

GOLD RESERVE INC
Form 20-F
March 31, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

Commission file number: **001-31819**

GOLD RESERVE INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Yukon Territory, Canada

(Jurisdiction of incorporation or organization)

926 West Sprague Avenue, Suite 200, Spokane, Washington 99201

(Address of principal executive offices)

Rockne J. Timm,

926 West Sprague Avenue, Suite 200, Spokane, Washington, 99201 (509) 623-1500 Fax: 509-623-1634

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Class A common shares, no par value per share

The Toronto Stock Exchange ("TSX")

Preferred share purchase rights

NYSE Amex

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Class A common shares, no par value per share

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

Class A common shares, no par value per share: 56,869,055

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Equity Units, no par value per share: 961

Indicate by check mark if the Registrant is a well-seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

If this is an annual report, indicate by a check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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PART I

GENERAL INFORMATION

EXPLANATORY NOTE

Gold Reserve Inc. (the "Company") is a Canadian issuer eligible to file its Annual Report pursuant to Section 13 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 20-F. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and in Rule 405 under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

In this Annual Report, unless the context otherwise requires, the terms common shares and shares refer to Class A common shares of the Company. An equity unit consists of one Class B common share of Gold Reserve Inc. and one Class B common share of Gold Reserve Corporation. Equity units are convertible into Class A common shares of Gold Reserve Inc. on a one-to-one basis and confer no special voting rights.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information presented or incorporated by reference in this Annual Report contains both historical information and forward-looking statements (within the meaning of the Securities Act (Ontario), Section 27A of the Securities Act and Section 21E of the Exchange Act) that may state the Company's or its management's intentions, hopes, beliefs, expectations or predictions for the future. In this report, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by 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 the Company to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward-looking statements.

These forward-looking statements involve risks and uncertainties, as well as assumptions that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the results of the Company and its consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements. The words "believe," "anticipate," "expect," "intend," "estimate," "plan," "may," "could" and other similar expressions that are predictions of or indicate future events and future trends which do not relate to historical matters, identify forward-looking statements. Any such forward-looking statements are not intended to give any assurances as to future results. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. See -Item 3. Key Information - Risk Factors. Due to risks and uncertainties, including risks and uncertainties identified above and in this Annual Report, actual results may differ materially from current expectations.

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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; competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations; the outcome of any potential proceedings under the Venezuelan legal system or before arbitration tribunals as provided in investment treaties entered into between Venezuela, Canada and Barbados to determine the compensation due to the Company in the event that the Company and the Venezuelan government do not reach an agreement regarding construction and operation of the Brisas Project, or the Brisas Project is transferred to the Venezuelan government and the parties do not reach agreement on compensation; regulatory, political and economic risks associated with Venezuelan operations (including changes in previously established laws, legal regimes, rules or processes); the ability to obtain, maintain or re-acquire the necessary permits or additional funding for the development of the Brisas Project; the result or outcome of the leave for appeal for Rusoro Mining Ltd. ("Rusoro") with respect to the interlocutory injunction restraining Rusoro from proceeding with any unsolicited takeover bid of the Company until the conclusion and disposition at trial; significant differences or changes in 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) due to actual results in our expected construction and production at the Brisas Project (including capital and operating cost estimates); the method and manner of our determination of reserves, 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; the prices, production levels and supply of and demand for gold and copper produced or held by The Company; the potential volatility of the Company's Class A common shares; the price and value of the Company's notes, including any conversion of notes into the Company's Class A common shares; the prospects for exploration and development of projects by the Company; 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, and should not infer that there has been no change in the affairs of the Company since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents filed periodically with securities regulators or documents presented on the Company website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to its disclosure obligations under applicable rules promulgated by the U.S. Securities and Exchange Commission (the "SEC").

Investors are urged to read the Company's filings with U.S. and Canadian securities regulatory agencies, which can be viewed on-line at www.sec.gov, www.sedar.com or at the Company's website, www.goldreserveinc.com. Additionally, you can request a copy of any of these filings directly from the Company.

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

The Company prepares its financial statements, which are filed with this Annual Report on Form 20-F, in accordance with Canadian generally accepted accounting principles ("GAAP"), and they are subject to Canadian auditing and auditor independence standards. Accordingly, the audited consolidated financial statements of the Company included herein may not be comparable to financial statements of U.S. companies. Significant differences between Canadian GAAP and U.S. GAAP are described in Note 18 of the consolidated financial statements of the Company.

CAUTIONARY NOTE REGARDING RESOURCE AND RESERVE ESTIMATES

Information contained in this report and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder.

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The terms "Mineral Reserve," "Proven Mineral Reserve" and "Probable Mineral Reserve" are Canadian mining terms as defined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council. These definitions and the definition of "proven" and "probable" reserves used in NI 43-101 differ from the definitions in the SEC Industry Guide 7. We believe we have proven and probable reserves pursuant to Industry Guide 7.

In addition, the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101. However, these terms are not defined terms under SEC Industry

Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases, and such estimates are not part of the SEC Industry Guide 7.

CURRENCY

Unless otherwise indicated, all references to "\$", "US\$" or "U.S. dollars" or "dollars" in this Annual Report refer to U.S. dollars and references to "Cdn\$" refer to Canadian dollars. The twelve month average rate of exchange for one Canadian dollar, expressed in U.S. dollars, for each of the last three years equaled 0.9374, 0.9309 and 0.8815, respectively and the exchange rate at the end of each such period equaled 0.8170, 1.0120 and 0.8582, respectively.

FINANCIAL REPORTING

The Company maintains its accounts in U.S. dollars and prepares its financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The consolidated financial statements of the Company for December 31, 2008 are included under Item 18 in this Annual Report. The differences between Canadian and U.S. GAAP are reconciled in Note 18 of the consolidated financial statements of the Company. All information in this Annual Report is as of March 30, 2009, unless otherwise noted.

CORPORATE STRUCTURE

Except as otherwise indicated herein, the terms "we," "us," "our," and the "Company" throughout this Annual Report refer primarily to: (in the case of Brisas) Gold Reserve Inc., Gold Reserve Corporation, Gold Reserve de Barbados Limited (domiciled in Canada, the U.S. and Barbados, respectively), Gold Reserve de Venezuela, C.A. ("GLDRV") and Compania Aurifera Brisas del Cuyuni, S.A. ("BRISAS") (both domiciled in The Republic of Venezuela ("Venezuela")). In the case of the Choco 5 Project, the terms noted above refer to Gold Reserve Inc., Gold Reserve Corporation, GRI El Choco Limited and GRI El Choco Minerales C.A. (domiciled in Barbados and Venezuela, respectively). The Company has two additional U.S. subsidiaries, Great Basin Energies, Inc. ("Great Basin") and MGC Ventures Inc. ("MGC Ventures"). All of the consolidated companies noted above are wholly owned by Gold Reserve Inc. except for Great Basin and MGC Ventures, which are approximately 45% and 44% owned, respectively.

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THE COMPANY

Gold Reserve Inc. is a corporation incorporated in 1998 under the laws of the Yukon Territory, Canada. The Company's registered agent is Austring, Fendrick, Fairman & Parkkari, The Drury Building, 3801 Third Avenue, Whitehorse, Yukon, Y1A 4Z7. Telephone and fax numbers for the registered agent of the Company are 867.668.4405 and 867.668.3710, respectively. The Company's Brisas Project corporate administrative office is located at 926 West Sprague Avenue, Suite 200, Spokane, WA 99201, U.S.A. and its Venezuelan administrative and technical offices are located in Caracas and Puerto Ordaz, Venezuela. Telephone and fax numbers for the Company's corporate administrative office are 509.623.1500 and 509.623.1634, respectively.

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, other equity securities and convertible debt. Management expects Brisas, if constructed, to be similarly financed along with project and corporate debt financing.

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. The rules and regulations related to the Venezuelan mining sector are in transition. A new mining law has been discussed by the current administration for a number of months. Although various alternative changes have been addressed publicly in the past 12 months, the specific provisions of any new law is still unclear and the government has not yet announced when any new mining law will be approved and enacted.

BRISAS PROJECT

Our Brisas gold and copper project (Brisas) is located in the Kilometre 88 mining district of the State of Bolivar in south-eastern Venezuela. The term "Brisas Project" is used interchangeably throughout this report with the "Brisas Property" or "Brisas." Since we acquired Brisas in

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1992, the Company has spent in excess of \$250 million on the project (including capitalized costs and equipment recorded in the Consolidated Balance Sheet and operating costs in support of our Venezuelan operations recorded in the Consolidated Statement of Operations) See "Item 4. Information on the Company - Properties - Brisas Project."

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The costs expended include property and mineral rights, easements, acquisition costs, equipment expenditures, litigation settlement costs, general and administrative costs and extensive exploration costs including geology, geophysics and geochemistry, approximately 975 drill holes totaling over 200,000 meters of drilling, independent audits of drilling, sampling, assaying procedures and ore reserves 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, Environmental Impact Statement and Bankable Feasibility Study, including a number of subsequent updates, and an independent CSA National Instrument 43-101 report which was most recently updated in March 2008. Detailed engineering for Brisas was approximately 85% complete at the date of this report.

The Venezuelan Ministry of Mines (MIBAM) approved the Brisas operating plan during 2003 and in early 2007 the Venezuelan Ministry of Environment (MinAmb) approved the Brisas Environmental and Social Impact Study for the Exploitation and Processing of Gold and Copper Ore (Estudio de Impacto Ambiental y Sociocultural) ("ESIA"). In March 2007, MinAmb 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).

Based on the issuance of the Authorization to Affect in 2007, we commenced significant pre-construction procurement efforts with the assistance of SNC-Lavalin, awarding contracts for Brisas site prep and construction camp facilities and placing orders for the gyratory crusher, pebble crushers, SAG and ball mills, mill motors and other related processing equipment, early-works construction equipment and various other site equipment totaling approximately \$125.3 million, accelerated detailed project engineering, hired a number of senior technical staff, completed the sale of approximately \$103.5 million of senior subordinated convertible notes ("convertible notes ") and \$74 million in new equity, launched a number of environmental and social initiatives and commenced preparation of the Brisas site for construction activities.

In May 2008, the Company received notification from the MinAmb of its decision to revoke the 2007 Authorization to Affect. Venezuelan legal counsel advised management that the revocation of the Authorization to Affect is groundless and legally unsupported.

The Company filed an appeal with the Minister of MinAmb shortly after the revocation which outlined our belief as to the factual flaws referenced in the revocation and requested that the Minister reinstate the Company's Authorization to Affect. As of the date of this report, MinAmb has failed to respond to the Company in regards to its appeal. Recently the Company filed an appeal with the Supreme Court to protect our in-country rights.

Regulation of the Venezuelan mining sector is in transition. A new mining law has been discussed by the current administration and the National Assembly since 2005 when a draft mining law was submitted to the National Assembly for approval. Although various alternative changes have been addressed publically during the last 12 months, the specific provisions of any new law is still unclear and the government has not yet announced when any new mining law will be approved and enacted. As of the date of this report, the Company has not been able to confirm how the government wishes to proceed regarding the development of Brisas. In the third quarter of 2008 the Company received accreditation letters of technical compliance from MIBAM for all of the properties that comprise Brisas.

Since we received the revocation notice, management has communicated with various Venezuelan government officials with the intention of resolving the impasse. We believe that (a) through the new mining law the Venezuelan government may seek to participate in all mining projects through a state company or joint venture, (b) if the government participates in the mining projects, it may pay its pro rata share of investments to date and its share of future capital costs relating to the projects, and (c) the government believes that the Brisas Project and Las Cristinas project should be combined into a single project in which the benefits to all participants, including the local communities and the government, will be maximized.

However, until the government announces the provisions of the new mining law and mining policies or we are able to determine otherwise, there can be no assurance as to what provisions will or will not be included. We plan to continue to work with the Venezuelan government to either finalize the necessary pre-production permits for the Brisas Project and proceed with the development of Brisas with the support of the government; seek a settlement with the Venezuelan government on terms acceptable to us; or seek remedies either under Venezuela's domestic legal system or via bilateral investment treaties that we believe protect investments such as ours in Venezuela.

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Item 1. Identity of Directors, Senior Management and Advisors Not Applicable**Item 2. Offer Statistics and Expected Timetable Not Applicable****Item 3. Key Information**

SELECTED FINANCIAL DATA

The selected financial data set forth below is derived from and should be read in conjunction with the Company's consolidated financial statements and notes thereto included in this Annual Report under Item 18. Financial Statements and Item 5. Operating and Financial Review and Prospects. The following selected financial data has been prepared in U.S. dollars on the basis of accounting principles generally accepted in Canada.

	2008	(Restated) 2007	2006	2005	2004
	(in thousands of U.S. dollars, except share and per share data)				
Other Income	\$2,445	\$6,499	\$8,252	\$1,403	\$900
Net loss before tax	(18,989)	(11,953)	(6,455)	(9,026)	(5,483)
Per share	(0.34)	(0.24)	(0.17)	(0.26)	(0.19)
Fully diluted	(0.34)	(0.24)	(0.17)	(0.26)	(0.19)
Net loss	(19,726)	(11,980)	(6,977)	(9,027)	(5,483)
Per share	(0.35)	(0.24)	(0.18)	(0.26)	(0.19)
Fully diluted	(0.35)	(0.24)	(0.18)	(0.26)	(0.19)
Total assets(1)	287,615	281,899	104,616	81,955	86,606
Convertible notes	91,830	70,306	-	-	-
Net Assets					
Shareholders' equity (2)	185,106	201,321	100,972	79,638	84,176
Capital stock	247,501	244,296	167,464	140,512	136,908
Common shares: (3)					
Issued	57,119,055	55,060,934	40,581,192	35,196,287	33,715,795
Outstanding	56,869,055	54,810,934	40,331,192	34,902,200	33,421,708
Equity Units: (3)					
Issued	500,236	1,085,099	1,085,099	1,110,020	1,157,397
Outstanding	961	585,824	585,824	610,745	658,122

1. Total assets prepared in accordance with accounting principles generally accepted in the U.S. at December 31, 2008, 2007, 2006, 2005, and 2004 were \$224,126, \$238,934, \$65,916, \$45,033, and \$48,615, respectively. See Note 18 to the Company's consolidated financial statements, "Differences between Canadian and U.S. GAAP."
2. Total shareholders' equity prepared in accordance with accounting principles generally accepted in the U.S. at December 31, 2008, 2007, 2006, 2005, and 2004 was \$113,686, \$130,085, \$61,963, \$42,716, and \$46,186, respectively. See Note 18 to the Company's consolidated financial statements, "Differences between Canadian and U.S. GAAP."
3. Great Basin and MGC Ventures are both a part of the consolidated financial statements of the Company and own shares of the Company. As a result, the Company has an indirect investment in itself. The shares and equity units held by these entities represent the difference between issued and outstanding shares.

DIVIDENDS

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

RISK FACTORS

Uncertainty regarding required permits and authorizations for Brisas.

We are dependent on various local, state and federal agencies in Venezuela to issue to us various permits and authorizations relating to Brisas that we require prior to completing construction of, and subsequently operating, Brisas. We believe that reasons for any action or any failure to act by any of the various local, state and federal agencies in Venezuela often relate to factors outside of the Company's control or in response to the Company's lawful actions. In May 2008, as more fully discussed elsewhere in this report, the Company received notification from the MinAmb of its decision to revoke the Authorization to Affect. Since we received the revocation notice, management has communicated with various Venezuelan government officials with the intention of resolving the impasse. However, as of the date of this report, the Company has not been able to confirm how the government wishes to proceed regarding the development of Brisas. We can give no assurance when or if the Authorization to Affect will be re-issued or whether, if the authorization is re-issued, the issuance of additional permits and/or authorizations the Company requires for Brisas will be delayed or withheld, or any existing rights or approvals already issued or granted to the Company for its operations in Venezuela will be rescinded, or otherwise challenged. Failure to obtain the Authorization to Affect or any future permit and/or authorization will result in the Company not being able to construct and operate Brisas, which will result in continued operating losses and a material adverse affect on the Company generally, including our financial position and results of operations.

Uncertainty regarding potential arbitration.

In the event that the Company and the Venezuelan government do not reach an agreement regarding construction and operation of Brisas, or Brisas is nationalized or expropriated by or transferred to the Venezuelan government (expressly or constructively) and the parties do not reach agreement on compensation, the Company may submit the matter to the appropriate arbitration tribunal as provided in investment treaties entered into between Venezuela, Canada and other countries to determine the compensation due to the Company. The cost for the prosecution of these matters by the Company could be substantial, and there is no assurance that the Company would be successful in its claims or, if successful, would realize any compensation from the Venezuelan government. If we are unable to prevail on claims we may assert against the Venezuelan government or realize compensation in respect of our claims, the Company would be materially adversely affected.

Uncertainty resulting from potential proposals to acquire the Company may adversely affect our business.

On December 12, 2008 the Company received an unsolicited proposal from Rusoro to acquire all of the Company's outstanding shares. Rusoro commenced an unsolicited takeover bid on December 15, 2008. On December 16, 2008, the Company filed an action in the Ontario Superior Court of Justice against Rusoro and Endeavour Financial International Corporation ("Endeavour"), its financial advisor, seeking an injunction restraining Rusoro and Endeavour from proceeding with Rusoro's unsolicited offer, significant monetary damages, and various other items. On February 10, 2009 the Ontario Superior Court of Justice granted, an interlocutory injunction restraining Rusoro and Endeavour from proceeding with any hostile takeover bid to acquire the shares of the Company until the conclusion and disposition at trial of the action previously commenced by the Company. Following the issuance of the interlocutory injunction, Rusoro withdrew its offer yet sought permission or leave from the Ontario Superior Court of Justice to appeal the interlocutory injunction. The hearing on that motion for leave to appeal will be heard by the Court on April 2, 2009. It is uncertain whether the Ontario Superior Court of Justice will grant Rusoro's motion for leave to appeal. Moreover, there can be no assurances as to the ultimate outcome of this litigation, whether Rusoro will pursue any other legal course of action or, if it is granted leave to appeal and prevails on such an appeal, whether Rusoro will make another offer to purchase our Class A common shares and equity units. Further, other third parties may, in the future, make proposals to acquire part or all of the Company. Unsolicited offers may create uncertainty for our management, employees, suppliers and other business partners, cause heavy expenditures and may negatively impact our business.

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A significant number of our common shares could be issued as a result of the conversion of our convertible notes, causing significant dilution to existing shareholders.

In May 2007, the Company issued \$103,500,000 aggregate principal amount of its 5.50% convertible notes due on June 15, 2022. As of March 30, 2009, the Company had re-purchased approximately \$1.1 million (face value) of the notes. 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) or approximately 13.3 million common shares. Upon conversion, the Company generally has the option to deliver common shares, cash or a combination thereof for the notes surrendered. On June 15, 2012 note holders have the option to require the Company to repurchase the notes, 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. If the Company elected to repurchase the notes with common shares using the closing share price on March 30, 2009, the Company would be required to issue

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approximately 157 million common shares. In addition, 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 initial conversion price then in effect and the closing price for the Company's common shares has remained above that price for at least twenty trading days in the period of thirty trading days preceding the Company's notice of redemption. Thereafter, 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. Voluntary redemption of the Company's convertible debt would likely result in significant dilution to existing common shareholders.

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

Our exploration and development activities in Venezuela are affected by certain factors including those listed below which are beyond our control. Any one of those factors could have a material adverse effect on our financial position and results of operations. See also "-Uncertainty regarding required permits and authorizations for Brisas."

Political and Economic Environment

The Company's principal mineral properties are located in Venezuela and, as such, the Company is subject to political and economic risks, including:

- Corruption, requests for improper payments, or other actions that may violate Canadian and U.S. foreign corrupt practices acts, uncertain legal enforcement and physical security;
- Competition with companies from countries that are not subject to or do not follow Canadian and U.S. laws and regulations;
- Invalidation, confiscation, expropriation or rescission of governmental orders, permits, agreements or property rights;
- The effects of local political, labor and economic developments, instability and unrest;
- Significant or abrupt changes in the applicable regulatory or legal climate;
- Civil unrest, military actions and crime;
- International response to Venezuelan domestic and international policies;
- Limitations on mineral exports;
- Exchange controls and export or sale restrictions;
- Currency fluctuations and repatriation restrictions;
- Laws or policies of foreign countries and Canada affecting trade, investment and taxation; and
- New regulations on mining, environmental and social issues.

The Venezuelan government has in the past exercised, and continues to exercise, significant influence over what the government considers to be strategic Venezuelan industries, such as the oil industry. These actions have created uncertainty about the business environment in Venezuela for foreign companies. There can be no assurance that the Venezuelan government will not take similar measures relating to other sectors of the Venezuelan economy, including foreign mining operations. These risks may limit or disrupt any of our operations or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. We do not currently maintain any insurance covering losses or obligations related to political risks.

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Government Review of Contracts and Concessions for Compliance

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

Although we believe that all of our properties are in compliance with applicable regulations, the formal public announcement of the results of the compliance review has not been made and it is unclear when such formal public announcement will take place or whether the final policy when announced will be consistent with prior public statements. In addition, the draft mining law has yet to be enacted and implemented. Although we believe the draft law does not propose to extinguish pre-existing mining concessions that are in compliance with and granted under

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previous mining legislation, such as those held by us, it is unclear what provisions the final law will contain, if or when they will be enacted, or how those final provisions will impact our operations in Venezuela in the future. Among other things, this law when enacted may adversely affect our ability to renew, or otherwise render unenforceable the renewal clauses contained in, any or all of our mining concessions.

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

In the third quarter of 2008 we received accreditation letters of technical compliance from MIBAM for all of the properties that comprise Brisas.

Currency and Exchange Controls

In 2003, the Central Bank of Venezuela implemented foreign exchange controls which fixed the rate of exchange between Venezuelan Bolivars (Bs.) and the U.S. dollar. In March of 2005, the rate was fixed at 2,150 Bs. to US \$1.00. On January 1, 2008 the Venezuelan government modified the currency, fixing the official exchange rate at 2.15 Bs. to US \$1.00.

In 2005, the Venezuelan government enacted the Criminal Exchange Law which imposes criminal and economic sanctions on the exchange of Bolivars with foreign currency unless the exchange is made by officially designated methods. Such currency exchange approvals have often been limited or delayed and, as a result, can negatively affect the ability of companies doing business in Venezuela to convert Venezuelan source income into foreign currency. The exchange regulations do not apply to transactions with certain securities denominated in Bolivars which can be swapped for securities denominated in another currency effectively resulting in a parallel market for the Bolivar. Generally, US Treasury securities are purchased and then swapped at an agreed upon rate of exchange for Venezuelan notes denominated in Bolivars. The notes are then sold to obtain the Venezuelan currency.

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

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Unauthorized Small Miners

High metal prices, unemployment and the exchange control measures implemented by the Venezuelan government encourage the activity of small miners throughout the mining regions. The methods used by the small miners to extract gold from surface material are typically environmentally unsound and in general their presence can be disruptive to the rational development of a mining project such as Brisas or the Choco 5 project. A significant number of unauthorized small miners have from time to time occupied properties near or adjacent to Brisas and Choco 5. A very limited number of small miners have also, from time to time, entered our properties to dig for gold. To combat this problem, the government through MIBAM and Mission Piar, has designated large neighboring areas such as Biskaitarra, Carabobo, Oro Uno and Albino for small mining activity. So far, the Company has been successful with the support of MIBAM and nearby communities in dealing with this important matter and its social implications by relocating any encroaching small miners to designated properties. As of the date of this report, the Company is aware that a group of four small miners entered an area of Brisas during late February and MIBAM is in the process of having them relocated. Notwithstanding that we maintain a security presence and have implemented other procedures to mitigate the risk that the small miners might try to occupy our properties, we can give no assurances that such activities will not occur in the future. This issue is a purported "primary reason" for the revocation of the Authorization to Affect back in May 2008 when no small miners were present in Brisas. See "Item 4. Information on the Company - Properties -Brisas Project."

Imataca Forest Reserve

Brisas is located within the boundaries of the 3.75 million hectare Imataca Forest Reserve (the "Imataca Forest") in an area presently approved by Presidential Decree for mining activities. On September 22, 2004, after public consultation, Presidential Decree 3110 was published in the Official Gazette of the Republic of Venezuela (the "Official Gazette") identifying approximately 12% of the Imataca Forest in south-eastern Venezuela to be used for mining activities. Decree 3110 was issued in response to legal challenges to prior Presidential Decree 1850, which opened an even larger part of the Imataca Forest to mining and other activities and which had become subject to a legal challenge before the Venezuelan Supreme Court. In 1997, the Venezuelan Supreme Court issued a cautionary pronouncement as an interim measure pending a final ruling ordering the MIBAM to abstain from granting concessions, authorization or other acts relating to mining exploration or

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exploitation in the Imataca Forest.

We have been advised that the legal proceeding before the Venezuelan Supreme Court became moot upon the issuance of Decree 3110. Although since the issuance of Decree 3110, the MIBAM has, on a selective basis, issued concessions, authorizations and other acts relating to mining exploration or exploitation in the Imataca Forest, we can give no assurances, given that the legal proceeding has not been formally terminated in the Venezuelan Supreme Court, that the MIBAM will, in the future, issue authorizations required to complete construction of, and subsequently operate, Brisas. This issue is a purported "primary reason" for the revocation of the Authorization to Affect. See "Item 4. Information on the Company - Properties - Brisas Project."

Venezuelan Environmental Laws and Regulations

Venezuela maintains environmental laws and regulations for the mining industry that impose specific obligations on companies doing business in the country. The MinAmb, which administers Venezuelan environmental laws and regulations, proscribes certain mining recovery methods deemed harmful to the environment and monitors mining activities to ensure compliance. Venezuela's environmental legislation provides for the submission and approval of environmental impact statements for certain operations and provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which could result in environmental pollution. A breach of current or future environmental legislation may result in the imposition of fines and penalties or the suspension or closure of any future operations, the extent of which cannot be predicted. Insurance covering losses or obligations related to environmental liabilities is not maintained and will only be maintained in the future if available on a cost-effective basis. Although we believe that we have adopted a high standard of environmental compliance, failure to comply with or unanticipated changes in such laws and regulations in the future could have a material adverse impact on our financial condition and results of operations. This issue is a purported "primary reason" for the revocation of the Authorization to Affect. See "Item 4. Information on the Company - Properties - Brisas Project."

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Challenges to Mineral Property Titles or Contract Rights

Acquisition of title or contract rights to mineral properties is a very detailed and time-consuming process under Venezuelan law. Mining properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers can often be complex. From 1992 to late 1994 we were involved in a lawsuit relating to the ownership of Brisas. We successfully defended our ownership rights in the Venezuelan courts and subsequently settled the lawsuit for a substantial sum.

Notwithstanding the revocation of the Authorization to Affect, we believe that we have the necessary title and rights to all of the properties for which we hold concessions or other contracts and leases. We can make no assurances that the revocation of the Authorization to Affect will be reversed nor can we be certain that someone will not challenge or impugn title or contract rights to such properties in the future or whether any such challenges will be by third parties or a government agency. We do not carry title insurance with respect to our mineral properties. A claim that we do not have title or contract rights to a property could have an adverse impact on our business in the short-term, and a successful claim that we do not have title or contract rights to a property could cause us to lose our rights to build infrastructure on or mine that property, perhaps without compensation for our prior expenditures relating to that property.

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

Compliance with Other Laws and Regulations

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

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

Future results depend on Brisas.

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

Obtaining funding for Brisas is essential to the Company's plans.

The timing and extent of funding future investments in Brisas depends on a number of important factors, including the re-issuance of the Authorization to Affect, the receipt of on-going permits or authorizations required in the future, the condition of world-wide equity and debt markets, actual timetable of our development plan, the price of gold and copper, our share price, results of our efforts to obtain financing, the political and economic conditions in Venezuela, and the ultimate capital costs of the project including our ability to obtain tax exonerations or payment holidays.

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The Board of Directors approved a plan to proceed with financing and, if successful, construction of Brisas based on the results of the Bankable Feasibility Study completed in early 2005. The original feasibility study and subsequent updates, including the most recent NI 43-101 update in March 2008 (the "March 2008 NI 43-101 report"), contemplate an initial capital expenditure of approximately \$731 million, excluding working capital, critical spares and initial fills of approximately \$53 million and value added taxes and import duties which are estimated at approximately \$54 million. Management expects to apply for tax exonerations or payment holidays for certain taxes including value added tax and import duty tax on the initial capital costs, which are provided by law. However, there can be no assurances that such exonerations will be obtained, the primary result of which would be to increase initial capital required to place Brisas into production.

Management provides no assurances that it will be able to obtain the substantial additional financing that will be needed to construct Brisas if and when the Authorization to Affect is re-issued and on-going permits or authorizations are obtained. Failure to raise the required funds will mean the Company will be unable to construct and operate Brisas, which would have a material adverse effect on the Company.

As of March 30, 2009, the Company had approximately \$101 million in cash and investments. We currently do not generate revenue from operations and have historically financed operating activities primarily from the sale of common shares, other equity securities or debt securities. In the near-term, management believes that cash and investment balances are sufficient to enable the Company to fund its activities into 2010 (excluding any substantial Brisas construction activities).

Uncertainty regarding risks inherent in the mining industry could impact future operations.

Exploration for gold and other metals is speculative in nature, involves many risks and frequently is unsuccessful. Any exploration program entails risks relating to the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and regulatory approvals and the construction of mining and processing facilities at the mining site. Such exploration efforts may not result in the discovery of gold or other metals associated with gold and any mineralization discovered may not result in an increase of the Company's reserves. If ore bodies are developed, it can take a number of years and substantial expenditures from the initial phases of drilling until production commences, during which time the economic feasibility of production may change. Such exploration may not result in economically feasible commercial mining operations. Significant capital investment is required to achieve commercial production from exploration efforts. There is no assurance that the Company will have, or be able to raise, the required funds to engage in these activities or to meet its obligations with respect to the exploration properties in which it may acquire an interest. To the extent that the Company seeks to expand its exploration program or seek acquisition opportunities, it may experience problems associated with mineral exploration or developing mining projects or may not be able to find adequate acquisition opportunities. Any one or more of these factors or occurrence of other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on our financial condition and results of operations.

Uncertainty regarding global financial markets.

The downturn in the international financial markets, and the risk of prolonged global recessionary conditions, could adversely affect our financial condition. The market for new equity and debt financing is extremely limited and in some cases not available. Any inability by the Company to obtain the required financing in the future on favorable terms could have a material adverse effect on the Company's financial condition.

Risks arising from the bankable feasibility study and construction of Brisas.

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The Bankable Feasibility Study and subsequent updates, including the March 2008 NI 43-101 report, were completed to determine the economic viability of the Brisas mineralized deposit. Many factors are involved in the determination of the economic viability of mining a mineralized deposit, including the delineation of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates, construction, operation, permit and environmental requirements, currency exchange rates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions and anticipated environmental and regulatory compliance costs.

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While the Company is satisfied with the Bankable Feasibility Study as revised, each of these factors involves uncertainties and the making of assumptions and, as a result, the Company cannot give any assurance that the Bankable Feasibility Study and its subsequent updates will prove accurate in preparation, construction and development of Brisas or that any key finding or underlying assumption will not prove to be inaccurate for reason outside the control of management, including changes in costs as a result of the passage of time between the completion of the Bankable Feasibility Study, as revised, and the date construction commences. It is not unusual in new mining operations to experience unexpected problems during development. As a result, the actual cost and time of placing Brisas into production could differ significantly from estimates contained in the Bankable Feasibility Study as updated. Likewise, should Brisas be developed, actual operating results may differ from those originally anticipated which could have a material adverse effect on our financial condition and results of operations.

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

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

Actual mineralization may vary from current estimates in the future.

Unless otherwise indicated, mineralization figures presented in this Annual Report and in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to advance any of our projects to development, we must rely upon such estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered only as estimates. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis that may prove to be unreliable. These estimates may require adjustments or downward revisions based upon actual production experience. In addition, due to geologic variations within areas mined, the grade of ore ultimately mined, if any, may differ from that indicated by the March 2008 NI 43-101 report. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Actual quality and characteristics of deposits cannot be fully assessed until mineralization is actually mined and, as a result, mineral reserves may change over time to reflect actual experience.

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

Gold and copper projects are subject to all of the risks inherent in the mining industry.

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

- environmental issues;

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- industrial accidents;
- labor disruptions;
- social unrest;
- changes in capital and operating costs;

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

The realization of any of these risks could result in damage to, or destruction of, mineral properties and production facilities, personal injury, environmental damage, delays, monetary losses and legal liability any of which could have an adverse effect on our financial position and results of operations. Insurance covering such catastrophic liabilities is not maintained and will only be maintained in the future if available on a cost-effective basis.

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

We have experienced losses from operations for each of the last five years as the result of, among other factors, expenditures associated with corporate activities on Brisas, as well as other unrelated non-property expenses that are recorded in our consolidated statement of operations. We expect this trend to continue until sometime after Brisas is operational or the Company invests in an alternative project with commercial production. In addition, such losses may increase after we obtain additional financing and begin substantial construction of Brisas or invest in an alternative project. We can give no assurances that this trend will ultimately be reversed as a result of any operations at Brisas or elsewhere.

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

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

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

The price of gold and copper has a significant influence on the market price of our common shares and our business activities. Fluctuation in gold and copper prices directly affects, among other things, the overall economic viability of Brisas, our ability to obtain sufficient financing required to construct Brisas, including the terms of any such financing, and the calculation of reserve estimates. The price of gold is affected by numerous factors beyond our control, such as the level of inflation, interest rates, fluctuation of the U.S. dollar and foreign currencies, supply and demand, sale of gold by central banks and other holders, political and economic conditions of major gold producing countries and existing inventories. The price of copper is more directly affected by global economic conditions, impacting industrial use and existing inventories. As of March 30, 2009, the closing price for gold was \$916 per ounce and copper was \$1.73 per pound. The following table sets forth the average of the daily closing price for gold and copper for the periods indicated as reported by the London Metal Exchange:

	<u>YEAR ENDED DECEMBER 31,</u>					
	<u>5 Yr. Avg.</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Gold (\$ per ounce)	\$605	\$872	\$695	\$603	\$445	\$ 410
Copper (\$ per pound)	\$2.48	\$3.15	\$3.23	\$3.05	\$1.67	\$ 1.30

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

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Sales of a substantial number of our common shares in the public markets could depress the price of our common shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales, or the perception of such sales, of our common shares would have on the market price of our common shares. The price of our common shares may also be affected by sales of our common shares by investors or by hedging and arbitrage trading activity.

We may raise funds for future operations through the issuance of common shares, debt instruments convertible into common shares or other equity-based instruments.

In order to finance the construction of Brisas or an investment in an alternative project, we may raise additional funds through the issuance of common shares, debt instruments convertible into common shares or other equity-based instruments, such as warrants. We cannot predict the size of any such future issuances of securities, or the effect, if any, that future issuances and sales of our securities will have on the market price of our common shares or the fair market value of the notes. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, will result in dilution, possibly of a substantial nature, to present and prospective holders of shares.

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

Because we expect to incur substantial indebtedness to finance the development of Brisas, in order to fund our debt service obligations, including our existing senior subordinated debt, we will require significant amounts of cash. Unless and until production commences at Brisas or we acquire or develop other operating properties, cash to meet these obligations will be sourced from cash on hand or the issuance of additional equity or debt securities. If we are successful in commencing production at Brisas, our ability to generate cash from operations to meet scheduled payments or to refinance our debt will depend on our financial and operating performance which, in turn, is subject to the business risks described in this Annual Report, including the risks of operating mining properties in Venezuela and prevailing economic conditions. Some of these risks are beyond our control. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or to delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure our debt.

The price of our common shares may be volatile.

Our common shares are publicly traded and are subject to various factors that have historically made their price volatile. The market price of our common shares may fluctuate based on a number of factors, including:

- economic and political developments in Venezuela, including any new regulatory rules or actions;
- our operating performance and financial condition;
- the performance of competitors and other similar companies;
- our ability to obtain the required permits and authorizations for Brisas;
- the public's reaction to our press releases, other public announcements and our filings with the various securities regulatory authorities;
- the price of gold and copper and other metal prices, as well as metal production volatility;
- changes in recommendations by research analysts who track our common shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- the public's reaction to press releases and other public announcements of our competitors regarding mining development or other matters;
- general worldwide and overall market perceptions of the attractiveness of particular industries;
- the dilutive effect of the sale by us of significantly more common shares in order to finance our activities; and
- other factors listed under "Cautionary statement regarding forward-looking statements."

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In addition, the market price of the common shares is affected by many variables not directly related to our performance and that are therefore not within our control. These include other developments that affect the market for all resource sector shares, the breadth of the public market for the common shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the common shares on The Toronto Stock Exchange ("TSX") and NYSE Amex (formerly known as AMEX) has historically made our share price volatile and suggests that our share price will continue to be volatile in the future.

Future hedging activities could negatively impact future operating results.

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

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

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

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

While we believe there are no reportable material weaknesses in our internal controls as defined in Section 404 of The Sarbanes-Oxley Act of 2002 as of the date of this Annual Report, there can be no assurance that material weaknesses regarding our internal controls will not be discovered in the future. If so, this could result in costs to remediate such controls or inaccuracies in our financial statements. In addition, a material weakness in internal controls over financial reporting may result in increased difficulty or expense in transactions such as financings, and many result in an adverse reaction by the market generally that would result in a decrease of our share price or the price of the notes.

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

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

We could lose our foreign private issuer status as a result of future sales of equity securities. If a majority of our common shares are not held directly or indirectly by non-residents of the U.S., we will no longer be exempt from the rules and regulations discussed above and, among other things, we will not be eligible to use the multijurisdictional disclosure system adopted by the U.S. and Canada or other foreign issuer forms and will be required to file periodic reports, proxy statements and financial statements as if we were a company incorporated in the U.S.. We will also lose the ability to rely upon exemptions from NYSE Amex corporate governance requirements that are available to foreign private issuers. The costs, expenses and burdens incurred in fulfilling these additional regulatory requirements could be significant and could have an adverse effect on our financial position and results of operations.

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

U.S. taxpayers should be aware that the Company has determined that it was a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC") for the taxable year ended December 31, 2008, and it may be a PFIC for all taxable years prior to the time Brisas is in production. The Company does not, however, believe that any of its subsidiaries were PFICs as to any shareholder of the Company for the taxable year ended December 31, 2008. For taxable years in which the Company is a PFIC, any gain recognized on the sale of the Company's common shares and any "excess distributions" (as specifically defined) paid on the Company's common shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the common shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the common shares generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a timely and effective "QEF election" generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. For a U.S. taxpayer to make a QEF election, the Company must agree to supply annually to the U.S. taxpayer the PFIC Annual Information Statement and permit the U.S. taxpayer access to certain information in the event of an audit by the U.S. tax authorities. The Company will prepare and make the statement available to U.S. taxpayers, and will permit access to the information. As a second alternative, a U.S. taxpayer may make a "mark-to-market election" with respect to a taxable year in which the Company is a PFIC and the common shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in such common shares.

The determination of whether the Company and any of its subsidiaries will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company and any of its subsidiaries will be a PFIC for any taxable year generally depends on the Company's and its subsidiaries' assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Annual Report. Accordingly, there can be no assurance that the Company and any of its subsidiaries will not be a PFIC for any taxable year.

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

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

We may experience difficulties managing our anticipated growth.

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

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

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

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Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against the Company, our Directors, our executive officers and some of the experts named in this Annual Report based on civil liability provisions of federal securities laws or other laws of the U.S. or any state thereof or the equivalent laws of other jurisdictions of residence.

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

Item 4. Information on the Company

HISTORY AND DEVELOPMENT OF THE COMPANY

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

Regulation of the Venezuelan mining sector is in transition. A new mining law has been discussed by the current administration and the National Assembly since 2005. Although various alternative changes have been addressed publically in the past, the specific provisions of any new law is still unclear and the government has not yet announced when any new mining law will be approved and enacted. In May 2008, as more fully discussed below, the Company received notification from the MinAmb of its decision to revoke the Authorization to Affect. Since we received the revocation notice, management has communicated with members of MinAmb, MIBAM and other government officials with the intention of obtaining a resolution to the impasse. However, as of the date of this report, the Company has not been able to confirm how the government intends to proceed regarding the development of Brisas. For a description of the Company's organizational structure and office locations, see "General Information - Corporate Information" and " - the Company."

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PROPERTIES

Brisas Project

Location

The Brisas Project is located in the Km 88 mining district in the State of Bolivar in southeastern Venezuela approximately 373 kilometers (229 miles), by paved highway, southeast of Puerto Ordaz (Ciudad Guayana). The project, accessible by an all-weather road, is 5 kilometers west of the Km 88 marker on Highway 10.

The primary Brisas property is a 500-hectare land parcel consisting of the Brisas alluvial concession and the Brisas hardrock concession beneath the alluvial concession (the "Brisas concessions"). Together these concessions contain substantially all of the mineralization identified in the Bankable Feasibility Study, as updated. Brisas also includes a number of other existing concessions (such as the El Pauji concession) or pending applications for concessions, alfarjetas, CVG work contracts, land use authorizations or easements adjacent to or near the Brisas concessions for the mining and milling facility, related infrastructure and future needs totaling as much as 13,000 hectares. In the third quarter of 2008 the Company received accreditation letters of technical compliance from MIBAM for all of the properties that comprise Brisas.

Brisas Hardrock Concession Contains approximately 97% of Brisas Mineralization

The Brisas hardrock concession (which is beneath the Brisas alluvial concession) is for the exploitation of hardrock gold, copper and molybdenum and was granted by MEM (now MIBAM) through a title published in the Official Gazette No. 36,405 on March 3, 1998. In 1998, the Company also made application for the silver mineralization contained within the area of this concession. The Brisas hardrock concession is the main ore-body, comprising approximately 97% of the gold and 100% of the copper mineralization contained within the properties.

The Brisas hardrock concession is an exploitation concession with a term of 20 years and two renewal periods of 10 years each, at the discretion of MIBAM. The hardrock concession provides for up to a 4% tax on gold sales and up to a 7% mine mouth tax on copper production.

Brisas Alluvial Concession Contains approximately 3% of Brisas Gold Mineralization.

The Brisas alluvial concession was acquired by the Company through the acquisition of BRISAS in 1992. The Brisas alluvial concession is for the exploitation of alluvial gold, with a 3% tax on gold sales, granted by MEM through a title published in the Official Gazette No. 33,947 on April 18, 1988. In 1998, the Company also made application to MEM for the copper and silver mineralization contained within the area of this concession.

The Brisas alluvial concession mineralization is low-grade and is uneconomic on a stand-alone basis. When this mineralization is combined with the Brisas hardrock mineralization it represents approximately 3% of the total Brisas Project mineralization and is economic due to economies of scale. The Brisas alluvial concession provides MIBAM or its designee the right (referred to as a "special advantage" to Venezuela) to acquire 20% of the company organized by the alluvial concession holder to perform extraction activities within the concession. Venezuelan legal counsel has advised us that to the best of their knowledge MIBAM have never enforced such provisions contained in similar concessions. For this reason, it is unclear how the value of the twenty percent (20%) of the alluvial concession would be determined, in the event MIBAM chose to exercise such right pursuant to the alluvial concession.

The Brisas alluvial concession is an exploitation concession with a term of 20 years and two renewal periods of 10 years each, at the discretion of MIBAM. On October 17, 2007, pursuant to Article 25 of the Mining Law, the Company submitted an application to extend the Brisas Alluvial Concession, which was set to expire April 18, 2008, for another 10 years. Article 25 provides that, if in compliance, a concession holder may request an extension with the MIBAM within the above three-year term application which, in any case, shall be submitted six months prior to expiration of the initial term and the Ministry must decide within this same six month period. The same Article 25 provides that if no notice is given to the petitioner or the Ministry does not respond to the extension application, it is understood that the petition has been approved and the extension has been granted. MIBAM did not respond to our extension application within the six month time period provided for in Article 25 of the Mining Law. As a result, Venezuelan legal counsel has advised the Company that our extension application was automatically approved due to the positive silence provision set forth in Article 25 of the Mining Law.

El Pauji Concession To be utilized for Infrastructure

The El Pauji alluvial gold concession is for the exploitation of alluvial gold granted by MEM through a title published in the Official Gazette No. 334,011 on July 20, 1988. The Company has an easement for the El Pauji concession for Brisas Project infrastructure purposes approved in both the operating plan by MIBAM in 2003 and the ESIA by MinAmb in 2007. Similar to the Brisas Alluvial Concession, the El Pauji concession had an initial term of 20 years and two renewal periods of 10 years each, at the discretion of MIBAM. The Company has a power of attorney to manage the concession on behalf of the concessionaire and, in accordance with Article 25 of the Mining Law, filed an application to extend the concession for another 10 years on January 17, 2008, following the same procedure utilized for the Brisas Alluvial Concession. As was the case with the Brisas Alluvial Concession, MIBAM did not respond to the extension application within the six month time period provided for in Article 25 of the Mining Law. Venezuelan legal counsel advised the Company that the extension application was automatically approved again, due to the positive silence provision set forth in Article 25 of the Mining Law.

Tenure

Generally a concession represents a privilege, license or mining title granted by MIBAM or its predecessor Ministry of Energy and Mines ("MEM"), pursuant to Venezuelan mining law, to explore and, if warranted, produce minerals from a specified property. An alfarjeta is a right similar to a concession except that the area of the land parcel is insufficient in size to be designated a concession. A CVG work contract is similar to rights granted pursuant to a concession except, contract law governs such rights. In 2003 CVG's authority to grant new mining contracts was eliminated. Land use authorizations and easements are generally the right to temporarily occupy land required for mining activities. See "Venezuelan Mining, Environment and Other Matters."

Status

MIBAM approved the Brisas operating plan during 2003 and contained within the operating plan are, as noted above, a number of existing or pending applications for concessions, alfarjetas, CVG work contracts, land use authorizations or easements, adjacent to or near the Brisas concessions. These additional land parcels comprise the majority of the land required for the mining and milling facility and related infrastructure contemplated in the Bankable Feasibility Study, as revised. In the third quarter of 2008 the Company received accreditation letters of technical compliance from MIBAM for all of the properties that comprise Brisas.

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MIBAM approval of the Brisas operating plan 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 27, 2007 issued the Authorization to Affect. The Authorization to Affect provided for the commencement of construction for certain infrastructure work, including various construction activities at or near the mine site, but not the construction of the mill and the exploitation of the gold and copper mineralization at Brisas.

Based on the issuance of the Authorization to Affect in 2007, we commenced significant pre-construction procurement efforts with the assistance of SNC-Lavalin awarding contracts for Brisas site prep and construction camp facilities and placing orders for the gyratory crusher, pebble crushers, SAG and ball mills, mill motors and other related processing equipment, early-works construction equipment and various other site equipment totaling approximately \$125.3 million, accelerated detailed project engineering, hired a number of senior technical staff, completed the sale of approximately \$103.5 million of convertible notes and \$74 million in new equity, launched a number of environmental and social initiatives and commenced preparation of the Brisas site for construction activities.

The Authorization to Affect mandated that before commencing significant permitted activities we were required to complete an administrative procedure by signing on-site what is referred to as an initiation act with MinAmb representatives which indicates that all conditions precedent to commencing activities had been met, documented our understanding of the obligations throughout the term of the authorization and certified that the permitted activities could in fact commence. The request for the approval of the initiation act, was submitted shortly after the Authorization to Affect was approved and requested multiple times thereafter. However, the MinAmb did not act on our requests.

In May 2008, the Company received notification from the MinAmb of its decision to revoke the Authorization to Affect. MinAmb referenced in its formal notice the existence of environmental degradation and affectation on the Brisas property, the presence of a large number of miners on the property and the Imataca Forest Reserve as the basis for their decision. Venezuelan legal counsel has advised management that the Authorization to Affect was granted to our Venezuelan subsidiary by MinAmb, a competent authority, following the corresponding legal procedure and in accordance with applicable laws and regulations. At the time the Authorization to Affect was issued, there was no legal norm prohibiting MinAmb from authorizing performance of mining activities in the area of the Brisas Project. Further, in response to the various points contained within the revocation notice, Venezuelan legal counsel has advised management that the revocation of the Authorization to Affect is groundless and legally unsupported.

Shortly after the revocation the Company filed an appeal with the Minister of MinAmb outlining our belief as to the factual flaws referenced in the revocation and requested the Minister to reinstate the Company's Authorization to Affect. The Minister of MinAmb has not yet issued an official decision regarding our appeal and on advice of Venezuelan legal counsel and in order to protect our rights under Venezuelan law, the Company filed an appeal with the Political Administrative Chamber of the Venezuelan Supreme Court on March 25, 2009. Although the filing in the Supreme Court is more formal than the appeal filed with MinAmb, the substance of our arguments and the merits of our position remain substantially the same.

Since we received the revocation notice, management has communicated with members of MinAmb, MIBAM and other government officials with the intention of obtaining a resolution to the impasse. A number of alternatives have been discussed with government officials. Although these discussions appear to be consistent with the proposed changes to the mining law and mining policies that have been addressed publicly in the past 12 months, the final provisions that might be enacted are still unclear.

We believe that (1) through the new mining law or another legal instrument the Venezuelan government may seek to participate in all mining projects through a state company or joint venture, (2) if the government participates in the mining projects, it may pay its pro rata share of investments to date and its share of future capital costs relating to the projects, and (3) the government believes that the Brisas Project and the Las Cristinas project, which is contiguous and to the north, should be combined into a single project in which the benefits to all participants, including the local communities and the government, will be maximized. Until the government clearly and unequivocally announces (1) the provisions of the new mining law and policies and, (2) its intentions regarding the Brisas stand alone project or the Brisas/Las Cristinas combined project, we can give no assurance as to what the outcome will be.

We believe there are three courses of action available to us in Venezuela at this time:

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- resolve with the Venezuelan government the current status of the Brisas Project and proceed with our development with the support of the government;
 - seek a financial settlement with the Venezuelan government if development is not permitted to proceed on terms acceptable to us; or

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- seek remedies either under Venezuela's domestic legal system or via bilateral investment treaties that we believe protect investments such as ours in Venezuela.

It is possible that the government and the new mining law, when approved, will permit the Company to continue construction of and to operate the Brisas Project on a stand-alone basis without the participation of the government or government-sponsored third parties.

If the government seeks to enter into mixed enterprise joint ventures with mining companies operating in Venezuela, we believe it will be possible that the Company and the Venezuelan government could reach an agreement or arrangement on acceptable terms with respect to an enterprise through which the Company and Venezuela jointly construct and operate the Brisas Project or a combined Las Cristinas and Brisas Project.

If an acceptable agreement or arrangement is not offered by the government to the Company, we would seek to negotiate with the Venezuelan government an acceptable amount of compensation for our investment and rights in the Brisas Project.

If we and the Venezuelan government were unable to reach an agreement as to a mutually acceptable amount of compensation or if the impasse continues, we would pursue claims under Venezuela's domestic legal system or through arbitration under bilateral investment treaties entered into between Venezuela, Canada and Barbados, for compensation that will reflect our approximately \$250 million investment plus interest over our 17 year investment period, as well as a claim for lost profits reflecting the economic conditions prevalent at the time of the revocation of the permit.

As a result of the revocation of the Authorization to Affect, the Venezuelan government's inability to clearly articulate its intentions related to Brisas and the uncertainty of the future time schedule, our board of directors authorized management to evaluate the status of \$44.7 million (net of commitments) of equipment ordered for the Brisas Project regarding the sale or redeployment of all or a portion of the remaining equipment. In late 2008, the Company sold a portion of the equipment which would have been used for the Brisas Project. We believe that the sale of this equipment will not impact the start-up of the Brisas Project to the extent the current delays in Venezuela are resolved.

The Company continues its commitment for the manufacture of one SAG mill and two ball mills, related motors and peripheral equipment, demonstrating our current commitment to the Brisas Project. Initially, the Brisas Project would be expected to proceed with reduced capital costs and 35,000 tonnes per day through-put as a result of this sale. This modification should not impact the Company's ability to increase production to 70,000 tonnes per day through-put or greater thereafter. See "Item 4. Information on the Company - Properties - Project Work to Date."

The Company retains its concession and contract rights, holds an operating plan approved by the MIBAM in 2003, holds an ESIA approved by MinAmb in early 2007, and is in receipt of accreditation letters of technical compliance for all of the properties that comprise Brisas from MIBAM in the third quarter of 2008. In this regard, the Company reviewed the amounts recorded on its Consolidated Balance Sheets related to the Brisas Project for potential impairment and has concluded that there was no impairment of these amounts as of December 31, 2008. It is unclear how future actions by the government will effect operations or impair the carrying value of the capitalized costs associated with Brisas.

Regional Infrastructure

The Brisas site is located in the State of Bolivar, in southeastern Venezuela. The nearest major city is Puerto Ordaz, with over a million inhabitants in the surrounding region. Puerto Ordaz is the center of major industrial developments in the area, including iron and steel mills, aluminum smelters, iron and bauxite mining and forestry. Major hydroelectric generating plants on the Caroni River, providing more than 20,000 Mw of electricity, support these industries. Puerto Ordaz has major port facilities and is accessible to ocean-going vessels from the Atlantic Ocean, via the Orinoco river. There are also port facilities 428 km northwest of Puerto Ordaz on the Caribbean coast near Barcelona, which would likely be the port of entry for most construction, mining and milling equipment.

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Puerto Ordaz is a modern urban center with good road and air connections to the rest of Venezuela. There are regularly scheduled flights to Caracas and other major cities several times daily. The highway system within Venezuela is generally good, with paved roads in good condition providing access to within 5 km of Brisas. A four-lane highway runs from Puerto Ordaz, northwest to both Barcelona and the port of Guanta, and for 55 km south to Upata where it becomes a two-lane highway to Km 88 and on into Brazil. A 400 Kv power line runs through the community of Las Claritas, nearby Brisas, with a transformer station located 3 km from the property.

Geology

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Brisas is within the Proterozoic granite-greenstone terrain of the Guyana shield. The shield covers eastern Colombia, southeastern Venezuela, Guyana, Suriname, French Guiana and northeastern Brazil. The terrain is a thick section of andesite to dacite volcanics intruded by numerous granite stocks and batholiths. Several periods of deformation, metamorphism, and mineralization can be documented within this terrain.

The Brisas property is divided into weathered and unweathered material. Weathered material or saprolite is further defined by the degree of oxidation into oxide saprolite and sulfide saprolite. Both contain clays and quartz with the oxide saprolite having iron oxides such as hematite and goethite while in the sulfide saprolite the iron is present as pyrite. The unweathered material consists of andesite or dacite tuffs that are further subdivided based on the presence or absence of mineral crystals and lithic or lapilli fragments. Unweathered intrusive material includes a tonalite stock and basalt dikes and sills. The tuffs strike northerly and dip 30 to 35 degrees to the west. No faulting can be recognized within the deposit.

The mineralization is stratabound and strataform within a 200-meter thick series of tuffs marked by rapid horizontal and vertical facies changes. The gold/copper mineralization is over 1,900 meters long and 500 to 900 meters wide. Mineralization continues for an unknown distance down dip to the west, north and south, as well as, below the current deposit. Three styles of mineralization are seen: (1) massive sulfide-quartz-tourmaline breccia with pyrite, chalcopyrite and gold in an outcrop referred to as the Blue Whale, (2) stratabound, disseminated pyrite-gold/copper mineralization and (3) quartz-calcite high angle veins marked by erratic but high gold values. The disseminated mineralization is characterized by a calcite-quartz-epidote-sulfide alteration and constitutes the majority of the economic mineralization. There appears to be no relationship between the disseminated mineralization and the high angle veins. The mineralization to the north is generally pyrite-chalcopyrite-gold with the copper content decreasing to the south until in the southern portion of the deposit the copper is a minor constituent of the mineralization. Mineralization is open down dip to the west and to the north.

Bankable Feasibility Study and subsequent NI 43-101 updates

Management completed the original Bankable Feasibility Study in 2005. In March 2008, the Company, with the assistance of Pincock, Allen & Holt ("PAH"), updated and prepared a new National Instrument 43-101 report for the Brisas Project, which is summarized below. The Company and SNC-Lavalin, the project's EPCM (Engineering, Procurement, and Construction Management) contractor, updated the capital costs contained therein.

The 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 (waste to ore) is estimated at 2.24:1. The mining and processing methods are all based on conventional technology and, at present, no new or unproven technology is expected to be employed.

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The estimated initial capital cost to construct and place Brisas into production totals \$731 million excluding working capital, critical spares and initial fills of approximately \$53 million and ongoing life-of-mine 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 can be no assurances that such exonerations will be obtained, the result of which would be to increase initial capital and operating costs.

Because recovery parameters or economic parameters vary by metal grade and Brisas contains both gold and copper, management determined that a "cutoff grade" calculation would be overly cumbersome and rely on the averaging of certain parameters. As a result, the Company utilizes a cost based approach, whereby it estimates all costs associated with the proposed operation. These costs are then compared to the estimated revenue contained in each tonne of ore to be processed or hauled to the waste rock facility. An internal cutoff value of \$3.54 per tonne is used for the reserve calculation and a breakeven cutoff value of \$4.37 per tonne is used to determine the size of the ultimate pit during the pit optimization analysis. Management believes this is a more accurate and manageable method than the "cutoff grade" approach.

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The estimated costs considered to develop the cutoff values are as follows:

Cost Description	Measure	Internal Cutoff Value	Breakeven Cutoff Value
Mining	\$/ore-tonne	\$ -	\$ 0.83
Processing	\$/ore-tonne	3.00	3.00
General and Administrative	\$/ore-tonne	0.43	0.43
Reclamation	\$/ore-tonne	<u>0.11</u>	<u>0.11</u>
Cutoff Value	\$/ore-tonne	\$ <u>3.54</u>	\$ <u>4.37</u>

The difference between the internal and breakeven cutoff values is the cost of mining, which is considered sunk because the decision to process the material or place it in the waste rock facility is made at the pit rim after the cost of mining has occurred. The internal cutoff value per tonne is compared to the revenue value per tonne that can be generated if the material is processed. If the internal cutoff value per tonne is less than or equal to the revenue per tonne then the material is processed, if the internal cutoff value per tonne is more than the revenue per tonne then the material is hauled to the waste rock facility. The estimated revenue value for each tonne processed is equivalent to the following: (tonnes times metal grade times metal price times mill recovery rate) less transportation and offsite treatments costs (including any smelting and refining charges, smelter recoveries, deductions and price participation costs). The same cutoff values were applied across all ore material types regardless of material destination whether processed or placed on the waste rock facility. The difference in haul times to each ore material destination was determined to be insignificant. Utilizing Whittle pit optimization software, Whittle pits were generated at various gold and copper price increments. The final pit design utilized a gold price of \$470 per ounce and a copper price of \$1.35 per pound. Phase pit designs internal to the final pit were developed and a mine production schedule was generated for the life of the project.

Operating supplies are available primarily in Venezuela and from other South American countries. Power is available from an electrical substation which is connected to a transmission line that passes within a few kilometers of the project site. Abundant water is available in the area, with Brisas' fresh water requirements being met by water pumped from the pit dewatering system, and by rainfall recovered in the tailings pond. On-site accommodations will be provided for employees, who will be drawn both from the local area, and from the industrialized area around Puerto Ordaz. Over 2,000 personnel will be needed for the construction of the project and employment will peak at over 900 operating personnel.

Mineral Resource and Reserve Estimate

Cautionary Note to U.S. Investors. We advise U.S. investors that definitions contained in CSA National Instrument 43-101 differ in certain respects from those set forth in the SEC Industry Guide 7.

In March 2008 PAH assisted the Company in the calculation of an updated mineral resource and reserve estimate in accordance with CSA National Instrument 43-101 which is summarized in the tables below. The qualified persons involved in the property evaluation and resource and reserve estimate were Susan Poos, P.E. of Marston & Marston Inc. and Richard Lambert, P.E., Richard Addison, P.E. and Bart Stone, C.P.G. of Pincock, Allen & Holt.

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This report uses the terms "measured," "indicated" and "inferred" resource. We advise U.S. investors that while these terms are recognized by Canadian regulations, the SEC does not recognize them. U.S. investors are cautioned not to assume that the mineralization not already categorized as mineral reserves, will ever be converted into reserves. Further, an "inferred resource" has a great amount of uncertainty as to its existence and its economic and legal feasibility. Under Canadian disclosure rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. U.S. investors are cautioned not to assume that part or all of an inferred resource exists, is economically or legally mineable or that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Also, disclosure of contained ounces is permitted under Canadian regulations however the SEC generally requires mineral resource information to be reported as in-place tonnage and grade.

Mineral Resource Estimate

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

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(kt=1,000 tonnes)	Measured			Indicated			Measured and Indicated		
Au Eq Cut-off Grade	kt	Au (gpt)	Cu (%)	kt	Au (gpt)	Cu (%)	kt	Au (gpt)	Cu (%)
0.40	256,483	0.71	0.12	300,367	0.62	0.13	556,850	0.66	0.13

(In Millions)	Measured			Indicated			Measured and Indicated		
Au Eq Cut-off Grade	oz.	Au oz.	Cu lb.	oz.	Au oz.	Cu lb.	oz.	Au oz.	Cu lb.
0.40		5.853	674		5.986	888		11.839	1,562

The inferred mineral resource, based on an off-site smelter process (0.4 gram per tonne gold equivalent cut-off), is estimated at 121.0 million tonnes containing 0.590 grams gold per tonne and 0.12 % copper, or 2.28 million ounces of gold and 316 million pounds of copper. The mineral resource and gold equivalent (AuEq) cut-off is based on \$400 per gold ounce and \$1.15 per pound copper.

Mineral Reserve Estimate

Brisas is estimated to contain a proven and probable mineral reserve of approximately 10.2 million ounces of gold and 1.4 billion pounds of copper. The estimated proven and probable mineral reserve utilizing traditional flotation and off-site smelter processes is summarized in the following table:

Class	Reserve tonnes (thousands)	Au Grade (gpt)	Cu Grade (%)	Au ounces (thousands)	Cu pounds (millions)	Waste tonnes (thousands)	Total tonnes (thousands)	Strip Ratio
Proven	237.7	0.71	0.12	5,429	643			
Probable	245.1	0.61	0.14	4,800	746			
Total	482.8	0.66	0.13	10,229	1,389	1,080.3	1,563.1	2.24

Note that the mineral resource estimate does not represent material that exists in addition to the mineral reserve. The mineral reserve estimates disclosed above which are designated as commercially viable are included in and a part of the mineral resource estimates shown in the previous section.

The mineral reserve (within a pit design) has been estimated in using average recovery rates for gold and copper of approximately 83% and 87% respectively, metal prices of U.S. \$470 per ounce gold and U.S. \$1.35 per pound copper and an internal revenue cut-off of \$3.54 per tonne.

BRISAS PROJECT WORK TO DATE

Since acquiring Brisas in 1992, the Company has spent in excess of \$250 million on the project (including capitalized costs and equipment recorded in the Consolidated Balance Sheet and financial, legal and engineering costs incurred in support of our Venezuelan operations recorded in the Consolidated Statement of Operations). In addition, approximately \$30.4 million remains contractually committed for previously ordered equipment as of December 31, 2008. During the three years ended December 31, 2008, the Company invested the following net amounts for property, plant and equipment related to Brisas 2008- \$46.6 million, 2007- \$55.1 million and 2006- \$15.7 million.

The costs expended include property and mineral rights, easements, acquisition costs, equipment expenditures, litigation settlement costs, general and administrative costs and extensive exploration costs including geology, geophysics and geochemistry, approximately 975 drill holes totaling over 200,000 meters of drilling, independent audits of drilling, sampling, assaying procedures and ore reserves 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, ESIA and Bankable Feasibility Study, including a number of subsequent updates, and an independent CSA National Instrument 43-101 report which was most recently updated in March 2008. Detailed engineering for Brisas was approximately 85% complete at the date of this report.

Based on the issuance of the Authorization to Affect in 2007, we commenced significant pre-construction procurement efforts with the assistance of SNC-Lavalin awarding contracts for Brisas site prep and construction camp facilities and placing orders for the gyratory crusher, pebble crushers, SAG and ball mills, mill motors and other related processing equipment, early-works construction equipment and various other site equipment totaling approximately \$125.3 million, accelerated detailed project engineering, hired a number of senior technical staff, completed the sale of approximately \$103.5 million of convertible notes and \$74 million in new equity, launched a number of environmental and social initiatives and commenced preparation of the Brisas site for construction activities.

We have enjoyed broad support from the local communities, including a Community Liaison Commission created with representatives from each of the Community Councils for the 21 local and surrounding communities, the Construction Union, the Heavy Machinery Union, the local Chamber of Commerce, MIBAM, the local Mayor's office representative and SNC Lavalin.

We funded and constructed a medical facility and a computer and internet center, refurbished and expanded a local school and a Community Liaison Commission facility, constructed new recreational and sport facilities, supported a number of farming and community development programs and continue to maintain the ongoing expenditures associated with these programs and facilities, including the Brisas Community Sport Program whereby over 800 children actively participate in daily supervised activities. The Company also continues to monitor environmental parameters related to Brisas including monthly air and water quality studies, climate and hydrological information and biodiversity assessments.

As a result of the revocation of the Authorization to Affect and the Venezuelan government's inability to clearly articulate its intentions related to Brisas and the uncertainty of the future time schedule, the Company suspended the detailed engineering work being performed by SNC in mid 2008 and curtailed substantially all development expenditures related to the Brisas Project. In late 2008, the Company sold one SAG mill, two ball mills (35,000 tonne per day through-put) and related motors slated being manufactured for the Company's Brisas Project for approximately \$41.1 million. As a result of the sale the Company recovered approximately \$19.2 million of progress payments and the purchaser assumed the Company's remaining payment obligations related to the equipment of approximately \$21.9 million.

2009 BRISAS WORK PLAN

The Company continues to employ a number of people who facilitate the Company's ongoing environmental monitoring programs as well as social and community programs that the Company has previously committed. These programs and the related financial commitment to the local and regional area may be reduced or eliminated in the future depending on the ultimate resolution of the Venezuelan government's plan to proceed regarding the development of Brisas.

Management believes that the best use for the equipment currently being manufactured for Brisas is the deployment of that equipment on Brisas. However management continues to act on the Board of Director's authorization to evaluate the status of \$44.7 million (net of commitments) of equipment ordered for the Brisas Project regarding the sale or redeployment of a portion or all of the remaining equipment. The Company continues its commitment for the manufacture of one SAG mill and two ball mills, related motors and peripheral equipment, demonstrating our current commitment to the Brisas Project. Initially, the Brisas Project would be expected to proceed with reduced capital costs and 35,000 tonnes per day through-put as a result of the previously noted sale. This sale and modification to the project startup is not expected to impact the Company's ability to increase production to 70,000 tonnes per day through-put or greater thereafter, if the Company constructs Brisas.

Choco 5 Property

The Choco 5 property is a grass-root gold and other minerals exploration target also located in Venezuela.

LOCATION

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The Choco 5 property is located in the State of Bolivar, Guayana region. The property is a 5,000 hectare parcel located 24 kilometers west of the mining community of El Callao (population approximately 25,000) located in the El Callao gold mining district and 200 kilometers south of Puerto Ordaz, the nearest major city. Hydroelectric power from generating plants on the Caroni River, near Puerto Ordaz, is connected to El Callao with a 400 kv power line running through the nearby Choco 4 property. The El Callao mining district is an area with considerable mining activity for the past 125 years. Currently active are companies such as Rusoro, which holds Choco 4 (exploration project) and Choco 10 (gold producing project). Both properties are adjacent to Choco 5. In addition, Minerven (a wholly owned subsidiary of CVG) is also active in the area.

TENURE

The underlying mining title or concession for the area known as the Choco 5 property was issued by MEM to CVG on May 11, 1993. The concession was subsequently leased by CVG to Minerven pursuant to an agreement dated December 22, 1998 (the "Choco 5 Lease"). On June 28, 2000, Minerven subleased the Choco 5 Concession to the Company (the "Choco 5 Sublease"). See "Venezuelan Mining, Environment and Other Matters."

The Choco 5 concession is a vein (hardrock) and alluvial concession for the exploration and subsequent exploitation of primarily gold and copper as well as other minerals, with a term of 20 years, starting with the publication of its exploitation certificate, subject to two possible 10 year extensions up to a maximum term of 40 years. The Company's on-going obligations pursuant to the Choco 5 Sublease (which incorporates the terms of the Choco 5 Lease and Choco 5 concession) included variable royalties staged over the life of the project on the value of gross production of gold and other minerals and on the value of proven reserves ranging from 0.35 to 2.3 %, quarterly payments of approximately \$5,000 until commercial production and the obligation to keep the property in good standing during the term of the agreement.

REGIONAL INFRASTRUCTURE

The Choco 5 property has substantially the same regional infrastructure as the Brisas Project, being the same highway system and regional and local services.

GEOLOGY

The Choco 5 property is within the Proterozoic granite-greenstone terrain of the Guyana shield. The shield covers eastern Colombia, southeastern Venezuela, Guyana, Suriname, French Guiana and northeastern Brazil. The terrain is a thick section of andesitic to dacitic volcanics intruded by numerous granite stocks and batholiths. Several periods of deformation, metamorphism, and mineralization can be documented within this terrain.

The Choco 5 property consist of basaltic to rhyolitic volcanic flows and tuffs, felsic sedimentary rocks related to volcanism, and intrusives of gabbroic composition. Apart from a number of surface outcrops, depth to unweathered rock is unknown due to lack of exploratory drilling. Units on the eastern side of the property display foliation in a NE-SW orientation, while on the western side a large scale folding yields orientations of NW-SE. A number of large faults provide offsets of unknown magnitude.

Gold mineralization, as seen exclusively from surficial soil and rock sample anomalies, follows foliation orientations on both eastern and western sides of the property. In most cases the presence of gold anomalies is accompanied by dark red alteration of weathered material, suggesting high sulfide content. There is also a clear association between mineralization and presence of quartz veining.

CHOCO 5 PROJECT WORK TO DATE

Since acquiring the property, the Company has invested approximately \$1.5 million on the exploration of the Choco 5 property, which has included acquisition costs, geological mapping, airborne geophysics, stream sediment and soil geochemistry, mapping, geomorphological study, drilling and assaying.

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2009 CHOCO 5 WORK PLAN

The Company has significantly reduced its exploration activities on Choco 5 until it receives clarification regarding new mining rules and regulations. Choco 5 exploration activities planned for 2009 are expected to be limited to baseline geological activities such as geochemical analysis and line cutting. The Company manages its exploration effort out of its office in the community of El Callao.

VENEZUELAN MINING, ENVIRONMENT AND OTHER MATTERS

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Venezuelan laws applicable to mining operations consist of some laws that differ from those of Canada and the United States, as well as various mining and environmental rules and regulations that are similar in purpose to those in Canada and the United States, but often are more bureaucratically complex. The following is a summary of the more significant Venezuelan mining and environmental laws and other laws and regulations that may affect the Company's operations on the Brisas and Choco 5 properties, but is not a comprehensive review of all laws or a complete analysis of all potential regulatory considerations related to the properties.

Formation of the Ministry of Basic Industries and Mines (MIBAM)

In January 2005, Presidential Decree 3416 (dated January 11, 2005) reorganized the previous Ministry of Energy and Mines (MEM) and transferred certain activities, including mining, to the newly created MIBAM. The Decree also assigned to MIBAM the oversight and authority over the state-owned CVG, holder of the iron ore, bauxite and aluminum, gold, metallurgical and other mining and industrial state-owned assets.

Government Review of Contracts and Concessions for Compliance

In early 2005, MIBAM announced that the Venezuelan government would review all foreign investments in non-oil basic industries, including gold projects. MIBAM indicated that it was seeking transfers of new technology, technical training and assistance, job growth, greater national content, and creation of local downstream industries requiring a fundamental change in economic relations with major multinational companies.

In September 2005, Venezuelan President Hugo Chavez announced the government's intentions to revoke idle gold and diamond concessions and/or contracts and also create a new state mining company as part of an effort to increase government control over the sector. President Chavez did not specify which concessions and/or contracts would be revoked, but later MIBAM noted that inactive and out of compliance mines would be handed over to small mining cooperatives supported by the government through a new government mining corporation. The date for the completion of the review and the announcement of the results of this review has been deferred several times and it is unclear when such review and related announcement will take place.

In the third quarter of 2008, we received accreditation letters of technical compliance from the MIBAM for all properties that comprise Brisas. We believe, based on our performance and communications with the relevant regulatory agencies, all of our properties are in compliance with applicable regulations, including our required and voluntary commitments to various social, cultural and environmental programs in the immediate and surrounding areas near Brisas.

1999 Mining Law

The current Venezuelan Mining Law was approved and subsequently published in the Official Gazette by President Chavez's administration on September 28, 1999 (the "Mining Law"). It established five basic ways to structure mining activities with the primary one being concessions for exploration and subsequent exploitation.

Scope and Term of Concessions

The Mining Law sets out the basic requirements for a concession application to MIBAM, including:

- identification of the mineral(s) to be explored for and exploited;
- evidence of technical, economic and financial capability; and
- special advantages to be granted to the Republic of Venezuela in different areas (e.g., technology, infrastructure, social facilities, training obligations, etc.).

Before initiating exploitation, the concession holder must provide to the MinAmb an environmental bond to guarantee the rehabilitation of the environment at the completion of exploitation.

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A concession holder has the right to exploit the granted minerals regardless of whether they occur in the hardrock or alluvial and the concession extends only to minerals specifically covered by the concession. A concession holder that finds a deposit of another mineral must inform MIBAM and make separate application for such mineral, in compliance with the Mining Law.

The term of a concession is 20 years (from the date the certificate of exploitation is granted) with two subsequent 10-year renewals, provided the concession holder has received such renewal within three months before the expiration of the term of the concession. Pursuant to Article 25

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of the Mining Law, the concession holder may only request an extension if in compliance with all of its obligations to the Republic within the above three-year term application which, in any case, shall be submitted before the six (6) months prior to expiration of the initial term and the Ministry must decide within this same six (6) months period. If no notice is given by the Ministry, it will be understood that the extension has been granted.

Concession exploration periods are three years with a possible extension for one year. The concession holder must obtain an exploitation certificate by application to MIBAM. A feasibility study covering the technical, financial and environmental aspects of the project must accompany the application. The concession holder has seven years from the date of the exploitation certificate to commence exploitation.

Concession holders are subject to several royalties or taxes. A nominal surface tax is to be paid quarterly commencing on the fourth anniversary of the grant of the concession. In addition, minimum royalties or exploitation taxes are assessed as follows:

- gold, silver, platinum and associated metals, 3% of their commercial value as determined in the city of Caracas;
- diamonds and other precious stones, 4% of their commercial value as determined in the city of Caracas; and
- in other cases, including copper, 3% of their commercial value at the mine mouth. MIBAM can reduce this tax from 3% to 1% (and subsequently increase it back to 3%) if economic conditions warrant it.

Also, the Venezuelan government is entitled to exempt, either totally or partially, concession holders from import duties on imported tools and equipment not produced in the country and needed to develop mining activities.

In addition to the rights and obligations described above, current Venezuelan mining and environmental regulations require the rational exploitation of all known mineralization and prohibit the wasting of ore, development of permanent structures over mineralization and development efforts that hinder or negatively impact the rights of neighbors. These regulations provide, among other things, an environment in which neighboring title-holders can negotiate set-back agreements or similar agreements in order to allow the mineralization contained within an adjoining area to be rationally exploited by all parties. The Company's Brisas Project mine plan, approved by MIBAM, and its approved ESIA both include the assumption that a set-back agreement related to Brisas northern boundary will be obtained, and, although the Company has not yet obtained a definitive set-back agreement or something similar with the adjacent property title-holder to the north, management has not received any communication that such agreement (either formal or informal) will not be obtained in the future.

Conversion of CVG Work Contracts into Mining Concessions

The Transitory Provisions included in Title XI of the Mining Law contemplate the option to apply for a conversion of CVG work contracts into mining concessions. In September 2003, a Presidential Decree was enacted that eliminated the authority of CVG to grant new mining contracts for the exploration, development and exploitation of gold and diamonds in the Guayana region. The decree is a continuation of the policy of MIBAM to centralize the management of mining rights in the Guayana region.

The Company has obtained several properties located near the Brisas property pursuant to CVG work contracts for infrastructure purposes and, based on the current mining law, applied to MIBAM in a timely manner for conversion thereof into mining concessions. MIBAM previously indicated that it would act on these conversion applications; however, recent announcements by the government that it had formed a state-owned mining company, future mining rights would be issued via mining licenses, and that no new concessions would be issued, will likely impact the conversion process provided for in the current law. As an alternative to the conversion process, the Company will likely maintain the current work contracts and/or pursue some form of land use permit to use these properties for infrastructure needs and not for mineral exploitation. In the third quarter of 2008, we received an accreditation letter of technical compliance from the MIBAM for the CVG work contracts.

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Environmental Laws and Regulations

Venezuela's environmental laws and regulations are administered through the MinAmb. The MinAmb proscribes certain mining recovery methods deemed harmful to the environment and monitors activities to ensure compliance. As part of the pre-requisites to obtain a mining concession from MIBAM, applicants submit an environmental questionnaire to MIBAM, which they in turn submit to the MinAmb for the allocation of the Permit to Occupy the Territory. The exploration process requires the applicant to submit a preliminary ESIA. Furthermore, the production permitting process is initiated by filing the proposed terms of reference which, when approved, serves as the basis for a complete ESIA. The format for the ESIA is stipulated in a 1996 law (Decree 1257). The Brisas ESIA has been approved and the Permit to Affect Natural Resources for the Construction of Infrastructure and Services Phase of the Brisas Project was issued to the Company on March 27, 2007. As described above, in May 2008 we received notification from MinAmb of its decision to revoke the Authorization to Affect. See Item 4.

Information on the Company Properties Status

Other Taxes

Venezuelan tax law provides for a maximum corporate income tax rate on mining companies of 34%. This rate applies to net income over approximately \$52,510 depending on exchange rates. Other Venezuelan taxes that apply or may eventually apply to the Company's subsidiaries include a 12% value added tax on goods and services, and a 5% to 20% import duty on mining equipment. Upon application, Venezuela offers certain exemptions or exonerations from value added tax and import duties to mining companies. Management expects to apply for such exemptions or exonerations, where available.

Gold Sales

The Central Bank of Venezuela (BCV) allows gold mining companies to sell up to 85% of their production on the international market. The remaining 15% may be required by the government to be sold domestically at the current market price, which is paid in Venezuelan currency. Gold sold domestically to BCV is assessed a maximum tax of 1% of the value of gold as compared to the amount stated in the Mining Law.

Currency and Exchange Controls

In 2003, the Central Bank of Venezuela implemented foreign exchange controls which fixed the rate of exchange between Venezuelan Bolivars (Bs.) and the U.S. dollar. In March of 2005, the rate was fixed at 2,150 Bs. to US \$1.00. On January 1, 2008 the Venezuelan government modified the currency, fixing the official exchange rate at 2.15 Bs. to US \$1.00.

In 2005, the Venezuelan government enacted the Criminal Exchange Law which imposes criminal and economic sanctions on the exchange of Bolivars with foreign currency unless the exchange is made by officially designated methods. Such currency exchange approvals have often been limited or delayed and, as a result, can negatively affect the ability of companies doing business in Venezuela to convert Venezuelan source income into foreign currency. The exchange regulations do not apply to transactions with certain securities denominated in Bolivars which can be swapped for securities denominated in another currency effectively resulting in a parallel market for the Bolivar.

Investment Protection Treaties with Canada and Barbados

Venezuela has entered into investment protection treaties (bilateral investment agreements) with Canada and Barbados. These agreements provide investors such as the Company or its indirect subsidiary Gold Reserve de Barbados Limited both indirect investors in the Brisas Project greater protection in Venezuela than certain other foreign investors. These treaties provide for protection for investments, property and credit rights, including ownership of real estate, concessions, moveable assets and security interests thereof, including other items. Investors are protected against expropriation, nationalization, unfair and inequitable treatment, full protection and security, arbitrary and discriminatory measures, mos