

# FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of May 2016

Commission File Number: 001-31819

## Gold Reserve Inc.

(Exact name of registrant as specified in its charter)

**926 W. Sprague Avenue, Suite 200**  
**Spokane, Washington 99201**  
(Address of principal executive offices)

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

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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

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This Report on Form 6-K and the exhibits attached hereto are hereby incorporated by reference into Gold Reserve Inc.'s (the "Company") current Registration Statements on Form F-3 on file with the U.S. Securities and Exchange Commission (the "SEC").

The following exhibits are furnished with this Form 6-K:

**99.1 Notice of Annual Meeting of Shareholders and Information Circular**

**99.2 Form of Proxy**

**99.3 Supplemental Mailing List Return Card**

**99.4 Annual Report**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

The information presented or incorporated by reference in this report contains both historical information and "forward-looking statements" (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or "forward looking information" (within the meaning of applicable Canadian securities laws) (collectively referred to herein as "forward looking statements") that may state the Company's intentions, hopes, beliefs, expectations or predictions for the future.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance or achievements to be materially different from those expressed or implied herein and many of which are outside the Company's control. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: the Company's ability to consummate the transactions contemplated by the Memorandum of Understanding (the "MOU") that the Company entered into with the Bolivarian Republic of Venezuela ("Venezuela"), on February 24, 2016, with respect to the potential settlement, including the payment and resolution, of the amounts awarded (including pre and post award interest and legal costs) (the "Arbitral Award") by the International Centre for Settlement of Investment Disputes, an amount yet to be agreed to by the parties in exchange for the Company's contribution of the mining data related to the Brisas Project (the "Mining Data") to the Brisas-Cristinas Project (as defined herein) and the potential subsequent joint development and financing of the Brisas Project and the adjacent Cristinas gold-copper project into one combined project ("Brisas-Cristinas Project") by the Company and Venezuela; the ability of Venezuela to obtain financing on favorable terms, if at all, to fund the contemplated payments to the Company pursuant to the Arbitral Award or the other transactions contemplated by the MOU; risks associated with the concentration of the Company's potential future operations and assets in Venezuela; the timing of the Company's enforcement or collection of the Arbitral Award if the transactions contemplated by the MOU are not consummated; actions and/or responses by the Venezuelan government, including in connection with the negotiation of definitive documentation pursuant to the MOU and/or with respect to the Company's ongoing collection efforts related to the Arbitral Award; the Company's ability to consummate, in its entirety, the previously announced sale of Class A common shares pursuant to a non-brokered private placement with certain arm's length investors (the "Private Placement"); economic and industry conditions influencing the sale of the Brisas Project related equipment; conditions or events impacting the Company's ability to fund its operations and/or service its debt; the Company's ability to maintain listing of its Class A common shares on the TSX Venture Exchange (the "TSXV"); and the Company's long-term plans for identifying and achieving revenue producing operations.

Forward-looking statements involve risks and uncertainties, as well as assumptions, including those set out herein, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results 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 provide any assurances as to future results.

Numerous factors could cause actual results to differ materially from those described in the forward-looking statements, including without limitation:

- the Company's ability to reach agreement with Venezuela on definitive documentation for the transactions contemplated by the MOU and consummate such transactions;
- the ability of Venezuela to obtain financing on favorable terms, if at all, to fund the contemplated payments to the Company pursuant to the Arbitral Award or the other transactions contemplated by the MOU, including the potential development of the Brisas-Cristinas Project;
- the ability of the Company and Venezuela to obtain the approval of the National Executive Branch of the Venezuelan government to create a Special Economic Zone or otherwise provide tax and other economic benefits for the activities of the jointly owned entity (which we refer to herein as the "mixed company") contemplated by the MOU;
- the Company's ability to satisfy its obligations under its outstanding notes following any payment by Venezuela under the Arbitral Award or with respect to contribution by the Company of the Mining Data to the mixed company, and any subsequent distribution of remaining funds to the Company's shareholders (subject in each case to the payment of outstanding or incurred corporate obligations and/or taxes);
- the timing of the consummation of the transactions contemplated by the MOU or the Company's collection of the Arbitral Award, if at all;
- the costs associated with the enforcement and collection of the Arbitral Award, including the costs that the Company will incur in connection with the settlement of the Arbitral Award pursuant to the transactions contemplated by the MOU;
- the complexity and uncertainty of varied legal processes in multiple international jurisdictions associated with the Company's ongoing efforts to collect the Arbitral Award (including the U.S.);
- concentration of the Company's potential future operations and assets in Venezuela, including operational, regulatory, political and economic risks associated with Venezuelan operations;
- the potential for corruption and uncertain legal enforcement in Venezuela, including requests for improper payments;
- the potential that civil unrest, military actions and crime will impact the Company's potential future operations and assets in Venezuela;
- risks associated with exploration and, if adequate reserves, financing and other resources are available, development of the Brisas-Cristinas Project

(including regulatory and permitting risks);

- the risk that the closing of the remainder of the Private Placement may take longer than currently anticipated
  - the Company's current liquidity and capital resources and access to additional funding in the future when required;
  - continued servicing or restructuring of the Company's outstanding notes or other obligations as they come due;
  - the Company's ability to maintain continued listing of its Class A common shares on the TSXV;
  - the Company's long-term plans for identifying and achieving revenue producing operations in the future;
  - shareholder dilution resulting from restructuring or refinancing the Company's outstanding notes;
  - shareholder dilution resulting from the conversion of the Company's outstanding notes in part or in whole to equity;
  - shareholder dilution resulting from the sale of additional equity; including pursuant to the remainder of the Private Placement;
  - value realized from the disposition of the remaining Brisas Project related assets, if any;
  - value realized from the disposition of the Mining Data, if any, pursuant to the transactions contemplated by the MOU or otherwise;
  - prospects for the Company's exploration and development of mining projects, including the potential joint development of the Brisas-Cristinas Project by the Company and Venezuela and any development the Company may pursue as a result of the recent acquisition by a subsidiary of the Company of certain wholly-held Alaska mining claims;
  - currency, metal prices and metal production volatility;
  - adverse U.S. and/or Canadian tax consequences;
  - the Company's ability to continue to report as a "foreign private issuer" pursuant to Rule 3b-4 under the Exchange Act;
  - abilities and continued participation of certain key employees; and
  - other risks normally incident to the exploration, development and operation of mining properties.
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This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. See "Risk Factors" contained in the Company's Annual Information Form and Annual Report on Form 40-F filed on [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed or furnished to the SEC or other securities regulators or presented on the Company's website. Forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by this notice. We disclaim 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 the Company's disclosure obligations under applicable U.S. and Canadian securities regulations. Investors are urged to read the Company's filings with U.S. and Canadian securities regulatory agencies, which can be viewed online at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com), respectively.

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**SIGNATURE**

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

Dated: May 6, 2016

**GOLD RESERVE INC.** (Registrant)

By: /s/ Robert A. McGuinness

Name: Robert A. McGuinness

Title: Vice President – Finance & CFO

**GOLD RESERVE INC.**

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an Annual Meeting (the "Meeting") of the holders of Class A common shares (the, "Shareholders") of GOLD RESERVE INC. (the "Company") will be held at the Spokane Club, located at 1002 W. Riverside, Spokane, WA, USA on June 7, 2016 at 9:30 a.m. (Pacific daylight time) for the following purposes:

- 1) to elect directors of the Company to hold such positions until the next annual meeting of Shareholders or until their successors are elected and have qualified;
- 2) to appoint PricewaterhouseCoopers LLP as independent auditors of the Company and to authorize the directors of the Company to fix their remuneration;
- 3) to receive the financial statements of the Company for the year ended December 31, 2015, together with the report of the auditors thereon; and
- 4) to conduct any other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person and who wish to ensure that their Class A common shares will be voted are requested to complete, sign and mail the enclosed form of proxy to Proxy Services, c/o Computershare Investor Services, P.O. Box 30202, College Station, TX 77842-9909. Proxies must be received not later than 48 hours preceding the Meeting or any adjournment or postponement thereof. A form of proxy, proxy statement/information circular, supplemental mailing list return card and a copy of the Company's 2015 Annual Report on Form 40-F (the "2015 Annual Report") accompany this Notice of Annual Meeting of Shareholders. The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying management information circular.

This Notice of Annual Meeting of Shareholders, the 2015 Annual Report and Supplemental Mailing List Return Card are being mailed or made available to Shareholders entitled to vote at the Annual Meeting, on or about May 3, 2016.

The Board of Directors has fixed the close of business on April 18, 2016 as the record date for the determination of Shareholders entitled to notice of the meeting and any adjournment or postponement thereof.

DATED this 22<sup>nd</sup> day of April, 2016

BY ORDER OF THE DIRECTORS

Rockne J. Timm  
Chief Executive Officer

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**GOLD RESERVE INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**MANAGEMENT SOLICITATION OF PROXIES**

**This Management Information Circular (“Circular”) is furnished in connection with the solicitation of proxies by the management of GOLD RESERVE INC. (the “Company”) to be voted at the Annual Meeting of Shareholders of the Company (the “Meeting”) to be held on Tuesday, the 7<sup>th</sup> day of June, 2016 at 9:30 a.m. (Pacific daylight time), in the United States at the Spokane Club located at 1002 W. Riverside, Spokane, Washington and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Company. Employees will not receive any extra compensation for such activities. The Company may pay brokers, nominees or other persons holding Class A common shares of the Company in their name for others for their reasonable charges and expenses in forwarding proxies and proxy materials to beneficial owners of such Class A common shares, and obtaining their proxies. The Company may also retain independent proxy solicitation agents to assist in the solicitation of proxies for the Meeting. The cost of all solicitations of proxies will be borne by the Company. Except where otherwise stated, the information contained herein is given as of the 22<sup>nd</sup> day of April, 2016.**

The Notice of Annual Meeting of Shareholders, Circular and the Company’s 2015 Annual Report on Form 40-F (the “2015 Annual Report”) are also available for review on the Company’s website at [www.goldreserveinc.com](http://www.goldreserveinc.com) and [www.sedar.com](http://www.sedar.com) under the Company’s profile.

**CURRENCY**

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

**APPOINTMENT AND REVOCATION OF PROXIES**

**The individuals named in the enclosed form of proxy are directors and/or officers of the Company. A Shareholder (as defined below) submitting a proxy has the right to appoint a person or company, who need not be a Shareholder, to represent the Shareholder at the Meeting other than the persons designated in the form of proxy furnished by the Company. To exercise this right, the Shareholder may either (i) insert the name of the desired representative in the blank space provided in the proxy attached to this Circular or (ii) submit another appropriate form of proxy permitted under applicable law.**

The completed proxy will be deemed valid when deposited at the office of Proxy Services, c/o Computershare Investor Services, P.O. Box 30202, College Station, TX 77842-9909 not later than 48 hours preceding the Meeting or any adjournment or postponement thereof, or with the Chairman of the Meeting immediately prior to the commencement of the Meeting or any adjournment or postponement thereof, otherwise the instrument of proxy will be invalid.

See “Voting by Non-Registered Shareholders” below for a discussion of how non-registered Shareholders (i.e. Shareholders that hold their Class A common shares through an account with a bank, broker or other nominee in “street name”) may appoint proxies.

You may revoke or change your proxy at any time before it is exercised at the Meeting. In the case of Shareholders appearing on the registered shareholder records of the Company, a proxy may be revoked at any time prior to its exercise by sending or depositing a written notice of revocation or another signed proxy bearing a later date to the Secretary of the Company at its principal executive office located at 926 W. Sprague Avenue, Suite 200, Spokane, Washington 99201 not later than 48 hours preceding the Meeting or any adjournment or postponement thereof. You may also revoke your proxy by giving notice or by voting in person at the Meeting; your attendance at the Meeting, by itself, is not sufficient to revoke your proxy.

Shareholders that hold their Class A common shares through an account with a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee in revoking their previously deposited proxies.

### **EXERCISE OF DISCRETION BY PROXIES**

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

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders and with respect to other matters which may properly be brought before the Meeting. **If any other matters are properly presented for consideration at the Meeting, or if any of the identified matters are amended or modified, the individuals named as proxies on the enclosed form of proxy will vote the Class A common shares that they represent on those matters as recommended by management. If management does not make a recommendation, then they will vote in accordance with their best judgment.** At the time of printing this Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Annual Meeting of Shareholders.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Company’s issued and outstanding shares consist of Class A common shares (“Class A Shares”). Holders of Class A Shares (the “Shareholders”) are entitled to one vote per share and will vote on all matters to be considered and voted upon at the Meeting or any adjournment or postponement thereof. As of April 18, 2016 there were 78,720,147 issued and outstanding Class A Shares.

The Company has set the close of business on April 18, 2016 as the record date for the Meeting. The Company will prepare a list of Shareholders of record at such time. Shareholders will be entitled to vote the Class A Shares then registered in their name at the Meeting except to the extent that (a) the holder has transferred the ownership of any of his Class A Shares after that date, and (b) the transferee of those Class A Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Class A Shares, and demands, not later than 10 days before the Meeting, that the transferee’s name be included in



the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Class A Shares at the Meeting or any adjournment or postponement thereof.

To the knowledge of the directors and executive officers of the Company, as of April 18, 2016, the only persons, firms or corporations that beneficially owned, or exercised control or direction, directly or indirectly, over more than 10% of the voting rights attached to the Class A Shares were:

Shareholder Name and Address	Number of Class A Shares Held	Percentage of Class A Shares Issued <sup>(1)</sup>
Greywolf Event Driven Master Fund. 89 Nexus Way Camana Bay, Grand Cayman KY1-9007 Cayman Islands	8,862,907	11.26%
Greywolf Strategic Master Fund SPC, Ltd. – MSP9 89 Nexus Way Camana Bay, Grand Cayman KY1-9007 Cayman Islands	10,000,000	12.70%
Greywolf Overseas Intermediate Fund 89 Nexus Way Camana Bay, Grand Cayman KY1-9007 Cayman Islands	4,681,240	5.95%
<b>Total Greywolf Capital Management LP</b>	<b>23,544,147 <sup>(2)</sup></b>	<b>29.91%</b>

- (1) Based on the number of Class A Shares outstanding on April 18, 2016.
- (2) The number of Class A Shares held is based on publicly available information filed with the Securities and Exchange Commission (the “SEC”) by Greywolf Capital Management LP (“Greywolf”) on October 13, 2015. In addition, GCOF Europe beneficially holds approximately \$7,714,888 of outstanding 11% convertible notes due 2018, which may be converted into 2,571,629 Class A Shares; Greywolf Strategic Master Fund beneficially holds approximately \$9,938,000 of outstanding 11% convertible notes due 2018, which may be converted into 3,312,667 Class A Shares; and Greywolf Overseas Intermediate Fund holds approximately \$4,223,220 of outstanding 11% convertible notes due 2018, which may be converted into 1,407,740 Class A Shares.

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

#### **VOTING BY NON-REGISTERED SHAREHOLDERS**

Only registered Shareholders at the close of business on April 18, 2016 or the persons they designate as their proxies are permitted to vote at the Meeting. In many cases, however, the Class A Shares owned by a person (a “non-registered holder”) are registered either: (a) in the name of an intermediary (an “Intermediary”) that the non-registered holder deals with in respect of the Class A Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Company has distributed copies of this Circular and the accompanying Notice of Annual Meeting of Shareholders and form of proxy (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to non-registered holders of Class A Shares.

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

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under the heading “Appointment and Revocation of Proxies”; or
- (b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “Voting Instruction Form”) which the Intermediary must follow. Typically, the non-registered holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its services company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the Class A Shares they beneficially own. **Should a non-registered Shareholder who receives either form of proxy wish to vote at the Meeting in person (or have another person attend and vote on behalf of the non-registered Shareholder), the non-registered Shareholder should strike out the persons named in the form of proxy and insert the non-registered Shareholder’s name, or such other person’s name, in the blank space provided. Non-registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.**

A non-registered Shareholder may revoke a form of proxy or Voting Instruction Form given to an Intermediary by contacting the Intermediary through which the non-registered Shareholder's Class A Shares are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or Voting Instruction Form, the written notice should be received by the Intermediary well in advance of the Meeting.

Under applicable Canadian securities laws, non-registered shareholders or "beneficial" shareholders are either "objecting beneficial owners" or "OBOs", who object to the disclosure by Intermediaries of information about their ownership in the Company, or "non-objecting beneficial owners" or "NOBOs", who do not object to such disclosure. The Company is not sending the Meeting Materials (including any request for voting instructions made by an Intermediary) directly to NOBOs and does not intend to pay for proximate intermediaries to send such materials to OBOs. Accordingly, OBOs will not receive the Meeting Materials unless the Intermediary assumes the costs of delivery.

## **BUSINESS OF THE MEETING**

### **Item 1 – Election of Directors**

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

The Board held 11 meetings during 2015 at which attendance, in person or by phone, averaged 98%. Messrs. Belanger, Geyer, McChesney, Potvin and Timm attended all 11 of the meetings; Messrs. Coleman attended 10; and Mr. Juster, who became a director effective March 17, 2015, attended nine of nine meetings.

The by-laws of the Company provide that each director shall be elected to hold office until the next annual meeting of the Company's Shareholders or until their qualified successors are elected. All of the current directors' terms expire on the date of the Meeting and it is proposed by management that each of them be re-elected to serve until the next annual meeting of Shareholders, or until their qualified successors are elected, unless they resign or are removed from the Board in accordance with the by-laws of the Company.

Shareholders can vote for all of the directors, vote for some of them and withhold votes for others, or withhold votes for all of them.

**Management recommends that you vote FOR the election of each of the directors.**

The following information with respect to the business experience of nominees for election to the Board has been supplied by the director or obtained from the Company's current records.

Name and Place of Residence	Principal Occupation	Director of Gold Reserve Inc. since
Rockne J. Timm Spokane, Washington USA	Mr. Timm's principal occupation is chief executive officer of the Company, a position he has held since 1988. Mr. Timm has also served as president and chairman of the Board from 1988 until January 2004. Mr. Timm is chairman of the Company's executive committee. He has been a director and executive officer of the Company's Venezuelan and other subsidiaries since 1992 and he is president and director of Great Basin Energies, Inc. since 1981 and MGC Ventures, Inc. since 1989.	1984
A. Douglas Belanger Spokane, Washington USA	Mr. Belanger's principal occupation is president of the Company, a position he has held since January 2004. Mr. Belanger has also served as executive vice president from 1988 through January 2004. He has been a director and executive officer of the Company's Venezuelan and other subsidiaries since 1992 and is executive vice president and director of Great Basin Energies Inc. since 1984 and MGC Ventures, Inc. since 1997. Mr. Belanger serves on the Company's executive committee.	1988
James P. Geyer Spokane, Washington USA	Mr. Geyer's principal occupation is a director and member of the environmental, health and safety committee and the chair of the governance and nominating committee of Thompson Creek Metals Company Inc., a North American mining company. Mr. Geyer held the position of senior vice president of the Company from January 1997 to August of 2010. Mr. Geyer also serves on the Company's audit committee.	1997
James H. Coleman, Q.C. Calgary, Alberta Canada	Mr. Coleman's principal occupation is senior partner with the law firm of Norton Rose Fulbright Canada LLP. He is also a director of Great Basin Energies Inc. since 1996, MGC Ventures, Inc. since 1997; Energold Drilling Corp. since 1994, Sterling Resources Ltd. since 2013, and Petrowest Corporation since 2012. Mr. Coleman has been chairman of the Company since 2004 and serves on the executive and nominating committees.	1994
Patrick D. McChesney Las Vegas, Nevada USA	Mr. McChesney recently retired from his position as chief financial officer and chief technology officer of Foothills Auto Group, an automobile dealership group based in Spokane, Washington, a position he held since 2005. Mr. McChesney is a director of Great Basin Energies, Inc. since 2002 and MGC Ventures, Inc. since 1989. Mr. McChesney serves on the Company's compensation and nominating committees and is the chair of the audit committee.	1988

J.C. Potvin Toronto, Ontario Canada	Mr. Potvin's principal occupation is as a director and executive chairman and member of the audit committee of Murchison Minerals Ltd. (formerly Flemish Gold Corp.), a minerals exploration company. Mr. Potvin was President of Murchison Minerals Ltd. until November 2015, a position he held since 2007. Mr. Potvin currently serves on the Company's audit and nominating committees and is chairman of the compensation committee. He is also a director of Exploration Azimut Inc. where he is chair of the audit committee.	1993
Kenneth I. Juster New York, New York USA	Mr. Juster's principal occupation, during the last five years, is as a partner and managing director at the global private equity firm Warburg Pincus. Mr. Juster serves on the Company's compensation committee.	2015

#### **Other Executive Officers**

##### **Robert A. McGuinness, - Vice President of Finance, Chief Financial Officer**

Mr. McGuinness' principal occupation with the Company is as Vice President of Finance since March 1993 and Chief Financial Officer since June 1993. He also serves as Vice President of Finance, Chief Financial Officer and Treasurer of Great Basin Energies, Inc. and MGC Ventures, Inc. Mr. McGuinness resides in Spokane, Washington, USA.

##### **Mary E. Smith, - Vice President of Administration and Secretary**

Ms. Smith's principal occupation with the Company is as Vice President of Administration since January 1997 and Secretary since June 1997. She also serves as Vice President of Administration and Secretary of Great Basin Energies Inc. and MGC Ventures, Inc. Ms. Smith resides in Spokane, Washington, USA.

#### **Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

No proposed director of the Company is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Company is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Company or any personal holding company of such person has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director of the Company or any personal holding company of such person has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or, (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### Security Ownership of Management

The following table discloses the number and percentage of the Class A Shares beneficially owned, or controlled or directed, directly or indirectly, by each director and executive officer named in the Circular and by all directors and officers as a group, as of the date of this Circular.

Name of Beneficial Owner	Amount <sup>(1)</sup>	Percent of Class
Rockne J. Timm <sup>(2) (3)</sup> Washington, USA Chief Executive Officer and Director	1,624,040	2.1%
A. Douglas Belanger <sup>(2) (3)</sup> Washington, USA President and Director	1,831,004	2.3%
James P. Geyer Washington, USA Director	607,473	*
James H. Coleman, Q.C. <sup>(2) (3)</sup> Alberta, Canada Non-Executive Chairman and Director	620,588	*
Patrick D. McChesney <sup>(2) (3)</sup> Nevada, USA Director	385,777	*
Jean Charles Potvin Ontario, Canada Director	511,672	*
Kenneth I. Juster New York, New York Director	110,000	*
Robert A. McGuinness <sup>(2) (3)</sup> Washington, USA Vice President Finance and CFO	370,004	*
Mary E. Smith <sup>(2) (3)</sup> Washington, USA Vice President Administration and Secretary	357,855	*
Directors and officers as a group	6,418,413	7.9%

\*Indicates less than 1%

- (1) Includes Class A Shares issuable pursuant to options exercisable as of the date of this Circular or exercisable within 60 days of the date of this Circular as follows: Mr. Timm 394,000; Mr. Belanger 376,000; Mr. Geyer 200,000; Mr. Coleman 240,000; Mr. McChesney 200,000; Mr. Potvin 200,000; Mr. Juster 110,000; Mr. McGuinness 187,000; and Ms. Smith 168,000. The number includes direct ownership of Class A Shares as follows: Mr. Timm 1,230,040 shares; Mr. Belanger 1,455,004 shares; Mr. Geyer 407,473 shares; Mr. Coleman 380,588 shares; Mr. McChesney 185,777 shares; Mr. Potvin 311,672 shares; Mr. McGuinness 183,004 shares; and Ms. Smith 189,855 shares.
- (2) Messrs. Timm, Belanger, Coleman, McChesney, McGuinness, and Ms. Smith are directors and/or officers of Great Basin Energies, Inc. (OTC: GBEI), which owns 491,192 Class A Shares, or 0.6% of the outstanding Class A Shares. The foregoing individuals beneficially own 17.6%, 11.2%, 4.2%, 2.7%, 1.3%, and 1.2%, respectively, of the outstanding common shares of Great Basin Energies, Inc. and may be deemed indirectly to have an interest in the Company through their respective management positions and/or ownership interests in Great Basin Energies, Inc. Each of the foregoing individuals disclaims any beneficial ownership of the Class A Shares owned by Great Basin Energies, Inc. and such Class A Shares are not included in this total.
- (3) Messrs. Timm, Belanger, Coleman, McChesney, McGuinness, and Ms. Smith are directors and/or officers of MGC Ventures, Inc. (OTC: MGCV), which owns 258,083 Class A Shares, or 0.3% of the outstanding Class A Shares. The foregoing individuals beneficially own 18.4%, 18.6%, 7.5%, 5.6%, 1.9%, and 1.5%, respectively, of the outstanding common shares of MGC Ventures, Inc. and may be deemed indirectly to have an interest in the Company through their respective management positions and/or ownership interests in MGC Ventures, Inc. Each of the foregoing individuals disclaims any beneficial ownership of the Class A Shares owned by MGC Ventures, Inc. and such Class A Shares are not included in this total.

The following table represents the directors and the committees on which they currently serve.

Director	Executive Committee	Audit Committee	Compensation Committee	Nominating Committee
Rockne J. Timm	Chairman			
A. Douglas Belanger	X			
James P. Geyer		X		
James H. Coleman, Q.C.	X			Chairman
Patrick D. McChesney		Chairman	X	X
Kenneth I. Juster			X	
Jean Charles Potvin		X	Chairman	X

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

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

## Item 2 – Appointment of Independent Auditors

It is proposed that the firm of PricewaterhouseCoopers LLP be appointed by the Shareholders as independent certified public accountants to audit the financial statements of the Company for the year ending December 31, 2015 and that the Board be authorized to fix the auditors' remuneration. PricewaterhouseCoopers LLP were first appointed auditors of the Company in 1992. Representatives of PricewaterhouseCoopers LLP are not expected to be present at the Meeting.

**Management recommends that you vote FOR the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors at a remuneration to be fixed by the Board.**

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote FOR the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors at a remuneration to be fixed by the Board.

### Item 3 – Consolidated Financial Statements

A copy of the consolidated financial statements of the Company for the year ended December 31, 2015 (the "Financial Statements") and the report of the Company's independent auditors on the Financial Statements are included in the 2015 Annual Report and will be submitted at the Meeting. Copies of the Financial Statements can also be obtained on [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com). Shareholders are not being asked to vote on the receipt of the Financial Statements.

## EXECUTIVE COMPENSATION

The disclosure that follows has been prepared in accordance with the provisions of National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

### COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis ("CD&A") is to provide information about the Company's executive compensation philosophy, objectives and processes and to discuss compensation decisions relating to certain of the Company's senior officers, being the four identified named executive officers (the "NEOs") during the Company's most recently completed financial year, being the year ended December 31, 2015. The NEOs who are the focus of this CD&A and who appear in the executive compensation tables of this Circular are: A. Douglas Belanger, President; Robert A. McGuinness, Vice President Finance and Chief Financial Officer (the "CFO"); Rockne J. Timm, Chief Executive Officer (the "CEO"); and Mary E. Smith, Vice President Administration and Secretary.

#### Compensation Committee

The Company's compensation program was administered during 2015 by the Compensation Committee of the Board (the "Compensation Committee"). The Compensation Committee is composed of the following three (3) directors:

Jean Charles Potvin (Chair)

Kenneth I Juster

Patrick D. McChesney

The Compensation Committee met three times during 2015 via conference calls and email exchanges. While serving on the Compensation Committee, all of the members participated actively in all discussions. All of the members of the Compensation Committee have had direct experience in matters of executive compensation that is relevant to their responsibilities as members of such committee by virtue of their respective professions and long-standing involvement with public companies and matters of executive compensation. In addition, each member of the Compensation Committee keeps abreast on a regular basis of trends and developments affecting executive compensation.

The Board had determined that each member of the Compensation Committee satisfied the definition of "independent" director as established under National Instrument 58-101- *Disclosure of Corporate Governance Practices* ("NI 58-101") of the Canadian Securities Administrators. The Compensation Committee currently has no written charter.



The function of the Compensation Committee is to evaluate the Company's performance and the performance of the NEOs. The Compensation Committee approves the cash and equity-based compensation of the NEOs and submits such approvals to the full Board for ratification. The Compensation Committee also reviews the Company's compensation plans, policies and programs and other specific compensation arrangements to assess whether they meet the Company's risk profile and to ensure they do not encourage excessive risk taking on the part of the recipient of such compensation. The Board has complete discretion over the amount and composition of each NEO's compensation. Compensation matters relating to the directors were administered by the full Board. Compensation matters relating to each NEO that is a member of the Board were administered by the Compensation Committee.

The Company currently does not anticipate making any significant changes to its compensation policies and practices in 2016.

### **Compensation Program Philosophy**

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

The following objectives are considered in setting the compensation programs for the NEOs:

- set compensation and incentive levels that reflect competitive market practices for similar experience and similar size companies; and
- encourage stock holdings to align the interests of the NEOs with those of Shareholders.

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

The Company encourages NEOs to own Class A Shares of the Company however there currently is no policy requiring officer or director ownership.

The Compensation Committee has considered the risk implications of the Company's compensation policies and practices and has concluded that there is no appreciable risk associated with such policies and practices as such policies and practices do not have the potential of encouraging an executive officer or other applicable individual to take on any undue risk or to otherwise expose the Company to inappropriate or excessive risks. Furthermore, although the Company does not have in place any specific prohibitions preventing a NEO or a director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of options or other equity securities of the Company granted in compensation or held directly or indirectly, by the NEO or director, the Company is unaware of the purchase of any such financial instruments by any NEO or director.

During 2015, the Company did not retain a compensation consultant or advisor to assist the Board or Compensation Committee in determining compensation for the Company's executive officers and directors.

## Compensation Elements and Rationale for Pay Mix Decisions

To reward both short and long-term performance in the compensation program and in furtherance of the Company's compensation objectives noted above, the Company's executive compensation philosophy includes the following two principles.

### *Compensation levels should be competitive*

A competitive compensation program is vital to the Company's ability to attract and retain qualified senior executives. The Company regularly assesses peer group data to ensure that the compensation program is competitive.

### *Incentive compensation should balance short and long-term performance*

To reinforce the importance of balancing strong short-term annual results and long-term viability and success, NEOs may receive both short and long-term incentives. Short-term incentives focus on the achievement of certain objectives for the upcoming year, while stock options create a focus on share price appreciation over the long term.

## Compensation Benchmarking

The Company in the past established base salaries by using an extensive internal survey of base salaries paid to officers of mining companies with similar experience in the mining industry and therefore proved a good basis on which to make the comparison. The companies considered in our internal survey were:

Coeur d'Alene Mines Corporation	Copper Mountain Mining Corporation
Gabriel Resources Ltd.	Gran Colombia Gold Corp.
Hecla Mining Company	International Tower Hill Mines Ltd.
Lydian International Limited	Midas Gold
Mines Management, Inc.	NovaGold Resources Inc.
Sandspring Resources Ltd.	

All of the participants of the internally generated survey are listed on the NYSE MKT, the Toronto Stock Exchange, or TSX Venture Exchange ("TSXV"). The Company believes that the survey is a very good representation of average salaries paid to officers with similar levels of experience with comparable mining companies and therefore a good basis on which to make comparisons. The data was obtained from publicly available information.

## Components of Executive Compensation

The components of executive compensation are as follows:

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

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

*Equity.* The Compensation Committee from time-to-time recommends to the Board grants of options to executives and selected employees. These grants are to motivate the executives and selected employees to achieve goals that are consistent with the Company's business strategies, to create Shareholder value and to attract and retain skilled and talented executives and employees. These factors are considered subjectively and none are accorded a specific weight when granting awards.

*KSOP Plan Contribution.* The Compensation Committee annually determines the contribution to the KSOP Plan, for allocation to individual participants. Participation in and contributions to the KSOP Plan by individual employees, including officers, is governed by the terms of the KSOP Plan. See “Incentive Plans – KSOP Plan”.

### ***Chief Executive Officer’s Compensation***

It is the responsibility of the Compensation Committee to review and recommend to the Board for ratification the compensation package for the Chief Executive Officer based on the same factors listed above that are used in determining the base salaries for the other NEOs.

The Compensation Committee has not developed specific quantitative or qualitative performance measures or other specific criteria for determining the compensation of the Company’s Chief Executive Officer, primarily because the Company does not yet have a producing mine or other operations from which such quantitative data can be derived.

The determination of the Chief Executive Officer’s compensation in 2015 was based on an internal survey of other companies previously mentioned herein, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities.

### ***Other NEO’s Compensation***

In determining the compensation of the other NEOs, the compensation during 2015 was also based on an internal survey of other companies, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities. Generally, the Compensation Committee considers prior compensation and equity grants when considering current compensation.

### **Change of Control Agreements**

The Company maintains change of control agreements with each of the NEOs (the “Change of Control Agreements”) which were implemented by the Board to induce the NEOs to remain with the Company and continue their involvement in the then ongoing development of the Company’s previous mining project in Venezuela (the “Brisas Project”), and more recently, resolution of the investment dispute with Venezuela and the pursuit of new corporate opportunities. A “Change of Control” means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Class A Shares; a change in the composition of the Board that causes less than a majority of the current directors of the Board to be members of the incoming board; reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; liquidation or dissolution of the Company; or any other event the Board reasonably determines constitutes a Change of Control. Change of Control benefits become payable under the terms of the Change of Control Agreements if, within 12 months following a Change of Control, the employee’s employment is terminated by the Company or the surviving or successor entity without cause or the employee voluntarily terminates his/her employment for reasons specified under the respective Change of Control Agreement. Such reasons include a substantial alteration in the nature or status of employment responsibilities or a reduction in compensation or benefits.

The Board believes these individuals' familiarity and long-standing involvement with the Brisas Project and matters relating to the investment dispute with Venezuela are important assets to the Company and their continued employment is important to resolve the dispute with Venezuela. The Board believes that the loss of their continued services could have a detrimental impact on the Company's efforts to collect the damages awarded it, in excess of \$740 million, by the tribunal constituted under the Additional Facility Rules of the International Center for the Settlement of Investment Disputes ("ICSID") of the World Bank in connection with the investment dispute with Venezuela, the potential settlement of the dispute with Venezuela, and the successful sale of assets associated with the Brisas Project.

See "Termination and Change of Control Benefits".

## SUMMARY COMPENSATION TABLE

The following table discloses the compensation paid or granted by the Company to the NEOs for each of the fiscal years ended December 31, 2015, 2014, and 2013.

The amounts related to the option-based awards and the share-based awards (which are no longer allowed under TSXV regulations) do not necessarily represent the value of the Class A Shares when vesting occurs, the value of the options when exercised, or value the employee may realize from the sale of the Class A Shares.

Name and Principal Position	Year	Salary \$	Share-based Awards	Option-based Awards	Non-equity Incentive plan compensation		Pension value \$	All Other Compensation \$	Total Compensation \$
			\$	\$	Annual incentive plans	Long-term incentive plans			
Rockne J. Timm <sup>(5)</sup> Chief Executive Officer and Director	2015	330,000	-	-	n/a	n/a	n/a	31,800 <sup>(2)</sup>	361,800
	2014	330,000	-	-	n/a	n/a	n/a	34,499 <sup>(3)</sup>	364,499
	2013	300,000	-	-	n/a	n/a	n/a	33,499 <sup>(4)</sup>	333,499
Robert A. McGuinness Vice President Finance and CFO	2015	210,000	-	-	n/a	n/a	n/a	25,200 <sup>(2)</sup>	235,200
	2014	210,000	-	65,498 <sup>(1)</sup>	n/a	n/a	n/a	27,865 <sup>(3)</sup>	303,363
	2013	180,000	-	-	n/a	n/a	n/a	33,499 <sup>(4)</sup>	213,499
A. Douglas Belanger <sup>(5)</sup> President and Director	2015	300,000	-	-	n/a	n/a	n/a	31,800 <sup>(2)</sup>	331,800
	2014	300,000	-	-	n/a	n/a	n/a	34,499 <sup>(3)</sup>	334,499
	2013	270,000	-	-	n/a	n/a	n/a	33,499 <sup>(4)</sup>	303,499
Mary E. Smith Vice President Administration and Secretary	2015	140,000	-	-	n/a	n/a	n/a	16,800 <sup>(2)</sup>	156,800
	2014	140,000	-	52,398 <sup>(1)</sup>	n/a	n/a	n/a	18,577 <sup>(3)</sup>	210,975
	2013	119,000	-	-	n/a	n/a	n/a	26,353 <sup>(4)</sup>	145,353

- (1) On July 25, 2014, the Company granted options to the NEOs as follows: Mr. McGuinness, 75,000; and Ms. Smith, 60,000; with an exercise price of \$4.02 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards ("Black-Scholes") with the following assumptions: a two year expected term; expected volatility of 38%; risk free interest rate of 0.53% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the options granted during 2014 was calculated at approximately \$0.87. The options vested as follows: 1/3 upon grant, 1/3 on January 25, 2015, and 1/3 on July 25, 2015.
- (2) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2015.
- (3) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2014.
- (4) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2013.
- (5) Neither Mr. Timm nor Mr. Belanger received additional compensation for the roles as directors.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares, some of which were previously unvested (the “Formerly Restricted Shares”) granted to the NEOs outstanding as at December 31, 2015. No share-based awards were outstanding as at December 31, 2015.

Name	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options #	Option exercise price \$	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> \$	Number of shares or units of shares that have not vested #	Market or payout value of share-based awards that have not vested \$	Market or payout value of share-based awards not paid out or distributed \$
Rockne J. Timm Chief Executive Officer and Director	1/3/2011	480,000	1.82	1/3/2016	340,800	-	-	-
	1/30/2012	394,000	2.89	1/30/2017	-	-	-	-
	Total	874,000			340,800	-	-	-
Robert A. McGuinness Vice President Finance and CFO	1/3/2011	190,000	1.82	1/3/2016	134,900	-	-	-
	1/30/2012	112,000	2.89	1/30/2017	-	-	-	-
	7/25/2014	75,000	4.02	7/25/2024	-	-	-	-
	Total	377,000			134,900	-	-	-
A. Douglas Belanger President and Director	1/3/2011	455,000	1.82	1/3/2016	323,050	-	-	-
	1/30/2012	376,000	2.89	1/30/2017	-	-	-	-
	Total	831,000			323,050	-	-	-
Mary E. Smith Vice President Administration and Secretary	1/3/2011	168,000	1.82	1/3/2016	119,280	-	-	-
	1/30/2012	108,000	2.89	1/30/2017	-	-	-	-
	7/25/2014	60,000	4.02	7/25/2024	-	-	-	-
	Total	336,000			119,280	-	-	-

- (1) The “Value of unexercised in-the-money options” was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2015 the closing price of the Class A Shares on the OTCQB was \$2.53.

## OPTIONS VESTED DURING THE YEAR

The following table sets forth information for NEOs regarding the value of stock options during 2015. No share-based awards vested, and no non-equity incentive plan compensation was earned during 2015.

Name	Option-based awards – Value vested during the year <sup>(1) (2)</sup> \$	Share-based awards – Value vested during the year \$	Non-equity incentive plan compensation – Value earned during the year \$
Robert A. McGuinness Vice President Finance and CFO	-	-	-
Mary E. Smith Vice President Administration and Secretary	-	-	-

- (1) On January 25, 2015, 25,000 stock options vested for Mr. McGuinness and 20,000 stock options vested for Ms. Smith, each with an exercise price of \$4.02 per share and a market price of \$2.29 per share.
- (2) On July 25, 2015, 25,000 stock options vested for Mr. McGuinness and 20,000 stock options vested for Ms. Smith, each with an exercise price of \$4.02 per share and a market price of \$3.65 per share.

## INCENTIVE PLANS

### The 2012 Equity Incentive Plan, as amended and restated (the “2012 Plan”)

The 2012 Plan was adopted by the Board for the employees, officers, directors and consultants of the Company and its subsidiaries and permits the grant of stock options, which are exercisable for Class A Shares.

The maximum number of Class A Shares issuable under options granted under the 2012 Plan is 7,550,000 Class A Shares. At the date of this Circular 2,660,000 options have been exercised, 3,370,500 options are outstanding and 1,519,500 are available for grant.

### Securities Authorized for issuance under Equity Compensation Plans

The following table sets forth certain information regarding the 2012 Plan as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under 2012 Plan
Equity Incentive Plans approved by Shareholders	N/A	N/A	N/A
2012 Equity Incentive Plan not approved by Shareholders	5,643,500	N/A	1,519,500
Total	5,643,500		1,519,500

The Company provides newly issued Class A Shares to satisfy stock option exercises. The grants are made for terms of up to ten years with vesting periods as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board.

The 2012 Plan was established to provide incentives to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The 2012 Plan is administered by a committee of the Board, and in certain cases by the Board, established pursuant to the terms of the 2012 Plan.

In accordance with the rules of the TSXV the number of Class A Shares which may be reserved for issuance to any one person may not exceed 5% of the issued Class A Shares in a 12-month period, calculated as at the date the stock options are granted to such person. In addition pursuant to such rules and as set forth in the 2012 Plan, the Company may not grant stock options providing for the issuance of more than 2% of the issued Class A Shares to any one consultant in any 12-month period, calculated as at the date the stock options are granted to such consultant, and the Company may not grant stock options providing for the issuance, in the aggregate, of more than 2% of the issued Class A Shares to all persons retained to conduct investor relations activities in any 12-month period, calculated as at the date the stock options are granted to such persons.

The 2012 Plan also provides for the following:

- a) stock options granted under the 2012 Plan will have an expiry date not to exceed 10 years from the date of grant;
- b) any stock options granted that expire or terminate for certain reasons without having been exercised will again be available under the 2012 Plan;
- c) stock options will vest as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board;
- d) the minimum exercise price of any stock options issued under the 2012 Plan will be the last previous closing price on the date of grant, subject to the requirements of the TSXV; and
- e) the Company's Board is authorized to grant to participants that number of stock options under the 2012 Plan not exceeding 7,550,000 of the issued and outstanding Class A Shares of the Company, less the number of currently outstanding stock options.

Amendments to the 2012 Plan may be made by the Board without Shareholder approval to:

- (i) amend the 2012 Plan to correct typographical, grammatical or clerical errors;
- (ii) change the vesting provisions of an option granted under the 2012 Plan, subject to prior written approval of the TSXV, if applicable;
- (iii) change the termination provision of an option granted under the 2012 Plan if it does not entail an extension beyond the original expiry date of such option;
- (iv) make such amendments to the 2012 Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
- (v) make such amendments as may otherwise be permitted by the TSXV, if applicable; and
- (vi) amend the 2012 Plan to reduce the benefits that may be granted to new plan participants.

The Board is of the view that the 2012 Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry.

## **KSOP Plan**

The Company's subsidiary, Gold Reserve Corporation, maintains a KSOP Plan for the benefit of eligible employees. The KSOP Plan consists of two components: 1) a salary reduction component and a 401(k) which includes provisions for discretionary contributions by the Company, and (2) an employee share ownership component, or ESOP. Eligible employees are those who have been employed for a period in excess of one year and who have worked at least 1,000 hours during the year in which any allocation is to be made.

Employee contributions to the 401(k) component of the KSOP Plan are limited in each year to the total amount of salary reduction the employee elects to defer during the year, which is limited in 2016 to \$18,000 (\$24,000 limit for participants who are 50 or more years of age, or who turn 50 during 2016).

Employer contributions, stated as a percentage of eligible compensation, are determined each year by the Board. The employer contributions are disclosed under "Executive Compensation – Summary Compensation Tables", under the column "All Other Compensation". All contributions, once made to the individual's account under the KSOP Plan, are thereafter self-directed.

Total employer and employee annual contributions to an employee participating in both the 401(k) and ESOP components of the KSOP Plan are limited (in 2016) to a maximum of \$53,000 (\$59,000 limit for participants who are 50 or more years of age or who turn 50 during 2016). The annual dollar limit is an aggregate limit which applies to all contributions made under this plan. For KSOP Plan year 2016 the Company has adopted a minimum "Safe Harbor" contribution of 3% of eligible compensation.

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

Allocated cash contributions to eligible KSOP Plan participants (9 participants for 2015) for plan years 2015, 2014, and 2013 were \$149,605, \$164,094, and \$171,895, respectively.



## **Retention Units**

The Company has a Director and Employee Retention Plan (the “Retention Plan”) for the primary purposes of: (1) attracting and retaining directors, management and personnel with the training, experiences, and ability to enable them to make a substantial contribution to the success of the business of the Company, (2) to motivate participants by means of growth-related incentives to achieve long range goals, (3) to further the identity of interests of participants with those of the Shareholders through equity-based incentive opportunities and (4) to allow each participant to share in the value of the Company following the grant of retention units (the “Units”).

Under the Retention Plan, the Board or a committee thereof may grant Units to directors and certain key employees of the Company or its subsidiaries. Individuals become eligible to participate if the Board or a committee thereof determines that the individual can assist the Company in achieving corporate milestones, influence the growth of the Company, or that the individual’s performance warrants further incentive or reward. Current participants in the Retention Plan include directors, officers, and other employees, all of whom have signed award agreements.

The Units vest 100% when (i) the Company collects the proceeds from the ICSID arbitration process and/or the sale of the Brisas Project mining data assets (the “Mining Data”) AND (ii) agrees to distribute a substantial majority of the proceeds to its Shareholders.

The Units also become fully vested and payable upon a Change of Control.

Subject to vesting, each Unit granted to participating directors, officers and employees entitles such persons to receive a cash payment equal to the fair market value of one Class A Share (a) on the date the Unit was granted or (b) on the date any such participant becomes entitled to payment, whichever is greater.

No Units were granted to directors, executive officers, or employees in 2015, 2014, or 2013. As of December 31, 2015 an aggregate of 1,457,500 unvested Units have been granted to directors and executive officers of the Company and 315,000 Units have been granted to other employees. The minimum value of these Units, based on the grant date value of the Class A Shares, was approximately \$7.7 million.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

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

At this time, there are no written employment agreements between the Company and the NEOs.

The Company maintains Change of Control Agreements with each of the NEOs, which were implemented by the Board to induce the NEOs to remain with the Company in the event of a Change of Control. The Board believes these individuals' familiarity and long-standing involvement with the Brisas Project are important assets to the Company and their continued employment is important to resolve the dispute with Venezuela. The Board believes that the loss of their continued services could have a detrimental impact on the successful outcome of the arbitration, potential settlement of the dispute, and the successful sale of assets associated with the Brisas Project.

### **Existing Change of Control Arrangements with Executive Officers**

Beginning in 2003, the Company entered into Change of Control Agreements with each of the NEOs and three other employees. Other than as disclosed herein, no other executive officers, directors or affiliates of the Company have Change of Control Agreements with the Company.

A Change of Control means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Class A Shares; a change in the composition of the Board that causes less than a majority of the current directors of the Board to be members of the incoming board; reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; liquidation or dissolution of the Company; or any other event the Board reasonably determines constitutes a Change of Control.

In connection with the 2012 restructuring of the Company's 5.5% convertible notes due 2022, members of management and the directors agreed to limited waivers of their rights under their respective Change of Control Agreements.

Pursuant to the Change of Control Agreements, in the event of a Change of Control each participant is entitled to, among other things, continue employment with the Company and, if the participant's employment is terminated within 12 months following the Change of Control for any reason other than termination by the Company for cause, such participant will be entitled to receive, among other things:

- an amount equal to 24 times his or her monthly salary (36 times for Mr. Timm and Mr. Belanger), determined as of the date immediately prior to termination or the Change of Control, whichever is greater (the Change of Control time period of 24 months compared to 36 months is based primarily on seniority of position and responsibility and length of service with the Company);
- an amount equal to two years of the Company's KSOP contributions (based upon the maximum allowable allocation pursuant to applicable law and the participant's annual salary immediately prior to his or her termination date or the Change of Control, whichever is greater);
- an amount equal to the aggregate of all bonuses received during the 12 months prior to his or her termination date, plus any amounts required to be paid in connection with unpaid vacation time;
- a payment equal to two times the monthly premium for maintenance of health, life, accidental death and dismemberment, and long term disability insurance benefits for a period of 36 months;
- cause all equity awards or equity-based awards (including options and restricted shares) granted to the participant to become fully vested and unrestricted;

- at the election of the participant, the buy-out of the cash value of any unexercised options based upon the amount by which the weighted average trading price of the Class A Shares for the last five days preceding the date the participant makes such election exceeds the exercise price of the options; and
- a payment equal to the value of the participant's vested Units in accordance with the Retention Plan.

As further discussed in the following two paragraphs, the participants are entitled to receive certain "gross-up payments" (that is, an excess parachute gross-up payment and a deferred compensation gross-up payment) if payments that he or she receives are subject to the excise tax under Code Section 4999 on excess parachute payments or the additional tax and interest factor tax under Code Section 409A on deferred compensation. The intent of these gross-up payments is to put the participant in the same position, after tax, that he or she would have been in if the payments that the participant received had not been subject to the excise and additional taxes.

The Change of Control Agreements also provide for a gross-up payment if any payment made to or for the benefit of a participant ("Excess Parachute Payment") would be subject to the excise tax imposed by Code Section 4999, or any interest or penalties are incurred by the participant with respect to such excise tax. The Company will pay to the participant an additional payment ("Excess Parachute Gross-Up Payment") in an amount such that after payment by the participant of all taxes on the Excess Parachute Gross-Up Payment, the participant retains an amount of the Excess Parachute Gross-Up Payment equal to the excise tax (and any interest or penalties) imposed upon the participants Excess Parachute Payment.

The Change of Control Agreements further provide for a gross-up payment if any payment made to or for the benefit of a participant ("Deferred Compensation Payment") would be subject to the additional tax or additional interest on any underpayment of tax imposed by Code Section 409A, or any interest or penalties are incurred by the participant with respect to such additional tax or underpayment of tax. The Company will pay to the participant an additional payment ("Deferred Compensation Gross-Up Payment") in an amount such that after payment by the participant of all taxes on the Deferred Compensation Gross-Up Payment, the participant retains an amount of the Deferred Compensation Gross-Up Payment equal to the additional tax and additional interest on any underpayment of tax (and any interest or penalties) imposed upon the participant's Deferred Compensation Payment.

Payments may be delayed six months under Code Section 409A. In the event of such a delay, the delayed payments will be made to a rabbi trust. Upon the completion of the six-month delay period, the payments held in the rabbi trust will be paid to the participant plus interest at the prime rate. The Company will pay all costs associated with the rabbi trust.

Participants would have been entitled to collectively receive an aggregate of approximately \$11,264,288 if a Change of Control had occurred on December 31, 2015. This amount assumes all persons with Change of Control Agreements elect the buy-out of their options as described above. For purposes of such calculation, The Company assumed the election was made on December 31, 2015, which resulted in share price of \$2.53 per Class A Share. This amount was determined exclusive of any gross-up payments, which payments could be substantial depending on the tax position of each individual.

The following table represents the estimated payout for employees holding Change of Control Agreements at December 31, 2015. These amounts were determined exclusive of any gross-up payments, which could be substantial depending on the tax position of each individual.

Name	Compensation <sup>(1)</sup> \$	Payout of Stock Options <sup>(2)</sup> \$	Payout of Retention Units <sup>(3)</sup> \$	Total
Rockne J. Timm	1,234,681	340,800	1,502,000	3,077,481
Robert A. McGuinness	607,737	134,900	589,000	1,331,637
A. Douglas Belanger	1,168,876	323,050	1,502,000	2,993,926
Mary E. Smith	442,207	119,280	524,400	1,085,887
Total NEOs	3,453,501	918,030	4,117,400	8,488,931
Other participants	748,556	660,000	1,366,800	2,775,356
Total	4,202,057	1,578,030	5,484,200	11,264,287

(1) Represents the estimated payout as of December 31, 2015 of the associated salary, vacation, KSOP contribution, bonus and insurance.

(2) Represents the payout of stock options.

(3) Represents the payment associated with the value of the Units on December 31, 2015 and does not include 500,000 Units for non-employee directors equal to \$2,210,000.

## DIRECTOR COMPENSATION

### Summary Director Fee Tables

During 2015, the Board agreed to pay \$36,000 to each non-employee director in quarterly installments of \$9,000 per quarter, payable on April 15, 2015, July 15, 2015, October 15, 2015, and January 15, 2016. Mr. Coleman received \$100,000 for his role as Chairman.

The amount related to option-based awards does not necessarily represent the value of the Class A Shares when vesting occurs, the value of the options when exercised, or value the director may realize from the sale of the Class A Shares.

Name	Year	Fees Earned <sup>(1)</sup> \$	Share-based awards \$	Option-based awards \$	Non-equity Incentive plan compensation	All Other Compensation \$	Total \$
James H. Coleman	2015	36,000	-	62,765 <sup>(3)</sup>	-	100,000 <sup>(4)</sup>	198,765
James P. Geyer	2015	36,000	-	29,290 <sup>(3)</sup>	-	-	65,290
Kenneth I. Juster	2015	19,500	-	116,350 <sup>(2) (3)</sup>	-	-	135,850
Patrick D. McChesney	2015	36,000	-	29,290 <sup>(3)</sup>	-	-	65,290
Chris D. Mikkelsen <sup>(5)</sup>	2015	16,500	-	-	-	-	16,500
Jean Charles Potvin	2015	36,000	-	29,290 <sup>(3)</sup>	-	-	65,290

- (1) Represents cash fees granted as director during the year.
- (2) On March 17, 2015, the Company granted Mr. Juster 100,000 options upon becoming a director with an exercise price of \$3.89 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards ("Black-Scholes") with the following assumptions: a two year expected term; expected volatility of 39%; risk free interest rate of 0.70% per annum; and a dividend rate of 0%. The weighted average grant date fair value of these options was calculated at approximately \$0.87. The options vest as follows: 25% on date of grant, 25% on September 17, 2015, 25% on March 17, 2016 and the remainder of 25% on September 17, 2016.
- (3) On June 29, 2015, the Company granted 35,000 options each to Messrs. Geyer, Juster, McChesney and Potvin and 75,000 options to Mr. Coleman with an exercise price of \$3.91 per share. The fair value of these options at the date of grant was estimated using Black-Scholes with the following assumptions: a two year expected term; expected volatility of 37%; risk free interest rate of 0.64% per annum; and a dividend rate of 0%. The weighted average grant date fair value of these options was calculated at approximately \$0.84. The options vested immediately upon grant.
- (4) Represents cash fees earned as Chairman during the year.
- (5) Mr. Mikkelsen resigned his position in March 2015.

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

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the directors as at December 31, 2015. No Share-based awards were outstanding as at December 31, 2015.

Name	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options #	Option exercise price \$	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> \$	Number of shares or units of shares that have not vested #	Market or payout value of share-based awards that have not vested \$	Market or payout value of share-based awards not paid out or distributed \$
James H. Coleman	1/3/2011	120,000	1.82	1/3/2016	85,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	-	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	-	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-
	6/29/2015	75,000	3.91	6/29/2025	-	-	-	-
<b>Total</b>		<b>360,000</b>			<b>85,200</b>	-	-	-
James P. Geyer	1/3/2011	120,000	1.82	1/3/2016	85,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	-	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	-	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-
<b>Total</b>		<b>320,000</b>			<b>85,200</b>	-	-	-
Kenneth I. Juster	3/17/2015	100,000	3.89	3/17/2020	-	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-
<b>Total</b>		<b>135,000</b>			-	-	-	-
Patrick D. McChesney	1/3/2011	120,000	1.82	1/3/2016	85,200	-	-	--
	1/30/2012	90,000	2.89	1/30/2017	-	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	-	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-
<b>Total</b>		<b>320,000</b>			<b>85,200</b>	-	-	-
J.C. Potvin	1/3/2011	120,000	1.82	1/3/2016	85,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	-	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	-	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-
<b>Total</b>		<b>320,000</b>			<b>85,200</b>	-	-	-

(1) The "Value of unexercised in-the-money options" was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2015 the closing price of the Class A Shares on the OTCQB was \$2.53.

## OPTIONS VESTED DURING THE YEAR

The following table sets forth information for the directors other than the NEOs regarding the value of stock options vesting during 2015. No share-based awards vested, and no non-equity incentive plan compensation was earned, during 2015.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> \$	Share-based awards – Value vested during the year \$	Non-equity incentive plan compensation – Value earned during the year \$
James H. Coleman <sup>(5)</sup> <sup>(6)</sup>	5,250 <sup>(2)</sup>	-	-
James P. Geyer <sup>(5)</sup> <sup>(6)</sup>	2,450 <sup>(3)</sup>	-	-
Kenneth I. Juster <sup>(7)</sup>	2,700 <sup>(3)</sup> <sup>(4)</sup>	-	-
Patrick D. McChesney <sup>(5)</sup> <sup>(6)</sup>	2,450 <sup>(3)</sup>	-	-
Chris D. Mikkelsen <sup>(5)</sup> <sup>(6)</sup>	-	-	-
Jean Charles Potvin <sup>(5)</sup> <sup>(6)</sup>	2,450 <sup>(3)</sup>	-	-

- (1) The stock option value represents the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended December 31, 2015. As these options were not exercised on the vesting date, the amounts do not necessarily reflect amounts realized by the NEO's during the year.
- (2) On June 29, 2015, 75,000 stock options vested for Mr. Coleman with an exercise price of \$3.91 per share and a market price of \$3.98 per share.
- (3) On June 29, 2015, 35,000 stock options each vested for Messrs. Geyer, Juster, McChesney, and Potvin with an exercise price of \$3.91 per share and a market price of \$3.98 per share.
- (4) On March 17, 2015, 25,000 stock options vested for Mr. Juster with an exercise price of \$3.89 per share and a market price of \$3.90 per share.
- (5) On January 25, 2015, 8,333 stock options each vested for Messrs. Coleman, Geyer, McChesney, Mikkelsen and Potvin with an exercise price of \$4.02 per share and a market price of \$2.89 per share.
- (6) On July 25, 2015, 8,334 stock options each vested for Messrs. Coleman, Geyer, McChesney, Mikkelsen and Potvin with an exercise price of \$4.02 per share and a market price of \$3.65 per share.
- (7) On September 17, 2015, 25,000 stock options vested for Mr. Juster at an exercise price of \$3.89 per share and a market price of \$2.71 per share.

## Directors and Officers Insurance

The Company carries directors' and officers' liability insurance which is subject to a total aggregate limit of \$20,000,000 and deductibles from \$100,000 to \$1,000,000 depending on the nature of the claim. The annual premium for the latest policy period was \$235,385.

## 2012 BONUS POOL PLAN

The Board approved the 2012 Bonus Pool Plan ("Bonus Plan"), which is intended to reward the participants in the Bonus Plan, including NEOs, employees, directors and consultants, for their past and future contribution related to among other things: (i) the development of the Brisas Project to the construction stage and subsequent issuance of the environmental permit to commence construction of the Brisas Project; (ii) the manner in which the Brisas Project development effort was carried out allowing the Company to present a compelling and vigorous defense of its arbitration claim; (iii) the support of the Company's execution of the arbitration proceedings through the filing of numerous memorandum and exhibits as well as the oral hearings; and (iv) the on-going efforts to assist with positioning the Company to collect, in the most optimum manner, any proceeds or other consideration related to the arbitration claim and/or sale of the Mining Data that the Company may be entitled to as management considers in the best interest of all stakeholders. All awards payable under the Bonus Plan are payable in cash.

The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds or the fair value of any consideration related to such transactions less certain deductions and applicable taxes (except in the case of an Enterprise Sale as described below where gross proceeds will be considered before any applicable taxes and after any Change of Control payments) times 1% of the first \$200 million and 5% thereafter of any consideration received.

In October 2009, the Company initiated an arbitration (the “Arbitration Proceedings”) under the Additional Facility Rules of the ICSID of the World Bank to seek compensation for the violation by Venezuela of the terms of the Treaty between the Government of Canada and the Government of Venezuela for the Promotion and Protection of Investments (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1).

The bonus pool, will be established and separate bonus amounts will be determined, if and when the Company (i) recovers any settlement, award, or other payment made or other consideration transferred to the Company or any of its affiliates arising out of, in connection with or with respect to the Arbitration Proceedings, including, but not limited to the proceeds received by the Company or its affiliates from a sale, pledge transfer or other disposition, directly or indirectly, of the Company’s rights with respect to the Arbitration Proceedings; (ii) sells, pledges, transfers or disposes, directly or indirectly, of all or any portion of the Mining Data, or (iii) in the event the Company or its Shareholders, directly or indirectly, engage in any (a) merger, plan of arrangement or other business combination transaction involving the Company or any of its subsidiaries, (b) a sale, pledge, transfer or other disposition of 85% or more of the Company’s then outstanding Class A Shares or (c) sale, pledge, transfer or other disposition, directly or indirectly, of all or substantially all of the assets of the Company (“Enterprise Sale”).

The Bonus Plan is managed by a committee of independent directors and participation in the Bonus Plan vests upon the participant’s selection by the committee, subject to voluntary termination of employment or termination for cause.

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

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

#### **AUDIT COMMITTEE INFORMATION**

##### **Audit Committee Charter**

The audit committee of the Board (the “Audit Committee”) operates within a written mandate, as approved by the Board, which describes the Audit Committee’s objectives and responsibilities. The full text of the Audit Committee Charter, as amended as of August 2014, is attached as “Appendix A” to this Circular.

##### **Membership and Role of the Audit Committee**

The Audit Committee consists of Patrick D. McChesney, (Chairman), Jean Charles Potvin, and James P. Geyer. The Board has determined each member of the Audit Committee to be “independent” and “financially literate” as such terms are defined under Canadian securities laws. Further, each member of the Audit Committee satisfies the definition of “independent” director as established under the SEC rules. In addition, each member of the Audit Committee is financially literate and the Board has determined that Patrick D. McChesney qualifies as an audit committee “financial expert” as defined by SEC rules. The Board has made these determinations based on the education and experience of each member of the Audit Committee.



Mr. McChesney was the Chief Financial Officer of Foothills Auto Group, an operator of franchised auto dealerships, where he was responsible for the financial statements. He was also President of LMO Test Systems, Inc., a manufacturer of automated test equipment for the semiconductor industry, where he was also responsible for the company's financial statements. Mr. McChesney graduated from the University of Portland, with a Bachelor degree in Accounting. During his 30 plus year working career, he has prepared and analyzed financial statements in the mining, public accounting, retail, electronics and construction industries.

Mr. Potvin is also a director and a member of the audit committee of Azimut Exploration Ltd., a publicly listed mineral exploration company. Mr. Potvin holds a Bachelor of Science degree in Geology from Carleton University and an MBA from the University of Ottawa. He spent nearly 14 years as a mining investment analyst for a large Canadian investment brokerage firm (Burns Fry Ltd., now BMO Nesbitt Burns Inc.).

Mr. Geyer has a Bachelor of Science in Mining Engineering from the Colorado School of Mines, has 41 years of experience in underground and open pit mining and has held engineering and operations positions with a number of companies including AMAX and ASARCO. Mr. Geyer is a director of Thompson Creek Metals Inc.

The Audit Committee met four times during 2015 at which attendance, in person, by email or by phone, averaged 100%. The Audit Committee's principal functions are to assist the Board in fulfilling its oversight responsibilities, and to specifically review: (i) the integrity of our financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of our system of internal audit function and the independent auditor; and (iv) our compliance with laws and regulations, including disclosure controls and procedures. During 2015, the Audit Committee worked with management, our internal auditor and our independent auditor to address Sarbanes-Oxley Section 404 internal control requirements.

The Audit Committee reviews our financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal control over financial reporting. Our independent auditors are engaged to audit and express opinions on the conformity of our financial statements to accounting principles generally accepted in the United States, and the effectiveness of our internal control over financial reporting.

#### External Auditor Service Fees

Fees paid to the Company's independent external auditor, PricewaterhouseCoopers LLP, for the fiscal years ended December 31, 2015 and 2014 are detailed in the following table:

Fee Category	Year Ended 2015	Year Ended 2014
Audit Fees <sup>(1)</sup>	\$100,661	\$124,511
Audit Related Fees <sup>(2)</sup>	39,069	51,579
Tax Fees <sup>(3)</sup>	8,829	8,311
All Other Fees	-	-
Total	\$148,559	\$184,401

All fees for services performed by the Company's external auditors during 2015 were pre-approved by the Audit Committee.

- (1) Audit fees were for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements.
- (2) Audit-related fees were for the review of the Company's quarterly financial statements and services provided in respect of other regulatory-required auditor attest functions associated with government audit reports, registration statements, prospectuses, periodic reports and other documents filed with securities regulatory authorities or other documents issued in connection with securities offerings.
- (3) Tax fees were for services outside of the audit scope and represented consultations for tax compliance and advisory services relating to common forms of domestic and international taxation.

### **Pre-approval Policies and Procedures**

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

## **NOMINATING COMMITTEE INFORMATION**

### **Nominating Committee Charter**

The Nominating Committee of the Board operates within a written mandate, as approved by the Board, which describes the Nominating Committee's objectives and responsibilities. The full text of the Nominating Committee Charter is available on the Company's website, [www.goldreserveinc.com](http://www.goldreserveinc.com), under the Investor Relations – Governance section and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 926 W. Sprague Ave. Suite 200, Spokane, WA 99201, Attn: Investor Relations.

### **Membership and Role of the Nominating Committee**

The Nominating Committee is composed of the following three (3) directors:

James H. Coleman (Chair)

Patrick D. McChesney

Jean Charles Potvin

The Board had determined each member of the Nominating Committee satisfies the definition of "independent" director as established under NI 58-101.

The Nominating Committee assists the Board in fulfilling its responsibilities with respect to the composition of the Board, including recommending candidates for election or appointment as director of the Company.

In considering and identifying new candidates for Board nomination, the Board, where relevant, addresses succession and planning issues; identifies the mix of expertise and qualities required for the Board; assesses the attributes new directors should have for the appropriate mix to be maintained; arranges for each candidate to meet with the Board Chair and the CEO; recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and encourages diversity in the composition of the Board.

## **CORPORATE GOVERNANCE**

Applicable Canadian securities laws require listed corporations to disclose their approach to corporate governance. The Company's disclosure in this regard is set out in "Appendix B" to this Circular.

### **Board Leadership Structure**

Currently, the positions of Chairman of the Board and CEO are separate. Our Board does not have a policy on whether these roles should be separate or combined, but believes that the most effective leadership model for the Company at this time is to have these roles separated. Our current Chairman is independent and is responsible for providing leadership to the Board. In addition, having a separate Chairman and CEO allows Board members to raise issues without involving senior management, allows the Chairman to serve as a liaison between the Board and senior management, and allows the CEO to devote his time and focus to the management of the Company. The Board retains flexibility to determine whether these roles should be separate or combined in one individual in the future.

### **Risk Oversight**

The various committees of the Board assist the Board in its responsibility for oversight of risk management. In particular, the Audit Committee focuses on major financial risk exposures, the steps management has taken to monitor and control such risks, and, if appropriate, discusses with the independent auditor the guidelines and policies governing the process by which senior management and the relevant departments of the Company assess and manage the Company's financial risk exposure and operational/strategic risk. We believe this arrangement maximizes the risk oversight benefit while providing for an appropriate leadership structure.

### **Communication with Board Members**

Any Shareholder or other interested party that desires to communicate with the Board or any of its specific members, including the chairman or the non-management directors as a group, should send their communication to the Secretary, Gold Reserve Inc., 926 W. Sprague Avenue, Suite 200, Spokane, Washington 99201. All such communications will be forwarded to the appropriate members of the Board.

### **Code of Conduct and Ethics**

The Board has adopted the Gold Reserve Inc. Code of Conduct and Ethics which can be found at [www.goldreserveinc.com](http://www.goldreserveinc.com) under Investor Relations – Corporate Governance and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 926 W. Sprague Ave. Suite 200, Spokane, WA 99201, Attn: Investor Relations.

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

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

## INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person or any proposed director of the Company, or any of the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has, in either case, materially affected or would materially affect the Company or any of its subsidiaries.

For the purposes of the above, "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

## ANY OTHER MATTERS

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

## ADDITIONAL INFORMATION

Additional information about the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com), on the SEC's website at [www.sec.gov](http://www.sec.gov) and on the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com). Additional financial information is provided in the Company's comparative annual financial statements and management's discussion and analysis for its year ended December 31, 2015, as contained in the 2015 Annual Report on Form 40-F filed with the SEC on or before April 28, 2016. A copy of this document and other public documents of the Company are available upon request to:

Gold Reserve Inc.  
Attention: Robert A. McGuinness  
926 W. Sprague Avenue, Suite 200  
Spokane, Washington 99201  
Phone: (509) 623-1500  
Fax: (509) 623-1634

## APPROVAL AND CERTIFICATION

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

Dated at Spokane, Washington this 22<sup>nd</sup> day of April 2016.

Rockne J. Timm  
Chief Executive Officer

Robert A. McGuinness  
Vice President Finance and Chief Financial Officer

## APPENDIX A

**GOLD RESERVE INC.**  
(the “Company”)  
**CHARTER OF THE AUDIT COMMITTEE OF**  
**THE BOARD OF DIRECTORS (the “Board”)**  
As Amended and Restated August 2014

### **Purpose**

The primary purposes of the Audit Committee (the “Committee”) are to assist the Board in fulfilling its oversight responsibilities and to oversee, on behalf of the Board, the Company’s accounting and financial reporting and internal control processes, financial statements and information, and compliance with regulatory requirements associated with such financial statements and information. More specifically, the purpose of the Committee is to satisfy itself that:

- the Company’s annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved;
- the information contained in the Company’s quarterly financial statements, annual report to shareholders and other financial publications, such as management’s discussion and analysis (“MD&A”), is complete and accurate in all material respects and to approve these materials;
- the Company has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements; and
- the internal and external audit functions have been effectively carried out and that any matter that the internal or the independent auditors wish to bring to the attention of the Board has been addressed. The Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

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

### **Organization**

The Committee shall consist of at least three directors. The Board shall designate a Committee member as the chairperson of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as chairperson by a majority vote of the authorized number of Committee members. The Chair shall be an "audit committee financial expert" as defined by securities laws applicable to the Company.

All Committee members shall be “independent,” as that term is defined under securities laws applicable to the Company. Furthermore, each Committee member shall be able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

The Board may replace, remove and appoint Committee members at any time and any Committee member who ceases to be a director of the Company shall immediately cease to be a member of the Committee. Committee members shall serve for such terms as may be fixed by the Board, and in any case, at the will of the Board whether or not a specific term is fixed.

### **Independent Auditors and Their Services**

The Committee shall recommend to the Board the nomination, compensation, retention, termination and evaluation, and shall be directly responsible for overseeing the work, of the independent auditors engaged by the Company for the purposes of preparing or issuing an auditor's report or related work or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee's authority includes the resolution of disagreements between management and the auditors regarding financial reporting.

The Committee shall pre-approve all audit, review, attest and permissible non-audit services to be provided to the Company or its subsidiaries by the independent auditors. The Chair may independently approve normal course services provided by the independent auditor with ratification and approval by the full committee at the next quarterly committee meeting. The Committee shall obtain and review, at least annually, a report by the independent auditors describing:

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

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

### **Annual Financial Reporting**

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

1. Review and discuss with appropriate members of management the annual audited financial statements, related accounting and auditing principles and practices, and (when required of management under securities laws applicable to the Company and stock exchange requirements on which the Company's common shares are listed, as applicable) management's assessment of internal control over financial reporting and recommend to the Board whether such annual financial statements should be approved.
2. Timely request and receive from the independent auditors, the report (along with any required update thereto), to the extent such report is required by securities laws applicable to the Company and stock exchange requirements on which the Company's common shares are listed, as applicable, prior to the filing of an audit report, concerning:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within generally accepted accounting principles for policies and practices relating to material items that have been discussed with company management, including ramifications of the use of such alternative disclosures and

treatments and the treatment preferred by the independent auditors; and

- other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.
3. Discuss with the independent auditors the matters required to be discussed by AICPA Statement on Auditing Standards No. 61, including such matters as:
    - the quality and acceptability of the accounting principles applied in the financial statements;
    - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
    - the selection, application and effects of critical accounting policies and estimates applied by the Company;
    - issues raised by any “management” or “internal control” letter from the auditors, problems or difficulties encountered in the audit (including any restrictions on the scope of the work or on access to requested information) and management’s response to such problems or difficulties, significant disagreements with management, or other significant aspects of the audit; and
    - any off-balance sheet transactions, and relationships with any unconsolidated entities or any other persons, which may have a material current or future effect on the financial condition or results of the Company and as may be required to be reported under securities laws applicable to the Company and stock exchange requirements on which the Company’s common shares are listed, as applicable.
  4. Review and discuss with appropriate members of management the Company’s annual MD&A (or equivalent disclosures) and annual profit or loss press releases prior to their public disclosure and recommend to the Board whether such annual MD&A should be approved.
  5. Receive from the independent auditors a formal written statement of all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1.
  6. Actively discuss with the independent auditors any disclosed relationships or services that may impact their objectivity and independence, and take any other appropriate action to oversee their independence.

#### **Quarterly Financial Reporting**

The Committee shall:

1. Review and discuss with appropriate members of management the quarterly financial statements of the Company, the results of the independent auditors’ review of these financial statements and interim profit and loss press releases prior to their public disclosure.
2. Review and discuss with Company management and, if appropriate, the independent auditors, significant matters relating to:
  - the quality and acceptability of the accounting principles applied in the financial statements;
  - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
  - the selection, application and effects of critical accounting policies and estimates applied by the Company; and
  - any off-balance sheet transactions and relationships with any unconsolidated entities or any

other persons which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under securities laws applicable to the Company or stock exchange requirements on which the Company's common shares are listed, as applicable.

3. Review and discuss with appropriate members of management the Company's interim MD&A (or equivalent disclosures) and interim profit or loss press releases prior to their public disclosure and recommend to the Board whether such interim MD&A should be approved.

#### **Other Functions**

The Committee shall review and assess the adequacy of this charter annually, recommend any proposed changes to the full Board and, to the extent required, certify to any applicable securities regulator and stock exchange on which the Company's common shares are listed, if applicable, that the Committee reviewed and assessed the adequacy of the charter.

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

The Committee, to the extent it deems necessary or appropriate, shall periodically review with management the Company's disclosure controls and procedures, internal control over financial reporting and systems and procedures to promote compliance with applicable laws and regulatory requirements, as applicable, and the Committee shall ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to above with respect to annual and quarterly financial statements; and periodically assess the adequacy of such procedures.

The Committee shall periodically:

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

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

The Committee shall establish and maintain procedures for:

- the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

If the Committee so determines, the confidential, anonymous submission procedures may also include a method for interested parties to communicate directly with non-management directors.



The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company in compliance with the requirements set out in section 2.4 of Canadian National Instrument 52-110.

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

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

The Committee may perform any other activities consistent with this charter, the Company's corporate governance documents and securities laws applicable to the Company and stock exchange requirements on which the Company's common shares are listed as the Committee or the Board considers appropriate.

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

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

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

If required by securities laws applicable to the Company or stock exchange requirements on which the Company's common shares are listed, the Committee shall prepare any audit committee report to be included in the Company's annual management information circular, and report to the Board on the other matters relating to the Committee or its purposes. The Committee shall also report to the Board annually the overall results of its annual review of the independent auditors' qualifications, performance and independence. The Committee shall also report to the Board on the major items covered by the Committee at each Committee meeting, and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the full Board of any issues that arise from time to time with respect to the quality or integrity of the Company's annual and quarterly financial statements and other publicly disclosed financial information, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors.

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

As the Committee deems necessary to carry out its duties, it is authorized to select, engage (including

approval of the fees and terms of engagement), oversee, terminate, and obtain advice and assistance from outside legal, accounting, or other advisers or consultants. The Company shall provide for appropriate funding, as determined by the Committee and recommended to the Board, for payment of:

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

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

## APPENDIX B

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

This Appendix describes the Company's corporate governance practices as required by Canadian National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") having regard to Canadian National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") which provides guidance on corporate governance practices. The Company's Board has reviewed this disclosure of the Company's corporate governance practices.

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<b>Disclosure Requirement under Form 58-101F2</b>	<b>Company's Governance Practices</b>
1. (i) Disclose the identity of directors who are independent.	The Board of Directors (the "Board") of the Company believes that Messrs. Coleman, McChesney, Juster, Geyer and Potvin are "independent" within the meaning of section 1.4 of Canadian National instrument 52-110 – <i>Audit Committees</i> ("NI 52-110") and section 1.2 of NI 58-101, as none of them is, or has been within the last three years, an executive officer or employee of the Company or party to any material contract with the Company and none of them receive remuneration from the Company in excess of directors' fees and grants of stock options. The Board believes that the five directors are free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with their ability to act independently from management or to act as a director with a view to the best interests of the Company, other than interests and relationships arising from shareholdings. Mr. Mikkelsen, an independent Board member, resigned in March 2015. Mr. Juster was appointed to the Board and Compensation Committee in March 2015.
(ii) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Two directors, Messrs. Timm, and Belanger, are employees of the Company and therefore not considered independent.
2. If a director is presently a director of	Such other directorships have been disclosed in "Business of the Meeting - Item 1 - Election of Directors" section of this Circular.

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

3. Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

Due to its current size, the Board does not currently provide an orientation and education program for specifically training new recruits to the Board.

The Board does not provide a continuing education program for its directors. All directors are given direct access to management, which is encouraged to provide information on the Company and its business and affairs to directors. The Board believes that each of its directors maintain the skills and knowledge necessary to meet their obligations as directors.

4. Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

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

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

5. (i) Disclose what steps, if any, are taken to identify new candidates for board nomination, including who identifies new candidates.

The Nominating Committee assists the Board in fulfilling its responsibilities with respect to the composition of the Board, including recommending candidates for election or appointment as director of the Company.

- |        |   |  |
|--------|---|--|
| (ii)   | Disclose the process of identifying new candidates.   | <p>In considering and identifying new candidates for Board nomination, the Board, where relevant:</p> <ul style="list-style-type: none"> <li>(a) addresses succession and planning issues;</li> <li>(b) identifies the mix of expertise and qualities required for the Board;</li> <li>(c) assesses the attributes new directors should have for the appropriate mix to be maintained;</li> <li>(d) arranges for each candidate to meet with the Board Chair and the CEO;</li> <li>(e) recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and</li> <li>(f) encourages diversity in the composition of the Board.</li> </ul> |
| 6. (i) | Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including who determines compensation.                      | <p>The Board reviews from time to time the compensation paid to directors and CEO in order to ensure that they are being adequately compensated for the duties performed and the obligations they assume. The Board as a whole is responsible for determining the compensation paid to the directors.</p>  |
| (ii)   | Disclose the process of determining compensation.   | <p>The Board considers evaluations submitted by the Compensation Committee evaluating the Company's performance and the performance of its executive officers, and ratifies the cash and equity-based compensation of such executive officers approved by the Compensation Committee.</p>  |
| 7.     | If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function. | <p>The Executive Committee, which is comprised of Messrs. Coleman, Timm and Belanger, meets in person or by phone on a regular basis. Mr. Coleman is considered an independent director. Messrs. Timm and Belanger are not considered independent directors within</p>   |

the definition in NI 52-110.

The Executive Committee facilitates the Company's activities from an administrative perspective, but does not supplant the full Board in the consideration of significant issues facing the Company. The Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee are the only committees of the Board.

8. Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

Due to its current size, the Board does not currently have a separate committee for assessing the effectiveness of the Board as a whole, the committees of the Board, or the contribution of individual directors. The Board as a whole bears these responsibilities.

The Board chair meets annually with each director individually to discuss personal contributions and overall Board effectiveness.

**GOLD RESERVE INC.**

**IMPORTANT ANNUAL MEETING INFORMATION**

Using a **black ink** pen, mark your votes with an **X** as shown in **X**  
 this example. Please do not write outside the designated areas.

**Annual Meeting Proxy Card**

Q **PIEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** Q

**A Proposals — The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2**

1. Election of the following nominees as directors, as set forth in the Management Information Circular:

	<b>For Withhold</b>		<b>For Withhold</b>	<b>For Withhold</b>	+
		02 - A. Douglas			
01 - Rockne J. Timm		Belanger		03 - James P. Geyer	
04 - James H. Coleman		05 - Patrick D. McChesney		06 - Kenneth I. Juster	
07 - Jean Charles Potvin					

**For Withhold**

2. Appointment of PricewaterhouseCoopers LLP as auditors for the year ending December 31, 2015 and authorization of the Board of Directors to fix the auditor's remuneration.

**B Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) — Please print date below.

Signature 1 — Please keep signature within the box.

Signature 2 — Please keep signature within the box.

1UPX



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Q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. Q

**PROXY — GOLD RESERVE INC.**

**ANNUAL MEETING OF SHAREHOLDERS  
JUNE 7, 2016**

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

The undersigned shareholder of Gold Reserve Inc. (the "Company") hereby appoints Rockne J. Timm, Chief Executive Officer of the Company, or failing him, Robert A. McGuinness, Vice President Finance and Chief Financial Officer of the Company, or instead of either of them, \_\_\_\_\_, as proxyholder for the undersigned, with power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual Meeting of Shareholders of the Company to be held on June 7, 2016 (the "Meeting") at 9:30 a.m. (Pacific daylight time) and at any adjournment or postponement thereof, in the same manner, to the same extent and with the same powers as if the undersigned were present at the Meeting or any adjournment or postponements thereof and, without limiting the general authorization given, the persons above named are specifically directed to vote on behalf of the undersigned in the following manner:

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.**

(Items to be voted appear on reverse side.)



**SUPPLEMENTAL MAILING LIST RETURN CARD**

(National Instrument 54-101)

NOTICE TO SHAREHOLDERS OF GOLD RESERVE INC.

National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 *Continuous Disclosure Obligations* (the "Rule") together establish a framework for communication between issuers and their registered and nonregistered shareholders.

The Rule exempts companies from having to deliver interim financial statements and management's discussion and analysis ("MD&A") to their registered shareholders if the companies send interim financial statements and MD&A to those shareholders, whether registered or not, who request in writing to receive them.

If you are a registered or non-registered shareholder, and wish to be placed on a supplemental mailing list for the receipt of these financial statements and MD&A, you must complete and return the Supplemental Return Card below.

The supplemental mailing list will be updated each year and, therefore, a Supplemental Return Card will be required from you annually in order for you to receive interim financial statements and MD&A. All other shareholder mailings will continue to be mailed to registered shareholders in the normal manner without the completion of a Return Card.

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TO: Gold Reserve Inc. (the "Company")  
Cusip # 38068 N 10 8

The undersigned certifies that he/she/it is the owner of securities of the Company, and requests that he/she/it be placed on the Company's Supplemental Mailing List in respect of its interim financial statements and MD&A.

\_\_\_\_\_ Name (please print)

\_\_\_\_\_ Address

\_\_\_\_\_ City/Province (or State)/Postal Code

Signature of shareholder, or if shareholder is a  
Company, signature of authorized signatory

Dated

**If you are interested in receiving the abovementioned information, please complete and return this document to:**

**Computershare Investor Services  
P.O. Box 30202  
College Station, TX 77842-9909**

**As the supplemental list will be updated each year, a supplemental return card will be required from you annually in order for your name to remain on the list.**

## GOLD RESERVE

2015  
Annual Report to Shareholders

### Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Gold Reserve Inc. ("Gold Reserve", the "Company", "we", "us", or "our") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, the related notes contained therein as well as the 2014 MD&A. This MD&A has been approved by our Board of Directors (the "Board") and is dated April 20, 2016

In connection with the preparation of our consolidated financial statements for the three and nine months ended September 30, 2015, an error was identified in the amount of non-cash stock option compensation expense recorded in 2014. Additional compensation expense related to options granted in 2011 should have been recognized in 2014 as a result of the vesting conditions that were contingent upon the issuance of the Arbitral Award, which occurred on September 22, 2014. The error was not material to any of our previously issued consolidated financial statements. Prior year comparative financial statements have been revised to correct the effect of this error (See Note 3, Revision of Prior Year Financial Statements). This non-cash revision did not impact net cash flows or total shareholders' equity for any prior period. The discussion and analysis included herein is based on revised financial results for the prior year comparative period.

### CURRENCY

Unless otherwise indicated, all references to "\$", "U.S. \$" or "U.S. dollars" in this MD&A refer to U.S. dollars and references to "Cdn\$" or "Canadian dollars" refer to Canadian dollars. The 12 month average rate of exchange for one Canadian dollar, expressed in U.S. dollars, for each of the last three calendar years equaled 0.7820, 0.9052 and 0.9709, respectively, and the exchange rate at the end of each such period equaled 0.7226, 0.8620 and 0.9401, respectively.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

The information presented or incorporated by reference in this MD&A contains both historical information and "forward looking information" (within the meaning of applicable Canadian securities laws) or "forward-looking statements" (within the

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meaning of Section 27A of the U.S. Securities Act, as amended (the "Securities Act") and Section 21E of the U.S. Securities Exchange Act, as amended (the "Exchange Act")) (collectively referred to herein as "forward-looking statements") that may state our intentions, hopes, beliefs, expectations or predictions for the future.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause our actual financial results, performance, or achievements to be materially different from those expressed or implied herein and many of which are outside our control. Forward-looking statements contained herein include statements with respect to our plans to conclude the transactions contemplated by the MOU (as defined below) and to develop the Brisas-Cristinas Project (as defined below), enforcement and collection of the Award (as defined below) and our intent to distribute a substantial majority of any net proceeds from the collection of the Award.

Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: our ability to complete the transactions contemplated by the Memorandum of Understanding (the "MOU") we entered into with the Bolivarian Republic of Venezuela ("Venezuela"), on February 24, 2016, with respect to the potential settlement, including the payment and resolution, of the amounts awarded (including pre and post award interest and legal costs) (the "Arbitral Award" or "Award") by the International Centre for Settlement of Investment Disputes ("ICSID"), an amount yet to be agreed to by the parties in exchange for our contribution to the Brisas-Cristinas Project of the technical mining data (the "Mining Data") related to our previous mining project in Venezuela known as the "Brisas Project" and the potential subsequent joint development and financing of the Brisas-Cristinas Project by us and Venezuela; the ability of Venezuela to obtain financing on favorable terms, if at all, to fund the contemplated payments to us pursuant to the Arbitral Award or the other transactions contemplated by the MOU; risks associated with the concentration of our potential future operations and assets in Venezuela; the timing of our enforcement or collection of the Arbitral Award if the transactions contemplated by the MOU are not concluded; actions and/or responses by the Venezuelan government in connection with the negotiation of definitive documentation pursuant to the MOU and/or with respect to our ongoing collection efforts related to the Arbitral Award; economic and industry conditions influencing the sale of the equipment related to the Brisas Project; conditions or events impacting our ability to fund our operations and/or service our debt; our ability to maintain listing of our Class A common shares on the TSX Venture Exchange ("TSXV"); and our long-term plans for identifying and achieving revenue producing operations.

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 our results 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 provide any assurances as to future results.

Numerous factors could cause actual results to differ materially from those described in the forward-looking statements, including without limitation:

- our ability to reach agreement with Venezuela on definitive documentation for the transactions contemplated by the MOU and complete such transactions;

- the timing of the conclusion of the transactions contemplated by the MOU or our collection of the Arbitral Award, if at all;
- the ability of Venezuela to obtain financing on favorable terms, if at all, to fund the contemplated payments pursuant to the Arbitral Award or the other transactions contemplated by the MOU, including the potential development of the Brisas-Cristinas Project;
- value realized from the disposition of the Mining Data, if any, pursuant to the transactions contemplated by the MOU or otherwise;
- our ability with Venezuela to obtain the approval of the National Executive Branch of the Venezuelan government to create a special economic zone or otherwise provide tax and other economic benefits for the activities of the jointly owned entity (which we refer to herein as the "mixed company") contemplated by the MOU;
- our ability to repay our outstanding notes and associated interest in cash, if required, satisfy our obligations under our outstanding contingent value rights (the "CVRs") or make a distribution of any remaining funds to our shareholders after repaying our then existing obligations following any payment by Venezuela pursuant to the Arbitral Award or with respect to our contribution of the Mining Data to the mixed company;
- the costs associated with the enforcement and collection of the Arbitral Award, including the costs that we may incur in connection with the completion of the MOU;
- the complexity and uncertainty of varied legal processes in multiple international jurisdictions associated with our ongoing efforts to collect the Arbitral Award;
- concentration of our potential future operations and assets, if any, in Venezuela;
- the potential for corruption and uncertain legal enforcement, civil unrest, military actions and crime in Venezuela and its impact on our potential future operations in Venezuela;
- risks associated with future exploration and development of the Brisas-Cristinas Project;
- our current liquidity and capital resources and access to additional funding in the future when required;
- continued servicing or restructuring of our outstanding convertible notes and interest notes or other obligations as they come due;
- our ability to maintain continued listing of our Class A common shares on the TSXV;
- shareholder dilution resulting from restructuring, refinancing or conversion of our outstanding Convertible Notes and Interest Notes or from the sale of additional equity;
- value realized from the disposition of the remaining Brisas Project related assets, if any;
- prospects for our exploration and development of Brisas-Cristinas Project and/or the LMS Gold Project;
- currency, metal prices and metal production volatility;
- adverse U.S. and/or Canadian tax consequences;
- or ability to attract new employees, if required, and the continued participation of existing employees; and
- other risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of our forward-looking statements.  
See "*Risk Factors*."

Investors are cautioned not to put undue reliance on forward-looking statements, whether in this document, other documents periodically furnished or filed with the U.S. Securities and Exchange Commission

(the "SEC") or other securities regulators or presented on our website. Forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this notice. We disclaim 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 our disclosure obligations under applicable rules promulgated by the SEC and the Ontario Securities Commission (the "OSC"). Investors are urged to read our filings with U.S. and Canadian securities regulatory authorities, which can be viewed online at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com), respectively.

Gold Reserve, an exploration stage mining company, is engaged in the business of acquiring, exploring and developing mining projects. Management's recent activities have focused on:

- Continued efforts to ensure timely payment of the Award issued by the tribunal (the "ICSID Tribunal" or "Tribunal") of the ICSID on September 22, 2014 in connection with Venezuela's seizure of our mining project known as the Brisas Project.
- Sustained communication with representatives of Venezuela to collect the Award which led to the signing, on February 24, 2016, of the MOU with Venezuela that contemplates settlement, including payment and resolution, of the Award, the transfer of the Mining Data previously compiled by the Company, as well as the joint development of the Brisas and the adjacent Cristinas gold-copper project, which will be combined into one project (the "Brisas-Cristinas Project").
- The issuance of approximately \$13.4 million of new notes (the "New Notes") due December 31, 2018 and modified, amended and extended the maturity date of approximately \$43.7 million of outstanding convertible notes, interest notes and accrued interest (the "Modified Notes") from December 31, 2015 to December 31, 2018, together with the New Notes, the ("2018 Notes") in the fourth quarter of 2015.
- Efforts to complete a non-brokered private placement for gross proceeds of up to US \$38.0 million. The private placement is subject to the approval of the TSXV.
- Pursuing opportunities to dispose of the remaining Brisas Project related assets; and
- Evaluating other exploration mining prospects which on March 1, 2016, concluded in the acquisition of certain wholly-held Alaska mining claims pursuant to a Purchase and Sale Agreement dated as of January 12, 2016.

## EXPLORATION PROSPECTS

### LMS Gold Project

On March 1, 2016, we completed the acquisition of certain wholly-owned mining claims known as the LMS Gold Project (the "Property"), together with certain personal property for US\$350,000, pursuant to a Purchase and Sale Agreement with Raven Gold Alaska Inc. ("Raven"), a wholly-owned subsidiary of Corvus Gold Inc.

Raven retains a royalty interest with respect to (i) "Precious Metals" produced and recovered from the Property equal to 3% of "Net Smelter Returns" on such metals (the "Precious Metals Royalty") and (ii) "Base Metals" produced and recovered from the Property equal to 1% of Net Smelter Returns on such metals, provided that we have the option, for a period of 20 years from the date of closing of the acquisition, to buy back a one-third interest (i.e. 1 %) in the Precious Metals Royalty at a price of US\$ 4 million. The Property consists of 36 contiguous State of Alaska mining claims covering 61 km<sup>2</sup> in the Goodpaster Mining District situated approximately 25 km north of Delta Junction and 125 km southeast of Fairbanks, Alaska and is accessible either by winter road or river boat providing year-round, non-helicopter support access. Several

trails have been constructed providing surface access across the property.

The Property remains at an early stage of exploration and is the subject of a National Instrument 43-101 Technical Report entitled "Technical Report on the LMS Gold Project, Goodpaster Mining District, Alaska" dated February 19, 2016 prepared for us by Ed Hunter, BSc., P. Geo and Gary H. Giroux, M.A. Sc., P. Eng.

#### **La Tortuga Property**

In April 2012, Soltoro Ltd. granted us the right to earn an undivided 51% interest in the 11,562 hectare La Tortuga property, a copper and gold prospect located in Jalisco State, Mexico, by making an aggregate \$3.65 million in option payments and property expenditures over three years. Over approximately a two year period we compiled data, completed a number of studies on the property and made option payments totaling \$0.4 million (including a \$0.15 million property payment made in 2014). During this period, the Mexican authorities changed its focus on environmental reviews and approvals which caused the Environment Ministry to require us to resubmit our drilling permit application, expand our environmental baseline study and add additional other items. The perceived change in the Mexican government's posture towards mining led management and the Board to conclude that continued investment in the property was no longer warranted and as a consequence we expensed all previously capitalized costs as of June 30, 2014 and formally terminated our option on the property in August 2014.

We continue to evaluate other prospects with a focus on, among other things, location, the mineralized potential, economic factors, the level and quality of previous work completed on the prospect. We are focused on prospects that are located in a politically friendly jurisdiction, which has clear and well-established mining, tax and environmental laws with an experienced mining authority.

#### **BRISAS ARBITRAL AWARD**

##### **SETTLEMENT EFFORTS**

On February 24, 2016, we entered into an MOU with Venezuela that contemplates settlement, including payment and resolution, of the Award granted in our favor by the ICSID in respect of the Brisas Project, the transfer of the Mining Data and the development of the Brisas-Cristinas Project by the parties.

Under the terms proposed in the MOU, Venezuela would proceed with payment of the Award including accrued interest and enter transactional (settlement) and mixed company ("joint venture") agreements, which are expected to be executed in approximately 60 days, subject to various conditions, including without limitation, receipt of all necessary regulatory and corporate approvals and the successful negotiation and execution of definitive agreements. In addition, Venezuela would pay an amount to be agreed upon for our contribution of the Mining Data to the Brisas-Cristinas Project.

Following completion of the definitive agreements, it is anticipated that Venezuela, with our assistance, would work to complete the financing to fund the contemplated payments to us pursuant to the Award and for our Mining Data and \$2 billion towards the anticipated capital costs of the Brisas-Cristinas Project. Upon payment of the Award, we will cease all legal activities related to the collection of the Award.

The Brisas and Cristinas properties, together with our technical data with respect to the Brisas project, would be transferred to a Venezuelan mixed company, which is expected to be beneficially owned 55% by Venezuela and 45% by Gold Reserve. We also expect to be engaged under a technical assistance agreement to provide procurement, engineering and construction services for the project. The parties would also seek, subject to the approval of the National Executive Branch of the Venezuelan government, the creation of a special economic zone providing the establishment

of a special customs framework for the mixed company and other tax and economic benefits.

The combined Brisas-Cristinas Project, a gold-copper deposit located in the Kilometer 88 mining district of the State of Bolivar in south-eastern Venezuela, when constructed, is anticipated to be the largest gold mine in South America and one of the largest in the world.

The MOU is not binding on either party and may be unilaterally terminated by either party at any time upon simple communication to the other party indicating the date of termination. The MOU will otherwise terminate on April 24, 2016.

We expect to satisfy our outstanding obligations under the Convertible Notes, associated interest notes ("Interest Notes") and the CVRs and distribute to our shareholders substantially all of the net proceeds (subject to the payment of all outstanding or incurred corporate obligations and/or taxes) following any payment by Venezuela under the Award or with respect to contribution by us of the Mining Data to the mixed company.

#### ENFORCEMENT AND COLLECTION EFFORTS

In October 2009, we initiated a claim (the "Brisas Arbitration") under the Additional Facility Rules of the ICSID of the World Bank to obtain compensation for the losses caused by the actions of Venezuela that terminated the Brisas Project in violation of the terms of the Treaty between the Government of Canada and the Government of Venezuela for the Promotion and Protection of Investments (the "Canada-Venezuela BIT"). (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1)).

#### The September 22, 2014 ICSID Arbitral Award

On September 22, 2014, the ICSID Tribunal unanimously awarded us the Arbitral Award (the "Award") totaling (i) \$713 million in damages, plus (ii) pre-award interest from April 2008 through the date of the Award based on the U.S. Government Treasury Bill Rate, compounded annually totaling, as of the date of the Award, approximately \$22.3 million and (iii) \$5 million for legal costs and expenses, for a total, as of September 22, 2014, of \$740.3 million. The Award (less legal costs and expenses) accrues post-award interest at a rate of LIBOR plus 2%, compounded annually (approximately \$64,000 per day based on current rates) for a total estimated Award as of the date of this report of \$772 million. An ICSID Additional Facility Award is enforceable globally in jurisdictions that allow for the recognition and enforcement of commercial arbitral awards.

#### The December 15, 2014 Reconfirmation of Arbitral Award

Subsequent to the issuance of the Award, both parties filed requests for the ICSID Tribunal to correct what each party identified as "clerical, arithmetical or similar errors" in the Award as is permitted by the rules of ICSID's Additional Facility. We identified what we considered an inadvertent arithmetic error that warranted an increase in the Award of approximately \$50 million and Venezuela identified what it contended were significant inadvertent arithmetic errors that supported a reduction of the Award by approximately \$361 million. On December 15, 2014, the Tribunal denied both parties' requests for correction and reaffirmed the Award originally rendered in our favor on September 22, 2014 (the "December 15<sup>th</sup> Decision"). This proceeding marked the end of the Tribunal's jurisdiction with respect to the Award.

Although the process of getting an Award recognized and enforced is different in each jurisdiction, the process in general is—we file a petition or application to confirm the Award with the competent court; Venezuela has the right to oppose such petition for confirmation or recognition; thereafter there are a number of filings made by both parties and in some cases hearings before the court. If the court subsequently confirms the enforcement of the Award then the court will issue a judgment against Venezuela. Thereafter we

will begin the process of executing the judgment by identifying and attaching specific property owned by Venezuela that is not protected by sovereign immunity.

Currently, we are diligently pursuing enforcement and collection of the Award in France, England, Luxembourg and the United States. A more in-depth discussion of our enforcement and collection activities in each jurisdiction is contained in our Annual Information Form (the "AIF") for the fiscal year ended December 31, 2015, which is incorporated by reference herein. The AIF has been filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com).

Our Intent to Distribute Collection of the Arbitral Award to Shareholders

Subject to applicable regulatory requirements regarding capital and reserves for operating expenses, accounts payable and income taxes, and any obligations arising as a result of the collection of the ICSID Award or sale of the Mining Data including payments pursuant to the terms of the 2018 Notes (if not otherwise converted), Interest Notes, CVRs, Bonus Plan and Retention Plan (all as defined herein) or undertakings made to a court of law, our current plans are to distribute to our shareholders, in the most cost efficient manner, a substantial majority of any net proceeds.

Obligations Due Upon Collection of Arbitral Award and Sale of Brisas Technical Mining Data

The Board of Directors (the "Board") approved a Bonus Pool Plan (the "Bonus Plan") in May 2012, which is intended to reward the participants, including executive officers, employees, directors and consultants, for their past and future contributions including their efforts related to the development of the Brisas Project, execution of the Brisas Arbitration and the collection of an award or sale of the Mining Data, if any. The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds collected or the fair value of any consideration realized related to such transactions less applicable taxes multiplied by 1% of the first \$200 million and 5% thereafter. Participation in the Bonus Plan vests upon the participant's selection by the Committee of independent directors, subject to voluntary termination of employment or termination for cause. We also maintain the Gold Reserve Director and Employee Retention Plan (See Note 9 to the audited consolidated financial statements). Units (the "Retention Units") granted under the plan become fully vested and payable upon: (1) collection of proceeds from the Arbitral Award and/or sale of the Mining Data and we notify our shareholders that we will distribute a substantial majority of the proceeds to them or, (2) the event of a change of control. We currently do not accrue a liability for the Bonus or Retention Plan as events required for payment under the Plans have not yet occurred. An estimated \$1.8 million of contingent legal fees will also become due upon the collection of the Award.

The 2018 Notes can be redeemed at a price equal to 120% of the principal amount paid upon payment of the Award or receipt of proceeds from the disposition of the Mining Data, subject to certain limitations. See "Description of Capital Structure". We also have outstanding contingent value rights ("CVRs") which entitle each holder that participated in the note restructuring completed in 2012 to receive, net of certain deductions (including income tax calculation and the payment of our then current obligations), a pro rata portion of a maximum aggregate amount of 5.468% of the proceeds actually received by us with respect to the Award or disposition of the Mining Data related to the development of the Brisas Project. The proceeds, if any, could be cash, commodities, bonds, shares and/or any other consideration we received and if such proceeds are other than cash, the fair market value of such non-cash proceeds, net of any required deductions (e.g., for taxes) will be subject to the CVRs and will become our obligation only as the Arbitral Award is collected.



## FINANCIAL OVERVIEW

Our overall financial position continues to be influenced by a number of significant historical events: the seizure of our mining project known as the Brisas Project by the Venezuelan government, legal costs related to obtaining the Arbitral Award and efforts to enforce and collect it, interest expense related to Convertible Notes, the subsequent write-off of the accumulated Brisas Project development costs, impairment of the value of the equipment originally acquired for the Brisas Project and our restructuring of outstanding debt in 2012, 2014 and 2015.

Recent operating results continue to be influenced by expenses associated with the enforcement and collection of the Arbitral Award in various international jurisdictions, interest expense related to our debt, the 2014 write-down of Brisas Project equipment, maintaining our legal and regulatory obligations in good standing and expenses associated with exploration projects including past activities on the La Tortuga project.

Overall we experienced a net decrease or use of cash and cash equivalents for the twelve months ended December 31, 2015, of approximately \$2.9 million compared to a net decrease of approximately \$3.5 million for the same period in 2014, which was primarily as a result of an increase in net cash used by operating activities in 2015 compared to 2014, offset by an increase in net cash provided by financing activities during the same period. Net loss for the year ended December 31, 2015 decreased from the comparable period in 2014 by approximately \$7.7 million primarily a result of a write-down of property, plant and equipment in 2014 and a reduction in arbitration expense from 2014 to 2015.

We have no commercial production and, as a result, continue to experience losses from operations, a trend we expect to continue unless we collect, in part or whole, the Arbitral Award, proceeds from the sale of the Mining Data and/or successfully develop the Brisas-Cristinas or LMS Gold Projects.

Historically we have financed our operations through the issuance of common stock, other equity securities and debt. The timing of any future investments or transactions if any, and the amounts that may be required cannot be determined at this time and are subject to available cash, the collection, if any, of the Award, sale of remaining Brisas Project related equipment, the timing of the conversion or maturity of the outstanding Convertible Notes and Interest Notes and/or future financings, if any. We have only one operating segment, the exploration and development of mineral properties.

Our efforts to address longer-term funding requirements may be adversely impacted by financial market conditions, industry conditions, regulatory approvals or other unknown or unpredictable conditions and, as a result, there can be no assurance that additional funding will be available or, if available, offered on acceptable terms.

During the fourth quarter of 2015, we issued approximately \$13.4 million of New Notes and modified, amended and extended the maturity date of approximately \$43.7 million of Modified Notes. The terms of the agreement were finalized on November 30, 2015. The Modified Notes were amended to be consistent with the terms of the New Notes (as more fully described herein and in Note 11 to the audited consolidated financial statements).

During the second quarter of 2014, we extended the maturity date of approximately \$25.3 million convertible notes from June 29, 2014 to December 31, 2015 and issued approximately \$12 million of new convertible notes also maturing December 31, 2015, net of costs of approximately \$1.3 million.

SELECTED ANNUAL INFORMATION <sup>(1)</sup>

	2015	2014 Revised	2013
Other income (loss)	\$ (537,801)	\$ (7,271,670)	\$ (176,598)
Expenses	\$ (17,598,096)	\$ (18,298,309)	\$ (15,259,812)
Net loss <sup>(2)</sup>	\$ (18,135,897)	\$ (25,569,979)	\$ (15,436,410)
Per share	\$ (0.24)	\$ (0.34)	\$ (0.21)
Total assets	\$ 22,380,727	\$ 19,409,084	\$ 22,756,769
Total non-current financial liabilities	\$ 40,684,361	\$ 2,054,491	\$ 25,011,149
Distributions or cash dividends declared per share	-	-	-

(1) The selected annual information shown above is derived from our audited consolidated financial statements that have been prepared in accordance with U.S. generally accepted accounting principles.

(2) Net loss from continuing and total operations attributable to owners of the parent.

Factors that have caused period to period variations are more fully discussed below.

**Liquidity and Capital Resources**

At December 31, 2015, we had cash and cash equivalents of approximately \$9.4 million which represents an increase from December 31, 2014 of approximately \$2.9 million. The net increase was primarily due to proceeds from the issuance of the New Notes offset by cash used by operations. The activities that resulted in the net change in cash are more fully described in the "Operating," "Investing" and "Financing" Activities sections below.

	2015	Change	2014
Cash and cash equivalents	\$ 9,350,892	\$ 2,911,745	\$ 6,439,147

As of December 31, 2015, we had financial resources including cash, cash equivalents and marketable securities totaling approximately \$9.5 million, Brisas Project related equipment with an estimated fair value of approximately \$12.2 million (See Note 8 to the audited consolidated financial statements), short-term financial obligations including accounts payable and accrued expenses of approximately \$1.6 million and long-term indebtedness of approximately \$58.1 million face value. Approximately \$2.5 million in legal fees which were deferred during the arbitration and became payable as a result of the Arbitral Award were, by agreement, paid in December 2015. This agreement included a reduction of \$0.5 million from the original amount due of \$3.1 million and a deferral of an additional \$0.1 million until collection of the award. The total amount of contingent legal fees which will become payable upon the collection of the Award is approximately \$1.8 million.

We have no revenue producing operations at this time and our working capital position, cash burn rate and debt maturity schedule will require us to seek additional sources of funding to ensure our ability to continue our activities in the normal course. We are continuing our efforts to realize value from the remaining Brisas Project related assets and pursue a timely collection or settlement of the Arbitral Award and sale of the Mining Data. We may also initiate other debt and equity funding alternatives that may be available.

**Operating Activities**

Cash flow used in operating activities for the years ended December 31, 2015, 2014 and 2013 was approximately \$8.9 million, \$7.2 million and \$11.0 million, respectively. Cash flow used in operating activities consists of net

operating losses (the components of which are more fully discussed below) adjusted for non-cash expense items primarily related to accretion of Convertible Notes recorded as interest expense, write-down of property, plant and equipment, settlement of debt, stock options compensation and certain non-cash changes in working capital.

Cash flow used in operating activities during the year ended December 31, 2015 increased from the prior comparable period generally due to payments on accounts payable and increases in corporate general and administrative expense as a result of costs associated with the restructuring of 2018 Notes partially offset by decrease in exploration, legal and accounting, Venezuelan operations and equipment holding costs.

#### Investing Activities

	2015	Change	2014	Change	2013
Proceeds from disposition of marketable securities	\$ -	\$ -	\$ -	\$ (8,461)	\$ 8,461
Purchase of property, plant and equipment	-	150,000	(150,000)	(21,715)	(128,285)
Proceeds from sales of equipment	165,000	95,567	69,433	69,433	-
	\$ 165,000	\$ 245,567	\$ (80,567)	\$ 39,257	\$ (119,824)

During the years ended December 31, 2015 and 2014, we sold certain Brisas project related equipment for \$165,000 and \$69,433, respectively. During the years ended December 31, 2014 and 2013, we paid \$150,000 and \$125,000, respectively in accordance with the terms of our option agreement related to the La Tortuga property. In August 2014, we terminated our option agreement and wrote-off \$0.4 million in option payments previously capitalized, which included the option payments noted above (See Note 8 to the audited consolidated financial statements). As of December 31, 2015, we held approximately \$12.2 million of Brisas equipment intended for future sale.

#### Financing Activities

	2015	Change	2014	Change	2013
Issuance of convertible notes	\$ 11,989,575	\$ 289,575	\$ 11,700,000	\$ 11,700,000	\$ -
Issuance of common shares	679,990	579,890	100,100	(5,600,099)	5,700,199
Restructure fees	(1,018,130)	(1,642)	(1,016,488)	(1,016,488)	-
Settlement of convertible notes	-	4,000	(4,000)	(4,000)	-
	\$ 11,651,435	\$ 871,823	\$ 10,779,612	\$ 5,079,413	\$ 5,700,199

During the fourth quarter of 2015, we issued approximately \$13.4 million of New Notes and modified, amended and extended the maturity date of approximately \$43.7 million of Modified Notes. The New Notes are comprised of approximately \$12.3 million with an original issue discount of 2.5% of the principal amount and approximately \$1.1 million representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee. The total cost of the new issuance and restructuring of the 2018 Notes was approximately \$2.4 million, which includes approximately \$1.4 million of extension and issuance fees that were expensed and approximately \$1.0 million associated with legal and associated transactional fees that were capitalized.

The 2018 Notes bear interest at a rate of 11% per year, which are accrued quarterly on a compounded basis, issued in the form of Interest Notes and payable in cash at maturity. The 2018 Notes are convertible, at the option of the holder, into 333,333 of Class A common shares per US \$1,000 (equivalent to a conversion price of US \$3.00 per common share) at any time upon prior written notice to us. The 2018 Notes are senior obligations, secured by substantially all of our assets and are subject to certain other terms including restrictions regarding the pledging of assets and incurrence of certain capital expenditures or additional indebtedness without consent of noteholders; and participation rights in future equity or debt financing

The amount recorded as Convertible Notes and Interest Notes in the audited consolidated balance sheet as of December 31, 2015 is comprised of approximately \$38.2 million carrying value of 2018 Notes issued pursuant to the 2015 Restructuring, approximately \$1.0 million of previously issued 2022 Notes held by note holders who declined to participate in the note restructuring effected in 2012 and post restructuring Interest Notes of approximately \$0.5 million. The carrying value of Convertible Notes will be accreted to face value using the effective interest rate method over the expected life of the Convertible Notes with the resulting charge recorded as interest expense. (See Note 11 to the audited consolidated financial statements).

During the second quarter of 2014, we extended the maturity date of approximately \$25.3 million of convertible notes from June 29, 2014 to December 31, 2015 and issued approximately \$12 million face value of new convertible notes also maturing December 31, 2015. The extended convertible notes were amended to be consistent with the terms of the new notes. The total cost of the new issuance and restructuring of notes including original issue discount, extension fees and other expenses was approximately \$1.3 million.

Net proceeds from the issuance of common shares during the years ended December 31, 2015 and 2014 relate to the exercise of employee stock options. In 2013, we completed a \$5.0 million private placement financing and also received \$0.7 million from the exercise of employee stock options.

#### Contractual Obligations

The following table sets forth information on the Company's material contractual obligation payments for the periods indicated as of December 31, 2015. For further details see "Financing Activities" above and Note 11 to the audited consolidated financial statements:

<b>Payments due by Period</b>					
	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Convertible Notes <sup>1</sup>	\$ 58,099,717	\$ -	\$ 57,057,717	\$ -	\$ 1,042,000
Interest Notes <sup>1</sup>	22,679,177	-	22,679,177	-	-
Interest	372,515	57,310	114,620	114,620	85,965
	<u>\$ 81,151,409</u>	<u>\$ 57,310</u>	<u>\$ 79,851,514</u>	<u>\$ 114,620</u>	<u>\$ 1,127,965</u>

<sup>1</sup> Includes \$57,057,717 principal amount of 2018 Notes and \$1,042,000 principal amount of 5.50% convertible notes due June 15, 2022 (The "2022 Notes" and, together with the 2018 Notes, the "Convertible Notes"), which consists of convertible notes and interest notes from previous financings and restructurings in 2007, 2012 and 2014 as well as 2015. Subject to the terms of the Indenture governing the Convertible Notes, the Convertible Notes may be converted into our Class A common shares, redeemed or repurchased. During 2014 we extended the maturity date of approximately \$25.3 million notes from June 29, 2014 to December 31, 2015 and issued approximately \$12 million of new notes also maturing December 31, 2015. The interest paid on the extended notes was increased to 11% from 5.5% consistent with the interest paid on the new notes.

During 2015 we extended the maturity date of approximately \$43.7 million notes and interest notes from December 31, 2015 to December 31, 2018 and issued approximately \$13.4 million of additional notes also maturing December 31, 2018 (the "2015 Restructuring"). The amounts shown above include the principal payments due unless the notes are converted, redeemed or repurchased prior to their due date (See Note 11 to the audited consolidated financial statements).

The amount recorded as Convertible Notes and Interest Notes in the audited consolidated balance sheet as of December 31, 2015 is comprised of approximately \$38.2 million carrying value of 2018 Notes issued pursuant to the 2015 Restructuring, approximately \$1.0 million of previously issued 2022 Notes held by note holders who declined to participate in the note restructuring effected in 2012 and post restructuring Interest Notes of approximately \$0.5 million. The carrying value of Convertible Notes will be accreted to face value using the effective interest rate method over the expected life of the notes with the resulting charge recorded as interest expense.

## Results of Operations

### Summary

Consolidated other income (loss), total expenses and net loss for the three years ended December 31, 2015 were as follows:

	2015	Change	2014 Revised	Change	2013
Other Income (Loss)	\$ (537,801)	\$ 6,733,869	\$ (7,271,670)	\$ (7,095,072)	\$ (176,598)
Total Expenses	(17,598,096)	700,213	(18,298,309)	(3,038,497)	(15,259,812)
Net Loss	\$ (18,135,897)	\$ 7,434,082	\$ (25,569,979)	\$ (10,133,569)	\$ (15,436,410)
Net loss per share	\$ (0.24)		\$ (0.34)		\$ (0.21)

### Other Income (Loss)

We have no commercial production at this time and, as a result, other income (loss) is typically variable from period to period.

	2015	Change	2014	Change	2013
Interest	\$ 651	\$ (86)	\$ 737	\$ (409)	\$ 1,146
Gain (loss) on settlement of debt	(495,101)	(333,809)	(161,292)	(161,632)	340
Write-down of property & equipment	-	6,921,531	(6,921,531)	(6,921,531)	-
Loss on sale of equipment	(9,432)	1,918	(11,350)	(11,350)	-
Loss on impairment of marketable securities	(46,629)	115,850	(162,479)	15,771	(178,250)
Loss on sale of marketable securities	-	-	-	4,039	(4,039)
Foreign currency gain (loss)	12,710	28,465	(15,755)	(19,960)	4,205
	\$ (537,801)	\$ 6,733,869	\$ (7,271,670)	\$ (7,095,072)	\$ (176,598)

In 2015 and 2014, we recognized a loss on settlement of debt related to the remaining unamortized discount on convertible notes prior to the notes being restructured (See Note 11 to the audited consolidated financial statements). In 2014, the write-down of property and equipment was a result of management's estimate of a decrease in the recoverable amount of certain equipment originally purchased for the Brisas Project (as disclosed in Note 8 to the consolidated financial statements) as well as management's decision to terminate the agreement with Soltoro in which we had made a \$0.425 million investment in the La Tortuga property.

## Expenses

	2015	Change	2014 Revised	Change	2013
Corporate general and administrative	\$ 3,025,037	\$ 101,100	\$ 2,923,937	\$ (189,383)	\$ 3,113,320
Debt restructuring	1,399,148	767,148	632,000	632,000	-
Exploration	249,619	(634,120)	883,739	(232,600)	1,116,339
Legal and accounting	270,138	(396,103)	666,241	153,897	512,344
	4,943,942	(161,975)	5,105,917	363,914	4,742,003
Venezuelan operations	118,222	(67,321)	185,543	(10,653)	196,196
Arbitration	2,153,123	(2,803,316)	4,956,439	974,003	3,982,436
Equipment holding costs	752,288	(111,885)	864,173	(49,740)	913,913
Interest expense	9,630,521	2,444,284	7,186,237	1,760,973	5,425,264
	12,654,154	(538,238)	13,192,392	2,674,583	10,517,809
Total expenses for the period	\$ 17,598,096	\$ (700,213)	\$ 18,298,309	\$ 3,038,497	\$ 15,259,812

Corporate general and administrative, debt restructuring, exploration and legal and accounting expenses decreased approximately \$0.2 million during the year ended December 31, 2015 compared to the same period in 2014 and increased approximately \$0.4 million during the year ended December 31, 2014 compared to the same period in 2013.

The net increase in 2015 compared to 2014, in corporate general and administrative expense, was primarily due to non-cash expense associated with the issuance of stock options. The increase in debt restructuring was due to additional extension fees as a result of the increased amount of convertible notes (excluded from expenses is an additional amount of approximately \$1.0 million that was capitalized as part of the transaction. See Note 11 to the audited consolidated financial statements and Financing Transactions). The decrease in exploration expense was attributable to the termination of activities on the La Tortuga property in 2014 and the decrease in legal and accounting expense was primarily attributable to fees incurred for corporate and tax planning activities in 2014. The net decrease in 2014 compared to 2013, as it relates to corporate general and administrative, was primarily due to a decrease in stock option compensation. The decrease in exploration expense in 2014 is attributable to a decrease in activities on the La Tortuga property and the increase in legal and accounting expense is primarily attributable to fees incurred for corporate and tax planning activities as well as regulatory obligations arising from the extension of the debt and issuance of additional equity.

Venezuelan operations, arbitration, equipment holding and interest expense on a net basis decreased approximately \$0.5 million during the year ended December 31, 2015 compared to the same period in 2014 and increased approximately \$2.7 million during the year ended December 31, 2014 compared to the same period in 2013.

Arbitration expense in 2015 decreased from 2014 due to a decrease in financial and technical expert fees associated with the arbitration proceedings and the accrual of contingent legal fees in 2014 payable as a result of the successful ICSID Award and \$0.7 million in non-cash stock option compensation from options which vested upon the issuance of the Award. The increase in interest expense is related to an increase in accretion of Convertible Notes as well as additional interest on the new convertible notes issued in 2015 and 2014.

SUMMARY OF QUARTERLY RESULTS (1)

Quarter ended	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14	3/31/14
Other income (loss)	\$(541,993)	\$(1,662)	\$(10,748)	\$16,602	\$(7,099,515)	\$(3,967)	\$(162,556)	\$(5,632)
Net loss								
before tax (2)	(6,389,066)	(3,581,046)	(4,453,454)	(3,712,331)	(10,616,891)	(7,792,138)	(4,347,337)	(2,813,613)
Per share	(0.08)	(0.05)	(0.06)	(0.05)	(0.14)	(0.10)	(0.06)	(0.04)
Fully diluted	(0.08)	(0.05)	(0.06)	(0.05)	(0.14)	(0.10)	(0.06)	(0.04)
Net loss (2)	(6,389,066)	(3,581,046)	(4,453,454)	(3,712,331)	(10,616,891)	(7,792,138)	(4,347,337)	(2,813,613)
Per share	(0.08)	(0.05)	(0.06)	(0.05)	(0.14)	(0.10)	(0.06)	(0.04)
Fully diluted	(0.08)	(0.05)	(0.06)	(0.05)	(0.14)	(0.10)	(0.06)	(0.04)

(1) The information shown above is derived from our audited consolidated financial statements that have been prepared in accordance with U.S. generally accepted accounting principles.

(2) Net loss from continuing and total operations attributable to owners of the parent.

During 2015, the amount of non-cash stock option compensation expense recorded in 2014 was revised. See Note 3 to the audited consolidated financial statements.

Other income (loss) in the fourth quarter of 2015 was primarily due to the restructuring of the 2018 Notes and the impairment of marketable securities. Other income (loss) in the first and third quarters of 2015 was a result of foreign exchange gain (loss). Other income (loss) in the second quarter of 2015 primarily related to the sale of equipment. Other income (loss) in the fourth quarter of 2014 was primarily due to write down of property and equipment and loss on impairment of marketable securities. In the second quarter of 2014 the loss was related to loss on debt restructuring due to the remaining unamortized discount on convertible notes prior to the restructuring. During the first and third quarters of 2014, other income (loss) consisted of foreign currency gains (losses), losses on marketable securities and interest income.

The increase in net loss in the fourth quarter of 2015 was due to costs and fees incurred in restructuring 2018 Notes. The decrease in net loss during the third quarter of 2015 was primarily due to a decrease in arbitration costs. The increase in net loss during the second quarter of 2015 was primarily due to increases in arbitration expense and accretion of Convertible Notes. Net loss increased in the fourth quarter of 2014 due to a write-down of property and equipment. In the third quarter of 2014 the loss increase was related to \$3.4 million in legal fees and \$0.7 million of non-cash stock option compensation expense related to the issuance of the Award. The increase in net loss during the second quarter of 2014 was primarily due to the restructuring of convertible notes and the write-off of mineral property. The decrease in net loss during the first quarter of 2014 was primarily due to decreases in arbitration expense and non-cash compensation expense.

**Off-Balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

#### Transactions with Related Parties

During the fourth quarter of 2015, we issued approximately \$13.4 million of New Notes and modified, amended and extended the maturity date of approximately \$43.7 million of Modified Notes. The New Notes are comprised of approximately \$12.3 million with an original issue discount of 2.5% of the principal amount and approximately \$1.1 million representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee. \$30.7 million of the Modified Notes and \$10.7 million of the New Notes were issued to affiliated funds which exercised control or direction over more than 10% of our common shares prior to the transactions and as a result, those portions of the transactions were considered to be related party transactions. (See Note 11 to the audited consolidated financial statements).

During the second quarter of 2014, we extended the maturity date of our approximately \$25.3 million aggregate principal amount of convertible notes from June 29, 2014 to December 31, 2015 and issued approximately \$12 million aggregate principal amount of new convertible notes also maturing December 31, 2015, net of costs of approximately \$1.3 million. Approximately \$19.2 million of the extended convertible notes and \$8 million of the new convertible notes were issued to affiliated funds which exercised control or direction over more than 10% of our common shares prior to the transactions and as a result, those portions of the transactions were considered to be related party transactions.

#### CRITICAL ACCOUNTING ESTIMATES

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

Critical accounting estimates used in the preparation of the audited consolidated financial statements include the:

- assessments of the recoverability of the Brisas Project related equipment and the estimated fair value determined in connection with impairment testing;
- determination of the fair value of our Convertible Notes which are accreted to their face value at maturity using the effective interest rate method over the contractual life of the Convertible Notes, with the resulting charge recorded as interest expense;
- use of the fair value method of accounting for stock options which is computed using the Black-Scholes method which utilizes estimates that affect the amounts ultimately recorded as stock based compensation;
- preparation of tax filings in a number of jurisdictions requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

Any current or future operations we may have are subject to the effects of changes in legal, tax and regulatory regimes, political, labor and economic developments, social and political unrest, currency and exchange controls, import/export restrictions and government bureaucracy in the countries in which it operates.



## RISK FACTORS

*Set out below are certain risk factors that could materially adversely affect our future business, operating results or financial condition. Investors should carefully consider these risk factors and the other risk factors and information in this Management's Discussion and Analysis and our filings with Canadian and U.S. securities regulators, before making investment decisions involving our securities. The following risk factors, as well as risks not currently known to us, could adversely affect our future business, operations and financial condition and could cause future results to differ materially from the estimates described in our forward-looking statements.*

### **Risks Related to Collection of Arbitral Award**

**Failure to negotiate and execute definitive documentation contemplated by the MOU and/or complete the transactions outlined therein, could materially adversely affect the Company.**

On February 24, 2016, we entered into the MOU with Venezuela that contemplates settlement, including payment and resolution, of the Arbitral Award. Pursuant to the MOU and our discussions with Venezuela, if definitive documentation is entered into, and financing is arranged by Venezuela with our assistance, we would jointly develop the Brisas-Cristinas Project through a mixed company. In addition, Venezuela would pay (i) all amounts due under the Arbitral Award (including accrued interest), (ii) an amount yet to be agreed to by the parties, in exchange for our contribution of the Mining Data to the mixed company and (iii) fund \$2.0 billion related to future capital costs of the Brisas-Cristinas Project.

The MOU contemplates definitive documentation with respect to the creation of the mixed company and the settlement of the Arbitral Award to be executed in approximately 60 days, subject to various conditions precedent including, without limitation, receipt of all necessary regulatory and corporate approvals and the successful negotiation and execution of the definitive documentation. If the transactions contemplated by the MOU, which is subject to various conditions precedent, are successfully concluded in accordance with the definitive documentation, we will terminate our ongoing legal activities with respect to the Arbitral Award. It is anticipated that Venezuela would, with our assistance, work to obtain financing to fund the contemplated payments to us pursuant to the Arbitral Award and in connection with the contribution of the Mining Data to the mixed company and fund future capital costs of any Brisas-Cristinas Project as well as seek the creation of a special economic zone providing the establishment of a special customs framework for the mixed company and other tax and economic benefits, subject to the approval of the National Executive Branch of the Venezuelan government.

There can be no assurances that we will be able to successfully negotiate definitive documentation with Venezuela for the transactions contemplated by the MOU prior to its termination, or that the terms of such documentation will be acceptable to us or not differ materially from the terms contemplated by the MOU. Even if we are successful in negotiating definitive documentation on terms acceptable to us, there can be no assurances that the conditions precedent will be completed, all approvals will be obtained, Venezuela, with our assistance, will be successful in obtaining the approval of the National Executive Branch of the Venezuelan government to create a special economic zone or otherwise realize expected tax and other economic benefits for the activities of the mixed company or be successful in obtaining required financing for the transactions contemplated by the MOU. Such failure may require us to seek to renegotiate a settlement with Venezuela or otherwise continue the lengthy enforcement and collection process and could materially adversely affect, among other things, our ability to service debt and maintain sufficient liquidity to operate as a going concern.

**In the event that we do not conclude the transactions contemplated by the MOU, our failure to otherwise collect the Arbitral Award could materially adversely affect the Company.**

In October 2009, we initiated the Brisas Arbitration under the Additional Facility Rules of the ICSID of the World Bank. On September 22, 2014, the ICSID Tribunal unanimously awarded us damages totaling \$740.3 million, plus post award interest at a rate of LIBOR plus 2% per annum.

Although the process of getting the Arbitral Award recognized and enforced is different in each jurisdiction, the process in general is—we file a petition or application to confirm the Arbitral Award with the competent court; Venezuela has the right to oppose such petition for confirmation or recognition; thereafter there are a number of filings made by both parties and in some cases hearings before the court. If the court subsequently confirms the enforcement of the Arbitral Award then the court will issue a judgment against Venezuela. Thereafter we will begin the process of executing the judgment by identifying and attaching specific property owned by Venezuela that is not protected by sovereign immunity. We are currently pursuing enforcement of the Arbitral Award in a number of jurisdictions and will continue to do so pending the consummation of the transactions contemplated by the MOU.

Pending the completion of the transactions contemplated by the MOU, we will continue to pursue enforcement and collection of the Arbitral Award as described herein. Enforcement and collection of the Arbitral Award is a lengthy process and will be ongoing for the foreseeable future if we are not successful in consummating the transactions contemplated by the MOU. In addition, the cost of pursuing collection of the Arbitral Award will be substantial and there is no assurance that we will be successful. Failure to otherwise collect the Arbitral Award if we do not conclude the transactions contemplated by the MOU, or a substantial passage of time before we are able to otherwise collect the Arbitral Award, would materially adversely affect our ability to service debt and maintain sufficient liquidity to operate as a going concern.

**We cannot predict when or if the Arbitral Award will be collected either partially or in full or if we will conclude the transactions contemplated by the MOU.**

We understand that numerous pending arbitration actions are being pursued against Venezuela at this time before the ICSID (See ICSID website at [icsid.worldbank.org/ICSID/](http://icsid.worldbank.org/ICSID/)) and further understand that Venezuela historically has reportedly settled and/or made full or partial payment for damages to a limited number of claimants. ICSID arbitrations are non-public proceedings and, as a result, we have no specific information regarding the actual amounts paid or what percentage such payments represented of the original claim against Venezuela or the timing of such payments. We expect that the timing for our various efforts to enforce and collect the Arbitral Award will be lengthy and we are not able to estimate the timing or likelihood of collection of the Arbitral Award, if any. Accordingly, if we are not successful in consummating the transactions contemplated by the MOU, there can be no assurances that the Arbitral Award will be otherwise collected or settled, in whole or in part, within any specific or reasonable period of time.

### **Risks Relating to the Convertible Notes and Interest Notes (collectively the "Notes")**

**Our ability to generate the cash needed to pay principal and interest amounts on the Notes or pay similar obligations in the future depends on many factors, some of which are beyond our control.**

We are currently primarily engaged in managing the Brisas Arbitration in an effort to enforce and collect the Arbitral Award or otherwise settle our dispute with the Venezuelan government as contemplated by the MOU. We have no commercial production and no ability to generate cash from operations to meet scheduled payments. If our capital resources are insufficient to fund our operational or debt service

obligations and/or we cannot collect or otherwise settle the Arbitral Award, in whole or in part, we may be forced to seek to obtain additional equity capital, restructure our debt, file for *Companies' Creditors Arrangement Act* (Canada) protection, reduce or delay capital expenditures or sell assets. There can be no assurance that we will have, or be able to generate, sufficient capital resources in the future or that we will be successful in collecting the Arbitral Award through the courts or pursuant to a settlement with Venezuela.

**We may not be able to refinance or extend the maturity date of the Notes if required or if we so desire.**

We may need or desire to refinance or extend the maturity date of all or a portion of the Notes or any other future indebtedness that we may incur on or before the maturity date of the Notes. There can be no assurance that we will be able to refinance or otherwise extend the maturity date of any of our indebtedness or incur additional indebtedness on commercially reasonable terms, if at all, which may result in an event of default that would require us to file for protection under the *Companies' Creditors Arrangement Act* (Canada).

**Our existing shareholders could be significantly diluted if our Convertible Notes are converted to Class A common shares.**

As of December 31, 2015, we had outstanding approximately \$58.1 million aggregate principal amount of Convertible Notes. If all of such Convertible Notes were converted to Class A common shares at their current conversion rates, an additional approximately 19.3 million Class A common shares would be issued, thereby significantly diluting the ownership of existing shareholders.

**We may not have sufficient cash to repurchase the Notes upon the occurrence of a fundamental change, upon the conversion of the Convertible Notes or if an event of default with respect to the Notes occurs and is continuing, as required by the Indenture.**

We will be required to make an offer to repurchase the Notes upon the occurrence of a fundamental change as described in the Indenture (as defined herein). We may not have sufficient funds to repurchase the Notes in cash or to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms. A Fundamental Change is generally defined as events related to a change of control of the Company.

A fundamental change may also constitute an event of default or require prepayment under, or result in the acceleration of the maturity of, our other indebtedness outstanding at the time. Our ability to repurchase the Notes in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the Notes or pay cash or issue our Class A common shares in respect of conversions of the Convertible Notes, if applicable, when required would result in an event of default with respect to the Notes. If an event of default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal amount of the Notes and interest, including additional amounts, if any, on the outstanding Notes to be immediately due and payable. In case of certain events of bankruptcy, insolvency or reorganization involving us or our subsidiaries, principal amount plus interest, including additional amounts, if any, on the Notes will automatically become due and payable.

**The Notes may not have an active market and their price may be volatile. You may be unable to sell your Notes at the price you desire or at all.**

There is no existing trading market for the Notes and we have no obligation to list the Notes at any time. We have not and do not intend to list the Notes on any United States or Canadian securities exchange

or market place. As a result, there can be no assurance that a liquid market will develop or be maintained for the Notes, that note holders will be able to sell any of the Notes at a particular time (if at all) or that the prices you receive if or when you sell the Notes will be above their initial offering price.

**Other Risks Related to the Notes**

Our Notes are subject to a number of other risks as describe below. Holders are urged to refer to the terms and limitations described in the Indenture as supplemented and our filings with the SEC and/or OSC.

- We could incur substantially more debt and may take other actions which may affect our ability to satisfy our obligations under the Notes.
- Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Notes.
- Upon the occurrence of a fundamental change and in connection with note holders' right to require us to repurchase the Notes, we may satisfy our obligations through the issuance of our Class A common shares, the value of which may decrease.
- Upon conversion of the Convertible Notes, we will have the option to deliver cash in lieu of some or all the Class A common shares to be delivered upon conversion, the amount of cash to be delivered per Convertible Notes being calculated on the basis of average prices over a specified period, and note holders may receive fewer proceeds than expected.
- The adjustment to the conversion rate for the Convertible Notes converted in connection with a specified corporate transaction may not adequately compensate note holders for any lost value of Convertible Notes as a result of such transaction.
- The conversion rate of the Convertible Notes may not be adjusted for all dilutive events.
- The Notes may not be rated or may receive a lower rating than anticipated.
- If you hold Notes, note holders will not be entitled to any rights with respect to our Class A common shares, but will be subject to all changes made with respect to our Class A common shares.
- If the Notes are held in book-entry form, note holders will be required to rely on the procedures and the relevant clearing systems to exercise their rights and remedies.
- The value of the Collateral may not be sufficient to satisfy all the obligations secured by such Collateral. As a result, holders of the Notes may not receive full payment on their Notes following an event of default.
- Rights of holders of the Notes in the Collateral may be adversely affected by bankruptcy proceedings.
- Any future pledge of Collateral may be avoidable in bankruptcy.
- Rights of holders of Notes and CVRs in the Collateral may be adversely affected by the failure to perfect liens on the Collateral or on Collateral acquired in the future. Any future pledge of collateral may be avoidable in bankruptcy.

**Risks Related to the Class A common shares**

**Failure to maintain the listing of our Class A common shares on the TSXV could have adverse effects.**

We are required to maintain compliance with the TSXV listing rules, which in addition to other rules, require us as a "Mining Issuer" to hold an interest of 50% or more in a qualifying property or the right to acquire such an interest in a qualifying property in order to maintain our listing. As a result of our March 1, 2016 acquisition of the LMS Gold Project (see

"PROPERTIES"), we are currently in compliance with the applicable TSXV listing rule.

We cannot provide assurances that we will always remain in compliance with applicable listing standards. A delisting of our Class A common shares from the TSXV could negatively impact us by: (i) reducing the liquidity and market price of our Class A common shares; (ii) reducing the number of investors willing to hold or acquire our Class A common shares, which could negatively impact our ability to raise equity or other financing; (iii) limiting our ability to access the public capital markets; (iv) impairing our ability to provide equity incentives to our employees; and (v) impairing our ability to pay holders of our Convertible Notes Class A common shares in lieu of cash upon certain terms and conditions under the Indenture.

**The price and liquidity of our Class A common shares may be volatile.**

The market price of our Class A common shares may fluctuate based on a number of factors, some of which are beyond our control, including:

- we do not have an active market for our Class A common shares and large sell or buy transactions may affect the market price;
- developments in our efforts to conclude the transactions contemplated by the MOU;
- developments in our other effort to collect the Arbitral Award and/or sell the Mining Data;
- economic and political developments in Venezuela;
- our operating performance and financial condition;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general purposes;
- shareholder dilution resulting from restructuring or refinancing our outstanding Notes due December 31, 2018.;
- the public's reaction to announcements or filings by us or other companies;
- the public's reaction to negative news regarding Venezuela and/or international responses to Venezuelan domestic and international policies announcements or filings by us or other companies;
- the price of gold, copper and silver; and
- the addition to or changes to existing personnel.

The effect of these and other factors on the market price of the Class A common shares has historically made our share price volatile and suggests that our share price will continue to be volatile in the future.

**We may issue additional Class A common shares, debt instruments convertible into Class A common shares or other equity-based instruments to fund future operations.**

We cannot predict the size of any 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 Class A common shares. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, may result in dilution to present and prospective holders of shares.

**We do not intend to pay cash dividends or make other distributions to shareholders unless we collect the Award, or some portion thereof, in the foreseeable future.**

We have not declared or paid any dividends on our Class A common shares since 1984. We may declare cash dividends or make distributions in the future only if our earnings and capital are sufficient to justify the payment of such dividends or distributions. Regarding the collection of the Award and/or payment for the Mining Data, subject to applicable regulatory requirements regarding capital and reserves for operating expenses, accounts payable and taxes, we expect to distribute, in the most cost efficient manner, a substantial majority of any net proceeds pursuant to the Award after fulfillment of our corporate obligations.

## **Risks Related to the Business**

### **Any development activities on the Brisas-Cristinas Project will require additional exploration work and financing and there is no assurance that the project will be determined feasible.**

No formal exploration or development activities have taken place at the proposed location of the Brisas-Cristinas Project for some time. Even if definitive documentation is successfully negotiated and executed with respect to the transactions contemplated by the MOU and the required financing is obtained, substantial effort and financing would be required to re-commence work on any Brisas-Cristinas Project. We can provide no assurances that the project or its development would be determined feasible.

### **If we are successful in completing the transactions contemplated by the MOU, our potential future operations related to the Brisas-Cristinas Project will be concentrated in Venezuela and will be subject to inherent local risks.**

If we are successful in completing the transactions contemplated by the MOU, our potential future operations related to the Brisas-Cristinas Project will be located in Venezuela and, as a result, we will be subject to operational, regulatory, political and economic risks specific to its location, including:

- the effects of local political, labor and economic developments, instability and unrest;
- significant or abrupt changes in the applicable regulatory or legal climate;
- currency instability, hyper-inflation and the environment surrounding the financial markets and exchange rate in Venezuela;
- international response to Venezuelan domestic and international policies;
- limitations on mineral exports;
- invalidation, confiscation, expropriation or rescission of governmental orders, permits, agreements or property rights;
- exchange controls and export or sale restrictions;
- currency fluctuations, repatriation restrictions and operation in a highly inflationary economy;
- competition with companies from countries that are not subject to Canadian and U.S. laws and regulations;
- laws or policies of foreign countries and Canada affecting trade, investment and taxation;
- civil unrest, military actions and crime;
- 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; and
- new or changes in regulations related to mining, environmental and social issues.

### **Operating losses are expected to continue.**

We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from mining operations and have experienced losses from operations for each of the last five years, a trend we expect to continue unless and until the Arbitral Award is collected, proceeds from the sale of the Mining Data are collected and/or we acquire or invest in alternative projects such as the Brisas-Cristinas Project and we achieve commercial production.

### **We may be unable to continue as a going concern.**

We have no revenue producing operations at this time and our working capital position, cash burn rate and debt maturity schedule may require that we seek additional sources of funding to ensure our ability to continue activities in the normal course. Our efforts to address longer-term funding requirements may be adversely impacted by financial market conditions,

industry conditions, regulatory approvals or other unknown or unpredictable conditions and, as a result, there can be no assurance that additional funding will be available or, if available, offered on acceptable terms.

**Failure to attract new and/or retain existing personnel could adversely affect us.**

We are dependent upon the abilities and continued participation of existing personnel to manage negotiations with Venezuela and other activities related to the consummation of the transactions contemplated by the MOU, other efforts related to the enforcement and collection of the Arbitral Award and sale of the Mining Data and to identify, acquire and develop new opportunities. Substantially all of our existing management personnel have been employed by us for over 20 years. The loss of existing employees (in particular those long time management personnel possessing important historical knowledge related to the Brisas Project which is relevant to the Brisas Arbitration) or an inability to obtain new personnel necessary to execute the transactions contemplated by the MOU or future efforts to acquire and develop a new project, such as the Brisas-Cristinas Project, could have a material adverse effect on our future operations.

**Risks inherent in the mining industry could adversely impact future operations.**

Exploration for gold and other metals is speculative in nature, involves many risks and frequently is unsuccessful. As is customary in the industry, not all prospects will be positive or progress to later stages (e.g. the feasibility, permitting, development and operating stages), therefore, we can provide no assurances as to the future success of our efforts related to the Brisas-Cristinas Project and the LMS Gold Project. Exploration programs entail risks relating to location, metallurgical processes, governmental permits and regulatory approvals and the construction of mining and processing facilities. Development can take a number of years, requiring substantial expenditures and there is no assurance that we will have, or be able to raise, the required funds to engage in these activities or to meet our obligations with respect to the Brisas-Cristinas Project and the LMS Gold Project. 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.

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

U.S. taxpayers should be aware that we have determined that we were a "passive foreign investment company" (a "PFIC") under Section 1297(a) of the U.S. Internal Revenue Code (the "Code") for the taxable year ended December 31, 2015, and that we may be a PFIC for all taxable years prior to the time we have income from production activities. We do not believe that any of our subsidiaries were PFICs as to any of our shareholders for the taxable year ended December 31, 2015, however, due to the complexities of the PFIC determination summarized below, we cannot guarantee this belief and, as a result, we cannot determine that the Internal Revenue Service (the "IRS") would not take the position that certain subsidiaries are not PFICs. The determination of whether we and any of our 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 we and any of our subsidiaries will be a PFIC for any taxable year generally depends on our assets and income and those of our subsidiaries' over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Management's Discussion and Analysis. Accordingly, there can be no assurance that we and any of our subsidiaries will not be a PFIC for any taxable year.

For taxable years in which we are a PFIC, any gain recognized on the sale of our Class A common shares and any “excess distributions” (as specifically defined) paid on our Class A common shares must be ratably allocated to each day in a U.S. taxpayer’s holding period for the Class A 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 Class A 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 our “net capital gain” and “ordinary earnings” (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by us. For a U.S. taxpayer to make a QEF election, we 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. We will prepare and make the statement available to U.S. taxpayers, and will permit access to the information. As a possible second alternative, a U.S. taxpayer may make a “mark-to-market election” with respect to a taxable year in which we are a PFIC and the Class A 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 we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Class A common shares as of the close of such taxable year over (b) such U.S. taxpayer’s adjusted tax basis in such Class A common shares.

**There are material tax risks associated with holding and selling or otherwise disposing the Notes and Class A common shares.**

There are material tax risks associated with holding and selling or otherwise disposing the Notes and Class A common shares. Each prospective investor is urged to consult its own tax advisor regarding the tax consequences to him or her with respect to the ownership and disposition of the Notes and Class A common shares.

**It may be difficult to bring certain actions or enforce judgments against the Company and/or its directors and executive officers.**

Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against us, our directors or executive officers 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 Alberta, Canada. Some of our directors and officers, and some of the experts named from time to time in our filings, are residents of Canada or otherwise reside outside of the U.S. and all or a substantial portion of their and our assets, may be 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 our directors, officers or experts who are not residents 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 securities laws or U.S. federal securities laws or other laws of the U.S. or any state thereof against us or those persons.



#### CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of interest. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We do not expect the adoption of this ASU to have a significant impact on our financial statements.

In August 2014, the FASB issued ASU 2014-15 which, provides guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. This update is effective for us commencing with the annual period ending after December 15, 2016. We are still in the process of evaluating the impact of this standard.

#### DISCLOSURE OF OUTSTANDING SHARE DATA

##### **Class A common shares**

We are authorized to issue an unlimited number of Class A common shares without par value of which 78,720,147 Class A common shares were issued and outstanding as at the date hereof. Shareholders are entitled to receive notice of and attend all meetings of shareholders with each Class A common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. Shareholders are entitled to dividends if, as and when declared by the Board. Shareholders are entitled upon our liquidation, dissolution or winding up to receive our remaining assets available for distribution to shareholders.

##### **Equity Units**

In February 1999, Gold Reserve Corporation became a subsidiary of Gold Reserve Inc., the successor issuer. Generally, each shareholder of Gold Reserve Corporation received one Class A common share of Gold Reserve Inc. for each common share owned in Gold Reserve Corporation. For tax reasons, certain U.S. holders elected to receive Equity Units in lieu of Class A common shares. An Equity Unit comprised one Class B common share of Gold Reserve Inc. and one Gold Reserve Corporation Class B common share, and was substantially equivalent to a Class A common share and generally immediately convertible into Class A common shares. Equity Units were transferable but not listed for trading on any stock exchange and subject to compliance with applicable federal, provincial and state securities laws. As of December 31, 2015 all Equity Units had been converted to Class A common shares.

##### **Preferred Shares**

We are authorized, subject to the limitations prescribed by law and our articles of incorporation, from time to time, to issue an unlimited number of serial preferred shares; and to determine variations, if any, between any series so established as to all matters, including, but not limited to, the rate of dividend and whether dividends shall be cumulative or non-cumulative; the voting power of holders of such series; the rights of such series in the event of the dissolution of the Corporation or upon any distribution of the assets of the Corporation; whether the shares of such series shall be convertible; and such other designations, rights, privileges, and relative participating, optional or other special rights, and such restrictions and conditions thereon as are permitted by law. There are no preferred shares issued or outstanding as of the date hereof.

##### **Share Purchase Warrants**

We issued 1,750,000 share purchase warrants to acquire for a two-year period one-half of one Class A common share (875,000 whole warrants) at a price of \$4.00 per share. The share purchase warrants expired on September 20, 2015.

### Share Purchase Options

On June 27, 2012, the shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan") to replace our previous equity incentive plans. In 2014, the Board amended and restated the 2012 Plan changing the maximum number of Class A Shares issuable under options granted under the 2012 Plan from a "rolling" 10% of the outstanding Class A Shares to a fixed number of 7,550,000 Class A Shares. As of December 31, 2015 there were 1,519,500 options available for grant. Grants are made for terms of up to ten years with vesting periods as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board.

Stock options exercisable for common shares as of the date herein:

Expiry Date	Exercise Price	Number of Shares
January 30, 2017	\$ 2.89	1,620,500
June 11, 2018	\$ 3.00	250,000
March 17, 2020	\$ 3.89	100,000
June 9, 2021	\$ 1.92	875,000
July 25, 2024	\$ 4.02	310,000
June 29, 2025	\$ 3.91	215,000
Total Class A common shares issuable pursuant to stock options		3,370,500

### Convertible Notes and Interest Notes

We have a total of approximately \$58.1 million of Convertible Notes outstanding, which are comprised of approximately \$43.7 million aggregate principal amount of Modified Notes, (ii) approximately \$13.4 million aggregate principal amount of New Notes and (iii) approximately \$1.0 million aggregate principal amount of 2022 Notes. The 2018 Notes bear interest at a rate of 11% per annum and the 2022 Notes bear interest at 5.50% per annum. The 2018 Notes are convertible to Class A common shares under certain circumstances at \$3.00 per share and 2022 Notes are convertible to Class A common shares under certain circumstances at \$7.54 per share.

Interest on the 2018 Notes is paid quarterly in the form of a new series of 11% Senior Secured Interest Notes which are payable in cash at maturity on December 31, 2018. Outstanding Interest Notes are added to the 2018 Notes to calculate future issuances of Interest Notes. We had a total of approximately \$0.5 million of Interest Notes outstanding at December 31, 2015.

### Capital Structure

The following summarizes our share capital structure as of the date hereof:

Class A common shares outstanding	78,720,147
Shares issuable pursuant to the 2012 Equity Incentive Plan	3,370,500
Shares issuable pursuant to the Convertible Notes	19,157,435
Total shares outstanding, fully diluted	<u>101,248,082</u>

## Audited Consolidated Financial Statements

### Management's Annual Report on Internal Control over Financial Reporting

The accompanying audited consolidated financial statements of Gold Reserve Inc. were prepared by management in accordance with accounting principles generally accepted in the United States, consistently applied and within the framework of the summary of significant accounting policies contained therein. Management is responsible for all information in the accompanying audited consolidated financial statements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the U.S. Internal control over financial reporting includes:

- maintaining records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of our executive officers; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management, including the CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of internal control over financial reporting as of December 31, 2015 has been audited by our independent auditors, PricewaterhouseCoopers LLP ("PwC"), as stated in their audit report, which is dated April 20, 2016 and included below.

/s/ Rockne J. Timm  
Chief Executive Officer  
April 20, 2016

/s/ Robert A. McGuinness  
Vice President–Finance and CFO  
April 20, 2016

## **Independent Auditor's Report**

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

We have completed integrated audits of Gold Reserve Inc.'s (the Company) December 31, 2015, 2014 and 2013 consolidated financial statements and its internal control over financial reporting as at December 31, 2015. Our opinions, based on our audits are presented below.

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Gold Reserve Inc., which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reserve Inc. as at December 31, 2015 and 2014 and results of its operations and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

**Report on internal control over financial reporting**

We have also audited Gold Reserve Inc.'s internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Management's responsibility for internal control over financial reporting**

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting.

**Auditor's responsibility**

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

**Definition of internal control over financial reporting**

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

**Inherent limitations**

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

**Opinion**

In our opinion, Gold Reserve Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

*/s/PricewaterhouseCoopers LLP*

**Chartered Accountants**

Vancouver, British Columbia

April 20, 2016

**GOLD RESERVE INC.**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

**December 31,  
2015**                      **December 31,  
2014**

**(Revised, Note 3)**

**ASSETS**

**Current Assets:**

Cash and cash equivalents (Note 5)	\$ 9,350,892	\$ 6,439,147	
Marketable securities (Notes 6 and 7)	180,986	175,541	
Deposits, advances and other	590,250	353,742	
<u>Total current assets</u>	10,122,128	6,968,430	
Property, plant and equipment, net (Note 8)	12,258,599	12,440,654	
<u>Total assets</u>	\$ 22,380,727	\$ 19,409,084	

**LIABILITIES**

**Current Liabilities:**

Accounts payable and accrued expenses (Note 4)	\$ 1,549,905	\$ 3,928,608	
Accrued interest	2,388	2,388	
Convertible notes and interest notes (Note 11)	—	34,400,030	
<u>Total current liabilities</u>	1,552,293	38,331,026	
Convertible notes and interest notes (Note 11)	39,671,870	1,042,000	
Other (Note 11)	1,012,491	1,012,491	
<u>Total liabilities</u>	42,236,654	40,385,517	

**SHAREHOLDERS' EQUITY**

Serial preferred stock, without par value			
Authorized:	Unlimited		
Issued:	None		
Common shares and equity units	290,467,418	289,326,172	
Class A common shares, without par value			
Authorized:	Unlimited		
Issued and outstanding:	2015...76,447,147	2014...76,077,547	
Equity Units			
Issued and outstanding:	2015..... Nil	2014.....100	
Contributed Surplus (Note 11)	30,435,625	11,682,644	
Warrants	—	543,915	
Stock options (Note 10)	20,523,325	20,669,308	
Accumulated deficit	(361,351,373)	(343,215,476)	
Accumulated other comprehensive income	69,078	17,004	
<u>Total shareholders' deficit</u>	(19,855,927)	(20,976,433)	
<u>Total liabilities and shareholders' equity</u>	\$ 22,380,727	\$ 19,409,084	

Contingencies (Note 4)

Subsequent Event (Note 13)

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

Approved by the Board of Directors:

*/s/ Patrick D. McChesney*

*/s/ James P. Gever*

**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in U.S. dollars)

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(Revised, Note 3)</b>		
<b>OTHER INCOME (LOSS)</b>			
Interest income	\$ 651	\$ 737	\$ 1,146
Gain (loss) on settlement of debt	(495,101)	(161,292)	340
Write-down of property, plant and equipment (Note 8)	-	(6,921,531)	-
Loss on sale of equipment	(9,432)	(11,350)	-
Loss on impairment of marketable securities	(46,629)	(162,479)	(178,250)
Loss on sale of marketable securities	-	-	(4,039)
Foreign currency gain (loss)	12,710	(15,755)	4,205
	<u>(537,801)</u>	<u>(7,271,670)</u>	<u>(176,598)</u>
<b>EXPENSES</b>			
Corporate general and administrative	3,025,037	2,923,937	3,113,320
Debt restructuring	1,399,148	632,000	-
Exploration	249,619	883,739	1,116,339
Legal and accounting	270,138	666,241	512,344
Venezuelan operations	118,222	185,543	196,196
Arbitration (Note 4)	2,153,123	4,956,439	3,982,436
Equipment holding costs	752,288	864,173	913,913
Interest expense (Note 11)	9,630,521	7,186,237	5,425,264
	<u>17,598,096</u>	<u>18,298,309</u>	<u>15,259,812</u>
Net loss for the year	<u>\$ (18,135,897)</u>	<u>\$ (25,569,979)</u>	<u>\$ (15,436,410)</u>
Net loss per share, basic and diluted	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>	<u>\$ (0.21)</u>
Weighted average common shares outstanding, basic and diluted	<u>76,118,236</u>	<u>76,061,770</u>	<u>74,255,484</u>

**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in U.S. dollars)

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(Revised, Note 3)</b>		
Net loss for the year	\$ (18,135,897)	\$ (25,569,979)	\$ (15,436,410)
Other comprehensive income (loss), net of tax :			
Items that may be reclassified subsequently to the consolidated statement of operations:			
Unrealized gain (loss) on marketable securities, net of tax of nil	5,445	(142,901)	(396,546)
Realized loss included in net loss, net of tax of nil	-	-	4,039
Impairment loss on marketable securities, net of tax of nil	46,629	162,479	178,250
Other comprehensive income (loss)	<u>52,074</u>	<u>19,578</u>	<u>(214,257)</u>
Comprehensive loss for the year	<u>\$ (18,083,823)</u>	<u>\$ (25,550,401)</u>	<u>\$ (15,650,667)</u>

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

**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the Years Ended December 31, 2015, 2014 (Revised, Note 3) and 2013  
(Expressed in U.S. dollars)

	Common Shares and Equity Units					Warrants	Stock Options	Accumulated Deficit	Accumulated Other Comprehensive income (loss)
	Common Shares	Equity Units	Amount	Contributed Surplus					
Balance, December 31, 2012	72,211,473	500,236	\$ 283,482,779	\$ 5,171,603	\$ -	\$ 19,762,883	\$(302,209,087)	\$ 211,683	
Net loss							(15,436,410)		
Other comprehensive loss								(214,257)	
Stock option compensation						594,517			
Fair value of options exercised			508,175			(508,175)			
Fair value of warrants issued					543,915				
Common shares issued for:									
Private placement	1,750,000		4,478,566						
Option exercises	1,560,188		677,718						
Debt settlement	750		2,175						
Balance, December 31, 2013	75,522,411	500,236	289,149,413	5,171,603	543,915	19,849,225	(317,645,497)	(2,574)	
Net loss							(25,569,979)		
Other comprehensive income								19,578	
Stock option compensation						896,742			
Fair value of options exercised			76,659			(76,659)			
Equity Units converted to shares	500,136	(500,136)							
Equity component – convertible notes				6,511,041					
Common shares issued for:									
Option exercises	55,000		100,100						
Balance, December 31, 2014	76,077,547	100	289,326,172	11,682,644	543,915	20,669,308	(343,215,476)	17,004	
Net loss							(18,135,897)		
Other comprehensive income								52,074	
Stock option compensation						315,273			
Fair value of options exercised			461,256			(461,256)			
Equity Units converted to shares	100	(100)							
Warrant expiration				543,915	(543,915)				
Equity component – convertible notes				18,209,066					
Common shares issued for:									
Option exercises	369,500		679,990						
Balance, December 31, 2015	76,447,147	-	\$ 290,467,418	\$ 30,435,625	\$ -	\$ 20,523,325	\$(361,351,373)	\$ 69,078	

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



**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. dollars)

**For the Years Ended December 31,**

	2015	2014	2013
	(Revised, Note 3)		
<b>Cash Flows from Operating Activities:</b>			
Net loss for the year	\$ (18,135,897)	\$ (25,569,979)	\$ (15,436,410)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock option compensation	315,273	896,742	594,517
Depreciation	7,623	10,328	15,781
Loss (gain) on settlement of debt	495,101	161,292	(340)
Loss on sale of equipment	9,432	11,350	-
Write-down of property, plant and equipment	-	6,921,531	-
Accretion of convertible notes	9,573,212	6,481,609	3,975,719
Non cash restructure expense	1,399,148	-	-
Restructure fees included in financing activities	-	632,000	-
Net loss on sale of marketable securities	-	-	4,039
Impairment loss on marketable securities	46,629	162,479	178,250
Shares issued for compensation	-	-	5,827
Changes in non-cash working capital:			
Net (increase) decrease in deposits and advances	(236,508)	(194,548)	10,272
Net increase (decrease) in accounts payable and accrued expenses	(2,378,703)	3,251,461	(299,711)
Net cash used in operating activities	<u>(8,904,690)</u>	<u>(7,235,735)</u>	<u>(10,952,056)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from disposition of marketable securities	-	-	8,461
Purchase of property, plant and equipment	-	(150,000)	(128,285)
Proceeds from sales of equipment	165,000	69,433	-
Net cash provided by (used in) investing activities	<u>165,000</u>	<u>(80,567)</u>	<u>(119,824)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from the issuance of convertible notes	11,989,575	11,700,000	-
Proceeds from the issuance of common shares and warrants	679,990	100,100	5,700,199
Debt restructuring fees	(1,018,130)	(1,016,488)	-
Settlement of convertible notes	-	(4,000)	-
Net cash provided by financing activities	<u>11,651,435</u>	<u>10,779,612</u>	<u>5,700,199</u>
<b>Change in Cash and Cash Equivalents:</b>			
Net increase (decrease) in cash and cash equivalents	2,911,745	3,463,310	(5,371,681)
Cash and cash equivalents - beginning of year	6,439,147	2,975,837	8,347,518
Cash and cash equivalents - end of year	<u>\$ 9,350,892</u>	<u>\$ 6,439,147</u>	<u>\$ 2,975,837</u>
<b>Supplemental Cash Flow Information:</b>			
Cash paid for interest	<u>\$ 57,310</u>	<u>\$ 766,502</u>	<u>\$ 1,449,553</u>

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

**Note 1. The Company and Significant Accounting Policies:**

Gold Reserve Inc. ("Gold Reserve", the "Company", "we", "us", or "our") is engaged in the business of acquiring, exploring and developing mining projects. We are an exploration stage company incorporated in 1998 under the laws of the Yukon Territory, Canada and continued to Alberta, Canada in September 2014.

Gold Reserve Inc. is the successor issuer to Gold Reserve Corporation which was incorporated in 1956. A significant portion of our activities relate to enforcement and collection efforts associated with the September 2014 Arbitral Award in connection with Venezuela's seizure of our mining project known as the Brisas Project (See Note 4, Arbitral Award Enforcement). All amounts shown herein are expressed in U.S. dollars unless otherwise noted. In February 1999 each Gold Reserve Corporation shareholder exchanged their shares for an equal number of Gold Reserve Inc. Class A common shares except in the case of certain U.S. holders who for tax reasons elected to receive equity units which were comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share and substantially equivalent to one Class A common share of Gold Reserve Inc. As of December 31, 2015, all equity units had been converted to Class A common shares.

**Basis of Presentation and Principles of Consolidation.** These audited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The statements include the accounts of the Company, Gold Reserve Corporation, four Venezuelan subsidiaries, a Mexican subsidiary and four other subsidiaries which were formed to hold our interest in our foreign subsidiaries or for future transactions. All subsidiaries are wholly owned. All intercompany accounts and transactions have been eliminated on consolidation. Our policy is to consolidate those subsidiaries where control exists. We have only one operating segment, the exploration and development of mineral properties.

**Cash and Cash Equivalents.** We consider short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents for purposes of reporting cash equivalents and cash flows. The cost of these investments approximates fair value. We manage the exposure of our cash and cash equivalents to credit risk by diversifying our holdings into major Canadian and U.S. financial institutions.

**Exploration and Development Costs.** Exploration costs incurred in locating areas of potential mineralization or evaluating properties or working interests with specific areas of potential mineralization are expensed as incurred. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and equipment. Property holding costs are charged to operations during the period if no significant exploration or development activities are being conducted on the related properties. Upon commencement of production, capitalized exploration and development costs would be amortized based on the estimated proven and probable reserves benefited. Properties determined to be impaired or that are abandoned are written-down to the estimated fair value. Carrying values do not necessarily reflect present or future values.

**Property, Plant and Equipment.** Included in property, plant and equipment is certain equipment which was originally purchased for the Brisas Project at a cost of approximately \$24.6 million. The carrying value of this equipment has been adjusted, as a result of impairment tests, to its estimated fair value of \$12.2 million and it is not being depreciated as it is not yet available for its intended use. The ultimate recoverable value of this equipment may be different than management's current estimate.

We have additional property, plant and equipment which are recorded at cost less impairment charges and accumulated depreciation. Replacement costs and major improvements are capitalized. Maintenance

and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any resulting gain or loss is reflected in operations. Furniture and office equipment is depreciated using the straight-line method over 5 to 10 years. The remaining property, plant and equipment are fully depreciated.

**Impairment of Long Lived Assets.** We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future net cash flows to be generated from the use or eventual disposition of a long-lived asset (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized based on a determination of the asset's fair value. Fair value is generally determined by discounting estimated cash flows based on market participant expectations of those future cash flows, or applying a market approach that uses market prices and other relevant information generated by market transactions involving comparable assets.

**Foreign Currency.** The U.S. dollar is our (and our foreign subsidiaries') functional currency. Monetary assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at historical rates and revenue and expense items are translated at average exchange rates during the reporting period, except for depreciation which is translated at historical rates. Translation gains and losses are included in the statement of operations.

**Stock Based Compensation.** We maintain the 2012 Equity Incentive Plan (the "2012 Plan") which provides for the grant of stock options to purchase our Class A common shares. We use the fair value method of accounting for stock options. The fair value of options granted to employees is computed using the Black-Scholes method as described in Note 10 and is expensed over the vesting period of the option. For non-employees, the fair value of stock based compensation is recorded as an expense over the vesting period or upon completion of performance. Consideration paid for shares on exercise of share options, in addition to the fair value attributable to stock options granted, is credited to capital stock. We also maintain the Gold Reserve Director and Employee Retention Plan (the "Retention Plan") Each Unit (each, a "Retention Unit") granted under the Retention Plan to a participant entitles such person to receive a cash payment equal to the fair market value of one Class A common Share (1) on the date the Retention Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. We will not accrue a liability for these Retention Units until and unless events required for vesting of the units occur. Stock options and Retention Units granted under the respective plans become fully vested and exercisable upon a change of control.

**Income Taxes.** We use the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the enacted tax rates expected to apply in the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

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

**Net Loss Per Share.** Net loss per share is computed by dividing net loss by the combined weighted average number of Class A common shares and equity units outstanding during each year. In periods in which a loss is incurred, the effect of potential issuances of shares under options and convertible notes would be anti-dilutive, and therefore basic and diluted losses per share are the same.

**Convertible Notes.** Convertible notes are initially recorded at estimated fair value and subsequently measured at amortized cost. The fair value is allocated between the equity and debt component parts based on their respective fair values at the time of issuance and recorded net of transaction costs. The equity portion of the notes is estimated using the residual value method. The fair value of the debt component is accreted to the face value of the notes using the effective interest rate method over the contractual life of the notes, with the resulting charge recorded as interest expense.

**Financial Instruments.** Marketable equity securities are classified as available for sale with any unrealized gain or loss recorded in other comprehensive income. If a decline in fair value of a security is determined to be other than temporary, an impairment loss is recognized. Cash and cash equivalents, deposits and advances are accounted for at cost which approximates fair value. Accounts payable, convertible notes and interest notes are recorded at amortized cost. Amortized cost of accounts payable approximates fair value.

**Contingent Value Rights.** Contingent value rights ("CVRs") are obligations arising from the disposition of a portion of the rights to future proceeds of the Arbitral Award against Venezuela and/or the sale of the Brisas Project technical mining data (the "Mining Data") that we compiled.

**Warrants.** Common share purchase warrants ("Warrants") issued by us entitle the holder to acquire our common shares at a specific price within a certain time period. The fair value of warrants issued is calculated using the Black-Scholes method.

## **Note 2. New Accounting Policies:**

### Recently issued accounting pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-03, Interest – Imputation of interest. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We do not expect the adoption of this ASU to have a significant impact on our financial statements.

In August 2014, the FASB issued ASU 2014-15, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update is effective for us commencing with the annual period ending after December 15, 2016. We are still in the process of evaluating the impact of this standard.

In May 2014, the FASB issued ASU 2014-09, Revenue from contracts with customers. This standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This update is effective for us commencing with the annual period ending after December 15, 2017. We are still in the process of evaluating the impact of this standard.

**Note 3. Revision of Prior Year Financial Statements:**

During the year and specifically in connection with the preparation of our unaudited interim consolidated financial statements for the three and nine months ended September 30, 2015, an error was identified in the amount of non-cash stock option compensation expense recorded in 2014. Additional compensation expense related to options granted in 2011 should have been recognized in 2014 as a result of the vesting conditions that were met upon the issuance of the Arbitral Award, which occurred on September 22, 2014. In accordance with the guidance in SEC Staff Accounting Bulletin No. 99, Materiality, we assessed the materiality of the error and concluded that it was not material to our previously issued 2014 consolidated financial statements, but that the error would be corrected by revising the comparative amounts for 2014 in connection with the issuance of our unaudited consolidated financial statements for the three and nine months ended September 30, 2015, as well as revising the comparative amounts for 2014 in the consolidated financial statements for the year ended December 31, 2015. As such, in accordance with the guidance in ASC 250, Accounting Changes and Error Corrections, we have revised our 2014 comparative amounts as described below. This non-cash revision did not impact net cash flows or total shareholders' equity for any period in or for the year ended December 31, 2014.

The following table presents the effect of this revision on the individual line items within our Consolidated Statements of Operations, Consolidated Statements of Comprehensive Loss, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity.

	Year Ended December 31, 2014			As at December 31, 2014		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Arbitration (stock option comp.)	\$ 4,267,230	\$689,209	\$ 4,956,439			
Net loss for the year	24,880,770	689,209	25,569,979			
Net loss per share, basic and diluted	0.33	0.01	0.34			
Comprehensive loss for the year	\$24,861,192	\$689,209	\$25,550,401			
Stock options				\$ 19,980,099	\$ 689,209	\$ 20,669,308
Accumulated deficit				\$(342,526,267)	\$ (689,209)	\$(343,215,476)

**Note 4. Arbitral Award Enforcement:**

## SETTLEMENT EFFORTS

On February 24, 2016, we entered into a Memorandum of Understanding (the "MOU") with the Venezuelan government that contemplates settlement, including payment and resolution, of the Award granted in our favor by ICSID in respect of the Brisas Project, the transfer of the Mining Data, as well as the development of the Brisas and the adjacent Cristinas gold-copper project, which will be combined into one project (the "Brisas-Cristinas Project") by the parties.

Under the terms proposed in the MOU, Venezuela would proceed with payment of the Award including accrued interest and enter transactional (settlement) and mixed company ("joint venture") agreements, which are contemplated by the terms of the MOU, subject to various conditions, including without limitation, receipt of all necessary

regulatory and corporate approvals and the successful negotiation and execution of definitive agreements. In addition, Venezuela would pay an amount to be agreed upon for our contribution of the Mining Data to the Brisas-Cristinas Project.

Following completion of the definitive agreements, it is anticipated that Venezuela, with our assistance, would work to complete the financing to fund the contemplated payments to us pursuant to the Award and for our Mining Data and \$2 billion towards the anticipated capital costs of the Brisas-Cristinas Project. Upon payment of the Award, we will cease all legal activities related to the collection of the Award.

The Brisas and Cristinas properties, together with our technical data with respect to the Brisas Project, would be transferred to a Venezuelan mixed company, which is expected to be beneficially owned 55% by Venezuela and 45% by Gold Reserve. We also intend to be engaged under a technical assistance agreement to provide procurement, engineering and construction services for the project. The parties would also seek, subject to the approval of the National Executive Branch of the Venezuelan government, the creation of a special economic zone providing the establishment of a special customs framework for the mixed company and other tax and economic benefits.

The MOU is not binding on either party and may be unilaterally terminated by either party at any time upon simple communication to the other party indicating the date of termination. The MOU will terminate on April 24, 2016, unless otherwise extended by the parties.

We are required to satisfy our outstanding obligations under the Convertible Notes and the Contingent Value Rights ("CVRs"), and intend to distribute to our shareholders substantially all of the net proceeds (subject to the payment of all outstanding or incurred corporate obligations and/or taxes) following any payment by Venezuela under the Award or with respect to contribution by us of the Mining Data to the mixed company.

#### ENFORCEMENT AND COLLECTION EFFORTS

In October 2009, we initiated a claim (the "Brisas Arbitration") under the Additional Facility Rules of the ICSID of the World Bank to obtain compensation for the losses caused by the actions of Venezuela that terminated the Brisas Project in violation of the terms of the Treaty between the Government of Canada and the Government of Venezuela for the Promotion and Protection of Investments (the "Canada-Venezuela BIT"). (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1)).

#### The September 22, 2014 ICSID Arbitral Award

On September 22, 2014, the ICSID Tribunal unanimously awarded us the Arbitral Award totaling (i) \$713 million in damages, plus (ii) pre-award interest from April 2008 through the date of the Award based on the U.S. Government Treasury Bill Rate, compounded annually totaling, as of the date of the Award, approximately \$22.3 million and (iii) \$5 million for legal costs and expenses, for a total, as of September 22, 2014, of \$740.3 million. The Award (less legal costs and expenses) accrues post-award interest at a rate of LIBOR plus 2%, compounded annually (approximately \$64,000 per day based on current rates) for a total estimated Award as of the date of this report of \$772 million. An ICSID Additional Facility Award is enforceable globally in jurisdictions that allow for the recognition and enforcement of commercial arbitral awards.

#### The December 15, 2014 Reconfirmation of Arbitral Award

Subsequent to the issuance of the Award, both parties filed requests for the ICSID Tribunal to correct what each party identified as "clerical, arithmetical or similar errors" in the Award as is permitted by the rules of ICSID's Additional Facility. We identified what we considered an inadvertent arithmetic error that warranted an increase in the Award of approximately

\$50 million and Venezuela identified what it contended were significant inadvertent arithmetic errors that supported a reduction of the Award by approximately \$361 million. On December 15, 2014, the Tribunal denied both parties' requests for correction and reaffirmed the Award originally rendered in our favor on September 22, 2014 (the "December 15<sup>th</sup> Decision"). This proceeding marked the end of the Tribunal's jurisdiction with respect to the Award.

Although the process of getting an Award recognized and enforced is different in each jurisdiction, the process in general is—we file a petition or application to confirm the Award with the competent court; Venezuela has the right to oppose such petition for confirmation or recognition; thereafter there are a number of filings made by both parties and in some cases hearings before the court. If the court subsequently confirms the enforcement of the Award then the court will issue a judgment against Venezuela. Thereafter we will begin the process of executing the judgment by identifying and attaching specific property owned by Venezuela that is not protected by sovereign immunity. Currently, we are diligently pursuing enforcement and collection of the Award in France, England, Luxembourg and the United States.

#### Our Intent to Distribute Collection of the Arbitral Award to Shareholders

Subject to applicable regulatory requirements regarding capital and reserves for operating expenses, accounts payable and income taxes, and any obligations arising as a result of the collection of the ICSID Award or sale of the Mining Data including payments pursuant to the terms of the Convertible Notes (if not otherwise converted), Interest Notes, CVRs, Bonus Plan and Retention Plan (all as defined herein) or undertakings made to a court of law, our current plans are to distribute to our shareholders, in the most cost efficient manner, a substantial majority of any net proceeds.

#### Obligations Due Upon Collection of Arbitral Award and Sale of Brisas Technical Mining Data

The Board of Directors (the "Board") approved a Bonus Pool Plan (the "Bonus Plan") in May 2012, which is intended to reward the participants, including executive officers, employees, directors and consultants, for their past and future contributions including their efforts related to the development of the Brisas Project, execution of the Brisas Arbitration and the collection of an award or sale of the Mining Data, if any. The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds collected or the fair value of any consideration realized related to such transactions less applicable taxes multiplied by 1% of the first \$200 million and 5% thereafter. Participation in the Bonus Plan vests upon the participant's selection by the Committee of independent directors, subject to voluntary termination of employment or termination for cause. We also maintain the Gold Reserve Director and Employee Retention Plan (See Note 9). Units (the "Retention Units") granted under the plan become fully vested and payable upon: (1) collection of proceeds from the Arbitral Award and/or sale of the Mining Data and we notify our shareholders that we will distribute a substantial majority of the proceeds to them or, (2) the event of a change of control. We currently do not accrue a liability for the Bonus or Retention Plan as events required for payment under the Plans have not yet occurred. By agreement, in December 2015 the Company paid approximately \$2.5 million in legal fees which were deferred during the arbitration and became payable as a result of the Arbitral Award. This agreement included a reduction of \$0.5 million from the original amount due of \$3.1 million and a deferral of an additional \$0.1 million until collection of the award. The total amount of contingent legal fees which will become payable upon the collection of the Award is approximately \$1.8 million.

We also have outstanding CVRs which entitle each holder that participated in the note restructuring

completed in 2012 to receive, net of certain deductions (including income tax calculation and the payment of our then current obligations), a pro rata portion of a maximum aggregate amount of 5.468% of the proceeds actually received by us with respect to the Award or disposition of the Mining Data related to the development of the Brisas Project. The proceeds, if any, could be cash, commodities, bonds, shares and/or any other consideration we received and if such proceeds are other than cash, the fair market value of such non-cash proceeds, net of any required deductions (e.g., for taxes) will be subject to the CVRs and will become our obligation only as the Arbitral Award is collected.

**Note 5. Cash and Cash Equivalents:**

	December 31, 2015	December 31, 2014
Bank deposits	\$ 9,278,730	\$ 6,367,049
Money market funds	72,162	72,098
Total	<u>\$ 9,350,892</u>	<u>\$ 6,439,147</u>

**Note 6. Marketable Securities:**

	December 31, 2015	December 31, 2014
Fair value at beginning of year	\$ 175,541	\$ 318,442
Impairment loss	(46,629)	(162,479)
Increase in market value	52,074	19,578
Fair value at balance sheet date	<u>\$ 180,986</u>	<u>\$ 175,541</u>

Our marketable securities are classified as available-for-sale and are recorded at fair value with gains and losses recorded within other comprehensive income until realized or impaired. Realized gains and losses are based on the average cost of the shares held at the date of disposition. As of December 31, 2015 and 2014, marketable securities had a cost basis of \$111,908 and \$158,537, respectively.

**Note 7. Fair Value Measurements:**

Accounting Standards Codification ("ASC") 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability and Level 3 inputs are unobservable inputs for the asset or liability that reflect the entity's own assumptions. The level 2 inputs used for the convertible notes include the volume weighted average trading price of our common stock and the trading history of the Old Notes (as defined in Note 11).

	Fair value					
	December 31, 2015		Level 1		Level 2	
Marketable securities	\$	180,986	\$	180,986	\$	-
Convertible notes and interest notes	\$	50,268,471	\$	-	\$	50,268,471

  

	Fair value					
	December 31, 2014		Level 1		Level 2	
Marketable securities	\$	175,541	\$	175,541	\$	-
Convertible notes and interest notes	\$	37,408,241	\$	-	\$	37,408,241



**Note 8. Property, Plant and Equipment:**

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
<b>December 31, 2015</b>			
Machinery and equipment	\$ 12,234,092	\$ –	\$ 12,234,092
Furniture and office equipment	348,387	(337,880)	10,507
Leasehold improvements	41,190	(41,190)	–
Venezuelan property and equipment	171,445	(157,445)	14,000
	<u>\$ 12,795,114</u>	<u>\$ (536,515)</u>	<u>\$ 12,258,599</u>

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
<b>December 31, 2014</b>			
Machinery and equipment	\$ 12,408,524	\$ –	\$ 12,408,524
Furniture and office equipment	529,648	(511,518)	18,130
Leasehold improvements	41,190	(41,190)	–
Venezuelan property and equipment	171,445	(157,445)	14,000
	<u>\$ 13,150,807</u>	<u>\$ (710,153)</u>	<u>\$ 12,440,654</u>

Machinery and equipment consists of infrastructure and milling equipment intended for use on the Brisas Project. In 2014, based on a market valuation for mining equipment which included the review of transactions involving comparable assets, we recorded a further \$6.5 million write-down of our equipment to an estimated fair value. During the second quarter of 2015, equipment with a carrying value of \$174,432 was sold and we recorded a loss on sale of \$9,432.

We continually evaluate our equipment to determine whether events or changes in circumstances have occurred that may indicate further impairment has occurred. During 2015, there were no additional impairment charges recorded for the carrying amount of the Brisas equipment, based on updated comparable market data which provided evidence of fair value less cost to sell that was in excess of the carrying amount.

In April 2012, we entered into an Option Agreement with Soltoro Ltd. ("Soltoro") whereby Soltoro granted us the right to earn an undivided 51% interest in the La Tortuga property located in Jalisco State, Mexico (the "Soltoro Agreement"). The Soltoro Agreement required us to make aggregate option payments to Soltoro of \$650,000 as well as expend \$3 million on the property over three years. In August 2014, we formally advised Soltoro of our decision to discontinue exploration and, as a result, we wrote off our \$425,010 (including a \$150,000 property payment made in 2014) investment in the La Tortuga property.

**Note 9. KSOP Plan:**

The KSOP Plan, adopted in 1990 for retirement benefits of employees, is comprised of two parts, (1) a salary reduction component, and a 401(k) which includes provisions for discretionary contributions by us, and (2) an employee share ownership component, or ESOP. Allocation of common shares or cash to participants' accounts, subject to certain limitations, is at the discretion of the Board. There have been no common shares allocated to the KSOP Plan since 2011. Cash contributions for the KSOP Plan years 2015, 2014 and 2013 were approximately \$150,000, \$164,000 and \$172,000, respectively.

**Note 10. Stock Based Compensation Plans:**

Equity Incentive Plans

On June 27, 2012, the shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan") to replace our previous equity incentive plans. In 2014, the Board amended and restated the 2012 Plan changing the maximum number of Class A common shares issuable under options granted under the 2012 Plan from a "rolling" 10% of the outstanding Class A common shares to a fixed number of 7,550,000 Class A common shares. As of December 31, 2015, there were 1,519,500 options available for grant. Grants are made for terms of up to ten years with vesting periods as required by the TSX Venture Exchange ("TSXV") and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board.

Share option transactions for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015		2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of year	5,698,000	\$ 2.31	5,443,000	\$ 2.21	6,753,188	\$ 1.77
Options exercised	(369,500)	1.84	(55,000)	1.82	(1,560,188)	0.43
Options granted	315,000	3.90	310,000	4.02	250,000	3.00
Options outstanding - end of year	5,643,500	\$ 2.43	5,698,000	\$ 2.31	5,443,000	\$ 2.21
Options exercisable - end of year	5,593,500	\$ 2.42	5,491,331	\$ 2.25	4,493,000	\$ 2.27

The following table relates to stock options at December 31, 2015:

Outstanding Options					Exercisable Options			
Exercise Price	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
\$1.82	2,273,000	\$1.82	\$1,613,830	0.01	2,273,000	\$1.82	\$1,613,830	0.01
\$1.92	875,000	\$1.92	533,750	5.44	875,000	\$1.92	533,750	5.44
\$2.89	1,620,500	\$2.89	-	1.08	1,620,500	\$2.89	-	1.08
\$3.00	250,000	\$3.00	-	2.44	250,000	\$3.00	-	2.44
\$3.89	100,000	\$3.89	-	4.21	50,000	\$3.89	-	4.21
\$3.91	215,000	\$3.91	-	9.49	215,000	\$3.91	-	9.49
\$4.02	310,000	\$4.02	-	8.56	310,000	\$4.02	-	8.56
\$1.82 - \$4.02	5,643,500	\$2.43	\$2,147,580	2.17	5,593,500	\$2.42	\$2,147,580	2.15

During the years ended December 31, 2015, 2014 and 2013, we granted 0.32 million, 0.31 million and 0.25 million options, respectively. We recorded non-cash compensation expense during 2015, 2014 and 2013 of \$0.3 million, \$0.9 million and \$0.6 million, respectively, for stock options granted in 2015 and prior periods.

The weighted average fair value of the options granted in 2015, 2014 and 2013 was calculated at \$0.85, \$0.87 and \$0.98, respectively. The fair value of options granted was determined using the Black-Scholes model based on the following weighted average assumptions:

	2015	2014	2013
Risk free interest rate	0.66%	0.53%	0.34%
Expected term	2.0 years	2.0 years	2.0 years
Expected volatility	38%	38%	59%
Dividend yield	nil	nil	nil

The risk free interest rate is based on the US Treasury rate on the date of grant for a period equal to the expected term of the option. The expected term is based on historical exercise experience and projected post-vesting behavior. The expected volatility is based on historical volatility of our common stock over a period equal to the expected term of the option.

#### Retention Plan

We also maintain the Retention Plan. Retention Units granted under the plan become fully vested and payable upon: (1) collection of Arbitral Award proceeds from the ICSID arbitration process and/or sale of the Mining Data and we agree to distribute a substantial majority of the proceeds to our shareholders or, (2) the event of a change of control. Each Retention Unit granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Class A common share (1) on the date the Retention Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. As of December 31, 2015 an aggregate of 1,457,500 unvested Retention Units have been granted to our directors and executive officers and 315,000 Retention Units have been granted to other employees. We currently do not accrue a liability for these Retention Units as events required for vesting of the Retention Units have not yet occurred. The minimum value of these Retention Units, based on the grant date value of our Class A common shares, was approximately \$7.7 million.

#### **Note 11. Convertible Notes and Interest Notes:**

During the second quarter of 2014, we extended the maturity date of approximately \$25.3 million convertible notes from June 29, 2014 to December 31, 2015 and issued approximately \$12.0 million of additional convertible notes also maturing December 31, 2015, net of costs of approximately \$1.3 million. Approximately \$27.2 million of the notes were issued to affiliated funds and considered to be related party transactions.

During the fourth quarter of 2015, we issued approximately \$13.4 million of new convertible notes (the "New Notes") due December 31, 2018 and modified, amended and extended the maturity date of approximately \$43.7 million of outstanding convertible notes, interest notes and accrued interest (the "Modified Notes") from December 31, 2015 to December 31, 2018, together with the New Notes, (the "2018 Notes"). The New Notes are comprised of approximately \$12.3 million with an original issue discount of 2.5% of the principal amount and approximately \$1.1 million representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee.

The total cost of the new issuance and restructuring of the 2018 Notes was approximately \$2.4 million, which includes approximately \$1.4 million of extension and issuance fees that were expensed and approximately \$1.0 million associated with legal and associated transactional fees that were capitalized.

Approximately \$30.7 million of the Modified Notes and \$10.7 million of the New Notes were issued to affiliated funds which exercised control or direction over more than 10% of our common shares prior to the transactions and as a result, those portions of the transactions were considered to be related party transactions.

The Modified Notes include convertible notes and interest notes from previous financings and restructurings in 2007, 2012 and 2014. Pursuant to a 2012 restructuring, we issued CVRs that entitle the holders to an aggregate of 5.468% of any future proceeds, net of certain deductions (including income tax calculation and the payment of our then current obligations), actually received by us with respect to the Brisas Arbitration proceedings and/or disposition of the Mining Data.

The 2018 Notes bear interest at a rate of 11% per year, which will be accrued quarterly, be issued in the form of a note ("Interest Notes" and, together with the 2018 Notes, the "Notes") and be payable in cash at maturity. The 2018 Notes are convertible, at the option of the holder, into 333.3333 Class A common shares per US \$1,000 principal amount (equivalent to a conversion price of US \$3.00 per common share) at any time upon prior written notice to us. The Notes are senior obligations, secured by substantially all of our assets and are subject to certain other terms including restrictions regarding the pledging of our assets and incurrence of certain capital expenditures or additional indebtedness without consent of note holders; and participation rights in future equity or debt financing.

We also have outstanding \$1.0 million notes issued in May 2007 ("2022 Notes") with a maturity date of June 15, 2022. The 2022 Notes bear interest at a rate of 5.50% per year, payable semiannually in arrears on June 15 and December 15 and, subject to certain conditions we may redeem, repurchase or convert the 2022 Notes into our Class A common shares at a conversion price of \$7.54 per common share.

The amount recorded as Convertible Notes and Interest Notes in the consolidated balance sheet as of December 31, 2015 is comprised of approximately \$38.2 million carrying value of 2018 Notes issued pursuant to the 2015 Restructuring, approximately \$1.0 million of previously issued 2022 Notes held by note holders who declined to participate in the note restructuring effected in 2012 and post restructuring Interest Notes of approximately

\$0.5 million. The carrying value of Convertible Notes will be accreted to face value using the effective interest rate method over the expected life of the Convertible Notes with the resulting charge recorded as interest expense.

The Notes are the Company's secured indebtedness and are subject to certain terms including: (1) the technical data related to the development of the Brisas Project and any award related to the Brisas Arbitration may not be pledged without consent of holders comprising at least 75% in aggregate principal amount of outstanding Notes; (2) subject to certain exceptions, we may not incur any additional indebtedness without consent of holders comprising at least 75% in aggregate principal amount of the outstanding Notes; (3) each holder of the Notes will have the right to participate, on a pro-rata basis based on the amount of equity it holds, including Class A common shares issuable upon conversion of convertible securities, in any future equity (or equity-linked) or debt financing; (4) the Notes shall be redeemable on a pro-rata basis, by us at the Note holders' option, for an amount of cash equal to 120% of the outstanding principal balance upon (a) the issuance of a final Arbitration Award, with respect to which enforcement has not been stayed and no annulment proceeding is pending, or (b) our receipt of proceeds from the sale of the technical data related to the development of the Brisas Project; provided we shall only be obligated to make a redemption to the extent net cash proceeds received are in excess of \$20,000,000, net of taxes and \$13,500,000 to fund professional fees and expenses and accrued and unpaid prospective operating expenses; (5) capital expenditures (including exploration and related activities) shall not exceed an aggregate of \$500,000 in any 12-month period without the prior consent of holders of a majority in the aggregate principal amount of the outstanding Notes; (6) subject to certain exceptions, we shall not incur, create or suffer to exist any liens securing indebtedness without consent of holders comprising at least 75% in aggregate principal amount of the outstanding Notes; and (7) we shall not agree with any holder of the Notes to any amendment or modification to any terms of any security issued under the indenture governing the Notes, provide any fees or other compensation whether in cash or in-kind to any holder of such securities, or engage in the repurchase, redemption or other defeasance of any such security without offering such terms, compensation or defeasance to all holders of the Notes on an equitable and pro-rata basis.

Accounting standards require that we allocate the 2018 Notes between their equity and liability component parts based on their respective fair values at the time of issuance. The liability component was computed by discounting the stream of future payments of interest and principal at an effective interest rate of 27% which was the estimated market rate for a similar liability that does not have an associated equity component. The equity portion of the 2018 Notes was estimated using the residual value method at approximately \$18.2 million net of issuance costs which were allocated pro rata between the equity and liability components. The fair value of the liability component is accreted to the face value of the 2018 Notes using the effective interest rate method over the expected life of the 2018 Notes, with the resulting charge recorded as interest expense. Extinguishment accounting was used for the Modified Notes resulting in a loss of \$0.5 million due to the unamortized discount remaining on the Modified Notes prior to the restructuring. As of December 31, 2015, we had \$58.1 million face value of Convertible Notes and \$0.5 million face value of Interest Notes outstanding.

**Note 12. Income Tax:**

Income tax expense differs from the amount that would result from applying Canadian tax rates to net loss before taxes. These differences result from the items noted below:

	2015	2014 (Revised, Note 3)	2013
Income tax benefit based on Canadian tax rates	\$ 4,533,974	\$ 6,392,495	\$ 3,859,103
Increase (decrease) due to:			
Different tax rates on foreign subsidiaries	222,999	313,917	284,904
Non-deductible expenses	(1,635,265)	(1,725,616)	(1,419,266)
Change in valuation allowance and other	(3,121,708)	(4,980,796)	(2,724,741)
	\$ -	\$ -	\$ -

No current income tax has been recorded by us for each of the three years ended December 31, 2015. We have recorded a valuation allowance to reflect the estimated amount of the future tax assets which may not be realized, principally due to the uncertainty of utilization of net operating losses and other carry forwards prior to expiration. The valuation allowance for future tax assets may be reduced in the near term if our estimate of future taxable income changes. The components of the Canadian and U.S. future income tax assets as of December 31, 2015 and 2014 were as follows:

	Future Tax Asset	
	2015	2014
Net operating loss carry forwards	40,855,240	41,147,463
Property, Plant and Equipment	3,087,432	(2,558)
Capital loss carry forwards	1,116,595	314,962
Other	325,467	50,329
	45,384,734	41,510,196
Valuation allowance	(45,384,734)	(41,510,196)
Net deferred tax asset	\$ -	\$ -

At December 31, 2015, we had the following U.S. and Canadian tax loss carry forwards:

	U.S.	Canadian	Expires
\$	1,386,674	\$ -	2018
	1,621,230	-	2019
	665,664	-	2020
	896,833	-	2021
	1,435,774	-	2022
	1,806,275	-	2023
	2,386,407	-	2024
	3,680,288	-	2025
	4,622,825	1,888,381	2026
	6,033,603	3,504,590	2027
	4,360,823	13,357,899	2028
	1,769,963	12,659,380	2029
	2,159,079	15,639,960	2030
	3,216,024	17,513,135	2031
	3,041,866	5,080,758	2032
	5,532,290	6,533,690	2033
	1,933,918	8,559,155	2034
	2,099,507	12,521,314	2035
\$	48,649,043	\$ 97,258,262	

### **Note 13. Subsequent Events:**

#### **LMS Gold Project**

On March 1, 2016, we completed the acquisition of certain wholly-owned mining claims known as the LMS Gold Project (the "Property"), together with certain personal property for US\$350,000, pursuant to a Purchase and Sale Agreement with Raven Gold Alaska Inc. ("Raven"), a wholly-owned subsidiary of Corvus Gold Inc.

Raven retains a royalty interest with respect to (i) "Precious Metals" produced and recovered from the Property equal to 3% of "Net Smelter Returns" on such metals (the "Precious Metals Royalty") and (ii) "Base Metals" produced and recovered from the Property equal to 1% of Net Smelter Returns on such metals, provided that we have the option, for a period of 20 years from the date of closing of the acquisition, to buy back a one-third interest (i.e. 1 %) in the Precious Metals Royalty at a price of US\$ 4 million.

#### **Memorandum of Understanding**

On February 24, 2016, we entered into the MOU with the government of the Bolivarian Republic of Venezuela that contemplates settlement, including payment and resolution, of the Award granted in our favor by the International Centre for Settlement of Investment Disputes ("ICSID") in respect of the Brisas Project, the transfer of the Mining Data previously compiled by the Company, as well as the development of the Brisas-Cristinas Project by the parties (See Note 4 for further discussion).

#### **Equity Transactions**

##### Exercise of share Purchase Options

During the first week of 2016, certain directors, officers, employees and consultants exercised approximately 2.3 million outstanding options that were expiring at exercise price of \$1.82. As a result, we received net proceeds from the exercise of approximately \$4.1 million.

##### Proposed Private Placement

On March 9, 2016, we announced, subject to the approval of the TSXV, a non-brokered private placement with certain arm's length investors for gross proceeds of up to US \$38.0 million (the "Private Placement"). Pursuant to the Private Placement the Company will issue up to 9,500,000 Class A common shares ("Shares") at a price of US \$4.00 per Share. The proceeds will be used by the Company for general working capital purposes. In addition to seeking the approval of the TSXV to complete the Private Placement subject to certain standard conditions, the Company is diligently working to conclude and execute the documentation required to affect the Private Placement, including waivers from our current note holders of their right to participate in the Private Placement. No commission or finder's fee will be paid in connection with the Private Placement. The Shares will be offered pursuant to exemptions from the prospectus requirements of applicable securities legislation and will be subject to a hold period in Canada of four months and a day from their date of issuance.

In connection with the Private Placement, we requested from the holders of the 2018 Notes a waiver of their right to participate in the Private Placement as defined in the Note Restructuring and Note Purchase Agreement dated November 30, 2015. The agreed upon waiver is subject to: 1) the completion of the Private Placement on or before May 15, 2016; 2) our agreement that we will not engage in any future financings, including equity (or equity linked) or debt, whether by private placement or otherwise, without the consent of the majority of note holders; provided, however, that such consent will no longer be required upon the earliest to occur of the following events: (i) the abandonment of the Private Placement or, if the Private Placement is not earlier abandoned, the failure to close the Private Placement on or prior to May 15, 2016; (ii) a substantial majority of any proceeds from the Award have been distributed by the Company to our shareholders; and (iii) December 31, 2016, whether or not the Private Placement has been consummated.

## **CORPORATE INFORMATION**

### **Officers and Directors**

Rockne J. Timm  
*Chief Executive Officer and Director*

A. Douglas Belanger  
*President and Director*

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

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

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

James P. Geyer  
*Director*

Jean Charles (JC) Potvin  
*Director*

Patrick D. McChesney  
*Director*

Kenneth I. Juster  
*Director*

### **Share Information**

Number of Shareholders: Approximately 8,000  
Common Shares Issued April 20, 2016 Class A common - 78,720,147  
Common Share Purchase Options - 3,370,500

### **Securities Listings**

Canada -  
The TSX Venture Exchange: GRZ.V  
United States -OTC QB: GDRZF

### **Transfer Agent**

Computershare Trust Company, Inc. Toronto, Ontario Canada  
Highlands Ranch, CO USA

### **Registered Agent**

Norton Rose Fulbright Canada LLC  
Calgary, Alberta Canada

### **Office**

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

### **Bankers**

Bank of America, Spokane, Washington USA

Bank of Montreal, Vancouver, British Columbia Canada

### **Auditors**

PricewaterhouseCoopers LLP, Vancouver, British Columbia Canada

### **Counsel**

Norton Rose Fulbright Toronto, Ontario Canada

Baker & McKenzie LLP Houston, Texas USA

White & Case LLP Washington, D.C. USA

### **Annual Meeting**

The 2016 Annual Meeting will be held at 9:30 a.m. on June 7, 2016

The Spokane Club

1002 W. Riverside

Spokane, Washington

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

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