

**Gold Reserve Inc.**  
**Convertible Notes - Summary**  
**February 11, 2010**

Original Issue Date:	May 18, 2007	Maturity Date:	June 15, 2022
Original Issue Principal:	\$103,500,000	Outstanding:	\$102,349,000
Interest rate:	5.5%	Approx # of Holders:	3,100
Interest Payment (bi-annually):	\$ 2.85 million	Interest Date:	Jun 15 & Dec 15

The information contained herein is a summary of the relevant terms of the Convertible Notes. More information can be found at [www.sedar.com](http://www.sedar.com) May 14, 2007 Final short form prospectus-English (1543K).

**Holder's Right to:**

**Convert:**

**At any time**

- Face value in multiples of \$1,000
- Conversion rate of 132.626 Common Shares per \$1,000 face value or \$7.54 per share
- At Company's option cash, common shares or any combination

**Redeem:**

**On June 15, 2012**

- Company to repurchase equal to 100% of face value in multiples of \$1,000
- At Company's option cash, common shares or any combination
- Shares valued at- 95% of VWAP price of common share for previous 10 days

**Redeem Upon "Fundamental Change"**

- Upon Fundamental Change (generally- person or group acquires more than 50% voting power, merger or similar event, continuing directors cease to be majority, approval of a plan of liquidation or dissolution)
- Company is required to repurchase debt at Company's option for cash, common shares or any combination.
- If stock, at least 90% of consideration must be paid in stock and traded on national exchange or TSX
- Shares valued at- 95% of VWAP price of common share for past 10 days

**Company's Right to Redeem:**

**On or after June 16, 2010 until June 15, 2012-**

- Redeem in whole or part equal to 100% of face for cash IF
- share price is equal to or greater than 150% of Conversion price (\$7.54)

**After June 16, 2012 until maturity-**

- Redeem in whole or part equal to 100% of face value for cash

**Modification of Indenture:**

- Generally no amendment that affects the rights of the holder is allowed without the affirmative vote of all holders

**Events of Default**

Failure to pay principle and interest	Failure to convert upon request of holder
Failure to pay other indebtedness in excess of \$15 million	Failure to give notice of "Fundamental Change"
Judgments exceeding \$15 million (unappealable and not insured)	Noncompliance with Article X-Consolidate, Merger, Conveyances' etc
Entry of decree of insolvency/bankruptcy by Court	

**Subordination**

<b>Subordinate-</b>	<b>Pari Passu-</b>
Senior Secured Bank Indebtedness	Existing and future unsecured and Unsubordinated Indebtedness
Project Indebtedness	<b>Senior To-</b>
And any related Guarantees	Future Subordinated Debt

**Note Regarding Carrying Value of Convertible Notes on Balance Sheet**

Canadian accounting standards require an issuer to allocate the convertible notes between their equity and debt component parts based on their respective fair values at the time of issuance. The liability component of the convertible notes was computed at the original issue date by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that did not have an associated equity component. The difference was recorded as “equity component of convertible notes” in shareholders equity. As a result, the amount recorded on the balance sheet as convertible notes is less than the face value amount currently outstanding. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense. The face value of the notes is expected to be fully accreted by June 2012.