnitude of the capital costs increase was reasonably moderate relative to the mining industry as a whole which continues to experience significant increases in capital and operating costs. Considering the project scope changes, the increased costs for Brisas are not as dramatic as some other projects primarily as a result of the fact that detailed engineering is approximately 75% complete, the majority of the project s

infrastructure is in place and Venezuelan energy prices remain the lowest in the world. In addition, orders for long-lead items such as the gyratory crusher, pebble crushers, semi autogenous grinding (SAG) and ball mills, mill motors, and initial construction equipment have been placed.

The primary variances between the current estimate of initial capital cost of \$731 million compared to the previous estimate of \$638 million are as follows:

### ENGINEERING AND PROCUREMENT

SNC-Lavalin of Toronto and its international affiliate are providing the Engineering and Procurement (EP) and Construction Management (CM) services for Brisas. SNC Lavalin's scope of work under the EP and CM contracts includes providing engineering services related to, and management of, the construction of a 75,000 metric tonne per day hard rock ore copper concentrator and related systems, a tailings dam, the

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Mill costs increased \$73.2 million primarily due to increasing the size of the SAG mills, an increase in steel quantity and prices and an escalation in equipment prices. The largest components of the mill cost variances were: flotation and grinding increased \$49.2 million which includes \$23 million for larger SAG mills (36' to 38') and an additional \$10 million related to SAG mill motors. Costs related to cyanide destruction reagent facilities and compressed air and water utilities increased a total of approximately \$13 million.

6 Mine costs decreased \$17.6 million mostly due to lengthening the pre-production period from 9 months to 17 months which coincides with the construction period. This significantly reduces the amount of equipment required for pre-stripping which was partially offset by escalation in equipment prices. Tailings management facility cost increased \$14.5 million mostly due to additional earthworks caused by increased hauls for suitable construction material and owner's cost increased \$7.8 million primarily due to an increase in site earthworks costs and additional environmental/social program costs.

EPCM cost increased \$18.4 million due to additional work, management support for extended work period, procurement efforts and increases in currency exchange rates and contingency costs decreased \$15.6 million primarily due to placing orders on long lead items, advanced-stage project engineering, increased estimation accuracy and receipt of vendor and contractor bids for most project equipment and services.

initial pit dewatering wells and support facilities including mobile equipment shop, administration building, communications and IT services, laboratory, maintenance facilities, warehouse and employee and construction man camp.

Pursuant to the EP and CM contracts, SNC Lavalin is to also provide all services and supplies necessary for commissioning and start-up of the project, manage the health, safety and environmental plans and assure its services and those of the trade contractors, comply with commitments contained in the ESIA and local permit requirements. The cost of SNC Lavalin's EP and CM services is expected to be approximately \$60 million over the construction period.

Detailed engineering for Brisas was substantially advanced during 2007 by SNC Lavalin and was approximately 75% complete at the date of this report. We expect the majority of the detailed engineering to be complete by mid 2008. Detailed engineering includes construction drawings, site layout, manpower requirements, construction planning, and many other functions required in a project of this magnitude. This is the final step in the engineering process for mine development work and is a major requirement for the construction process.

In mid 2007, we placed orders for the gyratory crusher, two SAG mills, four ball mills, two vertical mills, and the gear drives and motors for the mills. The suppliers are coordinating the fabrication and delivery of these critical pieces of equipment according to project schedule. We have also begun the process of a phased order for mining and construction equipment from Caterpillar.

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### PROJECT FINANCE

Significant work has been completed by the Company and its advisors in the evaluation and design of the project financing. The Company engaged Corporacion Andina de Fomento (CAF), Export Development Canada (EDC), UniCredit Group (HVB) and WestLB AG (WestLB) of Germany as Mandated Lead Arrangers (MLAs) to arrange up to US\$425 million of project debt for Brisas.

### RESULTS OF OPERATIONS

The Company is engaged in the business of exploration and development of mining projects, presently focusing our management and financial resources on the Brisas gold and copper project ( Brisas Project ), located in Bolivar State, Venezuela. We have no commercial production at this time. We have not recorded revenue or cash flows from mining operations and have experienced losses from operations for each of the last five years, a trend we expect to continue until

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As part of the evaluation and design of the project financing an independent engineering company has reviewed our project, provided critical observations, and assisted with our objective of meeting industry best practices and the Equator Principles. In certain circumstances compliance with the Equator Principles has increased the operating and capital costs from initial estimates; however, in the long run, Brisas demonstrates best practices in all areas of mine development needed to qualify the project for conventional project financing.

In 2007 we completed two concurrent financings providing net proceeds of approximately \$173 million. The lead underwriters were J. P. Morgan Securities, Inc., RBC Capital Markets and Cormark Securities, Inc. We also continue to work on the project debt financing with MLAs to complete all the conditions precedent for commitment.

Any future funding is, among other things, contingent on the on-going receipt of permits or authorizations for Brisas, subject to satisfactory due diligence findings, market conditions, final credit committee approval and other conditions precedent.

Brisas is fully constructed and put into commercial production. The Company's results of operations are a product of operating expenses, primarily related to the development of Brisas, net of income on invested cash.

The Company has historically re-measured its Bolivar denominated transactions at the official exchange rate of Bs. 2,150/\$. In the fourth quarter of 2007, based on new guidance from the AICPA's International Practices Task Force, the Company concluded that the parallel market rate was the most appropriate rate to use to re-measure Bolivar transactions. Accordingly, the Company used the average rate in the parallel market to re-measure Bolivar transactions during 2007 and at December 31, 2007 used the parallel rate to translate Bolivar denominated monetary items.

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### **2007 Compared to 2006.**

The consolidated net loss for the year ended December 31, 2007 was approximately \$12,411,000 or \$0.25 per share, an increase of approximately \$5,435,000 from the prior year. Other income for 2007 amounted to \$6,499,000, which is a decrease of approximately \$1,753,000 from the previous year. Other income

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decreased primarily as a result of a non-recurring gain on marketable securities during the year ended December 31, 2006, partially offset by higher interest income as a result of increased cash balances.

Operating expenses for the year amounted to approximately \$18,452,000, which is an increase from the prior year of approximately \$3,745,000. The overall increase in operating expenses is primarily attributable to an increase in general and administrative costs of approximately \$5,500,000, partially offset by a net change in foreign currency gain of approximately \$2,068,000 over the prior year.

The increase in general and administrative cost primarily relates to: approximately \$3,300,000 non-cash charge related to stock option compensation; approximately \$1,000,000 increase in banking costs related to the project debt financing and equipment procurement; with the remaining being attributable to salary adjustments, addition of technical staff,

### **2006 Compared to 2005.**

The consolidated net loss for the year ended December 31, 2006 was approximately \$6,977,000 or \$0.18 per share, a decrease of approximately \$2,051,000 from the prior year. Other income for 2006 amounted to approximately \$8,252,000 which is an increase of approximately \$6,849,000 from the previous year. Other income increased primarily as a result of a non-recurring gain on sales of marketable securities.

Operating expenses for the year amounted to \$14,707,000, which is an increase from the prior year of approximately \$4,278,000. The increase in operating expenses is attributable to the addition of technical staff, engagement of consultants and overall increases in costs related to corporate management activities, investor relations and financing efforts associated with the development and construction of Brisas as well as foreign currency loss attributable to the decrease in the value of the Canadian dollar compared to the US dollar. The

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engagement of consultants and overall increases in costs related to corporate management activities associated with the development and construction of Brisas.

non-cash impact of accounting for stock-based compensation also contributed to the increase.

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### SUMMARY OF QUARTERLY RESULTS

Quarter ended	12/31/07	9/30/07	6/30/07	3/31/07	12/31/06	9/30/06	6/30/06	3/31/06
Other Income	\$ (217,816)	\$ 4,149,659	\$ 1,894,117	\$ 673,124	\$ 1,417,955	\$ 1,119,412	\$ 888,611	\$ 4,826,080
Net (loss) income before tax	(8,596,566)	767,375	(1,252,054)	(2,871,675)	(4,873,662)	(2,317,115)	(1,610,458)	2,346,293
Per share	(0.16)	0.01	(0.03)	(0.07)	(0.13)	(0.06)	(0.04)	0.07
Fully diluted	(0.16)	0.01	(0.03)	(0.07)	(0.13)	(0.06)	(0.04)	0.07
Net income (loss) before tax	(8,842,316)	560,392	(1,254,600)	(2,874,969)	(5,057,977)	(2,501,572)	(1,716,975)	2,299,779
Per share	(0.16)	0.01	(0.03)	(0.07)	(0.13)	(0.06)	(0.05)	0.06
Fully diluted	(0.16)	0.01	(0.03)	(0.07)	(0.13)	(0.06)	(0.05)	0.06

Through the third quarter of 2007, the Company re-measured its Bolivar denominated transactions at the official exchange rate of Bs. 2,150/\$. In the fourth quarter of 2007, based on new guidance from the AICPA's International Practices Task Force, the Company concluded that the parallel market rate was the most appropriate rate to use to re-measure Bolivar transactions. Accordingly, the Company used the average rate in the parallel market to re-measure all 2007 Bolivar transactions and at December 31, 2007 used the parallel

rate to translate Bolivar denominated monetary items which had the effect in the fourth quarter 2007 of reducing the gain previously reported as Other Income on the conversion of dollars to Bolivars. The net loss in the fourth quarter 2007 is primarily a product of the currency translation noted above as well as a non-cash charge related to stock option compensation and salary adjustments. Historically, the net losses during the last eight quarters are a result of the Company's efforts to complete the development of Brisas.

### LIQUIDITY AND CAPITAL RESOURCES

#### Investing Activities

Since acquiring Brisas in 1992, over \$290 million has been committed for Brisas - approximately \$200 million has been expended (including capitalized costs and costs expensed in the period incurred) and approximately \$90 million has been contractually committed for equipment purchases (see Contractual Obligations). The costs expended include: costs of acquiring property and mineral rights, other acquisition costs, equipment expenditures, litigation settlement costs, general and administrative costs and extensive exploration costs including geology, geophysics and geochemistry, drilling costs for approximately 975 drill holes totaling over 200,000 meters of drilling, independent audits of drilling, sampling, assaying procedures and ore reserves

We have placed orders related to initial capital costs totaling approximately \$121 million, of which we have paid approximately \$29.1 million (see Contractual Obligations). In addition, we have paid an additional amount of approximately \$25 million for costs which are included in the estimate of initial capital costs. The net amount of initial capital costs remaining to be committed and paid is approximately \$585 million.

As noted elsewhere, we believe that we have met all conditions precedent to commencing the construction of infrastructure and services phase and are ready to execute our plan to initiate our site works pursuant to the Authorization for the Affectation of Natural Resources for the Construction of Infrastructure and Services Phase of Brisas (the Authorization to Affect )

We expect to proceed with construction activities



methodology, environmental baseline work/ socioeconomic studies, hydrology studies, geotechnical studies, mine planning, advanced stage grinding and metallurgical test work, tailings dam designs, milling process flow sheet designs and a feasibility study, including a number of subsequent updates, independent NI 43-101 reports and an ESIA. Since acquiring the Choco 5 property in 2000, the Company has invested approximately \$1.4 million on acquisition and exploration costs.

Based on the recently updated NI 43-101 Report, overall capital expenditures required to put Brisas into production are estimated to be approximately \$731 million excluding working capital, critical spares and initial fills of approximately \$53 million, ongoing life-of-mine requirements estimated at \$269 million and

value added taxes of approximately \$54 million. As a result of the certain project scope changes, primarily related to increasing the SAG mill diameter from 36' to 38' and inflationary increases in the cost of various mine equipment, milling facility components and raw materials, initial capital cost increased approximately \$93 million over the previous estimate of \$638 million.

upon issuance of the Initiation Act and adequate funding. These activities are expected to include mobilization of EPCM contractor, pit and site dewatering, construction of man-camp and office complex, clearing and earthworks for mill site, tailings management facility, dam wall and tailings pipeline corridor, construction of sedimentation ponds, power-line corridor, conveyor belt and service road corridor, rock quarry, sanitary fill and all other related mine site preparation works.

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The timeline for the activities covered by the Authorization to Affect is estimated to be 14-16 months and we estimate that we will expend approximately \$100 million over that time period. Overall we anticipate a minimum of 36 months to construct Brisas and, assuming we receive the required permits and authorizations, we expect commissioning and achievement of commercial production shortly thereafter.

In the meantime we continue to focus our efforts on obtaining the on-going permits and authorizations related to Brisas, supporting SNC-Lavalin's efforts to finalize detailed engineering as well as other third party consultants with various technical studies focused on

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optimizing the design and economics of the project. In addition, final details related to port facilities, concentrate sales contracts, electricity and fuel supply contracts, land use permits and a number of other agreements related to the construction and operation of Brisas are proceeding.

Over 2,000 personnel will be needed for the construction of the project and operating employment will peak at over 900 personnel. Value added taxes and import duties which could total as much as \$54 million are excluded from the initial capital estimates. Tax exonerations or tax payment holidays are currently available for various taxes including value added taxes ( VAT ) and import duty tax on the initial capital costs. Management is in the process of preparing the applications for all available exonerations and expects to obtain available exonerations prior to the construction of the project. As a result, the cost of such taxes and import duties are not included in the initial costs of the project. However, there can be no assurances that such exonerations will be obtained the result of which would

and review of a data room to support the due diligence process of the banks, and the independent due diligence by lenders' representatives, environmental requirements to international standards and the preparation of the International Environmental Impact Statement. Financial models and information memoranda have also been prepared which form the basis of the financial assessment of the project.

Project financing continues to be a primary focus of management. Significant work has been completed by the Company, its advisors and the Mandated Lead Arrangers in the evaluation and design of the project financing. Any future funding is, among other things, contingent on the on-going receipt of permits or authorizations for Brisas, subject to satisfactory due diligence findings, market conditions, final credit committee approval and other conditions precedent. The Company also engaged certain investment banks for the equity portion of the project finance requirements and related services which would be contingent upon the project debt being arranged.

likely be to increase capital and operating costs.

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Investing activities in 2007 primarily consisted of expenditures related to the continued development of Brisas, which totaled approximately \$45 million and the collateralization of approximately \$52 million of cash (restricted cash) related to the purchase of certain long-lead items for the construction of Brisas. Investing activities in 2006 primarily consisted of expenditures related to the continued development of Brisas, which totaled approximately \$15 million and the purchase and sale of marketable securities, which on a net basis, resulted in net sale proceeds of approximately \$7 million.

### Financing Activities

Project finance activities have included technical and legal due diligence, site visits, and input into areas such as the sale, marketing and smelting of the planned gold and gold-copper concentrate, structure of the EPCM arrangements with SNC Lavalin, preparation

In May 2007 we completed the sale of \$103,500,000 aggregate principal amount of 5.50% Senior Subordinated Convertible Notes due 2022 and 13,762,300 Class A common shares at \$5.80 per share (Cdn\$6.42 per share) for net proceeds to the Company of approximately \$173,000,000 after deducting underwriting fees and offering expenses.

The notes are unsecured, bear interest at a rate of 5.5% annually, pay interest semi-annually in arrears and are due on June 15, 2022. The notes are convertible into Class A common shares of the Company at the initial conversion rate, subject to adjustment, of 132.626 shares per \$1,000 principal amount (equivalent to a conversion price of \$7.54). Upon conversion, the Company will have the option, unless there has occurred and is then continuing an event of default under the Company's indenture to deliver common shares, cash or a combination of common shares and cash for the notes surrendered.

At any time on or after June 16, 2010, and until June 15, 2012 the Company may redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest if the closing sale price of the Common Shares is equal to or greater than 150% of the conversion price then in effect and the closing price for the Company's Common Shares has remained above that price for at least twenty (20) trading days in the period of thirty (30) trading days preceding the Company's notice of redemption. Beginning on June 16, 2012 the Company may, at its option, redeem all or part of the notes for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest.

The note holders have the option to require the Company to repurchase the notes on June 15, 2012 at a price equal to 100% of the principal amount of the notes plus accrued but unpaid interest. The Company may elect to satisfy its obligation to pay the repurchase price, in whole or in part, by delivering Common Shares.

In the event of a change of control of the Company, the Company will be required to offer to repurchase the

company capitalized \$4.2 million in interest expense. At December 31, 2007, the fair value of the debt component of the convertible notes was estimated to be \$78.7 million based on the net present value of the remaining future payments of interest and principal, discounted at the prevailing market interest rate.

As of March 28, 2008, the Company held approximately \$133 million in cash and investments. Significant additional funding will be required to construct Brisas. In the near-term, management believes that cash and investment balances are sufficient to enable the Company to fund its pre-construction activities into 2009 (excluding substantial Brisas Project construction activities).

The timing and extent of additional funding, or project financing, if any, depends on a number of important factors, including, but not limited to, the issuance of the Initiation Act and related authorizations, the actual timetable of our 2008-2009 work plan, our assessment of the financial markets, the political and economic conditions in Venezuela, our share price and the price of gold and copper.

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notes at a purchase price equal to 100% of the principal amount of the notes plus accrued but unpaid interest unless there has occurred and is continuing certain events of default under the Company's indenture. The Company may elect to satisfy its obligation to repurchase the notes in whole or in part by delivering Common Shares.

Accounting standards require the Company to allocate the notes between their equity and debt component parts based on their respective fair values at the time of issuance. The equity portion of the notes was estimated using the residual value method at approximately \$29 million net of issuance costs. The fair value of the debt component is accreted to the face value of the notes using the effective interest method over the expected term of the notes, with the resulting charge recorded as interest expense. Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. During 2007, the

Management provides no assurances that it will be able to obtain the substantial additional financing that will be needed to construct Brisas, and the Company currently has no definitive proposals or firm commitments to proceed with such financing. Failure to raise the required funds will mean the Company is unable to construct and operate Brisas, which would have a material adverse effect on the Company.

### Operating Activities

Cash flow used by operating activities for 2007 was approximately \$5.7 million, which was a decrease over 2006 of approximately \$5.6 million. The decrease in cash used by operating activities from 2006 was primarily due to an increase in interest income as result of increased levels of invested cash and an increase in foreign currency gain, both of which partially off-set cash expenditures for the period.

### CONTRACTUAL OBLIGATIONS

The following table sets forth information on the Company's material contractual obligation payments for the periods indicated as of December 31, 2007:

Contractual Obligations	Total	Payments due by Period			More Than 5 Years
		Less than 1 Year	1-3 Years	4-5 Years	
Convertible notes <sup>1</sup>	\$186,041,250	\$ 5,692,500	\$11,385,000	\$11,385,000	\$157,578,750
Equipment contracts <sup>2</sup>	92,249,714	53,547,646	38,702,068		
Mandated Lender Group <sup>3</sup>	320,000	320,000			
Operating Lease <sup>4</sup>	146,808	125,741	21,067		
<b>Total</b>	<b>\$278,757,772</b>	<b>\$59,685,887</b>	<b>\$50,108,135</b>	<b>\$11,385,000</b>	<b>\$157,578,750</b>

<sup>1</sup> In May 2007, the Company issued \$103,500,000 aggregate principal amount of its 5.50% Senior subordinated convertible notes.

<sup>3</sup> The Company has a services agreement with a group of Mandated Lenders to provide various banking services related to obtaining

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The notes pay interest semi-annually and are due on June 15, 2022. Subject to certain conditions, the notes may be converted into Class A common shares of the Company, redeemed or repurchased. The amounts shown above include the interest and principal payments due unless the notes are converted, redeemed or repurchased prior to their due date.

project financing for Brisas. The agreement provides for quarterly payments to each of the four banks in the Mandated Lenders group until the financing is secured. The amount shown above represents the amount payable under the contract if financing is not secured during 2008 and the contract is not cancelled by the Company. The agreement is cancelable at anytime with no further obligation of the Company.

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2 The Company has placed orders totaling \$121 million for the fabrication of processing equipment, Caterpillar equipment and other mining equipment and related engineering. As of December 31, 2007 the Company has made payments on these contracts of \$29.1 million.

4 The Company leases office space under a non-cancelable operating lease which expires March 1, 2009.

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### MANAGEMENT'S REPORT

#### To the Shareholders of Gold Reserve Inc.

The accompanying consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied and within the framework of the summary of significant accounting policies in these consolidated financial statements. Management is responsible for all information in the annual report. All financial and operating data in the annual report is consistent, where appropriate, with that contained in the consolidated financial statements.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Management has established and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, financial information is reliable and accurate and transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of

The Board of Directors fulfills its responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is composed of three directors, none of whom are members of management. This Committee monitors the independence and performance of our independent auditors and meets with the auditors to discuss the results of their audit and their audit report prior to submitting the consolidated financial statements to the Board of Directors for approval. This Committee reviews and discusses with management the consolidated financial statements, related accounting principles and practices and (when required of management under securities commissions or the applicable listing standards) management's assessment of internal control over financial reporting. This Committee also monitors the integrity of our financial reporting process and systems of internal controls regarding finance, accounting and legal compliance.

The consolidated financial statements have been audited on behalf of the shareholders by the Company's independent auditors, PricewaterhouseCoopers LLP. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements. The auditors have full and free

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authority and segregation of responsibilities.

access to the Audit Committee.

s/ Rockne J. Timm  
*Chief Executive Officer*  
March 28, 2008

s/ Robert A. McGuinness  
*Vice President Finance and CFO*  
March 28, 2008

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INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Gold Reserve Inc.**

We have completed an integrated audit of Gold Reserve Inc.'s 2007 consolidated financial statements and of its internal control over financial reporting as at December 31, 2007 and audits of its 2006 and 2005 consolidated financial statements. Our opinions, based on our audits, are presented below.

**Consolidated financial statements**

We have audited the accompanying consolidated balance sheets of Gold Reserve Inc as at December 31, 2007 and December 31, 2006, and the related consolidated statements of operations comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit of the Company's financial statements as at December 31, 2007 and for the year then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audits of the Company's financial statements as at December 31, 2006 and for

**Internal control over financial reporting**

We have also audited Gold Reserve Inc.'s internal control over financial reporting as at December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting on page 4 of the Annual Report on Form 40F. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing

each of the years in the two year period then ended in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding

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prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2007 based on criteria established in Internal Control - Integrated Framework issued by the COSO.

**Comments by Auditors for U.S. Readers  
on Canada-U.S. Reporting Difference**

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the changes described in note 2 to the financial statements. Our report to the shareholders dated March 27, 2008 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

s/PricewaterhouseCoopers LLP  
**Chartered Accountants**  
Vancouver, British Columbia, Canada  
March 27, 2008

s/PricewaterhouseCoopers LLP  
**Chartered Accountants**  
Vancouver, British Columbia, Canada  
March 27, 2008

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GOLD RESERVE INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006 (Expressed in U.S. Dollars)

	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 94,680,576	\$ 25,374,688
Marketable securities (Note 5)	4,987,511	3,309,622
Deposits, advances and other	652,572	515,396
<b>Total current assets</b>	<b>100,320,659</b>	<b>29,199,706</b>
Property, plant and equipment, net (Note 6)	128,624,670	73,643,895
Restricted cash (Note 12)	52,080,603	
Prepaid and other	872,971	1,772,120
<b>Total assets</b>	<b>\$ 281,898,903</b>	<b>\$ 104,615,721</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 7,719,316	\$ 1,914,633
Accrued interest	237,188	
<b>Total current liabilities</b>	<b>7,956,504</b>	<b>1,914,633</b>
Convertible notes (Note 15)	70,306,054	
Minority interest in consolidated subsidiaries	2,315,536	1,729,076
<b>Total liabilities</b>	<b>\$ 80,578,094</b>	<b>\$ 3,643,709</b>

16 Measurement Uncertainty (Note 1)  
Commitments (Note 12)

**SHAREHOLDERS EQUITY**

Serial preferred stock, without par value

Authorized: Unlimited

Issued: None

Common shares and Equity Units: (Note 14) \$ 244,295,503 \$ 167,463,742

Class A common shares, without par value

Authorized: Unlimited

Issued: 2007 55,060,934 2006 40,581,192

Outstanding: 2007 54,810,934 2006 40,331,192

Equity Units

Issued: 2007 1,085,099 2006 1,085,099

Outstanding: 2007 585,824 2006 585,824

Equity component of convertible notes (Note 15) 28,784,710

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Less, common shares and equity units held by affiliates	(636,267)	(636,267)
Stock options	7,662,237	3,105,169
Accumulated deficit	(81,371,254)	(68,959,761)
Accumulated other comprehensive income	2,696,571	
KSOP debt (Note 7)	(110,691)	(871)
<hr/>	<hr/>	<hr/>
Total shareholders' equity	201,320,809	100,972,012
<hr/>	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 281,898,903	\$ 104,615,721
<hr/>	<hr/>	<hr/>

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

Approved by the Board of Directors:

s/ Chris D. Mikkelsen

s/ Patrick D. McChesney

GOLD RESERVE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2007, 2006 and 2005 (Expressed in U.S. Dollars)

	2007	2006	2005
<b>Other Income:</b>			
Interest income	\$ 5,164,480	\$ 1,088,403	\$ 859,945
Gain on sale of marketable securities	1,334,604	7,163,655	542,923
	<hr/>	<hr/>	<hr/>
	6,499,084	8,252,058	1,402,868
<b>Expenses:</b>			
General and administrative	12,143,569	6,646,798	5,054,420
Technical services	5,093,963	5,015,222	3,876,928
Corporate communications	904,157	699,922	662,350
Legal and accounting	774,140	756,752	749,208
Foreign currency (gain) loss	(926,299)	1,141,932	78,070
Minority interest in net income of consolidated subsidiaries	462,474	446,374	7,703
	<hr/>	<hr/>	<hr/>
	18,452,004	14,707,000	10,428,679
	<hr/>	<hr/>	<hr/>
Net loss before tax	(11,952,920)	(6,454,942)	(9,025,811)
Income tax expense (Note 10)	458,573	521,803	1,471
	<hr/>	<hr/>	<hr/>
Net loss for the year	\$ (12,411,493)	\$ (6,976,745)	\$ (9,027,282)



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Net loss per share basic and diluted	\$ (0.25)	\$ (0.18)	\$ (0.26)
Weighted average common shares outstanding	49,703,688	38,123,819	35,048,800

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

GOLD RESERVE INC.  
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS  
For the Year Ended December 31, 2007 (Expressed in U.S. Dollars)

Net loss for the year				\$ (12,411,493)
Other comprehensive income, net of tax:				
Holding gain arising during period				2,005,468
Adjustment for realized gains included in net loss				(1,334,604)
Other comprehensive income				670,864
Comprehensive loss for the year				\$ (11,740,629)

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

GOLD RESERVE INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY  
For the Years Ended December 31, 2007, 2006 and 2005 (Expressed in U.S. Dollars)

	Common Shares and Equity Units Issued		Equity Component of Convertible Notes	Common Shares and Equity Units Held by Affiliates	Stock Options	Accumulated Deficit	Other
	Units	Amount					

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Balance, December 31, 2004	33,715,795	1,157,397	\$ 136,907,516		\$ (674,598)	\$ 1,004,197	\$ (52,955,734)
Equity units exchanged for common shares	47,377	(47,377)					
Net loss							(9,027,282)
Stock option compensation						863,340	
Common shares issued for:							
Cash	1,106,765		2,612,344				
Services	251,350		733,232				
KSOP	75,000		258,971				
Allocation to KSOP participants							
<hr/>							
Balance, December 31, 2005	35,196,287	1,110,020	140,512,063		(674,598)	1,867,537	(61,983,016)
Equity units exchanged for common shares	24,921	(24,921)					
Net loss							(6,976,745)
18 Stock option Compensation						1,390,776	
Fair value of options exercised			153,144			(153,144)	
Common shares issued for:							
Cash	5,096,109		25,702,673				
Services	163,875		747,075				
KSOP	100,000		189,063				
Allocation to KSOP participants							
Decrease in Shares held by affiliates			159,724			38,331	
<hr/>							
Balance, December 31, 2006	40,581,192	1,085,099	167,463,742		(636,267)	3,105,169	(68,959,761)
Opening balance on adoption of new accounting standard							
Net loss							(12,411,493)
Other comprehensive income							
Stock option Compensation						4,724,120	
Equity component of convertible notes				28,784,710			
Fair value of options exercised			167,052			(167,052)	
Common shares issued for:							
Cash	13,985,742		74,349,097				
Services	394,000		1,818,012				
KSOP	100,000		497,600				
Allocation to KSOP participants							
<hr/>							
Balance, December 31, 2007	55,060,934	1,085,099	\$ 244,295,503	\$ 28,784,710	\$ (636,267)	\$ 7,662,237	\$ (81,371,254)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007, 2006 and 2005 (Expressed in U.S. Dollars)

	2007	2006	2005
<b>Cash Flow from Operating Activities:</b>			
Net loss for the year	\$ (12,411,493)	\$ (6,976,745)	\$ (9,027,282)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock option compensation	4,724,120	1,390,776	863,340
Depreciation	179,111	147,798	93,157
Amortization of discount on debt investments		(419)	(2,251)
Foreign currency loss	1,131,269		78,070
Minority interest in net income of consolidated subsidiaries	462,474	446,374	7,703
Net gain on disposition of marketable securities	(1,334,604)	(7,163,655)	(542,923)
Shares issued for compensation and KSOP	2,205,792	1,019,487	1,013,306
Changes in non-cash working capital:			
(Increase) decrease in deposits, advances and accrued interest	(137,176)	(73,266)	(92,558)
Increase (decrease) in accounts payable and accrued expenses	(494,798)	29,880	(120,070)
<b>Net cash used by operating activities</b>	<b>(5,675,305)</b>	<b>(11,179,770)</b>	<b>(7,729,508)</b>
<b>Cash Flow from Investing Activities:</b>			
Purchase of marketable securities	(4,163,941)	(6,539,362)	(3,903,158)
Purchase of property, plant and equipment	(44,689,332)	(15,078,403)	(5,574,241)
Proceeds from the sale and maturity of marketable securities	6,517,227	13,379,048	6,991,874
Increase in restricted cash	(52,080,603)		
Capitalized interest paid on convertible notes	(3,273,187)		
Other	(108,134)	(279,750)	(205,764)
<b>Net cash used by investing activities</b>	<b>(97,797,970)</b>	<b>(8,518,467)</b>	<b>(2,691,289)</b>
<b>Cash Flow from Financing Activities:</b>			
Net proceeds from issuance of convertible notes	98,430,066		
Net proceeds from issuance of common shares	74,349,097	25,702,673	2,612,344
<b>Net cash provided by financing activities</b>	<b>172,779,163</b>	<b>25,702,673</b>	<b>2,612,344</b>
<b>Change in Cash and Cash Equivalents:</b>			
Net increase (decrease) in cash and cash equivalents	69,305,888	6,004,436	(7,808,453)
Cash and cash equivalents - beginning of year	25,374,688	19,370,252	27,178,705
<b>Cash and cash equivalents - end of year</b>	<b>\$ 94,680,576</b>	<b>\$ 25,374,688</b>	<b>\$ 19,370,252</b>

Supplemental Cash Flow Information

**Non-cash investing and financing activities:**

Issuance of common shares as compensation	\$ 1,818,012	\$ 747,075	\$ 733,232
Issuance of common shares to KSOP Plan	\$ 497,600	\$ 189,063	\$ 258,971

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

1. The Company and Significant Accounting Policies:

**The Company.** Gold Reserve Inc. (the Company) is a mining company incorporated in 1998 under the laws of the Yukon Territory, Canada, and is the successor issuer to Gold Reserve Corporation, which was incorporated in 1956. The Company's primary mineral asset, the Brisas Project, is a gold/copper deposit located in the Km 88 mining district of the State of Bolivar in southeastern Venezuela. The Company has no revenue producing mining operations at this time. All amounts shown herein are expressed in U.S. Dollars unless otherwise noted.

In February 1999, the shareholders of Gold Reserve Corporation approved a plan of reorganization whereby Gold Reserve Corporation became a subsidiary of Gold Reserve Inc., the successor issuer (the Reorganization). Generally, each shareholder of Gold Reserve Corporation received one Gold Reserve Inc. Class A common share for each common share owned of Gold Reserve Corporation. After the Reorganization, a shareholder of Gold Reserve Inc. continued to own an interest in the business, through subsidiary companies, that in aggregate was essentially the same as before the Reorganization.

Certain U.S. holders of Gold Reserve Corporation elected, for tax reasons, to receive equity units in lieu of Gold Reserve Inc. Class A common shares. An equity unit is comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share. The equity units are substantially equivalent to a Class A common share and are immediately convertible into Gold Reserve Inc. Class A common shares upon compliance with certain procedures.

These consolidated financial statements include the accounts of the Company, Gold Reserve Corporation, two domestic subsidiaries, Great Basin Energies, Inc. (Great Basin) and MGC Ventures Inc. (MGC Ventures), four Venezuelan subsidiaries, two Barbadian subsidiaries and five Aruban subsidiaries which were formed to hold the Company's interest in its foreign subsidiaries or for future transactions. All subsidiaries are wholly owned with the exception of Great Basin and MGC Ventures which are 45% and 44% owned, respectively. All intercompany accounts and transactions have been eliminated on consolidation. The Company's policy is to consolidate those subsidiaries where control exists. See Note 9.

**Cash and Cash Equivalents.**

The Company considers short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents for purposes of reporting cash equivalents and cash flows. Cash and cash equivalents are designated as available-for-sale and recorded at fair value. At December 31, 2007 and 2006, the Company had approximately \$311,000 and \$718,000, respectively, in Venezuela and banks outside Canada and the United States.

**Exploration and Development Costs.**

Exploration costs incurred in locating areas of potential mineralization are expensed as incurred. Exploration costs of properties or working interests with specific areas of potential mineralization are capitalized at cost pending the determination of a property's economic viability. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and

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Equity units are not listed for trading on any stock exchange, but, subject to compliance with applicable federal, provincial and state securities laws, may be transferred. Unless otherwise noted, general references to common shares of the Company include Class A common shares and Class B common shares as a combined group.

**Presentation of Financial Statements and Consolidation.** The consolidated financial statements contained herein have been prepared in accordance with accounting principles generally accepted in Canada, which as described in Note 17, differ in certain material respects from accounting principles generally accepted in the United States of America.

equipment. The Company capitalizes those costs which are directly attributable to the Brisas project including engineering, procurement and construction management, mine planning, environmental impact studies, drilling, assaying and interest. Costs related to staffing and maintenance of offices and facilities in Venezuela are charged to operations. Property holding costs are charged to operations during the period if no significant exploration or development activities are being conducted on the related properties. Upon commencement of production, capitalized exploration and development costs will be amortized based on the estimated proven and probable reserves benefited. Properties determined to be impaired or that are abandoned are written-down to the estimated fair value. Carrying values do not necessarily reflect present or future values.

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**Property, Plant and Equipment.**

Property, plant and equipment are recorded at the lower of cost less accumulated depreciation. Replacements and major improvements are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any resulting gain or loss is reflected in operations. Depreciation is provided using straight-line and accelerated methods over the lesser of the useful life or lease term of the related asset. Interest and financing costs incurred during the construction and development of qualifying assets are capitalized.

**Impairment Test.** The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future net cash flows to be generated from the use or disposition of a long-lived asset (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to fair value. Fair value is generally determined by discounting estimated cash flows.

**Foreign Currency.** The U.S. Dollar is the Company's functional currency. The Company's foreign subsidiaries are integrated foreign operations and accordingly foreign currency amounts are translated into U.S. Dollars using the temporal method. Non-

Through 2006, the Company re-measured its Bolivar denominated transactions at the official exchange rate of Bs. 2,150/\$. In 2007, based on new guidance from the AICPA's International Practices Task Force, the Company concluded that parallel market rate was the most appropriate rate to use to re-measure Bolivar transactions. Accordingly, in 2007 the Company used the average rate received in the parallel market of Bs. 4,446/\$ to re-measure Bolivar transactions and at December 31, 2007, used the parallel rate to translate Bolivar denominated monetary items.

**Stock Based Compensation.** The Company uses the fair value method of accounting for stock options. The fair value is computed using the Black-Scholes method as described in note 8 and is expensed over the vesting period of the option. Consideration paid for shares on exercise of share options, in addition to the fair value attributable to stock options granted, is credited to capital stock.

**Income Taxes.** The Company uses the liability method of accounting for income taxes. Future tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those amounts reported in the financial statements. The future tax assets or liabilities are calculated using the substantively enacted tax rates expected to apply in the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are

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monetary assets and liabilities are translated at historical rates, monetary assets and liabilities are translated at current rates and revenue and expense items are translated at average exchange rates during the reporting period, except for depreciation which is translated at historical rates. Translation gains and losses are included in operating expenses.

In 2003, the Venezuelan government implemented foreign exchange controls which fixed the rate of exchange between the Venezuelan Bolivar and the US dollar. Since March of 2005, the rate has been fixed at 2,150 Bolivares (Bs.) to US \$1.00 (\$). In October of 2005, the government enacted the Criminal Exchange Law which imposes sanctions on the exchange of Bolivares with foreign currency unless the exchange is made by officially designated methods. The exchange regulations do not apply to transactions with certain securities denominated in Bolivares which can be swapped for securities denominated in another currency effectively resulting in a parallel market for the Bolivar.

considered more likely than not to be realized.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Measurement Uncertainty.** At December 31, 2007, nearly all of our non-cash assets, including our primary mining asset, the Brisas Project, were located in Venezuela. Our operations in Venezuela are subject to the effects of changes in legal, tax and regulatory regimes, national and local political issues, labor and economic developments, unrest, currency and exchange controls, import/export restrictions, government bureaucracy, corruption and uncertain legal enforcement.

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We have not experienced any significant adverse impact to date on our operations in Venezuela nor have we curtailed our investment activities in the country. However, one or more of the issues described herein or

other factors beyond our control could adversely affect our operations and investment in Venezuela in the future.

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

future and this could affect the carrying value and the ultimate recoverability of the amounts recorded as property and mineral rights, capitalized exploration and

value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the same period as the underlying asset.

**Convertible Notes.** Convertible notes are initially recorded at fair value and subsequently measured at amortized cost. They are allocated between their equity and debt component parts based on their respective fair values at the time of issuance and recorded net of transaction costs. The equity portion of the notes is estimated using the residual value method. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense. Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

### 2. Adoption of New Accounting Policies:

Effective January 1, 2007, the Company adopted

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development costs and other assets. The Company operates and files tax returns in a number of jurisdictions. The preparation of such tax filings requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

**Net Loss Per Share.** Net loss per share is computed by dividing net loss by the combined weighted average number of Class A and B common shares outstanding during each year, which has been reduced by the common shares owned by Great Basin and MGC Ventures. As of December 31, 2007, 2006 and 2005, there were 3,054,857, 1,369,074, and 2,530,682 shares, respectively, available for issuance pursuant to the exercise of previously granted share options. In addition, at December 31, 2007, 2006 and 2005 there were nil, nil, and 2,680,500 shares, respectively, available for issuance upon exercise of common share purchase warrants. In periods in which a loss is incurred, the effect of potential issuances of shares under options, warrants and convertible notes would be anti-dilutive, and therefore basic and diluted losses per share are the same.

**Asset Retirement Obligations.**

The Company accounts for asset retirement obligations based on the guidance in Canadian Institute of Chartered Accountants standard 3110. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair

CICA Section 3855, Financial Instruments Recognition and Measurement. This section establishes standards for determining when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and whether it will be measured using a cost-based or fair value method. As of January 1, 2007, our cash and cash equivalents, restricted cash and investments in marketable securities have been classified as available-for-sale and are recorded at fair value on the balance sheet. Fair values are determined by reference to published price quotations in active markets and changes in these fair values are reflected in other comprehensive income and included in shareholders equity. Our convertible notes are recorded at amortized cost. Transaction costs incurred to issue the notes are deducted from the underlying balance. Other financial instruments have been designated as loans and receivables or other financial liabilities and are measured at amortized cost.

We also adopted CICA section 1530, Comprehensive Income effective January 1, 2007. This section requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign currency gains and losses from self sustaining foreign operations.

As of January 1, 2007, the effect on our balance sheet of adopting these standards is summarized below. As prescribed by these standards, prior periods have not been restated.

U.S. Dollars	December 31, 2006 as Reported	Adjustment on Adoption of New Standards	January 1, 2007 Opening Balance
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 25,374,688		\$ 25,374,688
Marketable securities	3,309,622	\$ 2,334,240 A	5,643,862
Deposits, advances and other	515,396		515,396
<b>Total current assets</b>	<b>29,199,706</b>	<b>2,334,240</b>	<b>31,533,946</b>

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Property, plant and equipment, net	73,643,895		73,643,895
Other	1,772,120		1,772,120
<b>Total assets</b>	<b>\$ 104,615,721</b>	<b>\$ 2,334,240</b>	<b>\$ 106,949,961</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 1,914,633		\$ 1,914,633
Future income tax		\$ 308,533 <b>B</b>	308,533
<b>Total current liabilities</b>	<b>1,914,633</b>	<b>308,533</b>	<b>2,223,166</b>
Minority interest in consolidated subsidiaries	1,729,076		1,729,076
<b>Total liabilities</b>	<b>3,643,709</b>	<b>308,533</b>	<b>3,952,242</b>
<b>SHAREHOLDERS EQUITY</b>			
Serial preferred stock, without par value, none issued			
Common shares and equity units, without par value	167,463,742		167,463,742
Less common shares held by affiliates	(636,267)		(636,267)
Stock options	3,105,169		3,105,169
Accumulated deficit	(68,959,761)		(68,959,761)
Accumulated other comprehensive income		2,025,707 <b>C</b>	2,025,707
KSOP debt	(871)		(871)
<b>Total shareholders equity</b>	<b>100,972,012</b>	<b>2,025,707</b>	<b>102,997,719</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 104,615,721</b>	<b>\$ 2,334,240</b>	<b>\$ 106,949,961</b>

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**A** Investments in marketable securities previously accounted for at cost are designated as available-for-sale and carried at fair value.

**B** The tax effect of the adjustment to marketable securities is recorded as a future tax liability.

**C** The adjustment to marketable securities, net of future tax is recorded as accumulated other comprehensive income.

Our accumulated other comprehensive income consists of unrealized gains on available-for-sale securities, net of tax. Following is a summary of the changes in accumulated other comprehensive income since the adoption of the new accounting standard on January 1, 2007.

**Accumulated Other Comprehensive Income**

Opening balance on adoption of new accounting standard, January 1, 2007	\$ 2,025,707
Other comprehensive income during the period	670,864
<b>Accumulated Other Comprehensive Income at December 31, 2007</b>	<b>\$ 2,696,571</b>



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3. Cash and Cash Equivalents:

	2007	2006
Bank deposits	\$ 89,682,777	\$ 23,838,243
Money market funds	4,997,799	1,536,445
<b>Total</b>	<b>\$ 94,680,576</b>	<b>\$ 25,374,688</b>

4. Financial Instruments:

The carrying amounts for short term deposits, advances, accounts payable and accrued expenses on the balance sheet approximate fair value because of the immediate or short-term maturity of these instruments. Fair value estimates are made at the balance sheet date based on relevant market information but involve uncertainties and therefore cannot be determined with precision. The Company diversifies its cash and investment holdings into Canadian and U.S. treasury and agency obligations, major financial institutions and corporations in order to limit its exposure to risk of principal, liquidity risk and the risk of changes in interest rates. The fair values of investments in marketable securities are determined by reference to published price quotations in an active market and are disclosed in Note 5. The Company is exposed to foreign exchange risk due to its operations in Venezuela and does not actively manage this exposure at this time.

5. Marketable Securities:

	Cost	Quoted Market Value
<b>December 31, 2007</b>		
Available-for sale securities	\$ 2,290,940	\$ 4,987,511
<b>December 31, 2006</b>		
Equity Securities	\$ 3,309,622	\$ 5,643,862

At December 31, 2006, the Company's marketable securities consisted of investments in equity securities which were carried at cost. Effective January 1, 2007, with the adoption of the new accounting standard related to financial instruments (see note 2), the company's marketable securities have been classified as available-for-sale and are recorded at quoted market value with gains and losses recorded within other comprehensive income until realized.

6. Property, Plant and Equipment:

	Cost	Accumulated Depreciation	Net
<b>2007</b>			
<b>United States</b>			
Furniture and office equipment	\$ 468,976	\$ (318,283)	\$ 150,693
Leasehold improvements	35,633	(35,633)	

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	\$ 504,609	\$ (353,916)	\$ 150,693
<b>Venezuela</b>			
Property and mineral rights	\$ 11,252,335		\$ 11,252,335
Capitalized exploration costs	77,225,929		77,225,929
Machinery and equipment deposits	38,853,176		38,853,176
Buildings	751,791	\$ (321,904)	429,887
Furniture and office equipment	592,777	(482,038)	110,739
Transportation equipment	688,829	(415,443)	273,386
Machinery and equipment	646,724	(318,199)	328,525
	130,011,561	(1,537,584)	128,473,977
Total	\$ 130,516,170	\$ (1,891,500)	\$ 128,624,670
<b>2006</b>			
<b>United States</b>			
Furniture and office equipment	\$ 417,432	\$ (291,095)	\$ 126,337
Leasehold improvements	35,633	(35,633)	
	\$ 453,065	\$ (326,728)	\$ 126,337
<b>Venezuela</b>			
Property and mineral rights	\$ 11,252,335		\$ 11,252,335
Capitalized exploration costs	61,875,623		61,875,623
Buildings	381,599	\$ (287,645)	93,954
Furniture and office equipment	560,981	(449,466)	111,515
Transportation equipment	529,046	(348,897)	180,149
Machinery and equipment	318,042	(314,060)	3,982
	74,917,626	(1,400,068)	73,517,558
Total	\$ 75,370,691	\$ (1,726,796)	\$ 73,643,895

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As of December 31, 2007, Machinery and equipment deposits include amounts paid for infrastructure and milling equipment either in the manufacturing stage or being stored by the manufacturer pending delivery to the project site.

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7. KSOP Plan:

The KSOP Plan, adopted in 1990 for the benefit of employees, is comprised of two parts, (1) a salary reduction component, or 401(k), and (2) an employee share ownership component, or ESOP. Unallocated shares are recorded as a reduction to shareholders' equity. Allocation of common shares to participants' accounts is at the discretion of the Company's board of directors, subject to certain limitations. The value of the shares allocated is recorded in the statement of operations with a reduction of the KSOP debt account. The Company allocated contributions to eligible participants for the Plan years 2007, 2006 and 2005 of \$387,780, \$272,412, and \$280,074, respectively. As of December 31, 2007, 22,246 common shares remain unallocated to plan participants.

8. Share Option Plan:

The Company's Equity Incentive Plan (the "Plan") as amended in 2006, allows for the issuance of Class A common share purchase options of up to 10% of the common shares outstanding, in addition to any options issued pursuant to predecessor plans, to officers, directors and key individuals for terms of up to ten years. The vesting period of options ranges from immediately to up to three years. Share option transactions for the last three years are as follows:

	2007		2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	2,662,716	\$ 3.36	3,148,844	\$ 1.36	3,316,374	\$ 1.39
Options exercised	(228,577)	1.56	(1,823,295)	0.77	(573,030)	1.00
Options canceled	(70,000)	2.20	(54,333)	2.72	(115,000)	4.16
Options granted	2,081,000	4.79	1,391,500	4.47	520,500	3.21
Options outstanding at end of year	4,445,139	\$ 4.14	2,662,716	\$ 3.36	3,148,844	\$ 1.36
Options exercisable at end of year	3,054,857	\$ 3.91	1,369,074	\$ 2.52	2,530,682	\$ 1.18
		Price Range		Price Range		Price Range
Exercise price at end of year		\$ 0.72 - \$ 5.45		\$ 0.69 - \$ 5.36		\$ 0.57 - \$ 4.14
Exercise price of exercisable options		\$ 0.72 - \$ 5.45		\$ 0.69 - \$ 4.65		\$ 0.57 - \$ 4.14

The following table relates to stock options at December 31, 2007

Price Range	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price of Exercisable Options
\$0.72 - \$1.89	604,139	2.26	\$1.70	604,139	\$1.70

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\$2.15 - \$4.00	509,000	2.41	\$3.45	438,500	\$3.37
\$4.02 - \$4.19	595,500	3.59	\$4.15	441,125	\$4.16
\$4.22 - \$4.62	476,500	3.75	\$4.46	158,760	\$4.57
\$4.65 - \$4.65	25,000	0.68	\$4.65	16,500	\$4.65
\$4.83 - \$4.83	1,901,000	2.13	\$4.83	1,228,333	\$4.83
\$4.89 - \$5.24	224,000	3.38	\$5.08	117,600	\$5.07
\$5.29 - \$5.29	25,000	3.93	\$5.29	12,500	\$5.29
\$5.36 - \$5.36	65,000	3.93	\$5.36	34,900	\$5.36
\$5.45 - \$5.45	20,000	4.42	\$5.45	2,500	\$5.45
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$0.72 - \$5.45	4,445,139	2.65	\$4.14	3,054,857	\$3.91
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Company recorded additional compensation expense of \$4,724,120, \$1,390,776, and \$863,340 for stock options granted during 2007, 2006 and 2005, respectively. The fair value of the options granted was calculated using the Black-Scholes model. In 2007, the model assumed a weighted average risk free interest rate of 3.09%, expected life of 2.29 years, expected volatility of 81% and a dividend yield of \$nil. In 2006, the model assumed a weighted average risk free interest rate of 4.63%, expected life of three years, expected volatility of 82% and a dividend yield of \$nil. In 2005, the model assumed a risk free interest rate of 3.94%, expected life of three years, expected volatility of 65% and a dividend yield of \$nil.

9. Related Party Transactions:

**MGC Ventures.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of MGC Ventures. The Company owned 12,062,953 common shares of MGC Ventures at December 31, 2007 and 2006, which represented 44% and 46%, respectively of its outstanding shares. The Company believes it has control over MGC Ventures due to the combined shareholdings of the Company and its officers and directors. MGC Ventures owned 258,083 common shares of the Company at December 31, 2007 and 2006. In addition, MGC Ventures owned 280,000 common shares of Great Basin at December 31, 2007 and 2006. During the last three years, the Company sublet a portion of its office space to MGC Ventures for \$6,000 per year.

**Great Basin.** The Chief Executive Officer, President, Vice President-Finance and Vice President-Administration of the Company are also officers and/or directors and shareholders of Great Basin. The Company owned 15,661,595 common shares of Great Basin at December 31, 2007 and 2006, which represented 45% and 46%, respectively of its outstanding shares. The Company believes it has control over Great Basin due to the combined shareholdings of the Company and its officers and directors. Great Basin owned 491,192 common shares of the Company at December 31, 2007 and 2006. Great Basin also owned 170,800 common shares of MGC Ventures at December 31, 2007 and 2006. During the last three years, the Company sublet a portion of its office space to Great Basin for \$6,000 per year.

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10. Income Tax:

No income tax benefit has been recorded for the three years ended December 31, 2007. The Company's Venezuelan subsidiaries are not subject to Venezuelan income tax during the development stage and accordingly have not paid or accrued any income tax during the three years ended December 31, 2007. Two of the Company's U.S. subsidiaries earned net income in 2007, 2006 and 2005 which is included in the Company's consolidated net loss. Income tax expense recorded by these subsidiaries in 2007, 2006 and 2005 amounted to \$458,573, \$521,803 and \$1,471, respectively.

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The Company has recorded a valuation allowance to reflect the estimated amount of the future tax assets which may not be realized, principally due to the uncertainty of utilization of net operating losses and other carry forwards prior to expiration. The valuation allowance for future tax assets may be reduced in the near term if the Company's estimate of future taxable income changes. The components of the Canadian and U.S. future income tax assets and liabilities as of December 31, 2007 and 2006 were as follows:

	Future Tax Asset	
	2007	2006
Accounts payable and accrued expenses	\$ 229,449	\$ 255,731
Investment income		
Property, plant and equipment	8,503,457	8,506,461
<b>Total temporary differences</b>	<b>8,732,906</b>	<b>8,762,192</b>
Net operating loss carry forward	14,822,963	11,022,034
Alternative minimum tax credit	19,871	19,871
<b>Total temporary differences, operating losses and tax credit carry forwards</b>	<b>23,575,740</b>	<b>19,804,097</b>
Valuation allowance	(23,575,740)	(19,804,097)
<b>Net deferred tax asset</b>	<b>\$</b>	<b>\$</b>

10. Income Tax, continued:

At December 31, 2007, the Company had the following U.S. and Canadian tax loss carry forwards and tax credits:

	U.S.	Canadian	Expires
Regular tax net operating loss:	\$ 1,244,312	\$ 388,388	2008
	688,808	511,227	2009
	341,750	1,149,067	2010
	645,622		2011
	1,424,144		2012
		1,747,595	2014
		2,178,171	2015
	1,386,674		2018
	1,621,230		2019
	665,664		2020
	896,833		2021
	1,435,774		2022
	1,806,275		2023
	2,760,522		2024
	3,680,288		2025
	4,622,825	2,644,804	2026

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	6,033,181	5,723,795	2027
	\$ 29,253,902	\$ 14,343,047	
Alternative minimum tax net operating loss:	\$ 1,218,023		2008
	660,271		2009
	304,472		2010
	618,845		2011
	1,399,529		2012
	\$ 4,201,140		
Alternative minimum tax credit	\$ 19,871		

11. Segmented Financial Information:

The Company has one operating segment, which is the exploration and development of mineral properties.

Segmented financial information by geographic region is as follows:

2007	U.S./Canada	Venezuela	Consolidated
Other income	\$ 6,499,084		\$ 6,499,084
Depreciation	39,447	\$ 139,664	179,111
Net loss	7,654,544	4,756,949	12,411,493
<b>Identifiable assets</b>			
Property, plant and equipment, net	\$ 150,693	\$ 128,473,977	\$ 128,624,670
General corporate assets	151,750,970	1,523,263	153,274,233
Total identifiable assets	\$ 151,901,663	\$ 129,997,240	\$ 281,898,903
<b>2006</b>			
Other income	\$ 8,252,058		\$ 8,252,058
Depreciation	31,814	\$ 115,984	147,798
Net loss	3,110,063	3,866,682	6,976,745
<b>Identifiable assets</b>			
Property, plant and equipment, net	\$ 126,337	\$ 73,517,558	\$ 73,643,895
General corporate assets	28,054,737	2,917,089	30,971,826

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Total identifiable assets	\$ 28,181,074	\$ 76,434,647	\$ 104,615,721
<b>2005</b>			
Other income	\$ 1,402,868		\$ 1,402,868
Depreciation	23,462	\$ 69,695	93,157
Net loss	5,802,593	3,224,689	9,027,282
<b>Identifiable assets</b>			
Property, plant and equipment, net	\$ 79,769	\$ 57,936,333	\$ 58,016,102
General corporate assets	22,164,983	1,773,787	23,938,770
Total identifiable assets	\$ 22,244,752	\$ 59,710,120	\$ 81,954,872

Net loss and identifiable assets of each segment are those that are directly identified with those geographic locations.

12. Commitments:

In June 2007, the Company placed a \$64 million order for the fabrication of the Brisas gyratory crusher, pebble crushers, Semi Autogenous Grinding (SAG) and ball mills and other processing equipment from Metso Minerals. As of December 31, 2007, the Company has made payments on this order of \$12.0 million. In connection with this order, the Company opened an irrevocable standby letter of credit with a Canadian chartered bank in the amount of \$57.7 million, providing security on the performance of obligations. As of December 31, 2007, the Company has restricted cash of \$52.1 million as required by this letter of credit.

The Company has placed additional orders of approximately \$57 million for haulage equipment, front end loaders, construction machinery and other mining equipment and related engineering for the construction and operation of Brisas. As of December 31, 2007, the Company has made payments on these orders of \$17.1 million and is due to make additional payments totaling \$31.1 million during 2008.

In addition, the Company has a services agreement with a group of Mandated Lenders to provide various banking services related to obtaining project financing for the Brisas Project. The agreement provides for quarterly payments to each of the four banks in the Mandated Lenders group until the financing is secured. The agreement is cancellable at anytime with no further obligation of the Company. The amount payable under the contract in 2008, if financing is not secured during 2008 and the contract is not cancelled by the Company, is \$320,000.

The Company leases office space under a non-cancelable operating lease. In January 2004, the lease was renewed for an additional five years commencing March 1, 2004. Rent expense under the lease during 2007, 2006 and 2005 was \$121,928, \$118,813 and \$115,180, respectively. Future minimum annual rent payable under the lease is \$125,741 in 2008 and \$21,067 in 2009.

13. Shareholder Rights Plan:

The Company instituted a shareholder rights plan (the Rights Plan) in 1999. Since the original approval by the Shareholders, the Rights Plan and the Rights Plan Agreement have been amended and continued from time to time. In March 2006, the shareholders approved certain amendments to the Plan including continuing the Shareholder Rights Plan until June 30, 2009. The Rights Plan is intended to give adequate time for shareholders of the Company to properly assess the merits of a take-over bid without pressure and to allow competing bids to emerge. The Rights Plan is designed

approval, increased the exercise price of the warrants from Canadian \$6.50 to Canadian \$6.55 and extended the expiry date of the warrants to July 31, 2007. None of the warrants were exercised prior to expiration.

During 2005, 573,030 shares were issued upon exercise of stock options, 533,735 shares were issued upon exercise of warrants, 251,350 shares were issued for compensation and 75,000 shares were issued to the KSOP plan.

15. Convertible Notes:

to give the board of director s time to consider alternatives to allow shareholders to receive full and fair value for their common shares. One right is issued in respect of each outstanding share. The rights become exercisable only when a person, including any party related to it or acting jointly with it, acquires or announces its intention to acquire 20% or more of the Company s outstanding shares without complying with the permitted bid provisions of the Rights Plan. Each right would, on exercise, entitle the holder, other than the acquiring person and related persons, to purchase common shares of the Company at a 50% discount to the market price at the time.

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14. Common Shares:

In May 2007, the Company closed a public offering of 13,762,300 Class A common shares of the Company, representing aggregate net proceeds to the Company of approximately \$74 million. In addition to the shares issued in the public offering, the Company issued 223,442 shares for \$333,966 upon exercise of stock options, 100,000 shares valued at \$497,600 were issued to the KSOP and 394,000 shares valued at \$1,818,011 were issued as compensation to employees or remuneration for services from consultants.

In May 2006, the Company closed a public offering of 3,335,000 Class A common shares of the Company, representing aggregate net proceeds to the Company of approximately US \$24.6 million. In 2006, in addition to the shares issued in the public offering, 1,761,109 shares were issued upon exercise of stock options, 100,000 shares were issued to the KSOP and 163,875 shares were issued as compensation. On November 4, 2006 the company amended the terms of 2,680,500 Class A common share purchase warrants which had been set to expire on November 6, 2006. The amendments, which were subject to shareholder

In May 2007, the Company issued \$103,500,000 aggregate principal amount of its 5.50% Senior subordinated convertible notes. The notes are unsecured, bear interest at a rate of 5.50% annually, pay interest semi-annually in arrears and are due on June 15, 2022. The notes are convertible into Class A common shares of the Company at the initial conversion rate, subject to adjustment, of 132.626 shares per \$1,000 principal amount (equivalent to a conversion price of \$7.54). Upon conversion, the Company will have the option, unless there has occurred and is then continuing an event of default under the Company s indenture, to deliver common shares, cash or a combination of common shares and cash for the notes surrendered. Accounting standards require the Company to allocate the notes between their equity and debt component parts based on their respective fair values at the time of issuance. The liability component was computed by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. The equity portion of the notes was estimated using the residual value method at approximately \$29 million net of issuance costs. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense. The expected life of the notes is an estimate and is subject to change, if warranted by facts and circumstances related to the potential early redemption of the notes by either the Company or the holders. Interest and accretion expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. During 2007, the company capitalized \$4.2 million in interest and accretion expense.

At any time on or after June 16, 2010, and until June 15, 2012, the Company may redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest if the closing sale price of the Common Shares is equal to or greater than 150% of the conversion price then in effect and the closing price for the Company s Common Shares has remained

16. New Accounting Standards:

***CICA Section 1535. Capital***

***Disclosures.*** This Section establishes standards for disclosing information about an entity s capital and how it is managed. Under this standard the Company will be required to disclose information that enables the users of its financial statements to evaluate the Company s objectives, policies and



above that price for at least twenty trading days in the period of thirty trading days preceding the Company's notice of redemption. Beginning on June 16, 2012, the Company may, at its option, redeem all or part of the notes for cash at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest.

The note holders have the option to require the Company to repurchase the notes on June 15, 2012, at a price equal to 100% of the principal amount of the notes plus accrued but unpaid interest. The Company may elect to satisfy its obligation to pay the repurchase price, in whole or in part, by delivering Common Shares. In the event of a change of control of the Company, the Company will be required to offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued but unpaid interest unless there has occurred and is continuing certain events of default under the Company's indenture. The Company may elect to satisfy its obligation to repurchase the notes in whole or in part by delivering Common Shares.

At December 31, 2007, the fair value of the debt component of the convertible notes was estimated to be \$78.7 million based on the net present value of the remaining future payments of interest and principal, discounted at the prevailing market interest rate.

processes for managing capital. The Company will adopt this section effective January 1, 2008 and management is currently assessing the impact on the Company's financial statements.

**CICA Section 3862, Financial Instruments - Disclosures.** This Section requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The Company will adopt this section effective January 1, 2008 and management is currently assessing the impact on the Company's financial statements.

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**CICA Section 3064, Goodwill and Intangible Assets.** This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. We have not yet determined the impact of the adoption of this change on the disclosure in our financial statements.

**FAS 155, Accounting for certain hybrid financial instruments.** This standard establishes, among other things, the accounting for certain derivatives embedded in other financial instruments. FAS 155 amends FAS 133 on derivatives and hedging and FAS 140 on transfers and servicing of financial assets and extinguishments of liabilities. The adoption of this standard on January 1, 2007 had no impact on the Company's reported results.

**Uncertain Tax Positions.** In June 2006, FASB issued Accounting for Uncertain Tax Positions - an Interpretation of FASB Statement No. 109, FIN

for each subsequent reporting period. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This standard is effective for years beginning after November 15, 2007. The Company is currently evaluating the impact of this standard on its financial statements.

**FAS 141R, Business Combinations.** In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations. SFAS No. 141 (R) establishes principles and

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48 which prescribes a recognition and measurement model for uncertain tax positions taken or expected to be taken in the Company's tax returns. FIN 48 provides guidance on recognition, classification, presentation and disclosure of unrecognized tax benefits. The Company has not recorded any tax amount as a result of the adoption of this standard.

### *FAS 157, Fair Value Measurements.*

In September 2006, FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and expands fair value disclosures. The standard does not require any new fair value measurements. In December 2007, the FASB issued SFAS 157-b, which provided for a one-year deferral of the implementation of SFAS 157 for non-financial assets and liabilities. However, the Company is still required to adopt SFAS 157 effective January 1, 2008 for financial assets and liabilities that are carried at fair value.

### *FAS 159, Fair Value Option.*

In February 2007, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. SFAS No. 159 provides companies with an option to measure, at specified election dates, financial instruments and certain other items at fair value that are not currently measured at fair value. For those items for which the fair value option is elected, unrealized gains and losses will be recognized in earnings

requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and non-controlling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of this standard on its financial statements.

### *FAS 160, Non-controlling Interests.*

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of this standard on its financial statements.

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## 17. Differences Between Canadian and U.S. GAAP:

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in Canada, which differ in certain respects from GAAP in the United States. The effect of the principal measurement differences between U.S. and Canadian GAAP are summarized below.

### Consolidated Summarized Balance Sheets

	Canadian GAAP	Change	U.S. GAAP
<b>2007</b>			
<b>Assets</b>			
Current assets A	\$ 100,320,659	\$	\$ 100,320,659
Property, plant and equipment, net C,D,E	128,624,670	(42,965,187)	85,659,483

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Other assets	52,953,574		52,953,574
	\$ 281,898,903	\$ (42,965,187)	\$ 238,933,716
<b>Liabilities</b>			
Convertible notes <b>D</b>	\$ 70,306,054	\$ 28,270,191	\$ 98,576,245
Other liabilities <b>A</b>	10,272,040		10,272,040
	\$ 80,578,094	\$ 28,270,191	\$ 108,848,285
<b>Shareholders' equity</b>			
Common shares & equity units <b>B</b>	244,295,503	(5,506,126)	238,789,377
Equity component of convertible notes <b>D</b>	28,784,710	(28,784,710)	
Less, common shares & equity units held by affiliates	(636,267)		(636,267)
Contributed surplus		5,171,603	5,171,603
Stock options <b>B</b>	7,662,237	4,242,848	11,905,085
Accumulated deficit <b>B,C,E</b>	(81,371,254)	(46,358,993)	(127,730,247)
Accumulated other comprehensive income <b>A</b>	2,696,571		2,696,571
KSOP debt	(110,691)		(110,691)
	201,320,809	(71,235,378)	130,085,431
	\$ 281,898,903	\$ (42,965,187)	\$ 238,933,716

	Canadian GAAP	Change	U.S. GAAP
<b>2006</b>			
<b>Assets</b>			
Current assets <b>A</b>	\$ 29,199,706	\$ 2,334,240	\$ 31,533,946
Property, plant and equipment, net <b>C</b>	73,643,895	(41,034,321)	32,609,574
Other assets	1,772,120		1,772,120
	\$ 104,615,721	\$ (38,700,081)	\$ 65,915,640
<b>Liabilities A</b>	\$ 3,643,709	\$ 308,533	\$ 3,952,242
<b>Shareholders' equity</b>			
Common shares & equity units <b>B</b>	167,463,742	(5,339,074)	162,124,668
Less, common shares & equity units			

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held by affiliates	(636,267)		(636,267)
Contributed surplus		5,171,603	5,171,603
Stock options <b>B</b>	3,105,169	4,075,796	7,180,965
Accumulated deficit <b>B,C</b> ,	(68,959,761)	(44,942,646)	(113,902,407)
Accumulated other comprehensive income <b>A</b>		2,025,707	2,025,707
KSOP debt	(871)		(871)
	<u>100,972,012</u>	<u>(39,008,614)</u>	<u>61,963,398</u>
	<u>\$ 104,615,721</u>	<u>\$ (38,700,081)</u>	<u>\$ 65,915,640</u>

Consolidated Summarized Statements of Operations

	<b>2007</b>	<b>2006</b>	<b>2005</b>
34 Net Loss under Canadian GAAP	\$ (12,411,493)	\$ (6,976,745)	\$ (9,027,282)
Stock based compensation <b>B</b>			3,149,038
Interest expense <b>E</b>	(1,416,347)		
<b>Net loss under U.S. GAAP</b>	<u>(13,827,840)</u>	<u>(6,976,745)</u>	<u>(5,878,244)</u>
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale securities: <b>A</b>			
Holding gain (loss) arising during period	2,005,468	3,378,903	1,012,969
Reclassification adjustment for (gain) loss included in net loss	(1,334,604)	(5,466,100)	55,957
<b>Total comprehensive loss under U.S. GAAP</b>	<u>\$ (13,156,976)</u>	<u>\$ (9,063,942)</u>	<u>\$ (4,809,318)</u>
<b>Basic and diluted net loss per share under U.S. GAAP</b>	<u>\$ (0.28)</u>	<u>\$ (0.18)</u>	<u>\$ (0.17)</u>

Consolidated Summarized Statements of Cash Flows

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Cash flow used by operating activities under Canadian GAAP	\$ (5,675,305)	\$ (11,179,770)	\$ (7,729,508)
Cash paid for interest <b>E</b>	(1,267,851)		
<b>Cash flow used by operating activities under U.S. GAAP</b>	<u>\$ (6,943,156)</u>	<u>\$ (11,179,770)</u>	<u>\$ (7,729,508)</u>

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Cash flow (used) provided by investing activities under Canadian GAAP	\$ (97,797,970)	\$ (8,518,467)	\$ (2,691,289)
Cash paid for interest E	1,267,851		
<b>Cash flow used by investing activities under U.S. GAAP</b>	<b>\$ (96,530,119)</b>	<b>\$ (8,518,467)</b>	<b>\$ (2,691,289)</b>

**A** In 2007, the Company adopted CICA Section 3855, Financial Instruments Recognition and Measurement. The effect of the adoption of this standard is that the accounting for marketable securities for Canadian GAAP purposes is now substantially consistent with US GAAP and accordingly there are no differences in marketable securities at December 31, 2007. In 2006, under U.S. GAAP, marketable securities were classified as available-for-sale and were recorded at market value and the unrealized gain or loss, net of tax was recorded as part of comprehensive income. Under Canadian GAAP these securities were carried at the lower of cost and quoted market value.

**B** For U.S. GAAP purposes, the Company adopted 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 applied the modified prospective method of adoption included in SFAS 123R which requires that the company expense the fair value of all unvested and new grants on a prospective basis beginning January 1, 2006. In 2005, for U.S. GAAP purposes, the Company accounted 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 Opinion No. 25, 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,

**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 US GAAP, exploration and development costs incurred on properties where mineralization has not been classified as a proven and probable reserve under SEC rules are expensed as incurred. Accordingly, certain costs are capitalized for Canadian GAAP purposes but expensed under US GAAP.

**D** In 2007, the company issued \$103,500,000 aggregate principal amount of convertible notes. As described in note 15, under Canadian GAAP these notes are allocated between their equity and debt component parts. The debt component is accreted to the face value of the notes with the resulting interest expense charged to mineral property costs. Under US GAAP, the notes are classified as a liability net of issuance costs and accreted to face value over the term on the notes.

**E** The Company capitalizes interest on its convertible notes on an interest avoidance basis. The amount capitalized during an accounting period is determined by applying an interest rate to the average amount of accumulated qualifying assets during the period. The Company's qualifying assets include its costs of developing mining properties and constructing new facilities. The amount capitalized under US GAAP differs from the amount capitalized under Canadian GAAP due to the difference in the amount of qualifying mineral property costs which have been accumulated under the two sets of accounting principles.(See C above)

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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.

Pro-forma stock based compensation

For U.S. GAAP purposes, the Company accounted for stock-based employee compensation arrangements using the fair value method in 2007 and 2006 and the intrinsic value method in 2005. Had the fair value method of accounting been used under U.S. GAAP in 2005, the net loss and net loss per share would have been as follows:

	2007	2006	2005
Net loss under U.S GAAP	\$ (13,827,840)	\$ (6,976,745)	\$ (5,878,244)
Variable plan accounting adjustment included in net loss			(2,285,698)
Stock based compensation under the fair value method			(863,340)
<b>Pro-forma net loss under U.S. GAAP</b>	<b>\$ (13,827,840)</b>	<b>\$ (6,976,745)</b>	<b>\$ (9,027,282)</b>
<b>Pro-forma basic and diluted net loss per share under U.S. GAAP</b>	<b>\$ (0.28)</b>	<b>\$ (0.18)</b>	<b>\$ (0.26)</b>

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

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Consolidated Summarized Statements of Operations - U.S. GAAP

**For the period from January 1, 1993 to December 31, 2007**

Other income	\$ (29,686,723)
Mineral property exploration and development	39,505,080
General & administrative expense	46,136,193
Other expense	65,850,869
Deficit accumulated during the development stage from January 1, 1993 to December 31, 2007	121,805,419

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Accumulated deficit, December 31, 1992	5,924,828
<b>Accumulated deficit, December 31, 2007</b>	<b>\$ 127,730,247</b>

Consolidated Summarized Statements of Cash Flows - U.S. GAAP

For the period from January 1, 1993 to December 31, 2007

Cash used by operating activities	\$ (91,196,008)
Cash used by investing activities	(117,481,312)
Cash provided by financing activities	301,729,044
Increase in cash and cash equivalents for the period from January 1, 1993 to December 31, 2007	93,051,724
Cash and cash equivalents at December 31, 1992	1,628,852
<b>Cash and cash equivalents at December 31, 2007</b>	<b>\$ 94,680,576</b>

Additional Shareholders' Equity Disclosure - U.S. GAAP

For the period from January 1, 1993 to December 31, 2007

	Common Shares and Equity Units				Shares and units held by affiliates	Contrib- uted surplus	Value assigned to options	Value assigned to warrants	Accum- ulated Deficit	Compre- hensive income (loss)	KSOP debt
	Issue Price	Common Shares	Issued Equity Units	Amount							
Balance, December 31, 1992		8,875,862		\$ 8,290,819	\$ (70,944)				\$ (5,924,828)		\$ (50,000)
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)		(45,000)
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							

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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									(103)	
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	(148)
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										(187)
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	(336)
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										150
Addition to shareholders equity due to change in subsidiaries minority interest				7,436						
Balance, December 31, 1996		22,703,811	100,952,778	(1,428,565)				(49,473,610)	2,750	(186)



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Additional Shareholders Equity Disclosure - U.S. GAAP (continued)

For the period from January 1, 1993 to December 31, 2007

	Common Shares and Equity Units				Shares	Contributed surplus	Value assigned to options	Value assigned to warrants	Accumulated Deficit	Comprehensive income (loss)
	Issue Price	Common Shares	Issued Equity Units	Amount	and units held by affiliates					
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										8,000
Change in KSOP debt										
Balance, December 31, 1997		22,918,143		102,119,494	(1,428,565)				(60,391,721)	11,000
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										(22,600)
Change in KSOP debt										
Balance, December 31, 1998		23,191,767		101,661,054	(403,331)				(65,539,379)	(11,000)
Stock issued for cash										
Exercise of options	1.19	12,500		14,899						
Stock issued for services	0.84	70,000		58,760						
38 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										(328,000)
Change in KSOP debt										
Balance, December 31, 1999		21,987,672	1,584,966	102,067,298	(403,331)				(70,038,700)	(340,000)
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										

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available-for-sale securities									437,8
Change in KSOP debt									
Balance, December 31, 2000		22,196,242	1,446,396	102,105,986	(403,331)			(72,846,348)	97
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									62
Change in KSOP debt									
Balance, December 31, 2001		22,655,122	1,313,016	102,265,911	(674,598)			(75,104,539)	160,0

Additional Shareholders Equity Disclosure - U.S. GAAP (continued)

For the period from January 1, 1993 to December 31, 2007

	Common Shares and Equity Units				Shares and units held by affiliates	Contributed surplus	Value assigned to options warrants	Value assigned to	Accumulated Deficit	Comprehensive income (loss)	K
	Issue Price	Common Shares	Issued Equity								
			Units	Amount							
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										(118,816)	
Change in KSOP debt											19
Balance, December 31, 2002		22,996,158	1,289,980	102,498,071	(674,598)	1,162,804		(79,275,465)	41,184	(6	
Stock issued for cash											
Private placement	1.96	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							

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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										3,072,941
Change in KSOP debt										(3,072,941)
<b>Balance, December 31, 2003</b>		<b>27,750,258</b>	<b>1,237,880</b>	<b>111,240,784</b>	<b>(674,598)</b>	<b>8,867,530</b>	<b>1,730,641</b>	<b>(90,687,527)</b>	<b>3,114,125</b>	<b>(10,359,891)</b>
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										(70,147)
Change in KSOP debt										(70,147)
<b>Balance, December 31, 2004</b>		<b>33,715,795</b>	<b>1,157,397</b>	<b>131,498,170</b>	<b>(674,598)</b>	<b>8,075,887</b>	<b>5,395,019</b>	<b>(101,047,418)</b>	<b>3,043,978</b>	<b>(10,359,891)</b>

Additional Shareholders Equity Disclosure - U.S. GAAP (continued)

For the period from January 1, 1993 to December 31, 2007

	Common Shares and Equity Units				Shares and units held by affiliates	Contributed surplus	Value assigned to options warrants	Value assigned to	Accumulated Deficit	Common Shares and Equity Units
	Issue Price	Common Shares	Equity Units	Amount						
Stock issued for cash										
Exercise of warrants	4.33	260,900		1,129,905						
Exercise of underwriter										

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compensation options	3.00	202,100		605,468						
Exercise of underwriter										
compensation warrants	4.32	70,735		305,645						
Exercise of options	1.00	573,030		571,326						
Stock issued for services	2.92	251,350		733,232						
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										1,060
40 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)	4,110
Stock issued for cash										
Public offering	7.37	3,335,000		24,574,077						
Exercise of options	0.64	1,761,109		1,128,596						
Stock issued for services	4.56	163,875		747,075						
Stock issued to KSOP	1.89	100,000		189,063						
Net loss										(6,976,745)
Decrease in shares held										
by affiliates				159,724	38,331					
Fair value of options								1,390,776		
Assigned value of										
expired warrants							3,682,447		(3,682,447)	
Equity units exchanged										
for common shares		24,921	(24,921)							
Decrease in unrealized gain on										
available-for-sale securities										(2,080)
Change in KSOP debt										
Balance, December 31, 2006		40,581,192	1,085,099	162,124,668	(636,267)	5,171,603	7,180,965		(113,902,407)	2,020
Stock issued for cash										
Public offering	5.38	13,762,300		74,015,131						
Exercise of options	1.49	223,442		333,966						
Stock issued for services	4.61	394,000		1,818,012						
Stock issued to KSOP	4.98	100,000		497,600						
Net loss										(13,827,840)
Fair value of options								4,724,120		
Increase in unrealized gain on										
available-for-sale securities										60

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Change in KSOP debt

Balance, December 31, 2007	55,060,934	1,085,099	\$238,789,377	\$(636,267)	\$5,171,603	\$11,905,085	\$(127,730,247)	\$2,
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### CORPORATE INFORMATION

#### Officers and Directors

Rockne J. Timm  
*Chief Executive Officer and Director*

A. Douglas Belanger  
*President and Director*

James P. Geyer  
*Senior Vice President and Director*

Robert A. McGuinness  
*Vice President of Finance and CFO*

Mary E. Smith  
*Vice President of Administration and Secretary*

Douglas E. Stewart  
*Vice President of Project Development*

Arturo Rivero  
*President, Gold Reserve de Venezuela*

James H. Coleman  
*Non-Executive Chairman and Director*

Jean Charles (JC) Potvin  
*Director*

Patrick D. McChesney  
*Director*

Chris D. Mikkelsen  
*Director*

#### Share Information

#### Securities Listings (Symbol GRZ)

Canada - The Toronto Stock Exchange  
United States - American Stock Exchange

Transfer Agent

Computershare Trust Company, Inc.  
Toronto, Ontario Canada

Lakewood, Colorado USA

Registered Agent  
Veale, Kilpatrick, Austring, Fendrick &  
Fairman  
Whitehorse, Yukon Canada

#### Offices

Corporate, USA  
926 W. Sprague Avenue, Suite 200  
Spokane, WA 99201  
Ph: (509) 623-1500  
Fx: (509) 623-1634

Corporate, Venezuela  
Edificio Miranda, Torre A Piso 6, Oficina  
A-65 Avenida Francisco de Miranda  
Chacao, Caracas, Venezuela

Ph: 58 212 264 0185  
Fx: 58 212 264 1073

Operations, Venezuela  
Centro Empresarial Catanaima Primer Piso,  
Final Calle Neveri Zona Industrial - Unare  
2 Puerto Ordaz, Venezuela  
Ph: 58 286 951 5124

#### Bankers

Bank of America  
Spokane, Washington USA

Bank of Montreal

Vancouver, British Columbia Canada

Corp Banca Caracas, Venezuela

#### Auditors

PricewaterhouseCoopers LLP  
Vancouver, B.C. Canada  
Caracas, Venezuela

#### Counsel

Fasken Martineau  
Toronto, Ontario Canada

Baker & McKenzie  
Houston, Texas USA  
Caracas, Venezuela

#### Annual Meeting

The 2008 Annual Meeting will be held at  
9:30 a.m. on June 10, 2008  
The Spokane Club,  
1002 W. Riverside

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Number of Shareholders: Fx: 58 286 951 4635 Spokane, Washington  
Approximately 11,000  
Common Shares Issued and Outstanding  
March 29, 2008  
Class A common - 55,230,253  
Equity Units - 1,071,599  
Common Share Purchase Options  
4,357,839

Additional information regarding the company may be obtained at [www.GoldReserveInc.com](http://www.GoldReserveInc.com)

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Gold Reserve Inc.

926 W. Sprague Ave

Suite 200

Spokane, WA 99201

800.625.9550

[www.goldreserveinc.com](http://www.goldreserveinc.com)

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