

## FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934  
For the month of August 2019

Commission File Number: 001-31819

### **Gold Reserve Inc.**

(Exact name of registrant as specified in its charter)

**999 W. Riverside Avenue, Suite 401**

**Spokane, Washington 99201**

(Address of principal executive office)

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):

---

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 and Form S-8 on file with the U.S. Securities and Exchange Commission (the "SEC").

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

- 99.1 June 30, 2019 Interim Consolidated Financial Statements**
- 99.2 June 30, 2019 Management's Discussion and Analysis**
- 99.3 Chief Executive Officer's Certification of Interim Filings**
- 99.4 Chief Financial Officer's Certification of Interim Filings**

**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 and Section 21E of 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 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, many of which are outside our control.

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 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:

- risks associated with sanctions by the U.S. or Canadian governments or other jurisdictions which generally prohibit the Company and its management or its employees from dealing with certain Venezuelan individuals and entities including Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera") or entering into certain financial transactions (the "Sanctions") which are expected to continue to adversely impact our ability to freely receive funds from Venezuela, either from the Trust Account or the remaining funds owed by Venezuela and our ability to develop and operate the Siembra Minera Project;
  - risks that U.S. and Canadian government agencies that enforce Sanctions may not issue licenses that the Company may request in the future to engage in certain Venezuela-related transactions;
  - risks associated with the Company's inability to access amounts deposited into a trust account for the benefit of the Company at Banco de Desarrollo Económico y Social de Venezuela ("Bandes Bank") (the "Trust Account") which have been blocked as a result of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") designation of Bandes Bank as a Specially Designated National ("SDN") pursuant to an Executive Order ("EO"). As a result of the Bandes Bank designation, the Company recorded an impairment loss in December 2018 on the balance of the trust of approximately \$21.5 million;
  - risks associated with the continued failure by the Bolivarian Republic of Venezuela ("Venezuela") to honor its commitments under the settlement agreement whereby, among other things, Venezuela agreed to pay us damages pursuant to an International Centre for the Settlement of Investment Disputes ("ICSID") judgment totaling, at the time of the settlement agreement (as amended, the "Settlement Agreement"), approximately \$792 million, including interest and legal costs and expenses (the "Award");
-

- risks associated with Venezuela's failure to honor its commitments associated with the formation and operation of Siembra Minera which holds certain gold, copper, silver and other strategic mineral rights within Venezuela's Bolivar State, including the historical Brisas and Cristinas concessions (in total referred to as the "Siembra Minera Project") and risks associated with the ability of the Company and Venezuela to (i) successfully overcome legal or regulatory obstacles to operate Siembra Minera for the purpose of developing the Siembra Minera Project, (ii) complete any additional definitive documentation and finalize a number of remaining governmental approvals and (iii) obtain financing to fund the capital costs of the Siembra Minera Project;
- risks that any future Venezuelan administration will void or otherwise fail to respect the agreements of the prior administration;
- risks associated with the collection of the Award and concentration of our operations and assets in Venezuela which are and will continue to be subject to risks specific to Venezuela, including the effects of political, economic and social developments, social instability and unrest; international response to Venezuelan domestic and international policies; Sanctions by the U.S. or Canadian governments or other jurisdictions and potential invalidation, confiscation, expropriation or rescission of governmental orders, permits, agreements or property rights either by the existing or future regimes;
- risks associated with our ability to resume our efforts to enforce and collect the Award, including the associated costs of such enforcement and collection effort and the timing and success of that effort, if Venezuela fails to honor its commitments pursuant to the Settlement Agreement, it is terminated and further efforts related to the Settlement Agreement are abandoned;
- the risk that the conclusions of management and its qualified consultants contained in the Preliminary Economic Assessment of the Siembra Minera Gold Copper Project in accordance with Canadian National Instrument 43-101- Standards of Disclosure for Mineral Projects ("NI 43-101") may not be realized in the future;
- risks associated with exploration, delineation of adequate reserves, regulatory and permitting obstacles and other risks associated with the development of the Siembra Minera Project;
- risks associated with our ability to service outstanding obligations as they come due and access future additional funding, when required, for ongoing liquidity and capital resources, pending the receipt of payments under the Settlement Agreement or collection of the Award in the courts;
- risks associated with our prospects in general for the identification, exploration and development of mining projects and other risks normally incident to the exploration, development and operation of mining properties, including our ability to achieve revenue producing operations in the future;
- risks associated with shareholder dilution resulting from the future sale of additional equity, if required;
- risks associated with the value realized, if any, from the disposition of the remaining assets related to our previous mining project in Venezuela known as the "Brisas Project";
- risks associated with the abilities of and continued participation by certain employees; and
- risks associated with the impact of current or future U.S., Canadian and/or other jurisdiction's tax laws to which we are or may be subject.

See "Risk Factors" contained in our 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 our 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 with the U.S. Securities and Exchange Commission (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 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 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.

---

**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: August 22, 2019

**GOLD RESERVE INC.** (Registrant)

By: /s/ Robert A. McGuinness

Robert A. McGuinness, its Vice President of Finance,  
Chief Financial Officer and its Principal Financial and Accounting Officer

GOLD RESERVE INC.  
June 30, 2019  
Interim Consolidated Financial Statements  
U.S. Dollars  
(unaudited)

---

**GOLD RESERVE INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited - Expressed in U.S. dollars)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 4)	\$ 67,961,106	\$ 147,646,353
Marketable equity securities (Note 5)	187,073	287,638
Income tax receivable	6,450,384	6,450,384
Deposits, advances and other	1,537,935	1,608,698
<b>Total current assets</b>	<b>76,136,498</b>	<b>155,993,073</b>
Property, plant and equipment, net (Note 6)	12,598,193	12,660,273
Right of use asset (Note 2)	293,524	-
<b>Total assets</b>	<b>\$ 89,028,215</b>	<b>\$ 168,653,346</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses (Note 3)	\$ 2,779,985	\$ 712,520
Lease liability (Note 2)	82,009	-
<b>Total current liabilities</b>	<b>2,861,994</b>	<b>712,520</b>
Lease liability (Note 2)	213,556	-
<b>Total liabilities</b>	<b>3,075,550</b>	<b>712,520</b>
<b>SHAREHOLDERS' EQUITY</b>		
Serial preferred stock, without par value		
Authorized:	Unlimited	
Issued:	None	
Common shares (Note 11)	302,469,647	378,009,884
Class A common shares, without par value		
Authorized:	Unlimited	
Issued and outstanding: 2019...99,395,048    2018...99,395,048		
Contributed surplus	20,625,372	20,625,372
Stock options (Note 9)	20,752,893	20,721,850
Accumulated deficit	(257,895,247)	(251,416,280)
<b>Total shareholders' equity</b>	<b>85,952,665</b>	<b>167,940,826</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 89,028,215</b>	<b>\$ 168,653,346</b>

Contingencies (Note 3)

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

Approved by the Board of Directors:

/s/ J.C. Potvin

/s/ James P. Geyer

**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(Unaudited - Expressed in U.S. dollars)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>INCOME (LOSS)</b>				
Gain on sale of mining data	\$	-	\$	52,500,000
Arbitration award		36,000,000		36,000,000
Interest income	440,415	67,744	971,053	88,832
Loss on marketable equity securities	(86,439)	(24,060)	(100,565)	(11,604)
Foreign currency gain (loss)	293,977	(422,610)	584,243	(424,557)
	647,953	88,121,074	1,454,731	88,152,671
<b>EXPENSES</b>				
Corporate general and administrative (Notes 3 and 9)	1,291,411	3,344,441	2,448,259	4,515,276
Contingent value rights (Note 3)	-	4,459,124	-	4,459,124
Siembra Minera Project costs (Note 7)	2,431,298	662,030	4,269,160	1,243,063
Exploration costs	2,728	-	2,728	-
Legal and accounting	518,866	314,453	899,228	748,256
Arbitration and settlement (Note 3)	13,570	88,673	97,672	125,308
Equipment holding costs	108,689	203,318	216,651	479,170
	4,366,562	9,072,039	7,933,698	11,570,197
Net income (loss) before income tax	(3,718,609)	79,049,035	(6,478,967)	76,582,474
Income tax expense (Note 10)	-	(11,923,975)	-	(12,523,265)
Net income (loss) and comprehensive income (loss) for the period	\$ (3,718,609)	\$ 67,125,060	\$ (6,478,967)	\$ 64,059,209
<b>Net income (loss) per share</b>				
Basic	\$ (0.04)	\$ 0.67	\$ (0.07)	\$ 0.64
Diluted	\$ (0.04)	\$ 0.67	\$ (0.07)	\$ 0.64
<b>Weighted average common shares outstanding,</b>				
Basic	99,395,048	99,395,048	99,395,048	99,395,048
Diluted	99,395,048	99,495,365	99,395,048	99,511,316

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



**GOLD RESERVE INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited - Expressed in U.S. dollars)

	Common Shares		Contributed Surplus	Stock Options	Accumulated Deficit
	Number	Amount			
Balance, December 31, 2018	99,395,048	\$ 378,009,884	\$ 20,625,372	\$ 20,721,850	\$(251,416,280)
Net loss for the period	-	-	-	-	(2,760,358)
Stock option compensation (Note 9)	-	-	-	31,043	-
Balance, March 31, 2019	99,395,048	378,009,884	20,625,372	20,752,893	(254,176,638)
Net loss for the period	-	-	-	-	(3,718,609)
Return of capital (Note 11)	-	(75,540,237)	-	-	-
Balance, June 30, 2019	99,395,048	\$ 302,469,647	\$ 20,625,372	\$ 20,752,893	\$(257,895,247)

	Common Shares		Contributed Surplus	Stock Options	Accumulated Deficit	Accumulated Other Comprehensive Income
	Number	Amount				
Balance, December 31, 2017	99,395,048	\$ 378,009,884	\$ 20,625,372	\$ 20,409,643	\$(293,386,189)	\$ 111,539
Cumulative effect of accounting change	-	-	-	-	111,539	(111,539)
Net loss for the period	-	-	-	-	(3,065,851)	-
Stock option compensation (Note 9)	-	-	-	146,255	-	-
Balance, March 31, 2018	99,395,048	378,009,884	20,625,372	20,555,898	(296,340,501)	-
Net income for the period	-	-	-	-	67,125,060	-
Stock option compensation (Note 9)	-	-	-	73,678	-	-
Balance, June 30, 2018	99,395,048	\$ 378,009,884	\$ 20,625,372	\$ 20,629,576	\$(229,215,441)	\$ -

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>Cash Flows from Operating Activities:</b>				
Net income (loss) for the period	\$ (3,718,609)	\$ 67,125,060	\$ (6,478,967)	\$ 64,059,209
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Stock option compensation	–	73,678	31,043	219,933
Depreciation	53,271	12,095	65,565	23,669
Gain on sale of mining data	–	(52,500,000)	–	(52,500,000)
Arbitration award	–	(36,000,000)	–	(36,000,000)
Loss on marketable equity securities	86,439	24,060	100,565	11,604
Changes in non-cash working capital:				
Net decrease (increase) in deposits, advances and other	(1,082,546)	(1,031,162)	70,763	(1,190,327)
Net increase (decrease) in payables and accrued expenses	1,700,363	7,066,370	2,069,506	5,097,406
<b>Net cash used in operating activities</b>	<b>(2,961,082)</b>	<b>(15,229,899)</b>	<b>(4,141,525)</b>	<b>(20,278,506)</b>
<b>Cash Flows from Investing Activities:</b>				
Purchase of property, plant and equipment	(2,235)	(51,769)	(3,485)	(69,878)
<b>Net cash used in investing activities</b>	<b>(2,235)</b>	<b>(51,769)</b>	<b>(3,485)</b>	<b>(69,878)</b>
<b>Cash Flows from Financing Activities:</b>				
Return of capital	(75,540,237)	–	(75,540,237)	–
<b>Net cash used in financing activities</b>	<b>(75,540,237)</b>	<b>–</b>	<b>(75,540,237)</b>	<b>–</b>
<b>Change in Cash and Cash Equivalents:</b>				
Net decrease in cash and cash equivalents	(78,503,554)	(15,281,668)	(79,685,247)	(20,348,384)
Cash and cash equivalents - beginning of period	146,464,660	132,606,002	147,646,353	137,672,718
<b>Cash and cash equivalents - end of period</b>	<b>\$ 67,961,106</b>	<b>\$ 117,324,334</b>	<b>\$ 67,961,106</b>	<b>\$ 117,324,334</b>

**Supplemental Cash Flow Information:**

Cash paid for income taxes	\$ –	\$ 10,196,311	\$ –	\$ 10,921,926
----------------------------	------	---------------	------	---------------

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

GOLD RESERVE INC.  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. dollars)

**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 and was 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 recent activities related to the advancement of the Siembra Minera Project and the execution of the July 2016 settlement agreement, (as amended, the "Settlement Agreement") with the Bolivarian Republic of Venezuela ("Venezuela") in regards to the payment of the Award and the acquisition of our Mining Data by Venezuela (See Note 3, Arbitral Award and Mining Data Sale Settlement Agreement and Note 7, Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera")).

On August 5, 2019, the U.S. government issued an Executive Order that blocks all property of the Venezuelan government and prohibits U.S. persons from engaging in virtually all dealings with the Venezuelan government. As a result, Siembra Minera is now considered to be blocked property (or an SDN), which means that the Company and its employees are prohibited from any dealings with Siembra Minera (See Note 3, Arbitral Award and Mining Data Sale Settlement Agreement and Note 7, Empresa Mixta Ecosocialista Siembra Minera, S.A.).

**Basis of Presentation and Principles of Consolidation.** These interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The statements principally include the accounts of the Company, Gold Reserve Corporation and three Barbadian subsidiaries one of which was formed to hold our equity interest in Siembra Minera which is beneficially owned 55% by Venezuela and 45% by Gold Reserve. Our investment in Siembra Minera is accounted for as an equity investment. 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. As these unaudited interim consolidated financial statements do not contain all of the disclosures required by U.S. GAAP for annual financial statements, they should be read in conjunction with the annual financial statements and the related notes included in our Annual Report on Form 40-F for the year ended December 31, 2018.

**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 various major 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. Mineral 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. Mineral 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, the carrying value of which has been adjusted, as a result of impairment tests, to its estimated fair value of \$11.7 million and which 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, office equipment and leasehold improvements are depreciated using the straight-line method over 5 to 10 years. The remaining property, plant and equipment are fully depreciated.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

**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 an equity incentive plan which provides for the grant of stock options to purchase the 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 9 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 stock options, in addition to the fair value attributable to stock options granted, is credited to capital stock. Stock options granted under the plan 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 Income (Loss) Per Share.** Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of Class A common shares outstanding during each period. Diluted net income per share reflects the potentially dilutive effects of outstanding stock options and convertible notes. In periods in which a loss is incurred, the effect of potential issuances of shares under stock options and convertible notes would be anti-dilutive, and therefore basic and diluted losses per share are the same in those periods.

**Investments.** We determine the appropriate classification of investments in equity securities at acquisition and reevaluate such classifications at each reporting date. Investments in incorporated entities in which the Company has the ability to exercise significant influence over the investee are accounted for by the equity method.

**Financial Instruments.** Marketable securities are measured at fair value at each reporting date, with the change in value recognized in the statement of operations as a gain or loss. Cash and cash equivalents, deposits, advances and receivables are accounted for at cost which approximates fair value. Accounts payable, convertible notes, interest notes and contingent value rights are recorded at amortized cost. Amortized cost of accounts payable approximates fair value.

**Note 2. New Accounting Policies:**

Adopted in the year

In February 2016, the FASB issued ASU 2016-02, Leases. This update increased the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted this standard as of January 1, 2019 using the modified retrospective approach and recorded a lease liability and corresponding right of use asset of approximately \$0.3 million for the operating lease for its corporate office.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

Changes to the Company's accounting policy as a result of the adoption are as follows: Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the future lease payments over the lease term. When the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate in determining the present value of the future lease payments. The incremental borrowing rate is derived from information available at the lease commencement date and represents the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The ROU assets include any lease payments made and lease incentives received prior to the commencement date. Operating lease ROU assets also include any cumulative prepaid or accrued rent when the lease payments are uneven throughout the lease term. The ROU assets and lease liabilities may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**Note 3. Arbitral Award and Mining Data Sale Settlement Agreement:**

In October 2009 we initiated the Brisas Arbitration to obtain compensation for the losses caused by the actions of Venezuela that terminated our Brisas Project. On September 22, 2014, we were granted an Arbitral Award (the "Award") totaling \$740.3 million.

In July 2016, we signed the Settlement Agreement, subsequently amended, whereby Venezuela agreed to pay us a total of approximately \$1.032 billion (\$792 million to satisfy the Award (including interest) and \$240 million for the purchase of our mining data related to the Brisas Project (the "Mining Data")) in a series of payments ending on or before June 15, 2019. As agreed, the first \$240 million received by Gold Reserve from Venezuela has been recognized as proceeds from the sale of the Mining Data.

As of the date of this report, the Company had received transfers to its bank account, pursuant to the Settlement Agreement, of approximately \$254 million including \$165.5 million transferred from the Trust Account (excluding \$21.5 million that remains in the Trust Account. See Note 4, Cash and Cash Equivalents) and \$88.5 million (the market value at the time of the agreement) in Venezuelan government bonds, which were at the time exempt from U.S. Sanctions pursuant to then-applicable General License 3 issued by the U.S. Treasury Department's Office of Foreign Asset Control ("OFAC"). The bonds were subsequently sold for approximately \$74.3 million and the Company realized a \$14.2 million loss on the sale during the year ended December 31, 2018. The remaining unpaid amount due from Venezuela pursuant to the Settlement Agreement, which is now delinquent, totals approximately \$859 million (including interest of approximately \$80 million) as of the date of this report.

In August 2017, the U.S. government imposed financial sanctions (as defined herein "Sanctions") targeting Venezuela by issuing an Executive Order ("EO") that prohibited U.S. persons from dealing in financings of greater than 30 days for the Venezuelan government, including any entity owned or controlled by the Venezuelan government (with respect to certain subsidiaries of the state oil company, these restrictions prohibited financings of greater than 90 days). In addition, U.S. persons are prohibited from dealing in, among other things, bonds (unless otherwise exempt from U.S. Sanctions pursuant to General Licenses 3F or 9E issued by the Department of the Treasury's Office of Foreign Asset Control ("OFAC")) or equity issued by the Venezuelan government after the U.S. financial Sanctions were imposed in August 2017. Prior to January 2019, certain Venezuelan government bonds identified in General License 3 had been largely exempt from U.S. Sanctions. As discussed below, U.S. Sanctions targeting the Venezuelan government were significantly expanded in August 2019.

U.S. financial sanctions have built on Sanctions imposed by the U.S. government starting in March 2015 that designated Venezuelan government officials as "Specially Designated Nationals" ("SDNs"), which prohibits them from traveling to the U.S., freezes any assets they may have in the U.S. and generally prohibits U.S. persons from doing business with them and any entity they own 50% or more. Since August 2017, the U.S. government has designated several additional individuals as SDNs and has prohibited U.S. persons from dealing in cryptocurrencies issued by the Venezuelan government. In September and November 2017, and again on May 21, 2018, Canada imposed its own Sanctions requiring asset freezes and imposing prohibitions on dealings with named Venezuelan officials. In May 2018, the U.S. government issued an EO that prohibits U.S. persons from engaging in transactions relating to: (i) the purchase of any debt owed to the Venezuelan government, including accounts receivable, (ii) any debt owed to the Venezuelan government that is pledged as collateral after May 2018, including accounts receivable, and (iii) the sale, transfer, assignment, or pledging as collateral by the Venezuelan government of any equity interest in any entity in which the Venezuelan government has a 50% or greater ownership interest.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

In November 2018, the U.S. government issued an EO authorizing OFAC to designate as an SDN any person determined to: (i) “operate in the gold sector of the Venezuelan economy” or any other sector deemed sanctionable by the U.S. government, (ii) be responsible for transactions involving deceptive practices or corruption involving the Venezuelan government, or (iii) have supported deceptive or corrupt transactions or to be owned or controlled by a person meeting the foregoing criteria. OFAC issued guidance at the time that it “expects to use its discretion to target in particular those who operate corruptly in the gold or other identified sectors of the Venezuela economy, and not those who are operating legitimately in such sectors.”

In January 2019, the U.S. government designated the Venezuelan state oil company as an SDN under the November 2018 EO. U.S. persons are generally prohibited from doing business with the state oil company and its subsidiaries unless authorized by OFAC. In conjunction with that action, OFAC also changed existing general licenses, such as General License 3 mentioned above, and issued additional general licenses to authorize certain transactions involving certain subsidiaries of the state oil company.

In March 2019, OFAC designated CVG Compania General de Minería de Venezuela CA and its president as SDNs pursuant to the November 2019 EO, in connection with the Venezuelan gold sector and also designated Banes Bank as an SDN with the same effects as those described above with respect to the Venezuelan state oil company. In conjunction with that designation, OFAC issued several general licenses, although none that authorize the Company's dealings with Banes Bank. Due to the deteriorating economic conditions in Venezuela and as a result of the Banes Bank designation that blocked the Company's access to the funds held in the Trust Account at Banes Bank, the Company recorded an impairment loss in December 2018 on the balance in the Trust Account of approximately \$21.5 million. The Trust Account and funds will remain blocked until OFAC delists Banes Bank as an SDN or OFAC issues a specific license to the Company to unblock this property.

On April 15, 2019, the Government of Canada imposed Sanctions against 43 additional individuals under the Special Economic Measures (Venezuela) Regulations of the Special Economic Measures Act. The imposition of such additional Sanctions poses a significant impediment to the Company's ability to work with government officials related to the development of the Siembra Minera Project and those responsible for the payment and transfer of funds associated with the Settlement Agreement.

To the extent required, the Company may apply for a license from OFAC to allow the Company to pursue payments under the Settlement Agreement and allow international financial institutions to facilitate such transactions without violating U.S. Sanctions. The Company may also pursue similar relief from Sanctions imposed under Canadian law.

On August 5, 2019, the U.S. government issued an EO that blocks all property of the Venezuelan government and prohibits U.S. persons from engaging in virtually all dealings with the Venezuelan government. This action targets the Venezuelan government and entities owned 50% or more or otherwise controlled by the Venezuelan government. Because the August 2019 EO applies to entities 50% or more owned by the Venezuelan government, the Mixed Company is now considered to be blocked (or an SDN), which means that U.S. persons are generally prohibited from dealing with the Mixed Company. The breadth and scope of the August 2019 EO adversely impacts our ability to collect the remaining balance of the Award plus interest from Venezuela and, until Sanctions are lifted, significantly impedes our ability to develop the Siembra Minera Project.

We have Contingent Value Rights (“CVRs”) outstanding that entitle the holders to an aggregate of 5.466% of proceeds associated with the collection of the Award, sale of Mining Data or an enterprise sale (the “Proceeds”), less amounts for certain specified obligations, as well as a bonus plan as described below. Due to U.S. and Canadian Sanctions and the uncertainty of transferring the remaining cash held in the Trust Account to bank accounts outside of Venezuela, management only considers those funds received by the Company into its North American bank account as funds available for purposes of the CVR and Bonus Plan cash distributions.

We maintain a bonus plan (the “Bonus Plan”) which is intended to compensate the participants, including executive officers, employees, directors and consultants for their past and present contributions to the Company. The bonus pool under the Bonus Plan, as originally structured, was 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. In June 2018, the Board modified the Bonus Plan to increase the percentage participation of certain individuals who in the Board's opinion were not adequately recognized for their current contribution to efforts associated with the conclusion of the Settlement Agreement and the collection of the amounts contemplated thereunder. The effect of the Board's modification to the Bonus Plan was to increase the after tax percentage allocation for the first \$200 million up to a maximum of 1.28% and the percentage allocation thereafter up to a maximum of 6.4%.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

Following receipt, if any, of additional funds pursuant to the Settlement Agreement and after applicable payments to CVR holders and Bonus Plan participants, we expect to distribute to our shareholders a substantial majority of any remaining amounts, subject to applicable regulatory requirements and retaining sufficient reserves for operating expenses, contractual obligations, accounts payable and income taxes, and any obligations arising as a result of the collection of the Award and/or sale of the Mining Data (See Note 11, Return of Capital).

**Note 4. Cash and Cash Equivalents:**

	June 30, 2019	December 31, 2018
Bank deposits	\$ 34,690,815	\$ 47,588,968
Short term investments	33,270,291	100,057,385
<b>Total</b>	<b>\$ 67,961,106</b>	<b>\$ 147,646,353</b>

Short term investments include money market funds and U.S. treasury bills which mature in three months or less.

Payments made by Venezuela associated with the Settlement Agreement (excluding the transfer of Venezuelan bonds as discussed herein) have been deposited into a trust account for the benefit of the Company at Banco de Desarrollo Económico y Social de Venezuela ("Bandes Bank") (the "Trust Account"), a Venezuelan state-owned development bank. As Bandes Bank has been designated as an SDN, in 2018 the Company recorded an impairment loss on the remaining balance in the account and considers the Trust Account to be blocked property and not recoverable for accounting purposes. The Trust Account and the approximately \$21.5 million therein will remain blocked property until the U.S. government delists Bandes Bank as an SDN or issues a specific license to the Company to unblock this property.

**Note 5. Marketable Securities:**

	June 30, 2019	December 31, 2018
<b><u>Equity securities</u></b>		
Fair value at beginning of period	\$ 287,638	\$ 239,232
Increase (decrease) in fair value	(100,565)	48,406
Fair value at balance sheet date	<b>\$ 187,073</b>	<b>\$ 287,638</b>
<b><u>Debt securities</u></b>		
Fair value at beginning of year	\$ —	\$ —
Acquisitions	—	88,500,000
Dispositions	—	(74,311,349)
Realized loss	—	(14,188,651)
Fair value at balance sheet date	<b>\$ —</b>	<b>\$ —</b>

Marketable securities are accounted for at fair value, based on quoted market prices with gains or losses recorded in the Consolidated Statements of Operations. Gains and losses on securities sold are based on the average cost of the shares held at the date of disposition. As of June 30, 2019 and December 31, 2018, marketable equity securities had a cost basis of \$98,043. Marketable debt securities, which were sold during 2018, consisted of Venezuelan government bonds received under the Settlement Agreement (See Note 3, Arbitral Award and Mining Data Sale Settlement Agreement).

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

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 fair values of the Company's marketable equity securities as at the balance sheet date are based on Level 1 inputs.

**Note 6. Property, Plant and Equipment:**

	Cost	Accumulated Depreciation	Net
<b>June 30, 2019</b>			
Machinery and equipment	\$ 11,677,534	\$ —	\$ 11,677,534
Furniture and office equipment	473,054	(346,794)	126,260
Transportation equipment	491,025	(83,725)	407,300
Leasehold improvements	51,658	(14,559)	37,099
Mineral property	350,000	—	350,000
	<u>\$ 13,043,271</u>	<u>\$ (445,078)</u>	<u>\$ 12,598,193</u>

	Cost	Accumulated Depreciation	Net
<b>December 31, 2018</b>			
Machinery and equipment	\$ 11,677,534	\$ —	\$ 11,677,534
Furniture and office equipment	469,569	(333,828)	135,741
Transportation equipment	491,025	(34,622)	456,403
Leasehold improvements	51,658	(11,063)	40,595
Mineral property	350,000	—	350,000
	<u>\$ 13,039,786</u>	<u>\$ (379,513)</u>	<u>\$ 12,660,273</u>

Machinery and equipment consists of infrastructure and milling equipment intended for use on the Brisas Project. We continually evaluate our equipment to determine whether events or changes in circumstances have occurred that may indicate impairment has occurred. We review comparable market data for evidence that fair value less cost to sell is in excess of the carrying amount. No impairment write-downs of property, plant and equipment were recorded during the six months ended June 30, 2019 and 2018.

**Note 7. Empresa Mixta Ecosocialista Siembra Minera, S.A.:**

In October 2016, together with an affiliate of the government of Venezuela, we established Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera"). The primary purpose of this entity is to develop the Siembra Minera Project, as defined below.



**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

Siembra Minera is beneficially owned 55% by Corporacion Venezolana de Minería, S.A., a Venezuelan government corporation, and 45% by Gold Reserve. Siembra Minera (pursuant to the agreement which governs the formation and operation of Siembra Minera) holds certain gold, copper, silver and other strategic mineral rights (primarily comprised of the Brisas and Las Cristinas concessions) contained within Bolivar State comprising the Siembra Minera Project (which has a 20 year term with two 10 year extensions) and is, among other things authorized, via current or future Presidential Decrees and Ministerial resolutions, to carry on its business, pay a net smelter return royalty to Venezuela on the future sale of gold, copper, silver and any other strategic minerals over the life of the project and provide net profits participation based on the sales price of gold per ounce. A number of authorizations, which still have not been provided by the current administration, are critical to the future operation and economics of the Siembra Minera Project and, as a result, management continues its efforts to secure them on behalf of Siembra Minera. Pursuant to the Settlement Agreement, both parties will retain their respective interest in Siembra Minera in the event all of the agreed upon Settlement Agreement payments are not made by Venezuela.

On March 16, 2018, the Company announced the completion of a technical report for the Preliminary Economic Assessment ("PEA") for the Siembra Minera Project in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects which included, among other information, resource estimates, pit design, mine plan, flowsheet design, design criteria, project layout, infrastructure requirements, capital and operating estimates. The Company has directly incurred the costs on the Siembra Minera Project, which beginning in 2016 through June 30, 2019, amounted to a total of approximately \$18.6 million. The Siembra Minera Project expenditures primarily include costs associated with the completion of the PEA that included a number of engineering, environmental and social third party advisors as well as costs associated with a number of social works programs in the vicinity of the Siembra Minera Project, which are expensed as incurred and classified within "Siembra Minera Project Costs" in the Consolidated Statements of Operations.

On August 5, 2019, the U.S. government issued an EO that blocks all property of the Venezuelan government and prohibits U.S. persons from engaging in virtually all dealings with the Venezuelan government. This action targets the Venezuelan government and entities owned 50% or more or otherwise controlled by the Venezuelan government. Because the August 2019 EO applies to entities 50% or more owned by the Venezuelan government, Siembra Minera is now considered to be blocked (or an SDN), which means that U.S. persons are generally prohibited from dealing with Siembra Minera.

The imposition of these broader Sanctions by the U.S. and Canadian governments (See Note 3, Arbitral Award and Mining Data Sale Settlement Agreement) poses a significant impediment to the Company's ability to work with Venezuelan government officials related to the future development of the Siembra Minera Project.

**Note 8. 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 Class A common shares or cash to participants' accounts, subject to certain limitations, is at the discretion of the Board. There have been no Class A common shares allocated to the KSOP Plan since 2011. Cash contributions for plan year 2018 were approximately \$212,000. As of June 30, 2019, no contributions by the Company had been made for plan year 2019.

**Note 9. Stock Based Compensation Plans:**

Equity Incentive Plans

The Company's equity incentive plan provides for the grant of stock options to purchase up to a maximum of 8,750,000 of the Class A common shares. As of June 30, 2019, there were 2,307,000 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 of the Board established pursuant to the equity incentive plan.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

Stock option transactions for the six months ended June 30, 2019 and 2018 are as follows:

	2019		2018	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of period	4,554,565	\$ 3.11	5,091,565	\$ 3.13
Options expired	(185,000)	3.43	(237,000)	3.70
Options outstanding - end of period	4,369,565	\$ 3.09	4,854,565	\$ 3.10
Options exercisable - end of period	4,369,565	\$ 3.09	4,279,568	\$ 3.10

The following table relates to stock options at June 30, 2019:

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)
\$1.92	444,922	\$1.92	\$ -	1.94	444,922	\$1.92	\$ -	1.94
\$2.69	125,000	\$2.69	-	7.84	125,000	\$2.69	-	7.84
\$3.15	3,369,643	\$3.15	-	7.63	3,369,643	\$3.15	-	7.63
\$3.91	180,000	\$3.91	-	6.00	180,000	\$3.91	-	6.00
\$4.02	250,000	\$4.02	-	5.07	250,000	\$4.02	-	5.07
\$1.92 - \$4.02	4,369,565	\$3.09	\$ -	6.85	4,369,565	\$3.09	\$ -	6.85

No options were granted during the six month periods ended June 30, 2019 and 2018. The Company recorded non-cash compensation expense during the six months ended June 30, 2019 and 2018 of approximately \$31,000 and \$220,000, respectively for stock options granted in prior periods.

Change of Control Agreements

The Company maintains change of control agreements with certain officers and employees. A Change of Control is generally defined as 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 Common 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. As of June 30, 2019, in the event of a change of control, the amount payable under these agreements was approximately \$8.9 million. None of this amount has currently been recognized as a change of control is not considered probable at this time.

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

**Note 10. Income Tax:**

Income tax expense (benefit) for the six months ended June 30, 2019 and 2018 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:

	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Income tax expense (benefit) based on Canadian tax rates	\$ (1,619,742)	(25)	\$ 19,145,619	25
Increase (decrease) due to:				
Different tax rates on foreign subsidiaries	219,996	3	(3,434,408)	(5)
Non-deductible expenses	8,229	-	47,326	-
Withholding tax	-	-	759,062	1
Change in valuation allowance and other	1,391,517	22	(3,994,334)	(5)
	<u>\$ -</u>	<u>-</u>	<u>\$ 12,523,265</u>	<u>16</u>

The Company recorded income tax expense of NIL and \$12.5 million for the six months ended June 30, 2019 and 2018, respectively. We have recorded a valuation allowance to reflect the estimated amount of the deferred 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 deferred tax assets may be reduced in the near term if our estimate of future taxable income changes. The Company has an income tax receivable of \$6.4 million related to prior year overpayments. The components of the Canadian and U.S. deferred income tax assets and liabilities as of June 30, 2019 and December 31, 2018 were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Deferred income tax assets		
Net operating loss carry forwards	\$ 33,389,888	\$ 31,362,816
Property, Plant and Equipment	3,226,601	3,226,994
Other	1,565,820	1,652,114
	<u>38,182,309</u>	<u>36,241,924</u>
Valuation allowance	(38,163,613)	(36,202,109)
	<u>\$ 18,696</u>	<u>\$ 39,815</u>
Deferred income tax liabilities		
Other	(18,696)	(39,815)
Net deferred income tax liability	<u>\$ -</u>	<u>\$ -</u>

**GOLD RESERVE INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. dollars)

At June 30, 2019, we had the following U.S. and Canadian tax loss carry forwards stated in U.S. dollars.

	U.S.	Canadian	Expires
\$		1,996,281	2026
		3,704,837	2027
		14,121,150	2028
		13,382,718	2029
		16,533,604	2030
		18,513,809	2031
		5,371,641	2032
		7,809,261	2033
		9,048,212	2034
		12,915,655	2035
		15,355,355	2036
		11,580,044	2037
		418,106	2038
		1,848,444	2039
	1,143,378		
\$	1,143,378	132,599,117	

**Note 11. Return of Capital:**

In June 2019, the Company completed a return of capital transaction by way of a court-approved plan of arrangement transaction under the *Business Corporations Act* (Alberta) which required approval by the Alberta Court of Queen's Bench and at least two-thirds of the votes of shareholders. Pursuant to the plan of arrangement, the Company returned to holders of its Class A common shares approximately \$76 million or \$0.76 per Class A Share.

GOLD RESERVE INC.  
June 30, 2019  
Management's Discussion and Analysis  
U.S. Dollars  
(unaudited)

---

## Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations, dated August 22, 2019 is intended to assist in understanding and assessing our results of operations and financial condition and should be read in conjunction with the June 30, 2019 unaudited interim consolidated financial statements and related notes. All dollar amounts herein are expressed in U.S. Dollars.

### Venezuela's political, economic and social conditions

Venezuela continues to experience substantial social, political and economic turmoil. Over recent years, it has defaulted on a number of its debt obligations and the nation's central bank is reported to have limited reserves. The country's overall infrastructure, social services network and economy have generally collapsed resulting in skyrocketing inflation and dramatic contractions in gross domestic product. More than half of the population reportedly lives under conditions of extreme poverty and millions of Venezuelans have emigrated to nearby countries because of the economic crisis and general unrest.

These conditions, which are expected to continue in the foreseeable future, have hindered our ability to develop certain gold, copper, silver and other strategic mineral rights contained within Bolivar State comprising what is known as the Siembra Minera project (the "Siembra Minera Project"). In early 2019, amid mass protests against the current government, the U.S. and Canada, along with over 40 other countries including substantially all Latin American countries, recognized Venezuelan opposition leader Juan Guaido as the interim president of Venezuela who has promised to lead a transitional government and hold free elections. As of the date of this MD&A Venezuela continues to experience political unrest.

### U.S. and Canadian Sanctions

In October 2009 we initiated the Brisas Arbitration to obtain compensation for the losses caused by the actions of Venezuela that terminated our Brisas Project and subsequently on September 22, 2014, we were granted an Arbitral Award (the "Award") totaling \$740.3 million. In July 2016, we signed a Settlement Agreement whereby Venezuela agreed to pay us a total of approximately \$1.032 billion (\$792 million to satisfy the Award (including interest) and \$240 million for the purchase of our mining data related to the Brisas Project (the "Mining Data")) in a series of payments ending on or before June 15, 2019 (as amended, the "Settlement Agreement").

U.S. and Canadian Sanctions (as described below) have significantly impaired our ability to collect amounts due us pursuant to the Settlement Agreement including amounts deposited and still held in a trust account for the benefit of the Company at Banco de Desarrollo Económico y Social de Venezuela ("Bandes Bank") (the "Trust Account"), as well as our ability to finance and develop the Siembra Minera Project.

In August 2017, the U.S. government imposed Sanctions targeting Venezuela by issuing an Executive Order (an "EO") that prohibited U.S. persons from dealing in financings of greater than 30 days for the Venezuelan government, including any entity owned or controlled by the Venezuelan government (with respect to certain subsidiaries of the state oil company, these restrictions prohibited financings of greater than 90 days). In addition, U.S. persons are prohibited from dealing in, among other things, bonds (unless otherwise exempt from U.S. Sanctions pursuant to General Licenses 3F or 9E issued by the OFAC) or equity issued by the Venezuelan government after the U.S. financial Sanctions were imposed in August 2017. Prior to January 2019, certain Venezuelan government bonds identified in General License 3 had been largely exempt from U.S. Sanctions. As discussed below, U.S. Sanctions targeting the Venezuelan government were significantly expanded in August 2019.

U.S. financial sanctions have built on Sanctions imposed by the U.S. government starting in March 2015 that designated Venezuelan government officials as "Specially Designated Nationals" ("SDNs"), which prohibits them from traveling to the U.S., freezes any assets they may have in the U.S. and generally prohibits U.S. persons from doing business with them and any entity they own 50% or more. Since August 2017, the U.S. government has designated several additional individuals as SDNs and has prohibited U.S. persons from dealing in cryptocurrencies issued by the Venezuelan government. In September and November 2017, and again in May 2018, Canada imposed its own Sanctions requiring asset freezes and imposing prohibitions on dealings with named Venezuelan officials. In May 2018, the U.S. government issued an EO that prohibits U.S. persons from engaging in transactions relating to: (i) the purchase of any debt owed to the Venezuelan government, including accounts receivable, (ii) any debt owed to the Venezuelan government that is pledged as collateral after May 21, 2018, including accounts receivable, and (iii) the sale, transfer, assignment, or pledging as collateral by the Venezuelan government of any equity interest in any entity in which the Venezuelan government has a 50% or greater ownership interest.

In November 2018, the U.S. government issued an EO authorizing OFAC to designate as an SDN any person determined to: (i) “operate in the gold sector of the Venezuelan economy” or any other sector deemed sanctionable by the U.S. government, (ii) be responsible for transactions involving deceptive practices or corruption involving the Venezuelan government, or (iii) have supported deceptive or corrupt transactions or to be owned or controlled by a person meeting the foregoing criteria. OFAC issued guidance at the time that it “expects to use its discretion to target in particular those who operate corruptly in the gold or other identified sectors of the Venezuela economy, and not those who are operating legitimately in such sectors.”

In January 2019, the U.S. government designated the Venezuelan state oil company as an SDN under the November 2018 EO. U.S. persons are generally prohibited from doing business with the state oil company and its subsidiaries unless authorized by OFAC. In conjunction with that action, OFAC also changed existing general licenses, such as General License 3 mentioned above, and issued additional general licenses to authorize certain transactions involving certain subsidiaries of the state oil company.

In March 2019, OFAC designated CVG Compania General de Minería de Venezuela CA and its president as SDNs pursuant to the November 2018 EO, in connection with the Venezuelan gold sector and also designated Banes Bank as an SDN with the same effects as those described above with respect to the Venezuelan state oil company. In conjunction with that designation, OFAC issued several general licenses, although none that authorize the Company’s dealings with Banes Bank. Due to the deteriorating economic conditions in Venezuela and as a result of the Banes Bank designation that blocked the Company’s access to the funds held in the Trust Account at Banes Bank, the Company has recorded an impairment loss on the balance in the Trust Account of approximately \$21.5 million. The Trust Account and funds will remain blocked until OFAC delists Banes Bank as an SDN or OFAC issues a specific license to the Company to unblock this property.

On April 15, 2019, the Government of Canada imposed Sanctions against 43 additional individuals under the Special Economic Measures (Venezuela) Regulations of the Special Economic Measures Act. The imposition of such additional Sanctions poses a significant impediment to the Company’s ability to work with government officials related to the development of the Siembra Minera Project and those responsible for the payment and transfer of funds associated with the Settlement Agreement.

To the extent required, the Company may apply for a license from OFAC to allow the Company to pursue payments under the Settlement Agreement and allow international financial institutions to facilitate such transactions without violating U.S. Sanctions. The Company may also pursue similar relief from Sanctions imposed under Canadian law. On August 5, 2019, the U.S. government issued an EO that blocks all property of the Venezuelan government and prohibits U.S. persons from engaging in virtually all dealings with the Venezuelan government. This action targets the Venezuelan government and entities owned 50% or more or otherwise controlled by the Venezuelan government. Because the August 2019 EO applies to entities 50% or more owned by the Venezuelan government, the Mixed Company is now considered to be blocked (or an SDN), which means that U.S. persons are generally prohibited from dealing with the Mixed Company.

The comprehensive breadth and scope of the August 2019 EO made the prior, more limited U.S. financial Sanctions targeting the Venezuelan government moot and, until Sanctions are lifted, significantly impedes our ability to develop the Siembra Minera Project. That said, the August 2019 EO does not place Venezuela under a full territorial embargo, and transactions with private Venezuelan parties that can be effected without the involvement of the Venezuelan government remain permissible under U.S. Sanctions. In conjunction with that action, OFAC again changed existing general licenses and issued additional general licenses to authorize certain Venezuela-related transactions.

## **EXPLORATION PROSPECTS**

### **SIEMBRA MINERA**

#### Overview

In August 2016, we executed the Contract for the Incorporation and Administration of the Mixed Company with the government of Venezuela (the “Mixed Company Formation Document”) to form a jointly owned company and in October 2016, together with an affiliate of the government of Venezuela, we established Siembra Minera, the entity whose purpose is to develop the Siembra Minera Project. Siembra Minera is beneficially owned 55% by Corporación Venezolana de Minería, S.A., a Venezuelan government corporation and 45% by Gold Reserve. Although Venezuela is not current with its obligations outlined in the Settlement Agreement, the parties retain their respective interests in Siembra Minera.

Siembra Minera holds certain gold, copper, silver and other strategic mineral rights within Bolivar State comprising approximately 18,950 hectares in an area located in the Km 88 gold mining district of southeast Bolivar State which includes the historical Brisas and Cristinas areas. The mineral rights held by Siembra Minera have a 20 year term with two 10 year extensions.

Gold Reserve, under a yet to be completed Technical Services Agreement, is expected to provide engineering, procurement and construction services to Siembra Minera for a fee of 5% over all costs of construction and development and, thereafter, for a fee of 5% over operating costs during operations. Venezuela is obligated to use its best efforts to grant to Siembra Minera similar terms that would apply to the Siembra Minera Project in the event Venezuela enters into an agreement with a third party for the incorporation of a mixed company to perform similar activities with terms and conditions that are more favorable than the tax and fiscal incentives contemplated in the Mixed Company Formation Document and is obligated to indemnify us and our affiliates against any future legal actions related to property ownership associated with the Siembra Minera Project.

There are significant provisions related to the formation of Siembra Minera and the development and operation of the Siembra Minera Project as provided in the Mixed Company Formation Document some of which are still pending completion. A number of these pending authorizations are critical to the financing and future operation of the Siembra Minera Project and, as a result, management continues its efforts to secure them on behalf of Siembra Minera.

Venezuela agreed to certain Presidential Decrees, within the legal framework of the "Orinoco Mining Arc" (created on February 24, 2016 under Presidential Decree No. 2.248 as an area for national strategic development Official Gazzette No. 40.855), that will or have been issued to provide for tax and fiscal incentives for companies owned jointly with the government ("Mixed Companies") operating in that area that include exemption from value added tax, stamp tax, municipal taxes and any taxes arising from the contribution of tangible or intangible assets, if any, to the Mixed Companies by the parties and the same cost of electricity, diesel and gasoline as that incurred by the government or related entities.

Siembra Minera is obligated to pay to the government a special advantage of 3% of gross sales and a net smelter return royalty ("NSR") on the sale of gold, copper, silver and any other strategic minerals of 5% for the first ten years of commercial production, 6% for the next ten years. The parties also agreed to participate in the price of gold in accordance with a formula resulting in specified respective percentages based on the sales price of gold per ounce. For sales up to \$1,600 per ounce, net profits will be allocated 55% to Venezuela and 45% to us. For sales greater than \$1,600 per ounce, the incremental amount will be allocated 70% to Venezuela and 30% to us. For example, with sales at \$1,600 and \$3,500 per ounce, net profits will be allocated 55.0%– 45.0% and 60.5%– 39.5%, respectively.

Venezuela is obligated to advance \$110.2 million to Siembra Minera to facilitate the early startup of the pre-operation and construction activities, but has not yet taken steps to provide such funding and Siembra Minera is obligated, with Venezuela's support, to undertake initiatives to secure financing(s) to fund the anticipated capital costs of the Siembra Minera Project, which is estimated to be in excess of \$2 billion. To date no verifiable financing alternatives have been identified.

The Mixed Company Formation Documents provide for Siembra Minera, pursuant to Presidential Decrees or other authorizations, to be subject to an income tax rate of 14% for years one to five, 19% for years 6 to 10, 24% for years 11 to 15, 29% for years 16 to 20 and 34% thereafter; to be authorized to export and sell concentrate and doré containing gold, copper, silver and other strategic minerals outside of Venezuela and maintain foreign currency balances associated with sales proceeds; to hold funds associated with future capital cost financings and sale of gold, copper and silver offshore in U.S. dollar accounts with dividend and profit distributions, if any, paid directly to Siembra Minera shareholders; to convert all funds into local currency at the same exchange rate offered by Venezuela to other similar entities, as required to pay Venezuela income taxes and annual operating and capital costs denominated in Bolivars for the Siembra Minera Project. As of the date of this report, Venezuela has not yet taken steps to formally provide such authorizations via Presidential Decree or otherwise.

#### Siembra Minera Project Completed Activities

The Company continues a number of social programs to improve the health care in the Siembra Minera Project area including addressing the malaria problem with medicine and preventive measures as well as continuation of an estimated \$6 million works program to build new facilities and rehabilitate existing ones at the 4 largest schools, a church and recreational and sport facilities for the students and the community as well as a musical arts program. The Company is also establishing a radio station at one school to improve local communications and generating preliminary engineering assessments for potential future upgrades to the local communities' water supply and sewage system infrastructure.



The Company's development activities include the following: published the results of a Preliminary Economic Assessment of the Siembra Minera Gold Copper Project (the "PEA") in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"); completed the preliminary design and engineering on the small scale Phase I oxide saprolite process plant and the Phase 2 larger hard rock process plant; completed the preliminary design work for a Phase 1 and Phase 2 Tailings Dam design; completed and obtained approval of a Venezuelan Environmental Impact Statement (V-EIS); subsequently received the environmental permit to affect the Area for the early works (the "Permit to Affect"); collected and transported a surface saprolite material sample to the U.S. for future metallurgical testing; validated, with the assistance of Empresa Nacional Forestal (a state owned company affiliated with the Ministry of Environment), the forest inventory for the project area; prepared and submitted the 2019 budget for Siembra Minera according to parameters set forth by the Venezuelan budgeting agency; obtained, the "Initiation Act", pursuant to the Permit to Affect, allowing Siembra Minera to initiate the authorized preliminary/early works on the Siembra Minera Project; completed in March 2019 the Environmental Supervision Plan for the permitted (early or preliminary) works; hosted two community events for the granting of the Environmental Permit and the granting of the Initiation Act; worked with Mission Piar (Small Miner Program affiliated with the Ministry of Mines) to complete an initial survey and census of small miners located in the project area, which included cataloging identities, locations, infrastructure, and health status; completed a feasibility study for a rock quarry in March 2019 as part of the opening of the quarry needed for the "early works" and during both Phases I and II of the project; and assisted small miner alliances, with the support of the Ministry of Mines, to obtain mining rights to property north of the Siembra Minera Project – with the purpose of relocating small miners from the Siembra Minera Project area.

Overall the Company has directly incurred the costs of the Siembra Minera Project including the social programs discussed herein, which beginning in 2016 through June 30, 2019 amounted to a total of approximately \$18.6 million. The Sanctions severely restrict our ability to develop the Siembra Minera Project and, until such time as Sanctions are lifted, we expect our activities in Venezuela will be limited. It is unclear to management if any new Venezuelan administration in the future will respect the agreements of the prior administration.

#### Siembra Minera Project Development

With the previous issuance of the permit to effect the environment and the more recent issuance of the Initiation Act we have considered initial plans for various on-site activities such as site clearing, construction of a temporary camp and warehouse facilities, drilling of dewatering and development drill holes, access roads on the property, opening of the quarry for construction aggregates and initial construction activities. We have evaluated initial proposals for a drilling program in support of the overall project development activities, water management wells, and test areas where additional resource potential is evident. Various geotechnical studies as well as environmental and social studies to augment and update previous work on the property have been considered which could support the generation of a pre-feasibility study for the small and large plant and generate an International Environmental & Social Impact Assessment (IESIA) for the support of the various operating and environmental permits that will be required for the project. In addition, the social programs in the area (as described above) are expected to continue. The next phase of the Siembra Minera Project's development is envisioned to include detail design work for the small cyanidation plant and related facilities along with the metallurgical testing to support the metallurgical process used in the plant. Given the current economic, social and political turmoil in Venezuela, as well as current and future Sanctions, the timing and extent of future development on the Siembra Minera Project remains unclear at this time.

#### LMS GOLD PROJECT

On March 1, 2016, we completed the acquisition of certain wholly-owned mining claims known as the LMS Gold Project (the "LMS Property"), together with certain personal property for \$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 an NSR with respect to (i) "Precious Metals" produced and recovered from the LMS Property equal to 3% of "Net Smelter Returns" on such metals (the "Precious Metals Royalty") and (ii) "Base Metals" produced and recovered from the LMS Property equal to 1% of Net Smelter Returns on such metals, however 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 \$4 million. The LMS Property remains at an early stage of exploration and is not material to the Company.

## BRISAS ARBITRAL AWARD SETTLEMENT AND MINING DATA SALE

In October 2009, we initiated a claim (the "Brisas Arbitration") under the Additional Facility Rules of the International Centre for the Settlement of Investment Disputes ("ICSID") to obtain compensation for the losses caused by the actions of Venezuela that terminated our 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. In September 2014, the ICSID Tribunal granted us an Arbitral Award (the "Award") totaling \$740.3 million. The Award (less legal costs and expenses) accrues post-award interest at a rate of LIBOR plus 2%, compounded annually.

In July 2016, we signed a settlement agreement whereby Venezuela agreed to pay us the Award (including interest) and purchase our Mining Data (the "Settlement Agreement"). Under the terms of the Settlement Agreement (as amended) Venezuela agreed to pay the Company \$792 million to satisfy the Award and \$240 million for the purchase of the Mining Data for a total of approximately \$1.032 billion in a series of monthly payments ending on or before June 15, 2019. As agreed, the first \$240 million received by Gold Reserve from Venezuela has been recognized as proceeds from the sale of the Mining Data.

In addition, the Company agreed to suspend the legal enforcement of the Award until final payment is made by Venezuela and Venezuela irrevocably waived its right to appeal the February 2017 judgment issued by the Cour d'appel de Paris dismissing the annulment applications filed by Venezuela in respect of the Award and agreed to terminate all other proceedings seeking annulment of the Award.

All Settlement Agreement payments made by Venezuela, excluding the Venezuelan government bonds transferred to the Company in August 2018, were initially deposited into the Trust Account with Banes Bank. Pursuant to the terms of a trust agreement in respect of the Trust Account (the "Trust Agreement"), the Company has the right to direct the transfer of the funds to its bank accounts outside of Venezuela. With the designation of Banes Bank as an SDN in March 2019, the Company is treating the Trust Account as blocked property and as a result, the Company, in December 2018, recorded an impairment loss of \$21.5 million, representing the balance of the funds remaining in the Trust Account. The Trust Account and the funds therein will remain blocked property until the U.S. government delists Banes Bank as an SDN or issues a specific license to the Company to unblock this property. The Company plans to submit a license application to request the unblocking of the Trust Account and funds (See "U.S. and Canadian Sanctions").

As of the date of this management's discussion and analysis, the Company had received transfers to its bank account, pursuant to the Settlement Agreement, of approximately \$254 million including \$165.5 million transferred from the Trust Account (excluding \$21.5 million that remains in the Trust Account) and \$88.5 million (the market value at the time of the agreement) in Venezuelan government bonds, which were at the time exempt from U.S. Sanctions pursuant to then-applicable General License 3 issued by the U.S. Treasury Department's Office of Foreign Asset Control ("OFAC"). The bonds were subsequently sold for approximately \$74.3 million and the Company realized a \$14.2 million loss on the sale during the year ended December 31, 2018. The remaining unpaid amount due from Venezuela pursuant to the Settlement Agreement, which is now delinquent, totals approximately \$859 million (including interest of approximately \$80 million) as of the date of this report.

Given the current political, economic and social conditions in Venezuela, it is unclear when or if Venezuela will pay the remaining obligations contained in the Settlement Agreement totaling approximately \$778 million or when or if the Company will decide to re-commence its efforts to collect the remaining amount of the Award including interest. As discussed herein, U.S. and Canadian Sanctions continue to impede the transfer of funds from Venezuela to our North American bank accounts.

The terms of the Settlement Agreement also included Venezuela's obligation to make available to an escrow agent negotiable financial instruments, with a face value of at least \$350 million, partially guaranteeing the payment obligations to the Company. As of the date of this report, the collateral has not yet been provided to the escrow agent and it is unclear if and when Venezuela will comply with this particular obligation of the Settlement Agreement.

#### Obligations Due Upon Collection of the Award and Sale of Mining Data

Pursuant to a 2012 restructuring of convertible notes, we issued Contingent Value Rights ("CVRs") that entitle the holders to an aggregate of 5.466% of proceeds associated with the collection of the Award, sale of Mining Data or an enterprise sale (the "Proceeds"), less amounts sufficient to pay or reserve for taxes payable, certain associated professional fees and expenses not to exceed \$10 million, any accrued operating expenses as of the date of the receipt of Proceeds not to exceed \$1 million and the balance of any remaining Notes and accrued interest thereon (the "Net Proceeds"). We have been advised by a CVR holder that it believes that the Company's 45% interest in Siembra Minera represents "Proceeds" for purposes of the CVRs and as such it believes the CVR holders are entitled to the value of 5.466% of that interest. For a variety of reasons, the Board does not agree with that position and believes it is inconsistent with the CVRs and the terms and manner upon which we reached settlement as to the Award with the Venezuelan government. We continue discussions with the CVR holder on this subject and it is not possible at this time to know the outcome of this matter. As of June 30, 2019, the total cumulative estimated obligation due pursuant to the terms of the CVR from the sale of the Mining Data and collection of the Award was approximately \$9.7 million, which has been distributed in full to CVR holders.

The Board approved a bonus plan (the "Bonus Plan") in May 2012, which was intended to compensate the participants, including executive officers, employees, directors and consultants for their contributions related to: the development of the Brisas Project; the manner in which the development effort was carried out allowing the Company to present a strong defense of its arbitration claim; the support of the Company's execution of the Brisas Arbitration; and the ongoing efforts to assist with positioning the Company in the collection of an award, sale of the Mining Data or enterprise sale. The bonus pool under the Bonus Plan, as originally structured, was 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. In June 2018, the Board modified the Bonus Plan to increase the percentage participation of certain individuals who in the Board's opinion were not adequately recognized for their current contribution to efforts associated with the conclusion of the Settlement Agreement and the collection of the amounts contemplated thereunder. The effect of the Board's modification to the Bonus Plan was to increase the after tax percentage allocation for the first \$200 million up to a maximum of 1.28% and the percentage allocation thereafter up to a maximum of 6.4%. The Bonus Plan is administered by a committee of independent directors who selected the individual participants in the Bonus Plan and fixed the relative percentage of the total pool to be distributed to each participant. Participation in the Bonus Plan by existing participants is fully vested, subject to voluntary termination of employment or termination for cause. Participants who reach age 65 and retire are fully vested and continue to participate in future distributions under the Plan. As of June 30, 2019, the total cumulative estimated obligation pursuant to the terms of the Bonus Plan from the sale of the Mining Data and collection of the Award was approximately \$4.1 million, which has been distributed in full to Bonus Plan participants.

#### Our Intent to Distribute Collection of the Award or Sale of Mining Data to Shareholders

In June 2019, the Company completed a distribution of approximately \$76 million or \$0.76 per share to holders of Class A Shares as a return of capital. The return of capital was completed pursuant to a court-approved plan of arrangement transaction under the Business Corporations Act (Alberta) (the "Act") which required approval by the Court and at least two-thirds of the votes cast by Shareholders in respect of a special resolution. The return of capital transaction was affected pursuant to an arrangement transaction (the "Arrangement") in accordance with a plan of arrangement (the "Plan of Arrangement") pursuant to section 193 of the Act. Full details of the return of capital transaction are described in the Company's management proxy circular and other related materials filed with applicable Canadian securities regulatory authorities and made available at [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://www.sec.gov), and posted on the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com).

Following the receipt, if any, of additional funds pursuant to the Settlement Agreement and after applicable payments of Net Proceeds to holders of our CVRs and participants under our Bonus Plan, we expect to distribute to our shareholders a substantial majority of any remaining proceeds, subject to applicable regulatory requirements and retaining sufficient reserves for operating expenses, contractual obligations, accounts payable and income taxes, and any obligations arising as a result of the future collection of the remaining amounts related to the Award.

## Financial Overview

Our overall financial position is influenced by the proceeds previously received pursuant to the Settlement Agreement, related payment obligations and the return of capital completed in Q2 of 2019 in accordance with the Plan of Arrangement. Recent operating results and overall financial position and liquidity are impacted by Venezuela's failure to honor its payment obligations under the Settlement Agreement in a timely manner, ongoing expenses associated with activities related to the Siembra Minera Project, obligations associated with collections under the Settlement Agreement, U.S. and Canadian Sanctions and costs associated with maintaining our legal and regulatory obligations in good standing.

As discussed elsewhere in this management's discussion and analysis, the U.S. and Canadian Sanctions have and will continue to adversely impact our ability to collect the remaining balance of the Award plus interest from Venezuela and, until Sanctions are lifted impede our ability to develop the Siembra Minera Project.

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 continued collection, if any, of the proceeds associated with the collection of the Award and/or future financings, if any. We have only one operating segment, the exploration and development of mineral properties

Our longer-term funding requirements may be adversely impacted by the timing of the collection of the amounts due pursuant to the Settlement Agreement, the timing and amount of distributions made to shareholders, if any, 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.

## Liquidity and Capital Resources

At June 30, 2019, we had cash and cash equivalents of approximately \$68.0 million which represents a decrease from December 31, 2018 of approximately \$79.7 million. The net decrease was primarily due to a return of capital to shareholders pursuant to the Plan of Arrangement as more fully described in the "Financing Activities" section below.

		2019		Change		2018
Cash and cash equivalents	\$	67,961,106	\$	(79,685,247)	\$	147,646,353

As of June 30, 2019, we had financial resources including cash, cash equivalents and marketable securities totaling approximately \$68.1 million, Brisas Project related equipment with an estimated net realizable value of approximately \$11.7 million (See Note 6 to the consolidated financial statements), income tax receivable of approximately \$6.4 million and short-term financial obligations consisting of accounts payable and accrued expenses of approximately \$2.8 million.

We have no revenue producing operations at this time. Our future working capital position is dependent upon the receipt of the remaining balance of the Award plus interest pursuant to the Settlement Agreement or its collection in the relevant legal jurisdictions. Although we believe, subsequent to the return of capital pursuant to the Plan of Arrangement, that we will have sufficient working capital to carry on our activities for the next 12 to 24 months, our actual cash burn-rate may require us to seek additional sources of funding to ensure our ability to continue our activities in the normal course. As discussed elsewhere in this management's discussion and analysis, the U.S. and Canadian Sanctions have and will continue to adversely impact our ability to collect the remaining balance of the Award plus interest from Venezuela and, until Sanctions are lifted, significantly impede our ability to develop the Siembra Minera Project.

## Operating Activities

Cash flow used in operating activities for the six months ended June 30, 2019 and 2018 was approximately \$4.1 million and \$20.3 million, respectively. Cash flow used in operating activities consists of net income (loss) (the components of which are more fully discussed below) adjusted for losses on marketable securities, non-cash expense items primarily related to stock option compensation and depreciation as well as certain non-cash changes in working capital.

Cash flow used in operating activities during the six months ended June 30, 2019 decreased from the prior comparable period primarily due to a decrease in cash paid for income taxes and other expenses related to obligations resulting from the receipt of payments pursuant to the Settlement Agreement and an increase in interest income.

### Investing Activities

Cash flow used in investing activities decreased during the six months ended June 30, 2019 due to a decrease in purchases of property, plant and equipment.

### Financing Activities

In June 2019, the Company completed a distribution of approximately \$76 million or \$0.76 per share to holders of Class A Shares as a return of capital. The return of capital was completed pursuant to a court-approved plan of arrangement transaction under the Business Corporations Act (Alberta) (the "Act") and required approval by the Court and at least two-thirds of the votes cast by Shareholders in respect of a special resolution. The return of capital transaction was affected pursuant to an arrangement transaction (the "Arrangement") in accordance with a plan of arrangement (the "Plan of Arrangement") pursuant to section 193 of the Act. Full details of the return of capital transaction are described in the Company's management proxy circular and other related materials filed with applicable Canadian securities regulatory authorities and made available at [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://www.sec.gov), and posted on the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com).

### Contractual Obligations

We had no material contractual obligation payments as of June 30, 2019. As described in Note 3 to the June 30, 2019 unaudited interim consolidated financial statements, the Company would be obligated to make payments under the Bonus Plan and CVR agreements in the event of receipt of additional payments from Venezuela under the Settlement Agreement.

### Results of Operations

#### Summary Results of Operations

Consolidated net loss for the three and six months ended June 30, 2019 was approximately \$(3.7) million and \$(6.5) million, respectively compared to consolidated net income of \$67.1 million and \$64.1 million during the comparable periods in 2018.

	Three Months			Six Months		
	2019	2018	Change	2019	2018	Change
Income	\$ 647,953	\$88,121,074	\$(87,473,121)	\$ 1,454,731	\$88,152,671	\$(86,697,940)
Expenses	(4,366,562)	(9,072,039)	4,705,477	(7,933,698)	(11,570,197)	3,636,499
Net income (loss) before tax	(3,718,609)	79,049,035	(82,767,644)	(6,478,967)	76,582,474	(83,061,441)
Income tax expense	—	(11,923,975)	11,923,975	—	(12,523,265)	12,523,265
Net income (loss) for the period	\$(3,718,609)	\$67,125,060	\$(70,843,669)	\$(6,478,967)	\$64,059,209	\$(70,538,176)

#### Income

	Three Months			Six Months		
	2019	2018	Change	2019	2018	Change
Gain on sale of mining data	\$ —	\$52,500,000	\$(52,500,000)	\$ —	\$52,500,000	\$(52,500,000)
Arbitration award	—	36,000,000	(36,000,000)	—	36,000,000	(36,000,000)
Interest income	440,415	67,744	372,671	971,053	88,832	882,221
Loss on marketable equity securities	(86,439)	(24,060)	(62,379)	(100,565)	(11,604)	(88,961)
Foreign currency gain (loss)	293,977	(422,610)	716,587	584,243	(424,557)	1,008,800
	\$647,953	\$88,121,074	\$(87,473,121)	\$1,454,731	\$88,152,671	\$(86,697,940)

As the Company has no commercial production or source of operating cash flow at this time, income is often variable from period to period and subject to payments made pursuant to the Settlement Agreement, if any. The decrease in income was primarily due to not receiving any payments under the Settlement Agreement in 2019 partially offset by increases in interest income and foreign currency gain.

## Expenses

	Three Months			Six Months		
	2019	2018	Change	2019	2018	Change
Corporate general and administrative	\$1,291,411	\$3,344,441	\$(2,053,030)	\$2,448,259	\$4,515,276	\$(2,067,017)
Contingent value rights	–	4,459,124		–	4,459,124	
Siembra Minera	2,431,298	662,030	(4,459,124)	4,269,160	1,243,063	(4,459,124)
Project costs			1,769,268			3,026,097
Exploration costs	2,728	–		2,728	–	2,728
Legal and accounting	518,866	314,453	204,413	899,228	748,256	150,972
Arbitration and settlement	13,570	88,673	(75,103)	97,672	125,308	(27,636)
Equipment holding costs	108,689	203,318	(94,629)	216,651	479,170	(262,519)
<b>Total expenses</b>	<b>\$4,366,562</b>	<b>\$9,072,039</b>	<b>\$(4,705,477)</b>	<b>\$7,933,698</b>	<b>\$11,570,197</b>	<b>\$(3,636,499)</b>

Corporate general and administrative expense and contingent value rights expense decreased from the prior comparable periods as a result of a decrease in expenses related to receipt of payments under the Settlement Agreement. Expenses associated with the Siembra Minera Project for the six months ended June 30, 2019 increased over the prior comparable period as a result of the carry-over of a work contract signed in 2018 to implement various social works programs in the project area (See Siembra Minera Project Completed Activities). Legal and accounting expenses increased primarily as a result of professional fees associated with the return of capital transaction. The decrease in equipment holding costs was due to the relocation of certain equipment in 2018. Overall, total expenses for the three and six months ended June 30, 2019 decreased by approximately \$4.7 million and \$3.6 million, respectively, from the comparable periods in 2018.

## Summary of Quarterly Results (1)

Quarter ended	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
Income (loss)	\$647,953	\$806,778	\$(33,559,907)	\$(3,023,389)	\$88,121,074	\$31,597	\$(120,524)	\$82,289,038
Net income (loss)								
before tax (2)	(3,718,609)	(2,760,358)	(36,090,031)	(8,604,190)	79,049,035	(2,466,561)	(3,935,744)	65,135,602
Per share	(0.04)	(0.03)	(0.36)	(0.09)	0.80	(0.02)	(0.04)	0.68
Fully diluted	(0.04)	(0.03)	(0.36)	(0.09)	0.79	(0.02)	(0.04)	0.68
Net income (loss) (2)	(3,718,609)	(2,760,358)	(25,921,698)	3,720,859	67,125,060	(3,065,851)	7,698,845	34,275,443
Per share	(0.04)	(0.03)	(0.26)	0.04	0.67	(0.03)	0.08	0.36
Fully diluted	(0.04)	(0.03)	(0.26)	0.04	0.67	(0.03)	0.08	0.36

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

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

In the first and second quarters of 2019, income primarily consisted of interest and foreign currency gain as the Company did not receive any additional payments related to the Settlement Agreement.

In the third and fourth quarters of 2018, income declined primarily due to a decrease in receipts associated with the Settlement Agreement, losses on marketable debt securities and a loss on the impairment of funds held in the Trust Account.

In the second quarter of 2018, income increased as a result of gain on sale of Mining Data. In the first quarter of 2018, income increased as a result of a decrease in foreign currency loss.

In the fourth quarter of 2017, income decreased as the Company did not have any receipts from the sale of its Mining Data.

In the third quarter of 2017, the Company recorded \$88.5 million of income related to the sale of its Mining Data and a \$6.1 million loss on settlement of debt.

In the first and second quarters of 2019, the Company recorded net losses primarily because the Company did not have any receipts from the Settlement Agreement.

In the fourth quarter of 2018 the Company recorded a net loss primarily as a result of losses on marketable debt securities and loss on impairment of funds held in trust partially offset by an increase in tax benefit (See Note 10 to the audited consolidated financial statements).

In the third quarter of 2018, the Company recorded net income primarily as a result of the recognition of certain tax benefits associated with the sale of the Mining Data.

In the second quarter of 2018, net income increased as a result of gain on sale of Mining Data and the collection of the arbitration award.

In the first quarter of 2018, the Company recorded net losses primarily because the Company did not have any receipts from the sale of its Mining Data or from the arbitration award.

In the fourth quarter of 2017, the Company recorded net income primarily as a result of an adjustment to income tax expense.

In the third quarter of 2017, the Company recorded net income as a result of the deposit of funds by Venezuela into the Trust Account associated with the sale of its Mining Data partially offset by the loss on settlement of debt.

**Off-Balance Sheet Arrangements**

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expense, results of operations, liquidity, capital expenditures or capital resources.

**Form 52-109F2**  
**Certification of interim filings – full certificate**

I, Rockne J. Timm, Chief Executive Officer of Gold Reserve Inc., certify the following:

1. I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Gold Reserve Inc. (the "issuer") for the interim period ended June 30, 2019.
2. Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework.
- 5.2 N/A
- 5.3 N/A
6. The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 22, 2019

/s/Rockne J. Timm  
Rockne J. Timm  
Chief Executive Officer



**Form 52-109F2**  
**Certification of interim filings – full certificate**

I, Robert A. McGuinness, Chief Financial Officer of Gold Reserve Inc., certify the following:

1. I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Gold Reserve Inc. (the "issuer") for the interim period ended June 30, 2019.
2. Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework.
- 5.2 N/A
- 5.3 N/A
6. The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 22, 2019

/s/Robert A. McGuinness

Robert A. McGuinness  
Chief Financial Officer