

Form 51-102F3
Material Change Report

**MATERIAL CHANGE REPORT UNDER SECTION 7.1(1) OF
NATIONAL INSTRUMENT 51-102 AND SECTION 5.2 OF
MULTILATERAL INSTRUMENT 61-101**

1. Name and Address of Company

Gold Reserve Inc. (the “**Company**” or the “**issuer**”)
926 W. Sprague Avenue, Suite 200
Spokane, Washington
99201

2. Date of Material Change

August 28, 2013

3. News Release

The news release attached hereto as Schedule “A” announcing the material change described herein was issued through CNW Group at Spokane, Washington on August 28, 2013, and filed on SEDAR.

4. Summary of Material Change

As described in the news release attached hereto as Schedule “A” (which news release is incorporated herein), the Company has issued an aggregate of 1,500,000 units of securities of the Company (each, a “**Unit**”) at a price of US\$3.00 per Unit for aggregate gross proceeds to the Company of US\$4,500,000 (the “**Private Placement**”) to two funds (the “**Purchasers**”) affiliated with Greywolf Capital Management LP (“**Greywolf**”). Each Unit comprises one Class A common share of the Company (each a “**Common Share**”) and one-half of one Common Share purchase warrant (each whole such warrant, a “**Warrant**”) with each Warrant exercisable by the holder until August 28, 2015 to acquire one Common Share at a price of US\$4.00 per share.

As Greywolf, on behalf of certain funds that it manages or advises exercised control or direction over more than 10% of the outstanding Common Shares prior to the Private Placement, the Private Placement was considered to be a “related party transaction” within the meaning of Canadian Multilateral Instrument 61-101 (“**MI 61-101**”) and Policy 5.9 of the TSX Venture Exchange, which incorporates MI 61-101.

5. Full Description of Material Change

5.1 Full Description of Material Change

In addition to the information included in the news release attached hereto as Schedule “A”, the following disclosure is required under Multilateral Instrument 61-101 (“**MI 61-101**”).

(a) a description of the transaction and its material terms:

See item 4 of this report above.

(b) the purpose and business reasons for the transaction:

The provision of additional working capital for the Company.

(c) the anticipated effect of the transaction on the issuer's business and affairs:

See item 5.1(b) of this report above.

(d) a description of:

(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:

The Purchasers acquired 1,500,000 Units under the Private Placement.

(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:

The Company understands that prior to the closing of the Private Placement which closing occurred on August 28, 2013, Greywolf, on behalf of the funds it manages (including the Purchasers) exercised control or direction over 10,368,100 Common Shares (14.07% of the outstanding Common Shares of the Company, based on 73,700,743 Common Shares being issued and outstanding as at the close of business on August 27, 2013).

As a result of participation of the Purchasers in the Private Placement, immediately upon the closing of the Private Placement, the Company understands that the percentage of Common Shares of the Company beneficially owned or controlled by Greywolf increased from 14.07% to 16.61% (assuming exercise of the 750,000 Warrants acquired in the Private Placement that are exercisable to acquire an additional 750,000 Common Shares but not including any other securities of the Company over which Greywolf exercises control or direction that may be convertible into Common Shares).

(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:

The Private Placement was unanimously approved by the board of directors of the Company.

(f) A summary in accordance with section 6.5 of MI 61-101 of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:

Not applicable. See section 5.1(i) of this report below.

(g) disclosure, in accordance with section 6.8 of MI 61-101 of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:

(i) that has been made in the 24 months before the date of the material change report:

Not applicable. There is no such “prior valuation” (as such term is defined in MI 61-101).

- (ii) **the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer:**

Not applicable. There is no such “prior valuation” (as such term is defined in MI 61-101).

- (h) **the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

Aside from the Subscription Agreements entered into with each of the two Purchasers setting forth the terms and conditions of purchase of the Units in the Private Placement and pursuant to which a first right of refusal was granted to the Purchasers in connection with future issuances by the Company of Common Shares or certain other securities convertible into Common Shares, the Company entered into a Registration Rights Agreement with the Purchasers providing for the registration for resale under applicable United States securities laws of the Common Shares issued in the Private Placement as part of the Units and the Common Shares issuable upon exercise of the Warrants, among others, all of which such agreements contained typical representations, warranties and covenants of the Company and the Purchasers, as applicable.

- (i) **disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:**

Valuation Exemption

The Private Placement was exempt from the minority shareholder approval requirements of MI 61-101 pursuant to the exemption set out in subsection 5.5(a) of MI 61-101 (the “**Valuation Exemption**”). The Valuation Exemption applies where the circumstances described in paragraph (a) of section 5.5 of MI 61-101 apply, which are that:

“at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves “interested parties” (as such term is defined in MI 61-101), exceeds 25% of the issuer’s “market capitalization” (as such term is defined in MI 61-101).”

Regarding the facts supporting reliance on the Valuation Exemption:

- (i) the Private Placement was agreed to pursuant to the terms of the subscription agreements dated August 27, 2013 entered into between the Company and each of the Purchasers;
- (ii) the Company’s “market capitalization” as at August 27, 2013 for the purpose of MI 61-101 was in excess of US\$200 million and 25% of this figure is approximately US\$50 million;
- (iii) the consideration for the Private Placement is cash in the amount of US\$4,500,000; and

- (iv) 1,500,000 Units were issued in the Private Placement and using US\$3.00 (which is the purchase price for each Unit) as the fair market value, as at August 27, 2013, of each of the Units and each of the Common Shares (the "**Warrant Shares**") underlying the Warrants comprising a part of the Units, the fair market value of the subject matter of the transaction for the purpose of MI 61-101 is US\$6,750,000 calculated as follows: US\$3.00 multiplied by 1,500,000 Units, plus US\$3.00 multiplied by 750,000 Warrant Shares (being the maximum number of Warrant Shares issuable pursuant to the Private Placement).

Shareholder Approval Exemption

The Private Placement was exempt from the shareholder approval requirements of MI 61-101 pursuant to the exemption set out in subsection 5.7(a) of MI 61-101 which provides that this exemption applies in the event the circumstances described in paragraph (a) of section 5.5 of MI 61-101 apply. As such, the circumstances described pursuant to the Valuation Exemption apply as set forth in item 5.1(i) under "Valuation Exemption" above in this report).

5.2 Disclosure for Restructuring Transactions

Not Applicable.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not Applicable.

7. **Omitted Information**

Not Applicable.

8. **Executive Officer**

A. Douglas Belanger
President
(509) 623-1500

9. **Date of Report**

September 7, 2013.

Schedule "A"
News Release



Gold Reserve Inc.

NR-13-09

NOT FOR RELEASE IN THE UNITED STATES

GOLD RESERVE INC. CLOSES FIRST TRANCHE OF PRIVATE PLACEMENT

SPOKANE, WASHINGTON, August 28, 2013

Gold Reserve Inc. (TSX.V:GRZ) (OTCQB:GDRZF) (the "**Company**") is pleased to announce the closing of the first tranche of its previously announced non-brokered private placement (See the Company's news release dated August 14, 2013). The Company has issued an aggregate of 1,500,000 units of securities of the Company (each, a "**Unit**") at a price of US \$3.00 per Unit for gross proceeds in the amount of US \$4,500,000 (the "**Private Placement**") to funds affiliated with Greywolf Capital Management LP ("**Greywolf**"). Each Unit comprises one Class A common share of the Company (each, a "**Common Share**") and one-half of one Common Share purchase warrant (each whole such warrant, a "**Warrant**"), with each Warrant exercisable by the holder until August 28, 2015 to acquire one Common Share at a price of US \$4.00 per share. The proceeds will be used by the Company for general working capital purposes.

No commission or finder's fee was paid in connection with the Private Placement. The Common Shares and the Warrants were offered pursuant to exemptions from the prospectus requirements of applicable securities legislation and are subject to a hold period in Canada expiring on December 29, 2013.

As Greywolf exercised control or direction over more than 10% of the outstanding Common Shares prior to the Private Placement, the Private Placement was considered to be a "related party transaction" within the meaning of Canadian Multilateral Instrument 61-101 ("**MI 61-101**") and Policy 5.9 of the TSX Venture Exchange, which incorporates MI 61-101. The Company has relied on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(a) of MI 61-101, respectively, in respect of the Private Placement.

Further information regarding the Company can be located at www.goldreserveinc.com, www.sec.gov and www.sedar.com.

Company Contact

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

None of the Units, Common Shares or Common Shares issuable upon exercise of the Warrants have been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold in the United States except pursuant to an effective registration statement or an applicable exemption from the registration requirements of the Securities Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy any Units or Common Shares. This press release is being issued pursuant to and in accordance with Rule 135c under the Securities Act.