GOLD RESERVE INC.

January 13, 2012

Re: Attention: U.S. SHAREHOLDERS:

IMPORTANT TAX NOTICE

Special U.S. Federal Income Tax Filing Requirements Related to Your Investment in Gold Reserve Inc.

Because Gold Reserve Inc. is a Canadian corporation and more than 75% of its consolidated gross income is classified as passive income, the Internal Revenue Service considers it a passive foreign investment company ("PFIC") for taxable year ended December 31, 2011.

The attached PFIC Annual Information Statement is being provided to you pursuant to the requirements of Treasury Regulations Section 1.1295-1(g)(1). The PFIC Annual Information Statement contains information to enable you, should you choose, to elect to treat Gold Reserve Inc., the separate entity, as a qualified electing fund ("QEF"). A U.S. shareholder does not have to make this election for shares held in his or her retirement account.

A U.S. shareholder who makes the QEF election is required to annually include in his or her income his or her pro rata share of the ordinary earnings and net capital gains of Gold Reserve Inc. (but not the ordinary earnings or net capital gains of its subsidiaries).

Gold Reserve Inc., on a single entity basis, did not have ordinary earnings or net capital gains for its taxable year ended December 31, 2011 and believes that it will not have ordinary earnings or net capital gains on a single entity basis in any future years in which it may be a PFIC.

If you do not elect to treat Gold Reserve Inc. as a QEF, then you will be subject to the PFIC rules, which could result in adverse tax consequences to you. For example, if you sold your stock in the future at a gain, you could be required to allocate such gain ratably over the time period during which you held the stock while Gold Reserve Inc. was a PFIC, and pay tax at the highest rate (rather than long-term capital gain rate) on ordinary income in effect for each year to which the gain is allocated plus interest on the tax.

The QEF election is made by completing and attaching Form 8621 to your federal income tax return filed by the due date of the return, as extended.

As part of the Hiring Incentives to Restore Employment Act of 2010 (the "Act"), new reporting requirements were added under Section 1298(f) for U.S. persons who are shareholders in a PFIC (the "Section 1298(f) Requirements"). The Internal Revenue Service and Treasury are developing further guidance regarding these reporting requirements. In the interim, the Section 1298(f) Requirements are suspended pending release of a subsequent revision of Form 8621, modified to reflect the requirements of Section 1298(f), as set forth in guidance to be included in future Treasury Regulations. **You should consult your tax advisor regarding the specific reporting obligations to you (including as a result of the Act)**.

MANAGEMENT RECOMMENDS THAT YOU MAKE A QEF ELECTION.

For your convenience we have posted Form 8621 with the QEF election already made in Part I, and Part II also completed, on our website at www.goldreserveinc.com . You must include your own personal information at the top of the form; however, you do not have to complete Parts III, IV and V. The instructions for Form 8621 can be found at the Internal Revenue Service or your local library. They can also be found on the Internet at http://www.irs.gov/pub/irs-pdf/f8621.pdf . If you would like us to send you a form, please contact our office at 1-800-625-9550.

We strongly urge you to consult your tax advisor for advice concerning the application of the U. S. federal income tax rules governing PFICs.

926 W. Sprague Ave., Suite 200, Spokane, WA 99201 (509) 623-1500

PFIC Annual Information Statement

This Information Statement applies to the taxable year of Gold Reserve Inc. beginning on January 1, 2011 and ending on December 31, 2011.

The total ordinary earnings and net capital gains of Gold Reserve Inc. for the taxable year specified above are:

Ordinary earnings:	NONE
Net capital gains:	NONE
Your pro rata share of Gold Reserve Inc.'s ordinary earnings is:	NONE
Your pro rata share of Gold Reserve Inc.'s net capital gain is:	NONE
The amount of cash and the fair market value of other property distributed or deemed distributed to you during the taxable year specified above is:	NONE

Gold Reserve Inc. will permit you to inspect and copy its permanent books of account, records, and such other documents as may be maintained by Gold Reserve Inc. to establish that Gold Reserve Inc.'s ordinary earnings and net capital gain, as provided in section 1293(e) of the U.S. Internal Revenue Code, are computed in accordance with U.S. income tax principles, and to verify these amounts and your pro rata share thereof.

Gold Reserve Inc.

Date: January 13, 2012 By: A. Douglas Belanger, President

Below are a few questions and answers that may assist you with understanding the "QEF" and "PFIC" matter.

Q. What is the consequence of electing QEF status?

A A U.S. shareholder who makes the QEF election is required to annually include in his or her income his or her pro rata share of the ordinary earnings and net capital gains of Gold Reserve Inc. ("GRI"), the separate entity (but not the ordinary earnings or net capital gains of its subsidiaries).

Q. Does Management of GRI believe it will have ordinary earnings or net capital gains in any future years in which it may be a PFIC?

A. Management does not believe that GRI, the separate entity, will have ordinary earnings or net capital gains in the future, although it is difficult to exactly determine future events.

Q. What impact does QEF status have on my 2011 tax return?

A. Other than completing Form 8621 and attaching it to your return, there is no impact. This does not affect shares held in retirement plans.

Q. If there is no impact on my tax return for 2011, why should I elect QEF status?

A. If you do not elect to treat GRI as a QEF, then you will be subject to the PFIC rules which could result in adverse tax consequences to you. For example, if you sold your GRI stock at a gain, you could be required to allocate such gain ratably over the period during which you held your GRI stock while GRI was a PFIC, and pay tax at the highest rate on ordinary income (rather than capital gain) in effect for each year to which the gain is allocated plus interest on the tax.