

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**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 May 2018

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):

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

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

- 99.1 Notice of Annual Meeting of Shareholders and Information Circular**
- 99.2 Form of Proxy**
- 99.3 Supplemental Mailing List Return Card**
- 99.4 Annual Report**

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

The information presented or incorporated by reference in this report contains both historical information and "forward-looking statements" (within the meaning of Section 27A of the Securities Act 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 and 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:

- The risk that the conclusions of management and its qualified consultants contained in the most recent Preliminary Economic Assessment of the Siembra Minera Gold Copper Project (the "Project") in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects may not be realized in the future.
  - delay or failure by Venezuela to make payments or otherwise honor its commitments under the Settlement Agreement, including with respect to the sale of the Mining Data or the payment of the Award;
  - the risk that Venezuela may not transfer the funds deposited to the 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, to our U.S. or Canadian bank accounts;
  - the risk of the imposition of further sanctions by the U.S., Canada or other jurisdictions that may negatively impact our ability to freely transfer funds held in the Trust Account or our ability to do business in Venezuela;
  - the ability of the Company and Venezuela to (i) successfully overcome any legal, regulatory or technical obstacles to operate Siembra Minera and develop and later operate the Siembra Minera Project, (ii) obtain any remaining governmental approvals and (iii) obtain financing to fund the capital and initial operating costs of the Siembra Minera Project;
  - the risk the activities planned to be undertaken pursuant to the Permit to Effect and the social programs planned to be undertaken associated with the Siembra Minera Project area may not proceed as anticipated;
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- risks associated with exploration, delineation of adequate resources and reserves, regulatory and permitting obstacles and other risks incident to the exploration, development and operation of mining properties in Venezuela and generally for mining projects including our ability to achieve revenue producing operations in the future;
- local risks associated with the concentration of our future operations and assets in Venezuela, including operational, security, legal, regulatory, political and economic risks;
- 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 make payments to the Trust Account under the Settlement Agreement, it is terminated and further efforts to meet the commitments in the Settlement Agreement are abandoned;
- pending the receipt of payments to the Trust Account and transfer of such payments under the Settlement Agreement to our U.S. or Canadian bank accounts, our continued ability to service our obligations as they come due and access future additional funding, when required, for ongoing liquidity and capital resources, including as a result of payments of certain of those funds that must be made to our shareholders and holders of CVRs;
- potential shareholder dilution resulting from future financings;
- our prospects in general for the identification, exploration and development of additional mining projects;
- risks associated with the abilities and continued participation of key employees; and
- changes in U.S., Canadian and/or other tax laws to which we are 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 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: May 16, 2018

**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

**Exhibit 99.1**

**GOLD RESERVE INC.**

999 W. Riverside Ave., Suite 401,  
Spokane, WA 99201

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual meeting (the "Meeting") of the holders of Class A common shares (the "Shareholders") of GOLD RESERVE INC. (the "Company") will be held at 999 W. Riverside Avenue, 7<sup>th</sup> Floor, Masthead Suite, Spokane, Washington, USA on June 14, 2018 at 9:30 a.m. (Pacific daylight time) for the following purposes:

- 1) to elect directors of the Company to hold such positions until the next annual meeting of Shareholders or until their successors are elected and have qualified;
- 2) to appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorize the directors of the Company to fix their remuneration;
- 3) to receive the financial statements of the Company for the year ended December 31, 2017, together with the report of the auditors thereon; and
- 4) to conduct any other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person and who wish to ensure that their Class A common shares will be voted are requested to complete, sign and mail the enclosed form of proxy to Proxy Services, c/o Computershare Investor Services, P.O. Box 505000, Louisville, KY 40233. Proxies must be received not later than 48 hours preceding the Meeting or any adjournment or postponement thereof. A form of proxy, proxy statement/information circular, supplemental mailing list return card and a copy of the Company's 2017 Annual Report on Form 40-F (the "2017 Annual Report") accompany this Notice of Annual Meeting of Shareholders. The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying management information circular.

This Notice of Annual Meeting of Shareholders, the 2017 Annual Report and Supplemental Mailing List Return Card are being mailed or made available to Shareholders entitled to vote at the Annual Meeting, on or about May 10, 2018.

The Board of Directors has fixed the close of business on May 1, 2018 as the record date for the determination of Shareholders entitled to notice of the meeting and any adjournment or postponement thereof.

DATED this 1<sup>st</sup> day of May 2018 BY ORDER OF THE DIRECTORS

Rockne J. Timm  
Chief Executive Officer

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**GOLD RESERVE INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**MANAGEMENT SOLICITATION OF PROXIES**

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of GOLD RESERVE INC. (the “Company”) to be voted at the Annual Meeting of Shareholders of the Company (the “Meeting”) to be held on Thursday, the 14<sup>th</sup> day of June 2018 at 9:30 a.m. (Pacific daylight time), at 999 W. Riverside Avenue, 7<sup>th</sup> Floor Masthead Suite, Spokane, Washington, USA and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Company. Employees will not receive any extra compensation for such activities. The Company may pay brokers, nominees or other persons holding Class A common shares of the Company (the “Class A Shares”) in their name for others for their reasonable charges and expenses in forwarding proxies and proxy materials to beneficial owners of such Class A Shares, and obtaining their proxies. The Company may also retain independent proxy solicitation agents to assist in the solicitation of proxies for the Meeting. The cost of solicitation by management will be borne by the Company. Except where otherwise stated, the information contained herein is given as of the 1<sup>st</sup> day of May 2018.

The Notice of Annual Meeting of Shareholders, Circular and the Company’s 2017 Annual Report on Form 40-F (the “2017 Annual Report”) are also available for review on the Company’s website at [www.goldreserveinc.com](http://www.goldreserveinc.com) under 2018 Annual Shareholder Meeting and [www.sedar.com](http://www.sedar.com).

**CURRENCY**

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

**APPOINTMENT AND REVOCATION OF PROXIES**

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

The completed proxy will be deemed valid when deposited at the office of Proxy Services, c/o Computershare Investor Services, P.O. Box 505000, Louisville, KY 40233 not later than 48 hours preceding the Meeting or any adjournment or postponement thereof, or with the Chairman of the Meeting immediately prior to the commencement of the Meeting or any adjournment or postponement thereof, otherwise the instrument of proxy will be invalid.

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

You may revoke or change your proxy at any time before it is exercised at the Meeting. In the case of Shareholders appearing on the registered shareholder records of the Company, a proxy may be revoked at

any time prior to its exercise by sending or depositing a written notice of revocation or another signed proxy bearing a later date to the Secretary of the Company at its principal executive office located at 999 W. Riverside Avenue, Suite 401, Spokane, Washington 99201, USA not later than 48 hours preceding the Meeting or any adjournment or postponement thereof. You may also revoke your proxy by giving notice or by voting in person at the Meeting; your attendance at the Meeting, by itself, is not sufficient to revoke your proxy. The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his discretion, without notice.

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

#### EXERCISE OF DISCRETION BY PROXIES

**The Class A Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Class A Shares will be voted accordingly. IN THE ABSENCE OF SUCH CHOICE BEING SPECIFIED, SUCH CLASS A COMMON SHARES WILL BE VOTED “FOR” THE MATTERS SPECIFICALLY IDENTIFIED IN THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS ACCOMPANYING THIS CIRCULAR.**

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

#### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company's issued and outstanding shares consist of Class A Shares. Holders of Class A Shares (the "Shareholders") are entitled to one vote per share and will vote on all matters to be considered and voted upon at the Meeting or any adjournment or postponement thereof. As of May 1, 2018, the record date for the Meeting, there were 99,395,048 issued and outstanding Class A Shares.

The Company has set the close of business on May 1, 2018 as the record date for the Meeting. The Company will prepare a list of Shareholders of record at such time. Shareholders will be entitled to vote the Class A Shares then registered in their name at the Meeting except to the extent that (a) the holder has transferred the ownership of any of his Class A Shares after that date, and (b) the transferee of those Class A Shares, in accordance with the Business Corporations Act (Alberta) (the "ABCA"), produces properly endorsed share certificates, or otherwise establishes that he owns the Class A Shares, and demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Class A Shares at the Meeting or any adjournment or postponement thereof.

To the knowledge of the directors and executive officers of the Company, as of May 1, 2018, the only persons, firms or corporations that beneficially owned, or exercised control or direction, directly or indirectly, over more than 10% of the voting rights attached to the Class A Shares were:

Shareholder Name and Address	Number of Class A Shares Held	Percentage of Class A Shares Issued <sup>(1)</sup>
<b>Steelhead Partners, LLC</b>	<b>10,499,924 <sup>(2)</sup></b>	<b>10.6 %</b>
<b>Greywolf Capital Management LP <sup>(3)</sup></b>	<b>26,454,256</b>	<b>26.6 %</b>
Greywolf Event Driven Master Fund.	6,380,948	6.4 %
Greywolf Overseas Intermediate Fund	5,434,228	5.5 %
Greywolf Strategic Master Fund SPC, Ltd. – MSP9	11,771,916	11.8 %
Greywolf Strategic Master Fund SPC, Ltd. – MSP5	2,867,164	2.9 %

(1) Based on the number of Class A Shares outstanding on May 1, 2018.

(2) Mr. Johnston is the managing member of Steelhead Partners, LLC, which acts as investment manager of Steelhead Navigator Master, L.P. and another client account that together hold 10,499,924 Class A Shares. As such, Mr. Johnston may be deemed to beneficially own the shares owned by these client accounts in that he may be deemed to have the power to direct the voting or disposition of these shares. Otherwise, Mr. Johnston disclaims beneficial ownership of these securities.

(3) The number of Class A Shares held is based on publicly available information filed with the U.S. Securities and Exchange Commission (“SEC”) by Greywolf Capital Management LP on August 23, 2017.

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than five percent (5%) of the outstanding shares of the Corporation carrying voting rights at the meeting, provided that, if there should be only one shareholder of the Corporation entitled to vote at any meeting of shareholders, the quorum for the transaction of business at the meeting of shareholders shall consist of the one shareholder. Except as may otherwise be stated in this Circular, the affirmative vote of a majority of the votes cast with respect to an item or proposal at the Meeting (an ordinary resolution) is required to approve all items presented in this Circular.

#### VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders at the close of business on May 1, 2018 or the persons they designate as their proxies are permitted to vote at the Meeting. In many cases, however, the Class A Shares owned by a person (a “non-registered holder”) are registered either: (a) in the name of an intermediary (an “Intermediary”) that the non-registered holder deals with in respect of the Class A Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

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

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

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

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

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

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



## BUSINESS OF THE MEETING

### Item 1 – Election of Directors

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

The Board has held 25 meetings since the beginning of the most recently completed financial year at which attendance, in person or by phone, averaged 98%. Messrs. Belanger and Coleman attended all 25 of the meetings; Messrs. Potvin and Timm each attended 24 meetings; Mr. Geyer attended 23 meetings; Mr. McChesney resigned as Director effective August 29, 2017 and attended 14 of the 14 meetings for which he was entitled to attend. Messrs. Cohen and Johnston became directors effective August 29, 2017 and each attended 11 of the 11 meetings for which they were entitled to attend.

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

The following table and the notes thereto state the name and residence of all of the persons proposed to be nominated by management for election as directors, their principal occupations, the period or periods of service as directors of the Company, the approximate number of Class A Shares beneficially owned, controlled or directed, directly or indirectly, by each of them as at the date hereof and the committees of the Board of which they are a member.

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

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

Name and Place of Residence	Principal Occupation	Director of Gold Reserve Inc. since	Shares		Member of Committee
			Beneficially Owned or Controlled		
James H. Coleman, Q.C. Calgary, Alberta, Canada	Mr. Coleman is the executive chairman of the Company, director of Gold Reserve Corporation since 1994, and a lawyer and a senior partner with the law firm of Norton Rose Fulbright Canada LLP. He has extensive international industry and public company experience as a result of his membership on the Board for over 24 years and on the boards of directors of other issuers such as Avion Gold Corporation and Endeavour Mining Corporation. He has also been a director of Siembra Minera since 2016, Great Basin Energies Inc. since 1996 and MGC Ventures, Inc. since 1997 as well as Energold Drilling Corp. since 1994.	1994	780,588		Executive Committee  Legal Committee  Nominating Committee (Chair)  Barbados Committee

<b>Name and Place of Residence</b>	<b>Principal Occupation</b>	<b>Director of Gold Reserve Inc. since</b>	<b>Shares Beneficially Owned or Controlled</b>	<b>Member of Committee</b>
Rockne J. Timm Spokane, Washington, USA	Mr. Timm has been a director of the Company for over 30 years and the chief executive officer of the Company for 29 years. Prior to his involvement with the Company, he was the chief financial officer and vice president of finance of a mining company with six producing gold mines. Mr. Timm is also the president and director of Gold Reserve Corporation, chief executive officer of GR Mining (Barbados) Inc. and GR Procurement (Barbados) Inc. since 2016. Mr. Timm has also been a director of Siembra Minera since 2016. In addition, Mr. Timm has been a director of Great Basin Energies, Inc. since 1981 and MGC Ventures, Inc. since 1989.	1984	1,530,040	Executive Committee (Chair)  Legal Committee
A. Douglas Belanger Spokane, Washington, USA	Mr. Belanger is a geologist with significant industry experience who has been a director of the Company for 29 years and the president of the Company for 13 years. Mr. Belanger also served as executive vice president from 1988 through 2004. He is also the executive vice president and director of Gold Reserve Corporation since 1988, a director of Siembra Minera, director and president of GR Mining (Barbados) Inc. and GR Procurement (Barbados) Inc. since 2016 and GR Mining Group (Barbados) Inc. since 2018, (the "Barbados Subsidiaries"). He has been executive vice president and director of Great Basin Energies Inc. since 1984 and MGC Ventures, Inc. since 1997. Mr. Belanger has also been a policy analyst for the Canadian federal government and a gold mining analyst for two major Canadian investment banks. Prior to his involvement with the Company, he was also an officer of a mining company with six producing gold mines.	1988	1,700,940	Executive Committee  Mining Committee  Financial Markets Committee  Barbados Committee (Chair)
James P. Geyer Spokane, Washington USA	Mr. Geyer, who has a Bachelor of Science in Mining Engineering, has been a director of the Company for 20 years and has significant operating and mine project experience in gold and copper operations around the world as well as public company experience as a result of	1997	407,473	Audit Committee  Compensation Committee  Mining Committee (Chair)

his roles with the Company, Wheaton  
River Minerals Ltd., USMX Inc.,  
Thompson Creek Metals Company Inc.  
("Thompson Creek") (during which time  
Thompson Creek constructed and  
commission the Mont Milligan Mine) and  
Stonegate Agricom Ltd. Prior to the

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Name and Place of Residence		Principal Occupation	Director of Gold Reserve Inc. since	Shares Beneficially Owned or Controlled	Member of Committee
		expropriation of the Brisas Project by Venezuela, Mr. Geyer was the Senior Vice President of the company responsible for the development of the Brisas Project. Mr. Geyer also led the analysis on behalf of the Company of the Brisas Cristinas Project. Mr. Geyer has considerable knowledge of the Brisas Cristinas Project and extensive experience with mining regulations in Venezuela.			
Jean Charles Potvin Toronto, Ontario, Canada	Mr. Potvin holds a Hon. BSc. in geology as well as an MBA and has been a director of the Company for almost 25 years and is also a director of Gold Reserve Corporation since 1993, Murchison Minerals Ltd. (formerly Flemish Gold Corp.) and a director and chairman of the audit committee of Azimut Exploration Ltd. a publicly listed mineral exploration company. He is also a director and member of the audit committee of Canadian Zinc Corporation. Mr. Potvin has been a key member of the Company's Audit Committee for almost 15 years. Mr. Potvin also has nearly 14 years' experience as a top-ranked mining investment analyst at Burns Fry Ltd. (now BMO Nesbitt Burns Inc.). Mr. Potvin was also a founder and the chief executive officer of an international mineral exploration company that was acquired in a friendly transaction by one of the largest gold companies in the world. Mr. Potvin has extensive mineral development experience in Canada, Central and South America as well as Africa.	1993	316,672	Compensation Committee (Chair) Audit Committee (Chair) Nominating Committee Mining Committee Financial Markets Committee (Chair)	
Robert A. Cohen Becket. Massachusetts USA	Mr. Cohen retired as of October 1, 2016 from his position as a litigation partner in the international law firm Dechert LLP, and its predecessor firms, in the New York office.	2017	-	Nominating Committee Legal Committee (Chair)	
James Michael Johnston Seattle, Washington, USA	Mr. Johnston co-founded Steelhead Partners LLC in late 1996 to form and manage the Steelhead Navigator Fund. Prior, as senior vice president and senior portfolio manager at Loews Corporation, Michael co-managed over \$5 billion in corporate	2017	10,499,924 (1)	Audit Committee Compensation Committee	

bonds and also managed an equity portfolio. He began his investment career at Prudential Insurance as a high yield and investment-grade credit analyst. Michael was promoted to co-portfolio manager of an \$11

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Name and Place of Residence	Principal Occupation	Director of Gold Reserve Inc. since	Shares	
			Beneficially Owned or Controlled	Member of Committee
	billion fixed income portfolio in 1991. He graduated with honors from Texas Christian University with a degree in finance and completed his MBA at the Johnson Graduate School of Business at Cornell University.			
Total			15,235,637	

- (1) Mr. Johnston is the managing member of Steelhead Partners, LLC, which acts as investment manager of Steelhead Navigator Master, L.P. and another client account that together hold 10,499,924 Class A Shares. As such, Mr. Johnston may be deemed to beneficially own the shares owned by these client accounts in that he may be deemed to have the power to direct the voting or disposition of these shares. Otherwise, Mr. Johnston disclaims beneficial ownership of these securities.

#### Other Executive Officers

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

Mr. McGuinness' principal occupation with the Company is as vice president of finance since March 1993 and chief financial officer since June 1993. He also serves as vice president of finance for Gold Reserve Corporation since 1993, vice president of finance and director of GR Mining (Barbados) Inc. and GR Procurement (Barbados) Inc. since 2016, vice president of finance and director of GR Mining Group (Barbados) Inc. since 2018, vice president of finance, chief financial officer and treasurer of Great Basin Energies, Inc. and MGC Ventures, Inc. since 1997. Mr. McGuinness resides in Spokane, Washington, USA.

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

Ms. Smith's principal occupation with the Company is as vice president of administration since January 1997 and secretary since June 1997. She also serves as vice president of administration for Gold Reserve Corporation since 1997, vice president of administration of GR Mining (Barbados) Inc. and GR Procurement (Barbados) Inc. since 2016, vice president of administration of GR Mining Group (Barbados) Inc. since 2018, vice president of administration and secretary of Great Basin Energies Inc. and MGC Ventures, Inc. since 1997. Ms. Smith resides in Spokane, Washington, USA. Ms. Smith will be retiring as of June 15, 2018.

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

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

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

occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

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

Mr. Coleman served as a director of Petrowest Corporation ("Petrowest") until May 18, 2017. On August 15, 2017 the banking syndicate of Petrowest obtained an order from the Alberta Court of Queen's Bench to place Petrowest into receivership.

#### **Item 2 – Appointment of Independent Auditors**

It is proposed that the firm of PricewaterhouseCoopers LLP be appointed by the Shareholders as independent certified public accountants to audit the financial statements of the Company for the year ending December 31, 2018 and that the Board be authorized to fix the auditors' remuneration. PricewaterhouseCoopers LLP were first appointed auditors of the Company in 1992. Representatives of PricewaterhouseCoopers LLP are not expected to be present at the Meeting.

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

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

#### **Item 3 – Consolidated Financial Statements**

A copy of the consolidated financial statements of the Company for the year ended December 31, 2017 (the "Financial Statements") and the report of the Company's independent auditors on the Financial Statements are included in the 2017 Annual Report and will be submitted at the Meeting. Copies of the Financial Statements can also be obtained on [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com). Shareholders are not being asked to vote on the receipt of the Financial Statements.

## EXECUTIVE COMPENSATION

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

### COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis (“CD&A”) is to provide information about the Company’s executive compensation philosophy, objectives and processes and to discuss compensation decisions relating to certain of the Company’s senior officers, being the five identified named executive officers (the “NEOs”) during the Company’s most recently completed financial year, being the year ended December 31, 2017. The NEOs who are the focus of this CD&A and who appear in the executive compensation tables of this Circular are: James H. Coleman, executive director and chairman, A. Douglas Belanger, president; Robert A. McGuinness, vice president finance and chief financial officer (the “CFO”); Rockne J. Timm, chief executive officer (the “CEO”); and Mary E. Smith, vice president administration and secretary.

#### Compensation Committee

The Company’s compensation program was administered during 2017 by the compensation committee of the Board (the “Compensation Committee”). The Compensation Committee is currently composed of the following directors: Jean Charles Potvin (Chair since August 2017) James P. Geyer Patrick D. McChesney (Chair until August 2017) James Michael Johnston The Compensation Committee met six times during 2017 via conference calls and email exchanges. While serving on the Compensation Committee, all of the members participated actively in all discussions. All of the members of the Compensation Committee have had direct experience in matters of executive compensation that is relevant to their responsibilities as members of such committee by virtue of their respective professions and long-standing involvement with public companies and matters of executive compensation. In addition, each member of the Compensation Committee keeps abreast on a regular basis of trends and developments affecting executive compensation.

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

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



The Company currently does not anticipate making any significant changes to its compensation policies and practices in 2018.

### **Compensation Program Philosophy**

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

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

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

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

While the Company encourages NEOs to own Class A Shares of the Company, the Company does not currently have a policy requiring officers or directors of the Company to own Class A Shares.

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

During 2017, the Company did not retain a compensation consultant or advisor to assist the Board or Compensation Committee in determining compensation for the Company's executive officers and directors.

### **Compensation Elements and Rationale for Pay Mix Decisions**

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

### *Compensation levels should be competitive*

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

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

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

### **Compensation Benchmarking**

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

Centerra Gold Inc. Detour Gold Corporation Guyana Goldfields Inc. Copper Mountain Mining Corporation Endeavour Mining Corporation Ivanhoe Mines Ltd.

Lydian International Limited NovaGold Resources Inc. SandSpring Resources Ltd.

Northern Dynasty Minerals Ltd. Pretium Resources Inc.

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

### **Components of Executive Compensation**

The components of executive compensation are as follows:

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

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

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

*KSOP Plan Contribution.* The Compensation Committee annually determines the contribution to an employee stock ownership plan with 401(k) provisions maintained by the Company's subsidiary, Gold Reserve Corporation (the "KSOP Plan"), for allocation to individual participants. Participation in and

contributions to the KSOP Plan by individual employees, including officers, is governed by the terms of the KSOP Plan. See “Incentive Plans – KSOP Plan”.

#### ***Chief Executive Officer's Compensation***

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

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

The determination of the CEO's compensation in 2017 was based on an internal survey of other companies previously mentioned herein, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities.

#### ***Other NEO's Compensation***

In determining the compensation of the other NEOs, the compensation during 2017 was also based on an internal survey of other companies, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities. Generally, the Compensation Committee considers prior compensation and equity grants when considering current compensation.

#### **Change of Control Agreements**

The Company maintains change of control agreements with each of the NEOs (the “Change of Control Agreements”) which were implemented by the Board to induce the NEOs to remain with the Company.

See “*Termination and Change of Control Benefits*” below.

## SUMMARY COMPENSATION TABLE

The following table discloses the compensation paid or granted by the Company to the NEOs for each of the fiscal years ended December 31, 2017, 2016, and 2015.

The amounts related to the option-based awards and the share-based awards do not necessarily represent the value of the Class A Shares when vesting occurs, the value of the stock options when exercised, or value the employee may realize from the sale of the Class A Shares.

Name and Principal Position	Year	Salary \$	Share-	Option-	Non-equity Incentive			All	
			based Awards \$	based Awards \$	plan compensation		Pension	Other	Total
					Annual	Long-	value	Compensation	Compensation
					incentive	term			
					plans	plans	\$	\$	\$
James H. Coleman <sup>(1)</sup> Executive Chairman and Director	2017	500,000	-	834,013 <sup>(2)</sup>	n/a	n/a	n/a	3,268,718 <sup>(3)</sup>	4,602,731
	2016	500,000	-	-	n/a	n/a	n/a	182,000 <sup>(4)</sup>	682,000
	2015	36,000	-	62,765 <sup>(5)</sup>	n/a	n/a	n/a	100,000 <sup>(6)</sup>	198,765
Rockne J. Timm <sup>(1)</sup> Chief Executive Officer and Director	2017	625,000	-	886,138 <sup>(2)</sup>	n/a	n/a	n/a	4,185,668 <sup>(3)</sup>	5,696,806
	2016	625,000	-	-	n/a	n/a	n/a	181,950 <sup>(7)</sup>	806,950
	2015	330,000	-	-	n/a	n/a	n/a	31,800 <sup>(8)</sup>	361,800
Robert A. McGuinness Vice President Finance and CFO	2017	241,500	-	208,503 <sup>(9)</sup>	n/a	n/a	n/a	841,739 <sup>(3)</sup>	1,291,742
	2016	212,625	-	-	n/a	n/a	n/a	27,641 <sup>(10)</sup>	240,266
	2015	210,000	-	-	n/a	n/a	n/a	25,200 <sup>(8)</sup>	235,200
A. Douglas Belanger <sup>(1)</sup> President and Director	2017	450,000	-	625,510 <sup>(2)</sup>	n/a	n/a	n/a	3,453,174 <sup>(3)</sup>	4,528,684
	2016	450,000	-	-	n/a	n/a	n/a	109,450 <sup>(11)</sup>	559,450
	2015	300,000	-	-	n/a	n/a	n/a	31,800 <sup>(8)</sup>	331,800
Mary E. Smith Vice President Administration and Secretary	2017	175,000	-	208,503 <sup>(9)</sup>	n/a	n/a	n/a	771,211 <sup>(3)</sup>	1,154,714
	2016	142,917	-	-	n/a	n/a	n/a	18,579 <sup>(10)</sup>	161,496
	2015	140,000	-	-	n/a	n/a	n/a	16,800 <sup>(8)</sup>	156,800

- Messrs. Coleman, Timm and Belanger did not receive compensation for their roles as directors.
- On February 16, 2017, the Company granted stock options to the NEOs as follows: Mr. Coleman, 800,000; Mr. Timm, 850,000 and Mr. Belanger, 600,000, with an exercise price of \$3.15 per share. The fair market value of these stock options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards ("Black-Scholes") with the following assumptions: a two year expected term; expected volatility of 59%; risk free interest rate of 1.22% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the stock options granted during 2017 was calculated at approximately \$1.04. The stock options vested immediately.
- Other compensation for 2017 consists of the payment for Retention Units (please see "Incentive Plans – Retention Units" below for more information regarding the Retention Units), payment under Bonus Plan (please see "2012 Bonus Pool Plan" below for more information regarding the Bonus Plan), bonuses to cover the exercise of stock options and resulting tax payments on the gain associated with the exercise of stock options, and the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan (or similar arrangement in the case of Mr. Coleman) for 2017 as follows:

	Cash Bonus to				
	Payment of	2012 Bonus	Exercise Stock	KSOP and	Total
	Retention Units	Pool Plan	Options	Other	
\$	\$	\$	\$	\$	
James H. Coleman	442,000	31,618	2,760,000	35,100	3,268,718
Rockne J. Timm	1,502,000	158,090	2,490,478	35,100	4,185,668
Robert A. McGuinness	589,000	71,140	146,499	35,100	841,739
A. Douglas Belanger	1,502,000	158,090	1,757,984	35,100	3,453,174
Mary E. Smith	524,400	65,212	146,499	35,100	771,211

- (4) During 2016 the Board authorized an increase in Mr. Coleman's annual salary to \$500,000 for services as Executive Chairman of the Board of Directors. This amount represents a retroactive payment to June 2015.
- (5) On June 29, 2015, the Company granted 75,000 stock options to Mr. Coleman with an exercise price of \$3.91 per share. The fair value of these stock options at the date of grant was estimated using Black-Scholes with the following assumptions: a two year expected term; expected volatility of 37%; risk free interest rate of 0.64% per annum; and a dividend rate of 0%.

The weighted average grant date fair value of these stock options was calculated at approximately \$0.84. The stock options vested immediately upon grant.

- (6) Represents cash fees earned as Chairman during 2015.
- (7) During 2016 the Board authorized an increase in Mr. Timm’s annual salary to \$625,000 retroactive to June 2015. The amount shown includes retroactive pay of \$147,500 and the Company’s cash contribution to the KSOP Plan for 2016 in the amount of \$34,450.
- (8) Represents the Company’s cash in the form of cash, to each of the NEOs allocated to the KSOP Plan for 2015.
- (9) On February 16, 2017, the Company granted stock options to the NEOs as follows: Mr. McGuinness, 200,000 and Ms. Smith, 200,000, with an exercise price of \$3.15 per share. The fair market value of these stock options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards (“Black-Scholes”) with the following assumptions: a two year expected term; expected volatility of 59%; risk free interest rate of 1.22% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the stock options granted during 2017 was calculated at approximately \$1.04. The stock options vest as follows: 1/2 upon grant, 1/4 on February 16, 2018, and 1/4 on February 16, 2019.
- (10) Represents the Company’s cash contribution to each of the NEOs allocated to the KSOP Plan for 2016.
- (11) During 2016 the Board authorized an increase in Mr. Belanger’s annual salary to \$450,000 retroactive to June 2015. The amount shown includes retroactive pay of \$75,000 and the Company’s cash contribution to the KSOP Plan for 2016 in the amount of \$34,450.

#### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the NEOs outstanding as at December 31, 2017. No share-based awards were outstanding as at December 31, 2017.

Name	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options #	Option exercise price \$	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> \$	Number of shares or units of shares that have not vested #	Market or payout value of share-based awards that have not vested \$	Market or payout value of share-based awards not paid out or distributed \$
James H. Coleman Executive Chairman and Director	6/11/2013	50,000	3.00	6/11/2018	14,500	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-
	6/29/2015	75,000	3.91	6/29/2025	-	-	-	-
	2/16/2017	400,000	3.15	2/16/2027	56,000	-	-	-
	Total	550,000			70,500	-	-	-
Rockne J. Timm Chief Executive Officer and Director	2/16/2017	425,000	3.15	2/16/2027	59,500	-	-	-
	Total	425,000			59,500	-	-	-
Robert A. McGuinness Vice President Finance and CFO	7/25/2014	75,000	4.02	7/25/2024	-	-	-	-
	2/16/2017	50,000	3.15	2/16/2027	7,000	-	-	-
	2/16/2017	125,000	3.15	2/16/2027	17,500	-	-	-
	Total	250,000			24,500	-	-	-
A. Douglas Belanger President and Director	2/16/2017	300,000	3.15	2/16/2027	42,000	-	-	-
	Total	300,000			42,000	-	-	-
Mary E. Smith Vice President Administration and Secretary	7/25/2014	60,000	4.02	7/25/2024	-	-	-	-
	2/16/2017	50,000	3.15	2/16/2027	7,000	-	-	-
	2/16/2017	125,000	3.15	2/16/2027	17,500	-	-	-
	Total	235,000			24,500	-	-	-

- (1) The “Value of unexercised in-the-money options” was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such stock options. At December 31, 2017 the closing price of the Class A Shares on the OTCQB was \$3.29.

## OPTIONS VESTED DURING THE YEAR

The following table sets forth information for NEOs regarding the value of stock options vesting during 2017. No share-based awards vested, and no non-equity incentive plan compensation was earned during 2017.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> \$	Share-based awards – Value vested during the year \$	Non-equity incentive plan compensation – Value earned during the year \$
James H. Coleman Executive Chairman and Director	48,000	-	-
Rockne J. Timm Chief Executive Officer and Director	51,000	-	-
Robert A. McGuinness Vice President Finance and CFO	6,000	-	-
A. Douglas Belanger President and Director	36,000	-	-
Mary E. Smith Vice President Administration and Secretary	6,000	-	-

- (1) On February 16, 2017 the following stock options vested each with an exercise price of \$3.15 per share and a market price of \$3.21 per share: 800,000 stock options vested for Mr. Coleman; 850,000 stock options vested for Mr. Timm; 100,000 stock options vested for Mr. McGuinness; 600,000 stock options vested for Mr. Belanger; and 100,000 stock options vested for Ms. Smith.

## INCENTIVE PLANS

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

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

The maximum number of Class A Shares issuable under stock options granted under the 2012 Plan is 8,750,000 Class A Shares. At the date of this Circular 2,073,435 stock options have been exercised, 4,854,565 stock options are outstanding and 1,822,000 are available for grant.

### Securities Authorized for issuance under Equity Compensation Plans

The following table sets forth certain information regarding the 2012 Plan as of December 31, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under 2012 Plan
Equity Incentive Plans approved by Shareholders	N/A	N/A	N/A
2012 Equity Incentive Plan not approved by Shareholders	5,091,565	N/A	1,585,000
Total	5,091,565		1,585,000

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

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

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

The 2012 Plan also provides for the following:

- a) stock options granted under the 2012 Plan will have an expiry date not to exceed 10 years from the date of grant;
- b) any stock options granted that expire or terminate for certain reasons without having been exercised will again be available under the 2012 Plan;
- c) stock options will vest as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board;
- d) the minimum exercise price of any stock options issued under the 2012 Plan will be the last previous closing price on the date of grant, subject to the requirements of the TSXV; and
- e) the Company's Board is authorized to grant to participants that number of stock options under the 2012 Plan not exceeding 8,750,000 of the issued and outstanding Class A Shares of the Company, less the number of currently outstanding stock options.

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

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

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



## **KSOP Plan**

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

Employee contributions to the 401(k) component of the KSOP Plan are limited in each year to the total amount of salary reduction the employee elects to defer during the year, which is limited in 2018 to \$18,500 (\$24,500 limit for participants who are 50 or more years of age, or who turn 50 during 2018).

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

Total employer and employee annual contributions to an employee participating in both the 401(k) and ESOP components of the KSOP Plan are limited (in 2018) to a maximum of \$55,000 (\$61,000 limit for participants who are 50 or more years of age or who turn 50 during 2018). The annual dollar limit is an aggregate limit which applies to all contributions made under this plan. For KSOP Plan year 2018 the Company has adopted a minimum "Safe Harbor" contribution of 3% of eligible compensation.

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

Allocated cash contributions to eligible KSOP Plan participants (9 participants for 2017) for plan years 2017, 2016, and 2015 were \$234,252, \$163,340, and \$149,605, respectively.

## **Retention Units**

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

The Board or a committee thereof may grant Units to directors and certain key employees of the Company or its subsidiaries. The Units fully vest and are payable upon the achievement of pre-established goals or a Change of Control (described below).

In June 2017, as a result of the collection of proceeds related to the sale of the Company's mining data (the "Mining Data") to Venezuela, the Retention Units issued in October, 2006 and December, 2007 vested and, in the third quarter of 2017, the Company paid \$7.7 million to plan participants. There are currently no Retention Units outstanding.

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

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

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

The Company maintains Change of Control Agreements with each of the NEOs, which were implemented by the Board to induce the NEOs to remain with the Company in the event of a Change of Control. The Board believes these individuals are important assets to the Company and their continued employment is important to oversee the current settlement arrangement with Venezuela including the development of Siembra Minera and the Brisas Cristinas Project. The Board further believes that the loss of their continued services could have a detrimental impact on the successful outcome of the current settlement arrangement with Venezuela and the future of the Siembra Minera Project.

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

Beginning in 2003, the Company entered into Change of Control Agreements with each of the NEOs (other than Mr. Coleman) and three other employees. On May 26, 2017, the Board approved a Change of Control Agreement with Mr. Coleman. Other than as disclosed herein, no other executive officers, directors or affiliates of the Company have Change of Control Agreements with the Company.

A “Change of Control” means one or more of the following:

1. the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Class A Shares;
2. a change in the composition of the Board (the “Incumbent Board”) that causes less than a majority of the current directors of the Board to be members of the incoming board; however, that any individual becoming a director subsequent to the effective date of the Change of Control Agreements, whose election, or nomination for election by the Shareholders, was approved by a vote of at least the majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;
3. reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company;
4. liquidation or dissolution of the Company; or
5. any other event the Board reasonably determines constitutes a Change of Control.

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

- an amount equal to 24 times his or her monthly salary (36 times for Mr. Timm, Mr. Belanger and Mr. Coleman), determined as of the date immediately prior to termination or the Change of Control, whichever is greater (the Change of Control time period of 24 months compared to 36 months is based primarily on seniority of position and responsibility and length of service with the Company);
- an amount equal to two years of the Company’s KSOP contributions (based upon the maximum allowable allocation pursuant to applicable law and the participant's annual salary immediately prior to his or her termination date or the Change of Control, whichever is greater);
- an amount equal to the aggregate of all bonuses received during the 12 months prior to his or her termination date, plus any amounts required to be paid in connection with unpaid vacation time;

- a payment equal to two times the monthly premium for maintenance of health, life, accidental death and dismemberment, and long term disability insurance benefits for a period of 36 months;
- cause all equity awards or equity-based awards (including stock options and restricted shares) granted to the participant to become fully vested and unrestricted;
- at the election of the participant, the buy-out of the cash value of any unexercised stock options based upon the amount by which the weighted average trading price of the Class A Shares for the last five days preceding the date the participant makes such election exceeds the exercise price of the stock options; and

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

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

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

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

Participants would have been entitled to collectively receive an aggregate of approximately \$16,157,090 if a Change of Control had occurred on December 31, 2017. This amount assumes all persons with Change of Control Agreements elect the buy-out of their stock options as described above. For purposes of such calculation, the Company assumed the election was made on December 31, 2017, which resulted in share price of \$3.29 per Class A Share. This amount was determined exclusive of any gross-up payments, which could be substantial depending on the tax position of each individual.

The following table represents the estimated payout for employees holding Change of Control Agreements at December 31, 2017. These amounts were determined exclusive of any gross-up payments, which could be substantial depending on the tax position of each individual.

Name	Payout of		
	Compensation <sup>(1)</sup>	Stock Options <sup>(2)</sup>	Total
	\$	\$	\$
James Coleman	4,395,118	70,500	4,465,618
Rockne J. Timm	4,778,754	59,500	4,838,254
Robert A. McGuinness	920,898	24,500	945,398
A. Douglas Belanger	3,555,245	42,000	3,597,245
Mary E. Smith	714,794	24,500	739,294
Total NEOs	14,364,809	221,000	14,585,809
Other participants	1,087,788	483,493	1,571,281
Total	15,452,597	704,493	16,157,090

(1) Represents the estimated payout as of December 31, 2017 of the associated salary, vacation, KSOP contribution, bonus and insurance.

(2) Represents the payout of stock options.

## DIRECTOR COMPENSATION

### Summary Director Fee Tables

Effective November 1, 2017, the Board approved an increase in the basic annual retainer for non-employee Board members from \$36,000 per annum to \$60,000 per annum and the following annual retainers for non-employee Committee chairs: the audit committee of the Board (the “Audit Committee”) \$8,000; the Compensation Committee \$6,000; the nominating committee of the Board (the “Nominating Committee”) \$6,000; the mining committee of the Board (the “Mining Committee”) \$6,000; Barbados Committee \$6,000; the legal committee of the Board (the “Legal Committee”) \$6,000; and the financial markets Committee of the Board (the “Financial Markets Committee”) \$6,000. All other non-employee Committee members receive an annual retainer of \$4,000. Payments are made on a quarterly basis.

Name	Year	Earned Fees (1)	Share-awards based	Option-based awards	Incentive Non-equity plan compensation	Compensation All Other (2)	Total
		\$	\$	\$		\$	\$
Jean Charles Potvin	2017	45,833	-	208,503 (3)	-	457,809	712,145
Robert A. Cohen	2017	18,500	-	112,888 (4)	-	-	131,388
James Michael Johnston	2017	16,000	-	-	-	-	16,000
James P. Geyer	2017	42,500	-	130,314 (3)	-	465,713	638,527
Patrick D. McChesney (5)	2017	24,000	-	156,377 (3)	-	457,809	638,186

(1) Represents cash fees granted as director during the year including committee fees.

(2) Other compensation for 2017 consists of the payment for Retention Units (please see “Incentive Plans – Retention Units” above for more information regarding the Retention Units) and payments under Bonus Plan (please see “2012 Bonus Pool Plan” below for more information regarding the Bonus Plan), as follows:

	Payment of		
	Retention Units	Bonus Plan	Total
Jean Charles Potvin	\$ 442,000	\$ 15,809	\$ 457,809
James P. Geyer	\$ 442,000	\$ 23,713	\$ 465,713
Patrick D. McChesney	\$ 442,000	\$ 15,809	\$ 457,809

(3) On February 16, 2017, the Company granted stock options as follows: Mr. Potvin, 200,000; Mr. Geyer, 125,000; and Mr. McChesney, 150,000, with an exercise price of \$3.15 per share. The fair market value of these stock options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards with the following assumptions: a two year expected term; expected volatility of 59%; risk free interest rate of 1.22% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the stock options granted during 2017 was calculated at approximately \$1.04. The stock options vest as follows: 1/2 upon grant, 1/4 on February 16, 2018, and 1/4 on February 16, 2019.

(4) On May 1, 2017, the Company granted 125,000 stock options to Mr. Cohen with an exercise price of \$2.69 per share. The fair market value of these stock options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards with the following assumptions: a two year expected term; expected volatility of 60%; risk free interest rate of 1.28% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the stock options granted was calculated at approximately \$0.90. The stock options vest as follows: 1/4 upon grant, 1/4 on November 1, 2017, and 1/4 on May 1, 2018 and 1/4 on November 1, 2018.

(5) Mr. McChesney resigned his position as Director effective August 29, 2017.

Certain NEOs, being Messrs. Coleman, Timm and Belanger, are also directors of the Company. None of such NEOs receive any additional compensation for acting as a director of the Company.

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the directors as at December 31, 2017. No Share-based awards were outstanding as at December 31, 2017.

Name	Grant Date	Option-based Awards				Share-based Awards			
		Number of securities underlying unexercised options	Option exercise price \$	Option expiration Date	Value of unexercised in-the-money options <sup>(1)</sup> \$	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of share-based awards not paid out or distributed	
Jean Charles Potvin	6/11/2013	50,000	3.00	6/11/2018	14,500	-	-	-	
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-	
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-	
	2/16/2017	200,000	3.15	2/16/2027	28,000	-	-	-	
<b>Total</b>		<b>310,000</b>			<b>42,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Robert A. Cohen	5/1/2017	125,000	2.69	5/1/2027	75,000	-	-	-	
<b>Total</b>		<b>125,000</b>			<b>75,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	
James Michael Johnston	-	-	-	-	-	-	-	-	
<b>Total</b>		<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
James P. Geyer	6/11/2013	50,000	3.00	6/11/2018	14,500	-	-	-	
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-	
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-	
	2/16/2017	125,000	3.15	2/16/2027	17,500	-	-	-	
<b>Total</b>		<b>235,000</b>			<b>32,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Patrick D. McChesney <sup>(2)</sup>	6/11/2013	50,000	3.00	6/11/2018	14,500	-	-	-	
	7/25/2014	25,000	4.02	7/25/2024	-	-	-	-	
	6/29/2015	35,000	3.91	6/29/2025	-	-	-	-	
	2/16/2017	150,000	3.15	2/16/2027	21,000	-	-	-	
<b>Total</b>		<b>260,000</b>			<b>35,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	

(1) The “Value of unexercised in-the-money options” was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such stock options. At December 31, 2017 the closing price of the Class A Shares on the OTCQB was \$3.29.

(2) Mr. McChesney resigned his position as Director effective August 29, 2017.

## OPTIONS VESTED DURING THE YEAR

The following table sets forth information for the directors other than the NEOs regarding the value of stock options vesting during 2017. No share-based awards vested, and no non-equity incentive plan compensation was earned, during 2017.

Name	Option-based awards – Value vested during the year \$	Share-based awards – Value vested during the year \$	Non-equity incentive plan compensation – Value earned during the year \$
J.C. Potvin <sup>(1)</sup>	4,000	-	-
Robert A. Cohen <sup>(2)</sup> <sub>(3)</sub>	37,812	-	-
James Michael Johnston	-	-	-
James P. Geyer <sup>(1)</sup>	2,500	-	-
Patrick D. McChesney <sup>(1)</sup> <sub>(4)</sub>	3,000	-	-

(1) On February 16, 2017, the following stock options vested: Mr. Potvin 66,667, Mr. Geyer 41,667; and Mr. McChesney 50,000; each with an exercise price of \$3.15 per share and a market price of \$3.21 per share.

(2) On May 1, 2017 31,250 stock options vested for Mr. Cohen each with an exercise price of \$2.69 per share and a market price of \$2.66 per share.

(3) On November 1, 2017 31,250 stock options vested for Mr. Cohen each with an exercise price of \$2.69 per share and a market price of \$3.90 per share.

(4) Mr. McChesney resigned his position as Director effective August 29, 2017.

## Directors and Officers Insurance

The Company carries directors' and officers' liability insurance which is subject to a total aggregate limit of approximately \$35,000,000. The annual premium for the latest policy period beginning April 2018 was \$1,085,000. In addition, the Company elected to exercise its options to obtain additional run off/extended reporting period coverage of \$8 million for six years at an annual cost of approximately \$72,000, from its previous primary coverage provider.

## 2012 BONUS POOL PLAN

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

In January 2013 and September 2014, the Compensation Committee selected Bonus Plan participants and fixed their respective percentage of participation in the bonus pool. Since September 2014 the Plan has been 100% allocated to plan participants and the Bonus Plan has been administered by a committee, composed of one or more independent members of the Board, appointed from time to time by the Board.

Participation in the Bonus Plan fully vests upon the participant's selection by the committee, 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.

Generally the bonus pool is established if and when the Company (i) recovers any settlement, award, or other payment made or other consideration transferred to the Company outside of Venezuela or any of its affiliates arising out of, in connection with or with respect to the Arbitration Proceedings, including, but not limited to the proceeds received by the Company or its affiliates from a sale, pledge transfer or other disposition, directly or indirectly, of the Company's rights with respect to the Arbitration Proceedings; (ii) sells, pledges, transfers or disposes, directly or indirectly, of all or any portion of the Mining Data, or (iii) in the event the Company or its Shareholders, directly or indirectly, engage in any (a) merger, plan of arrangement or other business combination transaction involving the Company or any of its subsidiaries,

- (b) a sale, pledge, transfer or other disposition of 85% or more of the Company's then outstanding Class A Shares or (c) sale, pledge, transfer or other disposition, directly or indirectly, of all or substantially all

of the assets of the Company ("Enterprise Sale").

The bonus pool is calculated on substantially the same terms as the Contingent Value Rights. In the case of the collection of the Award or disposition of our Mining Data, the bonus pool is comprised of the gross proceeds or the fair value of any consideration related to such transactions less certain deductions and applicable taxes and in the case of an Enterprise Sale the gross value of the transaction will be considered before any applicable taxes and after any Change of Control payments, the sum of which in either case shall be multiplied times 1% of the first \$200 million and 5% thereafter.

Based on the proceeds from the sale of our Mining Data, the Company in 2017 distributed to participants including the NEO's approximately \$0.8 million, which is discussed in the compensation section.

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

As of the date hereof or at any time within thirty days prior to the date hereof, no executive officer, director, employee, or former executive officer, director or employee of the Company is or was indebted in respect of any purchase of securities or otherwise to the Company or to any other entity for which the indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

#### **CORPORATE GOVERNANCE**

##### **CORPORATE GOVERNANCE MATTERS**

The Board and management of the Company recognize that effective corporate governance practices are fundamental to the long-term success of the Company. Sound corporate governance contributes to Shareholder value through increased confidence. The Board and management are therefore committed to maintaining a high standard of corporate governance and compliance with the applicable provisions of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*

("NI 58-101"). Additionally, while not currently prescriptive, the Board and management consider and, where appropriate, implement the corporate governance guidelines suggested in National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201"). The guidelines contained in NP 58-201 have been formulated to:

1. achieve a balance between providing protection to investors and fostering fair and efficient capital markets and confidence in capital markets;
2. be sensitive to the realities of the greater numbers of small companies and controlled companies in the Canadian corporate landscape;



3. take into account the impact of corporate governance developments in the U.S. and around the world; and
4. recognize that corporate governance is evolving.

#### **Independence and Board Matters**

The Board believes that Messrs. Potvin, Cohen, Geyer and Johnston are “independent” within the meaning of section 1.4 of Canadian National instrument 52-110 – Audit Committees (“NI 52-110”) and section 1.2 of NI 58-101. The Board believes that the four directors are free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with their ability to act independently from management or to act as a director with a view to the best interests of the Company, other than interests and relationships arising from shareholdings.

Currently, the positions of Chairman of the Board and CEO are separate. The Board does not have a policy on whether these roles should be separate or combined, but believes that the most effective leadership model for the Company at this time is to have these roles separated. While the current Chairman of the Board is non-independent by virtue of being an executive chairman, he currently remains responsible for providing leadership to the Board. The Board retains flexibility to determine whether these roles should be separate or combined in one individual in the future.

Each of the Audit Committee and the Compensation Committee are comprised of independent directors and such committees also hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. The Nominating Committee is comprised of a majority of independent directors. While the Board has not adopted a written mandate, the Board has adopted the Gold Reserve Inc. Code of Conduct and Ethics which can be found at [www.goldreserveinc.com](http://www.goldreserveinc.com) under Investor Relations – Corporate Governance and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 999 W. Riverside Avenue, Suite 401, Spokane, WA 99201, Attn: Investor Relations.

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

#### **Risk Oversight**

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

## AUDIT COMMITTEE

### Audit Committee Charter

The Audit Committee of the Board operates within a written mandate, as approved by the Board, which describes the Audit Committee's objectives and responsibilities. The full text of the Audit Committee Charter, as amended as of August 2014, is attached as "Appendix A" to this Circular.

### Membership and Role of the Audit Committee

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

Mr. Potvin is Director and Chairman of Murchison Minerals Ltd. (formerly Flemish Gold Corp.) and Director and Chairman of the audit committee of Azimut Exploration Ltd. a publicly listed mineral exploration company. Mr. Potvin holds a Bachelor of Science degree in Geology from Carleton University and an MBA from the University of Ottawa. He spent nearly 14 years as a mining investment analyst for a large Canadian investment brokerage firm (Burns Fry Ltd., now BMO Nesbitt Burns Inc.). Mr. Potvin has been a member of the Audit Committee since August 2003.

Mr. Geyer has a Bachelor of Science in Mining Engineering from the Colorado School of Mines, has 41 years of experience in underground and open pit mining and has held engineering and operations positions with a number of companies including AMAX and ASARCO. Mr. Geyer is a former Director of Thompson Creek Metals Inc. where he was previously a member of the audit committee. Mr. Geyer has been a member of the Audit Committee since March 19, 2015.

Mr. Johnston co-founded Steelhead Partners LLC in late 1996 to form and manage the Steelhead Navigator Fund. Prior, as senior vice president and senior portfolio manager at Loews Corporation, Michael co-managed over \$5 billion in corporate bonds and also managed an equity portfolio. He began his investment career at Prudential Insurance as a high yield and investment-grade credit analyst. Michael was promoted to co-portfolio manager of an \$11 billion fixed income portfolio in 1991. He graduated with honors from Texas Christian University with a degree in finance and completed his MBA at the Johnson Graduate School of Business at Cornell University.

The Audit Committee met four times during 2017 at which attendance, in person or by phone, averaged 92%. The Audit Committee's principal functions are to assist the Board in fulfilling its oversight responsibilities, and to specifically review: (i) the integrity of our financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of our system of internal audit function and the independent auditor; and (iv) our compliance with laws and regulations, including disclosure controls and procedures. During 2017, the Audit Committee worked with management, our internal auditor and our independent auditor to address Sarbanes-Oxley Section 404 internal control requirements.

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

## External Auditor Service Fees

Fees paid to the Company's independent external auditor, PricewaterhouseCoopers LLP, for the fiscal years ended December 31, 2017 and 2016 are detailed in the following table:

<b>Fee Category</b>	<b>Year Ended 2017</b>		<b>Year Ended 2016</b>	
Audit Fees <sup>(1)</sup>	\$	204,238	\$	140,131
Tax Fees <sup>(2)</sup>		111,340		116,620
All Other Fees		-		-
Total	\$	315,578	\$	256,750

All fees for services performed by the Company's external auditors during 2017 were pre-approved by the Audit Committee.

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

## Pre-approval Policies and Procedures

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

## NOMINATING COMMITTEE

### Nominating Committee Charter

The Nominating Committee of the Board operates within a written mandate, as approved by the Board, which describes the Nominating Committee's objectives and responsibilities. The full text of the Nominating Committee Charter is available on the Company's website, [www.goldreserveinc.com](http://www.goldreserveinc.com), under the Investor Relations – Governance section and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 999 W. Riverside, Suite 401, Spokane, WA 99201, Attn: Investor Relations.

### Membership and Role of the Nominating Committee

The Nominating Committee is currently composed of the following three (3) directors: James H. Coleman (Chair) Robert A. Cohen, and Jean Charles Potvin

Pursuant to the written mandate of the Nominating Committee, as amended, a majority of the members of the Nominating Committee are required to be independent and the Board has determined that a majority of the members satisfy the definition of “independent” director as established under NI 58-101 (i.e. other than James H. Coleman).

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

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

#### **COMPENSATION COMMITTEE**

The Compensation Committee is currently composed of the following three (3) directors: Jean Charles Potvin (Chair) James P. Geyer James Michael Johnston

For more information regarding the Compensation Committee, please see “*Compensation Discussion And Analysis - Compensation Committee*” above.

#### **LEGAL COMMITTEE**

The Legal Committee of the Board was created to review and monitor the Company’s legal position in respect of Board matters, matters related to enforcement of the Award, matters related to the Settlement Agreement and ancillary matters, matters related to Siembra Minera and the Barbados Subsidiaries, and all other legal matters arising out of the business of the Company, as well as liaising with legal counsel.

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

Robert A. Cohen (Chair)

James H. Coleman

Rockne J. Timm

## **MINING COMMITTEE**

The Mining Committee of the Board was created to review and monitor all mining activities related to the Barbados Subsidiaries and Siembra Minera and acting as an intermediary between the interactions between the Barbados Subsidiaries and the Board.

The Mining Committee is currently composed of the following three (3) directors: James P. Geyer (Chair) Jean Charles Potvin A. Douglas Belanger

## **FINANCIAL MARKETS COMMITTEE**

The Financial Markets Committee of the Board was created to evaluate the Company's external financial obligations with respect to debt and/or equity issues and to evaluate and review: the listing status of the Company's securities; the Company's public and investment market disclosure; and the Company's relationships with investment banks and mining analysts as well as the Shareholders.

The Financial Markets Committee is currently composed of the following two (2) directors: Jean Charles Potvin (Chair) A. Douglas Belanger

## **BARBADOS COMMITTEE**

The Barbados Committee of the Board was created to review and monitor the activities of the Barbados Subsidiaries and related transactions and activities with Siembra Minera.

The Barbados Committee is currently composed of the following two (2) directors: A. Douglas Belanger (Chair) James H. Coleman

## **ADDITIONAL INFORMATION**

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

## **COMMUNICATION WITH BOARD MEMBERS**

Any Shareholder or other interested party that desires to communicate with the Board or any of its specific members, including the chairman or the non-management directors as a group, should send their communication to the Secretary, Gold Reserve Inc., 999 W. Riverside Avenue, Suite 401, Spokane, Washington 99201. All such communications will be forwarded to the appropriate members of the Board.

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

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

## INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

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

## ANY OTHER MATTERS

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

## ADDITIONAL INFORMATION

Additional information about the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com), on the SEC's website at [www.sec.gov](http://www.sec.gov) and on the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com). Additional financial information is provided in the Company's comparative annual financial statements and management's discussion and analysis for its year ended December 31, 2017, as contained in the 2017 Annual Report on Form 40-F filed with the SEC on or before April 26, 2018. A copy of this document and other public documents of the Company are available upon request to:

Gold Reserve Inc.

Attention: Robert A. McGuinness 999 W. Riverside Avenue, Suite 401 Spokane, Washington 99201 Phone: (509) 623-1500 Fax: (509) 623-1634

## APPROVAL AND CERTIFICATION

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

Dated at Spokane, Washington this 1<sup>st</sup> day of May 2018.

(signed) "*Rockne J. Timm*"

Rockne J. Timm

Chief Executive Officer

(signed) "*Robert A. McGuinness*"

Robert A. McGuinness

Vice President Finance and Chief Financial Officer

APPENDIX A

GOLD RESERVE INC.  
(the "Company")

CHARTER OF THE AUDIT COMMITTEE OF  
THE BOARD OF DIRECTORS (the "Board")

As Amended and Restated August 2014

**Purpose**

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

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

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

**Organization**

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

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

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

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

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

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

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

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

### **Annual Financial Reporting**

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

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



treatments and the treatment preferred by the independent auditors; and

- other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.

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

### **Quarterly Financial Reporting**

The Committee shall:

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

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

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

#### **Other Functions**

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

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

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

The Committee shall periodically:

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

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

The Committee shall establish and maintain procedures for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## APPENDIX B

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

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

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

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

(ii) Disclose the process of identifying new candidates.

In considering and identifying new candidates for Board nomination, the Board, where relevant:

(a) addresses succession and planning issues;

**Disclosure Requirement under**

**Form 58-101F2**

**Company's Governance Practices**

- (b) identifies the mix of expertise and qualities required for the Board;
- (c) assesses the attributes new directors should have for the appropriate mix to be maintained;
- (d) arranges for each candidate to meet with the Board Chair and the CEO;
- (e) recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and
- (f) encourages diversity in the composition of the Board

6. (i) Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including who determines compensation.

The Board reviews from time to time the compensation paid to directors and NEOs in order to ensure that they are being adequately compensated for the duties performed and the obligations they assume. The Board as a whole is responsible for determining the compensation paid to the directors.

(ii) Disclose the process of determining compensation.

The Board considers evaluations submitted by the Compensation Committee evaluating the Company's performance and the performance of its executive officers, and ratifies the cash and equity-based compensation of such executive officers approved by the Compensation Committee.

7. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Executive Committee, which is comprised of Messrs. Coleman, Timm and Belanger, meets in person or by phone on a regular basis. Messrs. Coleman, Timm and Belanger are not

considered independent directors within  
the definition in NI 52-110.

The Executive Committee facilitates the  
Company's activities from an  
administrative perspective, but does not  
supplant the full Board in the  
consideration of significant issues facing



the Company.

The Legal Committee, which is comprised of Messrs. Coleman, Cohen and Potvin, was created to review and monitor the Company's legal position in respect of Board matters, matters related to enforcement of the Award, matters related to the Settlement Agreement and ancillary matters, matters related to Siembra Minera and the Barbados Subsidiaries, and all other legal matters arising out of the business of the Company, as well as liaising with legal counsel.

The Mining Committee, which is comprised of Messrs. Geyer, Potvin and Belanger, was created to review and monitor all mining activities related to the Barbados Subsidiaries and Siembra Minera and acting as an intermediary between the interactions between the Barbados Subsidiaries and the Board.

The Financial Markets Committee, which is currently comprised of Messrs. Povin and Belanger, was created to evaluate the Company's external financial obligations with respect to debt and/or equity issues and to evaluate and review: the listing status of the Company's securities; the Company's public and investment market disclosure; and the Company's relationships with investment banks and mining analysts as well as the Shareholders.

The Barbados Committee, which is comprised of Messrs. Belanger and Coleman, was created to review and monitor the activities of the Barbados Subsidiaries and related transactions and activities with Siembra Minera.

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

Due to its current size, the Board does not currently have a separate committee for assessing the effectiveness of the Board as a whole, the committees of the

**Disclosure Requirement under  
Form 58-101F2**

effectively.

**Company's Governance Practices**

Board, or the contribution of individual  
directors. The Board as a whole bears these responsibilities.

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

**GOLD RESERVE INC.**

**IMPORTANT ANNUAL MEETING INFORMATION**

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

**Annual Meeting Proxy Card**

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

**A Proposals — Management recommends that you vote “FOR” each of the director nominees and “FOR” Proposal 2.**



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

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 - James H. Coleman	<input type="checkbox"/>	<input type="checkbox"/>	02 - Rockne J. Timm	<input type="checkbox"/>	<input type="checkbox"/>	03 - A. Douglas Belanger	<input type="checkbox"/>	<input type="checkbox"/>
04 - James P. Geye	<input type="checkbox"/>	<input type="checkbox"/>	05 - Jean Charles Potvin	<input type="checkbox"/>	<input type="checkbox"/>	06 - Robert H. Cohen	<input type="checkbox"/>	<input type="checkbox"/>
07 - James Michael Johnston	<input type="checkbox"/>	<input type="checkbox"/>						

**For Against Abstain**

2. Appointment of PricewaterhouseCoopers LLP as auditors for the year ending December 31, 2018 and authorization of the Board of Directors to fix the auditor's remuneration.

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

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

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

Signature 1 — Please keep signature within the box.

Signature 2 — Please keep signature within the box.

/ /

1UPX



02UKUA



PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. 9

**PROXY — GOLD RESERVE INC.**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**JUNE 14, 2018**



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

The undersigned shareholder of Gold Reserve Inc. (the "Company") hereby appoints Rockne J. Timm, Chief Executive Officer of the Company, or failing him, Robert A. McGuinness, Vice President Finance and Chief Financial Officer of the Company, or instead of either of them, \_\_\_\_\_, as proxyholder for the undersigned, with power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual Meeting of Shareholders of the Company to be held on June 14, 2018 (the "Meeting") at 9:30 a.m. (Pacific daylight time) and at any adjournment or postponement thereof, in the same manner, to the same extent and with the same powers as if the undersigned were present at the Meeting or any adjournment or postponements thereof and, without limiting the general authorization given, the persons above named are specifically directed to vote on behalf of the undersigned in the following manner:

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

(Items to be voted appear on reverse side.)



**Exhibit 99.3**

**SUPPLEMENTAL MAILING LIST RETURN CARD**

(National Instrument 54-101)

NOTICE TO SHAREHOLDERS OF GOLD RESERVE INC.

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

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

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

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

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

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

Name (please print)

Address

City/Province (or State)/Postal Code

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

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

**Computershare Investor Services**

P.O. Box 505000  
Louisville, KY 40233

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



**2017**

ANNUAL REPORT TO SHAREHOLDERS

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## Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Gold Reserve Inc. and its subsidiaries (collectively "Gold Reserve", the "Company", "we", "us", or "our") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016, the related notes contained therein as well as the 2016 MD&A. This MD&A has been approved by our Board of Directors (the "Board") and is dated April 26, 2018.

### Currency

Unless otherwise indicated, all references to "\$", "U.S. \$" or "U.S. dollars" in this MD&A refer to U.S. dollars and references to "Cdn\$" or "Canadian dollars" refer to Canadian dollars. The 12 month average rate of exchange for one Canadian dollar, expressed in U.S. dollars, for each of the last two calendar years equaled 0.7705 and 0.7544, respectively, and the exchange rate at the end of each such period equaled 0.7989 and 0.7448, respectively.

### Cautionary Statement Regarding Forward-Looking Statements and Information

The information presented or incorporated by reference in this MD&A contains both historical information and "forward looking information" (within the meaning of applicable Canadian securities laws) or "forward-looking statements" (within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of U.S. Securities Exchange Act, as amended) (collectively referred to herein as "forward looking statements") that may state our intentions, hopes, beliefs, expectations or predictions for the future. Such forward-looking statements include, without limitation, statements with respect to the collection of future payments under the Settlement Agreement and/or the Award and development plans for the Siembra Minera Project.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause our actual financial results, performance or achievements to be materially different from those expressed or implied herein and many of which are outside our control.

Forward-looking statements 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:

- delay or failure by the Bolivarian Republic of Venezuela ("Venezuela") to continue to make payments or otherwise honor its commitments under the settlement agreement (as amended, the "Settlement Agreement") (as herein defined), including with respect to the transfer of the funds already 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");
- delay or failure by Venezuela to honor its commitments associated with the formation and operation of Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera");
- the risk that the conclusions of management and its qualified consultants contained in the most recent Preliminary Economic Assessment (the "PEA") of the Siembra Minera Gold Copper Project (the "Siembra Minera 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 the current Sanctions or the imposition of further Sanctions (as defined herein) by the U. S., Canada or other jurisdictions that negatively impact our ability to freely transfer funds held in the Trust Account or our ability to do business in Venezuela;
- risks associated with the ability of the Company and Venezuela to (i) successfully overcome any legal or regulatory obstacles to operate Siembra Minera for the purpose of developing the Siembra Minera Project, (ii) the completion of any additional definitive documentation and finalization of any remaining governmental approvals and (iii) obtain financing to fund the capital costs of the Siembra Minera Project;

- 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 the concentration of our future operations and assets in Venezuela, including operational, security, regulatory, political and economic risks;
- risks associated with the collection of the proceeds related to the sale of our mining data, previously compiled in association with the development of the Brisas Project (the "Mining Data") and our ability to resume our efforts to enforce and collect the International Centre for the Settlement of Investment Disputes ("ICSID") arbitral award (the "Award") granted in our favor, including the associated costs of such enforcement and collection effort and the timing and success of that effort, if Venezuela fails to make payments under the Settlement Agreement, it is terminated and further efforts related to the Settlement Agreement are abandoned;
- risks associated with our continued 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;
- 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;
- shareholder dilution resulting from the future sale of additional equity, if required;
- value realized from the disposition of the remaining assets related to our previous mining project in Venezuela known as the "Brisas Project", if any;
- abilities of and continued participation by certain employees; and
- impact of current or future U.S. and/or Canadian tax laws to which we are subject.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. See "Risk Factors." Investors are cautioned not to put undue reliance on forward-looking statements, whether in this document, other documents periodically filed with the Ontario Securities Commission (the "OSC") or the U.S. Securities and Exchange Commission (the "SEC") or other securities regulators or presented on our website. Forward-looking statements speak only as of the date made.

All subsequent written and oral forward-looking statements attributable to Gold Reserve or persons acting on its behalf are expressly qualified in their entirety by this notice. Gold Reserve disclaims 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 its disclosure obligations under applicable Canadian provincial and territorial securities laws or rules promulgated by the SEC. Investors are urged to read our filings with the Canadian and United States securities regulatory authorities, which can be viewed online at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively.

The terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101. However, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases, and such estimates are not part of the SEC industry Guide 7.

## Recent Activities

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



## Settlement Agreement

- Collection of the agreed upon payments pursuant to the Settlement Agreement whereby Venezuela agreed to pay us the amount of the Award granted in our favor (including interest) and purchase our Mining Data.  
As of the date of this report, Venezuela had deposited approximately \$187.5 million in the Trust Account; Bandes Bank has transferred a total of approximately \$128.5 million to Gold Reserve with approximately \$59 million remaining in the Trust Account. Venezuela has not paid the Company, or deposited into the Trust Account, the required payments for the last five months (including April 2018) totaling approximately \$147.5 million.

## Mixed Company- Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera")

- Completed a PEA in accordance with NI 43-101 which included updated resource estimates and cost estimates for the Siembra Minera Project;
- Compiled preliminary design and cost estimates on a smaller 15,000 tonne per day ("tpd") cyanidation plant (the "Small Plant") and a larger 140,000 tpd flotation plant (the "Large Plant");
- Prepared an Early Works Program (including earthwork, timber clearing and road building) along with various permitting applications which have been submitted to the government and will be used to prepare Venezuelan Environmental Impact Statements ("VEIS") for both the saprolite and hard rock process plants;
- Completed preliminary assessments and preparations related to an International Environmental and Social Impact Assessment ("IESIA") for the Siembra Minera Project;
- Worked with the Ministry of Health to provide medical assistance to the local communities, in the area of the Siembra Minera Project, to minimize and eradicate the impact of HIV, malaria and other tropical diseases; and
- Worked with the Ministry of Ecological Mining Development, Mission Piar, the Bolivar State government, the Army and National Guard to coordinate the local communities and small miners regarding the development of the Siembra Minera Project.

## Convertible Notes and Interest Notes

- In the third and fourth quarters of 2017, the Company settled all of its outstanding 11% Senior Secured Convertible Notes due December 31, 2018 ("2018 Convertible Notes") and Interest Notes (approximately \$59.1 million face value) (collectively, the "2018 Notes") and 5.5% Senior Subordinated Convertible Notes due June 15, 2022 (the "2022 Convertible Notes") (approximately \$1.0 million face value) for cash and Class A common shares.

## **Exploration Prospects**

### Siembra Minera Project

In August 2016, we executed an agreement with Venezuela 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 Corporacion Venezolana de Minería, S.A., a Venezuelan government corporation and 45% by Gold Reserve.

The significant negotiated terms related to the formation of Siembra Minera and its development and operation of the Siembra Minera Project include:

- 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 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;

- 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 Gazette No. 40.855), 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;
- Gold price participation, in accordance with an agreed upon 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% 645.0% and 60.5% 639.5%, respectively;
- Payment of a special advantage to Venezuela of 3% of gross sales;
- Net smelter return royalty ("NSR") to Venezuela 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;
- 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;
- Authorization 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;
- Siembra Minera is expected to undertake initiatives to secure financing(s) to fund the anticipated capital costs of the Siembra Minera Project, which is expected to be in excess of \$2 billion. In order to facilitate the early startup of the pre-operation and construction activities, Venezuela agreed to advance \$110.2 million to Siembra Minera, which is expected to be repaid from the financing proceeds;
- Funds associated with future capital cost financings and sale of gold, copper and silver will be held in offshore US dollar accounts and dividends and profit distributions, if any, will be directly paid to the shareholders of Siembra Minera;
- All funds will be converted into local currency at the most favorable exchange rate offered by Venezuela to other entities to pay, as required, Venezuela income taxes and annual operating and capital costs denominated in Bolívares for the Siembra Minera Project;
- Venezuela agreed 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 above tax and fiscal incentives;
- Venezuela will indemnify us and our affiliates against any future legal actions related to property ownership associated with the Siembra Minera Project;
- The parties will retain their respective interest in Siembra Minera in the event the settlement payments are not made by Venezuela; and
- The board of directors is comprised of seven individuals, of which four are appointed by Venezuela and three by us.

#### Preliminary Economic Assessment

On April 6, 2018, the Company published the results of a technical report for the PEA of the Siembra Minera Gold Copper Project in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The technical report in connection with the PEA (the "Siembra Minera Technical Report") prepared by Roscoe Postle Associates, Inc. ("RPA"), Samuel Engineering Inc. ("Samuel Engineering"), Tierra Group International, Ltd ("Tierra Group"), and AATA International, Inc. ("AATA") is available to the public at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), as well as, the Company's website at [www.goldreserveinc.com](http://www.goldreserveinc.com). The summary section of the March 16, 2018 PEA of the Siembra Minera Project Report prepared in compliance with NI 43-101 is included in the Company's annual information form.

## Siembra Minera Project Completed Activities

The primary activities of Siembra Minera since its formation have included:

- Prepared internally preliminary business plan and cash flow model for the Project, defined construction and operation plans, identified areas of optimization for Project detail design, defined and documented initial information required for the assessment of the Project by financial institutions for financing and outlined the foundation for establishing an administrative infrastructure to support the development of the Project;
- The Siembra Minera Technical Report with respect to the PEA was completed as discussed above;
- Samuel Engineering provided preliminary design and cost estimates for the Small Plant and also provided support to RPA on the Large Plant with design and related capital cost estimates. The Small Plant is expected to complement the Large Plant for the early production of gold and generation of cash flow;
- Tierra Group provided preliminary design and cost estimates for the Small Plant tailings dam facility and also provided support to RPA on the Large Plant tailings dam design and capital cost estimates;
- Ingenieria Caura, S.A. ("Caura") outlined an Early Works Program (including earthwork, timber clearing and road building) along with various permitting applications which have been submitted to the government. In addition, Caura is preparing a VEIS for both the Small and Large Plants;
- AATA is preparing to complete an IESIA for the Siembra Minera Project utilizing input from the above consultants. This report will be instrumental in project financing of the Large Plant. Prizma LLC is providing support and assistance to Caura and AATA for the social aspects of the VEIS and IESIA;
- Global Resource Engineering is providing support and assistance to Caura and AATA for the geochemistry and water quality aspects of the VEIS and IESIA;
- Local contractors have provided support services working with Gold Reserve and Siembra Minera by mobilizing certain equipment to the site and assisting with the anti-malaria program providing smoker units throughout the local communities to assist with the eradication of the source of the malaria;
- As a result of the PEA produced by RPA the business model was modified according to the new findings and capital and operating cost update. Also, a new Cash Flow Model was developed by RPA to represent separately both the Large and Small Plants;
- Siembra Minera prepared its initial annual budget according to Venezuelan regulations for public entities; secured office spaces in Caracas, Puerto Ordaz and at the Project site in addition to the acquisition of vehicles and the establishment of a security team;
- Siembra Minera has made a number of presentations on the Project to potential buyers of the gold and gold-copper concentrate;
- Initiated an initial draft of the engineering, procurement and construction management ("EPCM") contract between Gold Reserve and Siembra Minera;
- Conducted initial meetings with CAMIMPEG, a Venezuelan Army construction company, to provide project information regarding the early works plan which include man-camp and certain access roads;
- Provided CVG-Tecmin, a state corporation that provides technical services and information with regard to the development of mineral resources, with the project description and related technical information to produce and file the Environmental Questionnaire leading to the granting of the Authorization to Occupy the Territory (AOT);
- Sponsored several meetings with Mission Piar to initiate surveys and follow up on the activities of small miner groups currently working in certain parts of the 18,950 hectare property. Mission Piar is a Government instituted Mission under the Ministry of Mines in charge of providing assistance and coordination of small mining activities;
- Held fact finding meetings with the Ministry of Mines and members of the Region of Integral Defense Guayana ("REDI") to provide inputs and assist in the establishment of a General Plan of Security for the Project Area. The security of the project area falls under the responsibility of REDI;

- Initiated efforts to define the Relocation Plan with the help of Venezuelan officials and REDI and supported by a census that is underway by Mission Piar. Several meetings have taken place between the Ministry of Mines and small miners as part of the relocation plan;
- Initiated development of a Small Miner Project with input from entities such as Ministry of Mines, REDI, Mission Piar and others to provide alternatives to some of the small miners that currently operate in the Siembra Minera Project area. This project is linked to the Relocation Plan and includes an Early Production Plan, training of miners in environmental protection and remediation, and in other disciplines so many of them can be incorporated in the project construction and operation; and
- Completed a High Definition Multispectral Satellite image of the Project land position and its adjacent area to be used to document existing conditions and as an aid for documenting and compiling a census of existing small miner activity.

The Company's cumulative expenditures associated with Siembra Minera through December 31, 2017 amounted to approximately \$9.2 million. These expenditures primarily include costs associated with consultants working on the project, which have been recognized in the Consolidated Statements of Operations.

#### Siembra Minera Project Development

The next phase of the Project's development is the 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. Subject to appropriate funding we expect to initiate the feasibility study on the Large Flotation Plant and concurrent detailed engineering.

Proposals are currently being evaluated for a drilling program which will support the overall project development activities, water management wells, and test areas where additional resource potential is evident. Siembra Minera has established local management offices in Caracas and Puerto Ordaz which will support its plan to complete various geotechnical studies as well as environmental and social studies to augment and update previous work on the property. This work will support the generation of a pre-feasibility study for the Small and Large plant and generate an IESIA for the support of the various operating and environmental permits that will be required for the project.

The Company and Venezuela are implementing several environmental and social impact studies and programs to improve the health, welfare and education of the local communities. Improvements to the area schools, health center and implementation of recreational programs will be some of the activities contemplated.

The Company continues activities associated with the drafting of an EPCM contract between Gold Reserve and Siembra Minera and expects to continue discussions with various Venezuelan government agencies for the development of a small miner and relocation plan, development of a social development plan for the region and continue with its HIV, malaria and other tropical disease eradication programs.

#### 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 a royalty interest 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 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 ICSID of the World Bank 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 unanimously awarded us the Award totaling (i) \$713 million in damages, plus (ii) pre-award interest from April 2008 through the date of the Award based on the U.S. Government Treasury Bill Rate, compounded annually totaling, as of the date of the Award, approximately \$22.3 million and (iii) \$5 million for legal costs and expenses, for a total, as of September 22, 2014, of \$740.3 million. The Award (less legal costs and expenses) accrues post-award interest at a rate of LIBOR plus 2%, compounded annually for a total estimated Award as of the date of the Settlement Agreement of \$770 million.

In July 2016, we signed the Settlement Agreement, whereby Venezuela agreed to pay us the amount of the Award (including interest) and purchase our Mining Data. Under the terms of the Settlement Agreement Venezuela agreed to pay the Company \$792 million to satisfy the Award and \$240 million for the purchase of our Mining Data for a total of approximately \$1.032 billion in monthly installments. The first \$240 million to be received by Gold Reserve from Venezuela is related to 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. Pursuant to the Settlement Agreement, Venezuela agreed to make a payment of \$40 million (the "Initial Payment") followed by 23 monthly payments of \$29.5 million on or before the 15th day (previously the 10th day) of each month starting in July 2017, with a final payment of approximately \$313.3 million scheduled to be paid on or before June 15, 2019.

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. The Company and Venezuela continue discussions regarding this matter.

Payments made by Venezuela associated with the Settlement Agreement were initially deposited into the Trust Account with Banes Bank, a Venezuelan state-owned development bank. Under the Trust Agreement, the Company has the right to direct the transfer of the funds to its bank accounts outside of Venezuela. For financial statement purposes, deposits held in the Trust Account as of the balance sheet date are recorded as cash and cash equivalents and deposits made to the Trust Account subsequent to the balance sheet date but prior to the date of issuance of the consolidated financial statements are recorded as a receivable from sale of Mining Data.

On June 13, 2017, Venezuela deposited the Initial Payment of \$40 million into the Trust Account and subsequently made additional monthly installment deposits of \$29.5 million each from July through November, 2017 for a total of \$187.5 million. Since June 30, 2017 and through the date of this report Venezuela has transferred a total of \$128.5 million to our bank account in the U.S. with \$59 million remaining in the Trust Account. The monthly payments pursuant to the Settlement Agreement from December 2017 and January, February, March and April 2018 totaling approximately \$147.5 million remain unpaid.

In August 2017, the U.S. government imposed financial sanctions targeting the Venezuelan government by issuing an executive order that prohibits U.S. persons from dealing in financing of greater than 30 days for the Venezuelan government, including any entity owned or controlled by the Venezuelan government (with respect to the state oil company and its subsidiaries, these restrictions prohibit financings of greater than 90 days). In addition, U.S. persons are prohibited from dealing in, among other things, bonds or equity issued by the Venezuelan government after the U.S. financial sanctions were imposed on August 25, 2017. These U.S. financial sanctions built on sanctions imposed by the U.S. government starting in March 2015 that prohibit various Venezuelan officials from traveling to the U.S., freeze any assets they may have in the U.S. and generally prohibit U.S. persons from doing business with them and any entity they own 50% or more. Subsequent to the U.S. actions, Canada imposed its own sanctions. Recently the U.S. government added several additional individuals to the sanctions list and prohibited U.S. persons from dealing in cryptocurrencies issued by the Venezuelan government. The U.S. and Canadian governments have been reported to be considering further sanctions (collectively, the "Sanctions"). The Sanctions, in addition to the economic and financial condition of Venezuela, have complicated the monthly transfer of funds from the Trust Account to our bank accounts.

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

In the third quarter of 2017, the Company settled all of its outstanding 2018 Notes. Prior to settlement, the Company had a total of \$59.1 million face value of 2018 Notes outstanding. Of these notes, \$36.3 million were redeemed for cash and the Company paid an additional \$6.4 million related to a 20% premium due on the redeemed notes and \$0.2 million in interest to the redemption date. The remaining \$22.8 million 2018 Notes were converted to approximately 7.6 million Class A common shares. As a result of the redemption or conversion of 2018 Notes, the Company recorded a \$16.6 million loss on settlement of debt consisting of the \$6.4 million premium paid and approximately \$10.2 million of remaining unamortized discount. In October 2017, the Company redeemed for cash its remaining debt, which consisted of approximately \$1.0 million face value of 2022 Convertible Notes.

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 interests 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 it is entitled to the value of 5.466% of that interest. For a variety of reasons, the Board of Directors 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 are in discussions with the CVR holder on this subject, all of which are preliminary and it is not possible at this time to know the outcome of this matter.

The Board of Directors 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 is 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. The Bonus Plan is administered by a committee of independent directors. The committee 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 retire at or after age 65 continue to participate in future distributions under the Plan.

As noted elsewhere, as of December 31, 2017 Venezuela had deposited approximately \$187.5 million to the Trust Account. Of this amount, approximately \$99 million had been transferred to the Company's bank account outside of Venezuela with the balance of approximately \$88.5 million remaining in the Trust Account. Due to the uncertainties associated with the funds still on deposit in the Trust account, the Board of Directors has only considered those funds actually received by the Company in its bank account as funds available for purposes of calculating the CVR and Bonus Plan distributions, however, the full amount due based on total payments to the Trust Account has been accrued as a payable in the Consolidated Balance Sheets and recorded as an expense in the Consolidated Statements of Operations.

The total estimated amount due pursuant to the terms of the CVRs as of December 31, 2017, based on the Net Proceeds (including those amounts remaining in the Trust Account) from the sale of the Mining Data was approximately \$3.1 million. The amount distributed in 2017 based on proceeds actually received in our bank account was approximately \$1.8 million.

The total estimated amount due pursuant to the terms of the Bonus Plan as of December 31, 2017, based on the Net Proceeds (including those amounts remaining in the Trust Account) from the sale of the Mining Data is approximately \$1.4 million which is included in corporate general and administrative expense in the Consolidated Statements of Operations for the year ended December 31, 2017. The amount distributed in 2017 based on proceeds actually received in our bank account was approximately \$0.8 million.

The Company maintains the Gold Reserve Director and Employee Retention Plan. Each unit (a "Retention Unit") granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A common share on the date the Retention Unit is granted or on the date any such participant becomes entitled to payment, whichever is greater. Units previously granted under the plan became fully vested upon the collection of proceeds from sale of the Mining Data and the Board of Director's agreement to distribute a substantial majority of the remaining proceeds to our shareholders. In June 2017, as a result of the collection of proceeds related to the sale of the Mining Data, the Retention Units vested and in the third quarter of 2017 the Company paid \$7.7 million to plan participants. As of December 31, 2017 there were no Retention Units outstanding.

Our Intent to Distribute Collection of the Award or Sale of Mining Data to Shareholders Following receipt of funds transferred from the Trust Account to our bank account and after applicable payments of Net Proceeds (as defined in the CVRs) 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 collection of the Award and/or sale of the Mining Data.

## **Financial Overview**

Our overall financial position is influenced by the Settlement Agreement and the proceeds received thereunder, the settlement in the third quarter of 2017 of all of our outstanding notes and the ongoing payment of amounts due pursuant to the CVRs and Retention and Bonus Plans. Recent operating results continue to be impacted by expenses associated with the formation and start-up activities related to Siembra Minera, costs associated with the Settlement Agreement, interest expense related to our debt and costs associated with maintaining our legal and regulatory obligations in good standing.

Overall we experienced a net increase in cash and cash equivalents for the year ended December 31, 2017 of approximately \$101.9 million compared to an increase of approximately \$26.4 million for the same period in 2016. The net increase in 2017 was primarily due to receipt of deposits under the Settlement Agreement partially offset by cash used for settlement of debt and in operations as more fully described in the "Operating Activities" section below. In 2016 the increase was primarily a result of cash provided by financing activities, partially offset by an increase in net cash used in operating activities. Net income for the year ended December 31, 2017 increased from the comparable period in 2016 by approximately \$111.1 million primarily as a result of the receipt of deposits into the Trust Account pursuant to the terms of the Settlement Agreement, partially offset by expenses associated with the receipt of those deposits, increases in general and administrative expense and a loss on settlement of debt.

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 sale of the Mining Data or 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 collections of the amounts due pursuant to the Settlement Agreement, 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.

On May 17, 2016, we closed a non-brokered private placement with certain arm's length investors for gross proceeds of \$34.3 million (the "Private Placement"). Pursuant to the Private Placement, we issued 8,562,500 Class A common shares at a price of \$4.00 per share. No commission or finder's fee was paid in connection with the Private Placement. The shares were offered pursuant to exemptions from the prospectus requirements of applicable securities legislation and were subject to a hold period in Canada of four months and a day from their date of issuance.

Selected Annual Information<sup>(1)</sup>

	2017	2016	2015
Income (loss)	\$ 170,697,928	\$ (493,355)	\$ (537,801)
Expenses	\$ (46,113,878)	\$ (21,052,337)	\$ (17,598,096)
Income tax expense	\$ (35,073,174)	\$ -	\$ -
Net income (loss) <sup>(2)</sup>	\$ 89,510,876	\$ (21,545,692)	\$ (18,135,897)
Basic and diluted per share	\$ 0.96	\$ (0.26)	\$ (0.24)
Total assets	\$ 150,700,534	\$ 48,488,677	\$ 22,380,727
Total non-current financial liabilities	\$ -	\$ 44,980,511	\$ 40,684,361
Distributions or cash dividends declared per share	\$ -	\$ -	\$ -

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

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

Factors that have caused period to period variations are more fully discussed below. Liquidity and Capital Resources

At December 31, 2017, we had cash and cash equivalents of approximately \$137.7 million (including cash of \$88.5 million held in trust) (See Note 4 to the audited consolidated financial statements), which represents an increase from December 31, 2016 of approximately \$101.9 million. The net increase was primarily due to receipt of deposits under the Settlement Agreement partially offset by cash used for settlement of debt and in operations. The activities that resulted in the net change in cash are more fully described in the "Operating Activities," "Investing Activities" and "Financing Activities" sections below.

	2017	Change	2016
Cash and cash equivalents	\$ 137,672,718	\$ 101,925,669	\$ 35,747,049

As of December 31, 2017, we had financial resources including cash, cash equivalents and marketable securities totaling approximately \$137.9 million, Brisas Project related equipment with an estimated net realizable value of approximately \$11.7 million (See Note 7 to the audited consolidated financial statements), and short-term financial obligations including income tax, contingent value rights, accounts payable and accrued expenses of approximately \$24.9 million.

We have no revenue producing operations at this time and our working capital position is dependent upon receipt of payments under the Settlement Agreement and our cash burn rate and we may be required to seek additional sources of funding to ensure our ability to continue our activities in the normal course.

Operating Activities

Cash flow used in operating activities for the years ended December 31, 2017 and 2016 was approximately \$47.0 million and \$10.9 million, respectively. Cash flow used in operating activities consists of net income (loss) (the components of which are more fully discussed below) adjusted for gains on investing activities, income tax and non-cash expense items primarily related to stock option compensation, accretion of convertible notes recorded as interest expense and certain non-cash changes in working capital.

Cash flow used in operating activities during the year ended December 31, 2017 increased from the prior comparable period primarily due to an increase in cash paid for expenses related to the Siembra Minera Project and payments associated with our obligations related to the CVRs and Bonus and Retention Plans as a result of the receipt of payments pursuant to the Settlement Agreement.



## Investing Activities

	<b>2017</b>	<b>Change</b>	<b>2016</b>
Proceeds from sale of Mining Data	\$ 187,500,000	\$ 187,500,000	\$ -
Proceeds from disposition of marketable securities	-	(48,456)	48,456
Purchase of property, plant and equipment	(592,529)	(242,529)	(350,000)
	<u>\$ 186,907,471</u>	<u>\$ 187,209,015</u>	<u>\$ (301,544)</u>

Cash flow from investing activities increased during the year ended December 31, 2017 due to the receipt of deposits to the Trust Account associated with the sale of the Mining Data. During the year ended December 31, 2016, the Company acquired the LMS Gold Project for \$0.35 million and recorded proceeds from the disposition of marketable securities of \$0.05 million. As of December 31, 2017, the Company held approximately \$11.7 million of Brisas Project related equipment intended for future sale or use (See Note 7 to the audited consolidated financial statements).

## Financing Activities

	<b>2017</b>	<b>Change</b>	<b>2016</b>
Proceeds from the issuance of common shares	\$ 5,973,474	\$ (32,452,401)	\$ 38,425,875
Settlement of debt	(43,962,181)	(43,267,451)	(694,730)
Financing fees	-	141,887	(141,887)
	<u>\$ (37,988,707)</u>	<u>\$ (75,577,965)</u>	<u>\$ 37,589,258</u>

During years ended December 31, 2017 and 2016, certain directors, officers, employees and consultants exercised approximately 2.1 million and 2.3 million outstanding options, respectively for net proceeds to the Company of approximately \$6.0 million and \$4.2 million, respectively. During the second quarter of 2016, the Company closed a non-brokered private placement with certain arm's length investors for gross proceeds of \$34.3 million (the "Private Placement"). Pursuant to the Private Placement, we issued 8,562,500 Class A common shares at a price of \$4.00 per share.

In the third quarter of 2017, the Company settled all of its 2018 Notes. Prior to settlement, the Company had a total of \$59.1 million face value of 2018 Notes outstanding. Of these notes, \$36.3 million were redeemed for cash and the Company paid an additional \$6.4 million related to a 20% premium due on the redeemed notes and \$0.2 million in interest to the redemption date. The remaining \$22.8 million 2018 Notes were converted to approximately 7.6 million Class A common shares. As a result of the redemption or conversion of 2018 Notes, the Company recorded a \$16.6 million loss on settlement of debt consisting of the \$6.4 million premium paid and approximately \$10.2 million of remaining unamortized discount. In October 2017 the Company redeemed for cash its remaining debt, which consisted of approximately \$1.0 million face value of 2022 Convertible Notes (See Note 11 to the audited consolidated financial statements).

## Contractual Obligations

We had no material contractual obligation payments as of December 31, 2017.

## Results of Operations

### Summary

Consolidated other income (loss), expenses, net income (loss) before tax and net income (loss) for the two years ended December 31, 2017 were as follows:

	<b>2017</b>	<b>Change</b>	<b>2016</b>
Income (Loss)	\$ 170,697,928	\$ 171,191,283	\$ (493,355)
Expenses	(46,113,878)	(25,061,541)	(21,052,337)
Net income (loss) before tax	\$ 124,584,050	\$ 146,129,742	\$ (21,545,692)
Net income (loss)	<u>\$ 89,510,876</u>	<u>\$ 111,056,568</u>	<u>\$ (21,545,692)</u>

## Income (Loss)

	2017	Change	2016
Gain on sale of Mining Data	\$ 187,500,000	\$ 187,500,000	\$ -
Interest income	48,323	632	47,691
Gain on disposition of marketable securities	-	(48,360)	48,360
Loss on settlement of debt	(16,637,379)	(16,567,158)	(70,221)
Write-down of property, plant and equipment	-	556,558	(556,558)
Loss on impairment of marketable securities	-	13,769	(13,769)
Foreign currency gain (loss)	(213,016)	(264,158)	51,142
	<u>\$ 170,697,928</u>	<u>\$ 171,191,283</u>	<u>\$ (493,355)</u>

As the Company has no commercial production at this time, income is often variable from period to period. The increase in other income was primarily due to the sale of the Mining Data, partially offset by an increase in loss on settlement of debt. In 2016, the write-down of property and equipment was a result of management's estimate of a decrease in the recoverable amount of certain equipment, as disclosed in Note 7 to the audited consolidated financial statements.

## Expenses

	2017	Change	2016
Corporate general and administrative	\$ 16,715,792	\$ 12,604,229	\$ 4,111,563
Retention Units	7,694,200	7,694,200	-
Contingent Value Rights	3,901,159	3,901,159	-
Siembra Minera Project	7,510,588	5,862,545	1,648,043
Exploration costs	83,859	(236,752)	320,611
Legal and accounting	1,012,768	144,803	867,965
Arbitration and settlement	2,435,645	(350,172)	2,785,817
Equipment holding costs	661,798	(134,882)	796,680
Interest expense	6,098,069	(4,423,589)	10,521,658
Total expenses for the period	<u>\$ 46,113,878</u>	<u>\$ 25,061,541</u>	<u>\$ 21,052,337</u>

Corporate general and administrative expense for the year ended December 31, 2017 increased from the comparable period in 2016 primarily due to increases in expense related to non-cash charges associated with the issuance of stock options, compensation expense and expenses associated with the Bonus Plan as a result of receiving deposits to the Trust Account related to the sale of the Mining Data. Retention Units and CVRs became payable upon receipt of payments from the sale of Mining Data in 2017. Expenses associated with the Siembra Minera Project increased from the prior periods as a result of the Company ramping up its activities related to the advancement of the project. The decrease in equipment holding costs was due to refurbishment of the equipment in 2016. The decrease in interest expense was due to the redemption or conversion of notes in the third quarter of 2017. Overall, total expenses for the year ended December 31, 2017 increased by approximately \$25.1 million over the comparable period in 2016.

## SUMMARY OF QUARTERLY RESULTS<sup>(1)</sup>

Quarter ended	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
Other income (loss)	\$ (120,524)	\$ 82,289,038	\$ 88,522,726	\$ 6,688	\$ (554,106)	\$ 6,798	\$ 9,032	\$ 44,921
Net income (loss)								
before tax <sup>(2)</sup>	(3,935,744)	65,135,602	72,138,879	(8,754,687)	(6,400,329)	(5,585,556)	(4,637,513)	(4,922,294)
Per share	(0.04)	0.68	0.80	(0.10)	(0.08)	(0.06)	(0.06)	(0.06)
Fully diluted	(0.04)	0.68	0.70	(0.10)	(0.08)	(0.06)	(0.06)	(0.06)
Net Income (loss) <sup>(2)</sup>	7,698,845	34,275,443	56,291,275	(8,754,687)	(6,400,329)	(5,585,556)	(4,637,513)	(4,922,294)
Per share	0.08	0.36	0.63	(0.10)	(0.08)	(0.06)	(0.06)	(0.06)
Fully diluted	0.08	0.36	0.55	(0.10)	(0.08)	(0.06)	(0.06)	(0.06)

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

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

In the fourth quarter of 2017, other income decreased as the Company did not record any additional 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 second quarter of 2017, the Company recorded \$99.0 million of income related to the sale of its Mining Data and a \$10.5 million loss on settlement of debt. In the first quarter of 2017, other income (loss) consisted of interest income and foreign currency loss. In the fourth quarter of 2016, other income (loss) primarily consisted of a loss on write-down of property, plant and equipment partially offset by foreign currency gain. In the second and third quarters of 2016, other income (loss) consisted of interest income, gain (loss) on settlement of debt and foreign currency loss. Other income (loss) in the first quarter of 2016 was primarily related to gain on disposition of marketable securities.

In the fourth quarter of 2017, the Company recorded net income primarily as a result of an adjustment to income tax expense. In the second and third quarters 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 our Mining Data partially offset by the loss on settlement of debt. In the first quarter of 2017, net loss increased primarily as a result of non-cash stock option compensation expense of \$4.4 million partially offset by a \$1.2 million decrease in arbitration and settlement costs. In the fourth quarter of 2016, net loss increased as a result of a loss on write-down of property, plant and equipment as well as an increase in costs associated with employee compensation and director fees. In the third quarter of 2016, net loss increased mainly as a result of increased expenses related to increased efforts to settle the Award and the incurrence of costs associated with the formation of Siembra Minera. Net loss in the second quarter of 2016 decreased as a result of a decrease in arbitration enforcement and collection and legal and accounting expense. In the first quarter of 2016, net loss decreased after the loss had increased in the fourth quarter of 2015 due to the restructuring of the 2018 Notes. This 2016 decrease was partially offset by an increase in costs associated with efforts to settle the Award.

## **Off-Balance Sheet Arrangements**

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

## **Transactions with Related Parties**

In the third quarter of 2017, the Company settled all of its 2018 Notes. Prior to settlement, the Company had a total of \$59.1 million face value of 2018 Notes outstanding. Of these notes, \$15.4 million and \$26.0 million were held by funds managed by Steelhead Partners, LLC (“Steelhead”) and Greywolf Capital Management L.P. (“Greywolf”), respectively. Both Steelhead and Greywolf exercised control or direction over more than 10% of our Class A common shares prior to the transaction (See Note 11 to the audited consolidated financial statements).

## **Critical Accounting Estimates**

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

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

- assessments of the recoverability of the Brisas Project related equipment and the estimated fair value determined in connection with impairment testing;
- use of the fair value method of accounting for stock options which is computed using the Black-Scholes method which utilizes estimates that affect the amounts ultimately recorded as stock based compensation; and
- preparation of tax filings in a number of jurisdictions which requires considerable judgment and the use of assumptions.

The amounts reported based on accounting estimates could vary in the future.

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

## Risk Factors

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

### Risks Related to Collection of Award and Sale of Mining Data

#### **Failure to collect amounts payable pursuant to the Settlement Agreement could materially adversely affect the Company.**

In July 2016, we signed the Settlement Agreement whereby Venezuela agreed to pay us the Award (including interest) and purchase our Mining Data. Under the terms of the Agreement, 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 installments over approximately 24 months. The first \$240 million to be received by Gold Reserve from Venezuela was related to the sale of the Mining Data. Pursuant to the Settlement Agreement, Venezuela agreed to make the Initial Payment of \$40 million followed by 23 monthly payments of \$29.5 million on or before the 15th day (previously the 10th day) of each month starting in July 2017, with a final payment of approximately \$313.3 million scheduled to be paid on or before June 15, 2019.

Payments made by Venezuela associated with the Settlement Agreement are initially deposited into the Trust Account with Bandes Bank, a Venezuelan state-owned development bank. Under the Trust Agreement, the Company has the right to direct the transfer of the funds to its bank accounts. Since June 30, 2017 and through the date of this report Venezuela has transferred a total of \$128.5 million to our bank account in the U.S. with \$59 million remaining in the Trust Account. The monthly payments pursuant to the Settlement Agreement from December 2017 and January, February, March and April 2018 totaling approximately \$147.5 million remain unpaid.

In and subsequent to August 2017, the U.S. and Canadian governments issued Sanctions. Venezuela is reliant upon international intermediary banks to facilitate the transfer of funds from the Trust Account to our bank account. The Sanctions have led these banks to either decline to facilitate such transfers or put significant limitations on their participation which has delayed or blocked Venezuela's ability to transfer the funds in accordance with the Settlement Agreement. We continue to assist Venezuela to find alternative banking arrangements for the transfer of the funds held in the Trust Account however, there can be no assurances that we will receive the payments contemplated by the Settlement Agreement. Such failure may require us to renew the lengthy enforcement and collection process which could materially adversely affect, among other things, our ability to make payments pursuant to the CVRs, Bonus Plan, distribute funds to our shareholders or otherwise maintain sufficient liquidity to operate as a going concern.

#### **Termination of the Settlement Agreement as a result of Venezuela's failure to make the contemplated payments thereunder could materially adversely affect the Company.**

As part of the Settlement Agreement, the Company agreed to suspend the legal enforcement of the Award until final payment is made by Venezuela and Venezuela agreed to irrevocably waive 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.

Although the process of getting the Award recognized and enforced is different in each jurisdiction, the process in general is we file a petition or application to confirm the Award with the competent court; Venezuela has the right to oppose such petition for confirmation or recognition; thereafter there are a number of filings made by both parties and in some cases hearings before the court. If the court subsequently confirms the enforcement of the Award then the court will issue a judgment against Venezuela. Thereafter we will begin the process of executing the judgment by identifying and attaching specific property owned by Venezuela that is not protected by sovereign immunity. We have pursued enforcement of the Award in a number of jurisdictions and pending the completion of the transactions contemplated by the Settlement Agreement, we have agreed to temporarily suspend the legal enforcement of the Award until final payment is made by Venezuela, at which time we will permanently cease all legal activities related to the collection of the Award.

Notwithstanding Venezuela has waived its right to appeal, future enforcement and collection of the Award is expected to be a lengthy process and will be ongoing for the foreseeable future if we are not successful in consummating the transactions contemplated by the Settlement Agreement. In addition, the cost of pursuing collection of the Award could be substantial and there is no assurance that we will be successful. Failure to otherwise collect the Award and proceeds from the sale of our Mining Data if the Settlement Agreement is abandoned would materially adversely affect our ability to maintain sufficient liquidity to operate as a going concern.

**Sanctions currently imposed on Venezuela by the U.S. and Canada, and any further Sanctions that may be imposed in the future, could materially adversely affect the Company.**

As described above under the risk factor entitled “Failure to collect amounts payable pursuant to the Settlement Agreement could have a material adverse effect on the Company,” the U.S. government has imposed Sanctions targeting the Venezuelan government by issuing an executive order that prohibits U.S. persons from dealing in financing of greater than 30 days for the Venezuelan government, including any entity owned or controlled by the Venezuelan government. In addition, U.S. persons are prohibited from dealing in, among others things, bonds or equity issued by the Venezuelan government after the U.S. financial sanctions were imposed on August 25, 2017. Because it is 55% owned by the Venezuelan government, Siembra Minera is targeted by these Sanctions. The U.S. financial sanctions build on Sanctions imposed by the U.S. government starting in March 2015 that prohibit various Venezuelan officials from traveling to the U.S., freeze any assets they may have in the U.S. and generally prohibit U.S. persons from doing business with them and any entity they own 50% or more. Subsequent to the U.S. actions, Canada has also imposed its own Sanctions, which vary in some material respects. Failure to comply with these Sanctions could result in civil or, in some cases, criminal consequences for both the Company and/or our officers and directors. Compliance with the current Sanctions, as well as any future Sanctions that may be imposed by the U.S. or Canada, may restrict our ability to consummate the transactions contemplated by the Settlement Agreement or the mixed company arrangements related to the Siembra Minera Project, including:

- an inability to receive, process or use the payments (in whatever form received by us) contemplated by the Settlement Agreement, or to transfer such payments to our bank in the U.S. or Canada (see the risk factor entitled “Failure to collect amounts payable pursuant to the Settlement Agreement could materially adversely affect the Company”);
- an inability to obtain all or part of financing sufficient to cover the anticipated capital or operating costs of the Siembra Minera Project on favorable terms, or at all; and
- an inability to obtain operating permits, enter into transactions or otherwise meet our obligations with respect to the operation of the Siembra Minera Project pursuant to the Mixed Company agreement.

The occurrence of any of the foregoing or others could result in the inability for the Settlement Agreement or Mixed Company arrangements to be performed in their current form and/or could have a material adverse effect on the Company, including our ability to own our interest in the Mixed Company or operate it or maintain sufficient liquidity to operate it as a going concern.

Risks Related to the Class A common shares

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

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

- we do not have an active market for our Class A common shares and large sell or buy transactions may affect the market price;
- developments in our efforts to conclude the transactions contemplated by the Settlement Agreement;
- economic and political developments in Venezuela including the impact of Sanctions on our ability to consummate the transactions contemplated by the Settlement Agreement or the terms of the Mixed Company arrangement related to the development of the Siembra Minera Project;
- our operating performance and financial condition;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general purposes;

- the public's reaction to announcements or filings by us or other companies;
- the public's reaction to negative news regarding Venezuela and/or international responses to Venezuelan domestic and international policies;
- the price of gold, copper and silver; and
- the addition to or changes to existing personnel.

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

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

We cannot predict the size of any future issuances of securities, or the effect, if any, that future issuances and sales of our securities will have on the market price of our Class A common shares. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, may result in dilution to present and prospective holders of shares.

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

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

#### Risks Related to the Business

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

On March 19, 2018, the Company published the results of a PEA of the Siembra Minera Project. The conclusions of management and its qualified consultants referred to in the PEA may not be realized in the future. Even if the required financing is obtained, substantial effort and financing would be required to commence work on any Siembra Minera Project. We can provide no assurances that the project or its development would be determined feasible.

**Our potential future operations related to the Siembra Minera Project will be concentrated in Venezuela and will be subject to inherent local risks.**

Our potential future operations related to the Siembra Minera Project will be located in Venezuela and, as a result, we will be subject to operational, regulatory, political and economic risks specific to its location, including:

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

- laws or policies of foreign countries and Canada affecting trade, investment and taxation;
- civil unrest, military actions and crime;
- corruption, requests for improper payments, or other actions that may violate Canadian and U.S. foreign corrupt practices acts, uncertain legal enforcement and physical security; and
- new or changes in regulations related to mining, environmental and social issues.

**We have no commercial operations.**

We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from mining operations. We are reliant on the collection of the payments contemplated by the Settlement Agreement for our operating needs. We expect this to continue into the foreseeable future unless and until we are able to develop the Siembra Minera Project or an alternative project and achieve commercial production.

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

We have no revenue producing operations at this time and are reliant on the collection of the payments contemplated by the Settlement Agreement. If the Settlement Agreement were to be abandoned due to lack of payment by Venezuela, our longer-term funding requirements may be adversely impacted. Unforeseen financial market conditions, industry conditions or other unknown or unpredictable conditions may exist in the future and, as a result, there can be no assurance that alternative funding would be available or, if available, offered on acceptable terms.

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

We are dependent upon the abilities and continued participation of existing personnel to manage activities related to the Settlement Agreement, operation of Siembra Minera, development of the Siembra Minera Project and to identify, acquire and develop new opportunities. Substantially all of our existing management personnel have been employed by us for over 20 years. The loss of existing employees or an inability to obtain new personnel necessary to execute future efforts to acquire and develop a new project, such as the Siembra Minera Project, could have a material adverse effect on our future operations.

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

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

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

U.S. taxpayers should be aware that we have determined that the Company was not a "passive foreign investment company" (a "PFIC") under section 1297(a) of the U.S. Internal Revenue Code (the "Code") for the taxable year ended December 31, 2017. However, there can be no assurance that the Internal Revenue Service ("IRS") will not take a contrary position. It is uncertain whether the Company will be considered a PFIC in subsequent years. The determination of whether we and any of our subsidiaries will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether we and any of our subsidiaries will be a PFIC for any taxable year generally depends on our assets and income and those of our subsidiaries' over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this MD&A. Accordingly, there can be no assurance that we and any of our subsidiaries will not be a PFIC for any taxable year. If, in subsequent years, the Company is considered a PFIC, a U.S. taxpayer may be able to make certain elections under the PFIC rules with respect to our Class A common shares that will affect such taxpayer's U.S. federal income tax consequences of owning, selling or otherwise disposing our Class A common shares.



A U.S. taxpayer that owned Class A common shares prior to January 1, 2017 but has not previously made a timely and effective “QEF election” with respect to our Class A common shares, will continue throughout the taxable year ended December 31, 2017 to be subject to the PFIC rules and, for purposes of determining the U.S. federal income tax consequences to such U.S. taxpayer of owning, selling or otherwise disposing our Class A shares, the Company will still be treated as a PFIC for the taxable year ended December 31, 2017. Accordingly, any gain recognized by such U.S. taxpayer on the sale of our Class A common shares and any “excess distributions” (as specifically defined in the Code) paid on our Class A common shares to such U.S. taxpayer must be ratably allocated to each day in the U.S. taxpayer’s holding period for the Class A common shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer’s holding period for the Class A common shares generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that owned Class A common shares prior to January 1, 2017 and previously made a valid and timely “QEF election” should not be required to include any amounts in income under section 1293 of the Code with respect to the Company’s taxable year ended December 31, 2017. A U.S. taxpayer’s QEF election will remain in effect for subsequent years. In the event the Company is considered a PFIC in a subsequent year, a U.S. taxpayer who has made a QEF election will again be required to annually include such shareholder’s pro rata share of our “net capital gain” and “ordinary earnings” (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by us.

As a possible second alternative, a U.S. taxpayer that owned Class A common shares prior to January 1, 2017 may have previously made a “mark-to-market election” with respect to a taxable year in which we were a PFIC and the Class A common shares were “marketable stock” (as specifically defined in the Code). A U.S. taxpayer that has previously made a mark-to-market election generally is required to include in gross income, for each taxable year in which we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Class A common shares as of the close of such taxable year over (b) such U.S. taxpayer’s adjusted tax basis in such Class A common shares. No such inclusion is required for a taxpayer year in which the Company is not a PFIC. A U.S. taxpayer’s mark-to-market election will remain in effect for subsequent years. In the event the Company is considered a PFIC in a subsequent year, a U.S. taxpayer who has made a mark-to-market election will again be required to include such amounts in income.

**The recently passed comprehensive tax reform bill could materially adversely affect the Company.**

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the “Tax Act”), which significantly reforms the Code. The Tax Act, among other things, contains significant changes to existing U.S. tax laws, including a permanent reduction of the corporate income tax rate from a maximum rate of 35% to 21%, a partial limitation on the deductibility of interest expense, a new base erosion and anti-abuse tax, limitation on the deductibility of certain net operating losses (“NOLs”) to 80% of current year taxable income, an indefinite carryforward of certain NOLs, immediate deductions for certain new investments, and the modification or repeal of certain business deductions and credits. We continue to examine the impact of the Tax Act and additional administrative and regulatory guidance as it is released. The Tax Act could materially adversely affect the Company.

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

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

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

Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against us, our directors or executive officers based on civil liability provisions of federal securities laws or other laws of the U.S. or any state thereof or the equivalent laws of other jurisdictions of residence. We are organized under the laws of Alberta, Canada. Some of our directors and officers, and some of the experts named from time to time in our filings, are residents of Canada or otherwise reside outside of the U.S. and all or a substantial portion of their and our assets, may be located outside of the U.S. As a result, it may be difficult for investors in the U.S. or outside of Canada to bring an action in the U.S. against our directors, officers or experts who are not residents in the U.S. It may also be difficult for an investor to enforce a judgment obtained in a U.S. court or a court of another jurisdiction of residence predicated upon the civil liability provisions of Canadian securities laws or U.S. federal securities laws or other laws of the U.S. or any state thereof against us or those persons.

**Changes in Accounting Policies Including Initial Adoption**

Adopted in the year

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation. The objective of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update was effective for us commencing January 1, 2017 and did not have an impact on our financial statements.

Recently issued accounting pronouncements

In January 2017, the FASB issued ASU 2017-01, Business Combinations. This update clarifies the definition of a business and adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows – Restricted Cash. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. This update is intended to reduce the existing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This update is effective for the Company commencing with the annual period beginning after December 15, 2017. The Company expects the updated guidance to result in a reclassification of unrealized holding gains and losses related to investments in marketable equity securities from Accumulated other comprehensive income to Retained earnings in the Balance Sheet upon adoption. Subsequent to adoption of this standard, changes in the value of the Company's marketable equity securities will be recorded as income (loss) instead of other comprehensive income (loss).

In May 2014, the FASB issued ASU 2014-09, Revenue from contracts with customers. This standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This update is effective for us commencing with the annual period beginning after December 15, 2017. As we currently do not generate revenue from operations, the adoption of this standard will not have a significant impact on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. This update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for us commencing with the annual period beginning after December 15, 2018, including interim periods within that year. We are still in the process of evaluating the impact of this standard.

## Disclosure of Outstanding Share Data

### Class A common shares

We are authorized to issue an unlimited number of Class A common shares without par value of which 99,395,048 Class A common shares were issued and outstanding as at the date hereof. Shareholders are entitled to receive notice of and attend all meetings of shareholders with each Class A common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. Shareholders are entitled to dividends if, as and when declared by the Board. Shareholders are entitled upon our liquidation, dissolution or winding up to receive our remaining assets available for distribution to shareholders.

### Preferred Shares

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

### Share Purchase Options

We maintain the 2012 Equity Incentive Plan (the "2012 Plan") which provides for the grant of stock options of up to 8,750,000 of our Class A common shares. As of December 31, 2017, there were 5,091,565 options outstanding and 1,585,000 remaining options available for grant. Grants are made for terms of up to ten years with vesting periods as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Board.

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

Expiry Date	Exercise Price	Number of Shares
June 11, 2018	\$ 3.00	250,000
June 9, 2021	\$ 1.92	444,922
July 25, 2024	\$ 4.02	310,000
June 29, 2025	\$ 3.91	180,000
February 16, 2027	\$ 3.15	3,032,146
May 1, 2027	\$ 2.69	62,500
Total Class A common shares issuable pursuant to stock options		4,279,568

### Capital Structure

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

Class A common shares outstanding	99,395,048
Shares issuable pursuant to the 2012 Equity Incentive Plan	4,279,568
Total shares outstanding, fully diluted	103,674,616

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

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

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

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ Rockne J. Timm

/s/ Robert A. McGuinness

Chief Executive Officer April 26, 2018 Vice President-Finance and Chief Financial Officer April 26, 2018

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of Gold Reserve Inc.

### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Gold Reserve Inc. and its subsidiaries, (together, the Company) as of December 31, 2017 and December 31, 2016, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 31, 2016, and their results of operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

### **Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## **Definition and limitations of internal control over financial reporting**

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

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

Chartered Professional Accountants Vancouver, Canada April 26, 2018

We have served as the Company's auditor since 2001.

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

(Expressed in U.S. dollars)

		December 31, 2017		December 31, 2016
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents (Note 4)	\$	137,672,718	\$	35,747,049
Marketable securities (Notes 5 and 6)		239,232		541,216
Deposits, advances and other		156,050		153,916
<b>Total current assets</b>		<b>138,068,000</b>		<b>36,442,181</b>
Property, plant and equipment, net (Note 7)		12,632,534		12,046,496
<b>Total assets</b>	<b>\$</b>	<b>150,700,534</b>	<b>\$</b>	<b>48,488,677</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses (Note 3)	\$	2,167,171	\$	691,409
Accrued interest		–		2,379
Income tax payable		1,263,438		–
Deferred income tax (Note 12)		18,402,483		–
Contingent value rights (Note 3)		3,097,193		–
<b>Total current liabilities</b>		<b>24,930,285</b>		<b>693,788</b>
Convertible notes and interest notes (Note 11)		–		43,968,020
Contingent value rights (Note 3)		–		1,012,491
<b>Total liabilities</b>		<b>24,930,285</b>		<b>45,674,299</b>
<b>SHAREHOLDERS' EQUITY</b>				
Serial preferred stock, without par value				
Authorized:	Unlimited			
Issued:	None			
Common shares		378,009,884		342,190,645
Class A common shares, without par value				
Authorized:	Unlimited			
Issued and outstanding:	2017 99,395,048	2016 89,710,604		
Contributed surplus (Note 11)		20,625,372		25,723,900
Stock options (Note 10)		20,409,643		17,353,725
Accumulated deficit		(293,386,189)		(382,897,065)
Accumulated other comprehensive income		111,539		443,173
<b>Total shareholders' equity</b>		<b>125,770,249</b>		<b>2,814,378</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>150,700,534</b>	<b>\$</b>	<b>48,488,677</b>

Contingencies (Note 3)

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

Approved by the Board of Directors:

/s/ Jean Charles Potvin

/s/ James P. Geyer

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>INCOME (LOSS)</b>		
Gain on sale of mining data (Note 3)	\$ 187,500,000	\$ –
Interest income	48,323	47,691
Gain on disposition of marketable securities	–	48,360
Loss on settlement of debt (Note 11)	(16,637,379)	(70,221)
Write-down of property, plant and equipment (Note 7)	–	(556,558)
Loss on impairment of marketable securities (Note 5)	–	(13,769)
Foreign currency gain (loss)	(213,016)	51,142
	<u>170,697,928</u>	<u>(493,355)</u>
<b>EXPENSES</b>		
Corporate general and administrative	16,715,792	4,111,563
Retention units costs	7,694,200	–
Contingent value rights	3,901,159	–
Siembra Minera Project (Note 8)	7,510,588	1,648,043
Exploration costs	83,859	320,611
Legal and accounting	1,012,768	867,965
Arbitration and settlement (Note 3)	2,435,645	2,785,817
Equipment holding costs	661,798	796,680
Interest expense (Note 11)	6,098,069	10,521,658
	<u>46,113,878</u>	<u>21,052,337</u>
Net income (loss) before income tax expense	124,584,050	(21,545,692)
Income tax expense	(35,073,174)	–
	<u>\$ 89,510,876</u>	<u>\$ (21,545,692)</u>
Net income (loss) for the year		
	<u>\$ 0.96</u>	<u>\$ (0.26)</u>
Net income (loss) per share, basic and diluted		
Weighted average common shares outstanding		
Basic	93,649,587	84,456,074
Diluted	<u>94,162,693</u>	<u>84,456,074</u>

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net income (loss) for the year	\$ 89,510,876	\$ (21,545,692)
Other comprehensive income (loss), net of tax:		
Items that may be reclassified subsequently to the		



consolidated statement of operations:

Unrealized gain (loss) on marketable securities, net of tax of nil (Note 5)	(301,984)	360,386
Revaluation of deferred tax liability	(29,650)	
Realized gain on marketable securities, net of tax of nil	–	(60)
Impairment loss on marketable securities, net of tax of nil	–	13,769
Other comprehensive income (loss) for the year	(331,634)	374,095
Comprehensive income (loss) for the year	<u>\$ 89,179,242</u>	<u>\$ (21,171,597)</u>

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

# GOLD RESERVE INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in U.S. dollars)

	Common Shares		Contributed Surplus	Stock Options	Accumulated Deficit	Accumulated Other Comprehensive Income
	Number	Amount				
Balance, December 31, 2015	76,447,147	\$ 290,467,418	\$ 30,435,625	\$ 20,523,325	\$ (361,351,373)	\$ 69,078
Net loss	-	-	-	-	(21,545,692)	-
Other comprehensive income	-	-	-	-	-	374,095
Stock option compensation (Note 10)	-	-	-	14,907	-	-
Fair value of options exercised	-	3,184,507	-	(3,184,507)	-	-
Common shares issued for:	-	-	-	-	-	-
Private placement, net of costs	8,562,500	34,108,113	-	-	-	-
Option exercises (Note 10)	2,286,500	4,175,875	-	-	-	-
Note conversions (Note 11)	2,414,457	10,254,732	(4,711,725)	-	-	-
Balance, December 31, 2016	89,710,604	342,190,645	25,723,900	17,353,725	(382,897,065)	443,173
Net income	-	-	-	-	89,510,876	-
Other comprehensive loss	-	-	-	-	-	(331,634)
Stock option compensation (Note 10)	-	-	-	5,108,493	-	-
Fair value of options exercised	-	2,052,575	-	(2,052,575)	-	-
Common shares issued for:	-	-	-	-	-	-
Option exercises (Note 10)	2,073,435	5,973,474	-	-	-	-
Note conversions (Note 11)	7,611,009	27,793,190	(5,098,528)	-	-	-
Balance, December 31, 2017	99,395,048	\$ 378,009,884	\$ 20,625,372	\$ 20,409,643	\$ (293,386,189)	\$ 111,539

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

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

**For the Years Ended**

**December 31,**

**2017                      2016**

**Cash Flows from Operating Activities:**

Net income (loss) for the year	\$	89,510,876	\$	(21,545,692)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Stock option compensation		5,108,493		14,907
Depreciation		6,491		5,545
Gain on sale of mining data		(187,500,000)		-
Loss on settlement of debt		16,637,379		70,221
Write-down of property, plant and equipment		-		556,558
Accretion of convertible notes		6,051,444		10,463,666
Gain on disposition of marketable securities		-		(48,360)
Deferred income tax		18,402,483		-
Impairment loss on marketable securities		-		13,769
Changes in non-cash working capital:				
Net (increase) decrease in deposits and advances		(2,134)		436,334
Net increase (decrease) in accounts payable and accrued expenses		4,791,873		(858,505)
Net cash used in operating activities		<u>(46,993,095)</u>		<u>(10,891,557)</u>

**Cash Flows from Investing Activities:**

Proceeds from sale of mining data		187,500,000		-
Proceeds from disposition of marketable securities		-		48,456
Purchase of property, plant and equipment		(592,529)		(350,000)
Net cash provided by (used in) investing activities		<u>186,907,471</u>		<u>(301,544)</u>

**Cash Flows from Financing Activities:**

Proceeds from the issuance of common shares		5,973,474		38,425,875
Settlement of debt		(43,962,181)		(694,730)
Financing fees		-		(141,887)
Net cash provided by (used in) financing activities		<u>(37,988,707)</u>		<u>37,589,258</u>

**Change in Cash and Cash Equivalents:**

Net increase in cash and cash equivalents		101,925,669		26,396,157
Cash and cash equivalents - beginning of year		<u>35,747,049</u>		<u>9,350,892</u>
Cash and cash equivalents - end of year	\$	<u><u>137,672,718</u></u>	\$	<u><u>35,747,049</u></u>

**Supplemental Cash Flow Information:**

Cash paid for interest	\$	<u>9,589,281</u>	\$	<u>749,311</u>
Cash paid for income taxes	\$	<u>15,436,903</u>	\$	<u>-</u>

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



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

Gold Reserve Inc. ("Gold Reserve", the "Company", "we", "us", or "our") is engaged in the business of acquiring, exploring and developing mining projects 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 relate to the advancement of the Siembra Minera Project, 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 (See Note 3, Arbitral Award Settlement and Associated Mining Data Sale) and the acquisition of our Mining Data by Venezuela (See Note 8, Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera")).

**Basis of Presentation and Principles of Consolidation.** These audited 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 two Barbadian subsidiaries 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 other subsidiaries are wholly owned. All intercompany accounts and transactions have been eliminated on consolidation. Our policy is to consolidate those subsidiaries where control exists. We have only one operating segment, the exploration and development of mineral properties.

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

**Exploration and Development Costs.** Exploration costs incurred in locating areas of potential mineralization or evaluating properties or working interests with specific areas of potential mineralization are expensed as incurred. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and equipment. 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.

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

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

**Stock Based Compensation.** We maintain the 2012 Equity Incentive Plan (the "2012 Plan") which provides for the grant of stock options to purchase our Class A common shares. We use the fair value method of accounting for stock options. The fair value of options granted to employees is computed using the Black-Scholes method as described in Note 10 and is expensed over the vesting period of the option. For non-employees, the fair value of stock based compensation is recorded as an expense over the vesting period or upon completion of performance. Consideration paid for shares on exercise of share options, in addition to the fair value attributable to stock options granted, is credited to capital stock. 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.

**Convertible Notes.** Convertible notes are initially recorded at estimated fair value and subsequently measured at amortized cost. The fair value is allocated between the equity and debt component parts based on their respective fair values at the time of issuance and recorded net of transaction costs. The equity portion of the convertible notes is estimated using the residual value method. The fair value of the debt component is accreted to the face value of the convertible notes using the effective interest rate method over the contractual life of the convertible notes, with the resulting charge recorded as interest expense **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 and the Company's ownership is between 20% and 50% are accounted for by the equity method.

**Financial Instruments.** Marketable equity securities are classified as available for sale with any unrealized gain or loss recorded in other comprehensive income. If a decline in fair value of a security is determined to be other than temporary, an impairment loss is recognized. Cash and cash equivalents, deposits, 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 March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation. The objective of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update was effective for us commencing January 1, 2017 and did not have an impact on our financial statements.

### Recently issued accounting pronouncements

In January 2017, the FASB issued ASU 2017-01, Business Combinations. This update clarifies the definition of a business and adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows – Restricted Cash. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. This update is intended to reduce the existing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for us commencing with the annual period beginning after December 15, 2017 and interim periods within that annual period. We do not expect the adoption of this standard will have a significant impact on our financial statements.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This update is effective for the Company commencing with the annual period beginning after December 15, 2017. The Company expects the updated guidance to result in a reclassification of unrealized holding gains and losses related to investments in marketable equity securities from Accumulated other comprehensive income to Retained earnings in the Balance Sheet upon adoption. Subsequent to adoption of this standard, changes in the value of the Company's marketable equity securities will be recorded as income (loss) instead of other comprehensive income (loss).

In May 2014, the FASB issued ASU 2014-09, Revenue from contracts with customers. This standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This update is effective for us commencing with the annual period beginning after December 15, 2017. As we currently do not generate revenue from operations, the adoption of this standard will not have a significant impact on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. This update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for us commencing with the annual period beginning after December 15, 2018, including interim periods within that year. We are still in the process of evaluating the impact of this standard.

### **Note 3. Arbitral Award Settlement and Associated 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") of the World Bank to obtain compensation for the losses caused by the actions of Venezuela that terminated our previous mining project in Venezuela known as the "Brisas Project". In September 2014, the ICSID Tribunal granted us an Arbitral Award (the "Award") totaling

- (i) \$713 million in damages, plus (ii) pre-award interest from April 2008 through the date of the Award based on the U. S. Government Treasury Bill Rate, compounded annually totaling, as of the date of the Award, approximately

\$22.3 million and (iii) \$5 million for legal costs and expenses, for a total, as of September 22, 2014, of \$740.3 million. The Award (less legal costs and expenses) accrues post-award interest at a rate of LIBOR plus 2%, compounded annually, which, as a result of the Settlement Agreement, has been temporarily stayed.

In July 2016, we signed the Settlement Agreement, as subsequently amended whereby Venezuela agreed to pay us the Award (including interest) and purchase our mining data related to the Brisas Project (the "Mining Data"). Under the terms of the Agreement, 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 monthly installments. The first \$240 million to be received by Gold Reserve from Venezuela is related to 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. Pursuant to the Settlement Agreement, Venezuela agreed to make a payment of \$40 million (the "Initial Payment") followed by 23 monthly payments of \$29.5 million on or before the 15th day (previously the 10th day) of each month starting in July 2017, with a final payment of approximately \$313.3 million scheduled to be paid on or before June 15, 2019.

Payments made by Venezuela associated with the Settlement Agreement are initially deposited into the Trust Account with Bandes Bank. From June through December 2017, Venezuela deposited a total of \$187.5 million to the Trust Account. Of this amount, approximately \$99 million had been transferred to the Company's bank account outside of Venezuela with the balance of approximately \$88.5 million remaining in the Trust Account as of December 31, 2017. In August 2017, the U.S. government imposed financial sanctions targeting the Venezuelan government which, in addition to the economic and financial condition of the country, have complicated the monthly transfer of funds from the Trust Account to our bank accounts (See Note 4, Cash and Cash Equivalents).

Due to the uncertainties associated with the funds still on deposit in the Trust Account, the Board of Directors has only considered those funds actually received by the Company in its bank account as funds available for purposes of calculating the CVR and Bonus Plan cash distributions, however, the full amount due based on total payments to the Trust Account has been accrued as a payable in the Consolidated Balance Sheets and recorded as an expense in the Consolidated Statements of Operations.

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 interests thereon (the "Net Proceeds"). The total estimated amount due pursuant to the terms of the CVRs as of December 31, 2017, based on the Net Proceeds (including those amounts remaining in the Trust Account) from the sale of the Mining Data was approximately \$3.1 million. The amount distributed in 2017 based on proceeds actually received in our bank account was approximately \$1.8 million.

The Board of Directors 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 on-going 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 is 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. The Bonus Plan is administered by a committee of independent directors. The Committee 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. The total estimated amount due pursuant to the terms of the Bonus Plan as of December 31, 2017, based on the Net Proceeds (including those amounts remaining in the Trust Account) from the sale of the Mining Data is approximately \$1.4 million which is included in corporate general and administrative expense in the Consolidated Statements of Operations for the year ended December 31, 2017. The amount distributed in 2017 based on proceeds actually received in our bank account was approximately \$0.8 million.



Our Intent to Distribute Collection of the Award or Sale of Mining Data to Shareholders Following receipt of funds transferred from the Trust Account (See Note 4, Cash and Cash Equivalents) to our bank account and after applicable payments of Net Proceeds (as defined in the CVRs) to holders of our CVRs and participants under our Bonus Plan, we expect to distribute to our shareholders, in the most cost efficient manner, a substantial majority of any remaining proceeds, subject to applicable regulatory requirements regarding capital and reserves for operating expenses, accounts payable and income taxes, and any obligations arising as a result of the collection of the Award and/or sale of the Mining Data.

#### Note 4. Cash and Cash Equivalents:

	December 31, 2017	December 31, 2016
Bank deposits	\$ 39,649,888	\$ 1,122,542
Cash held in trust	88,500,000	–
Money market funds	9,522,830	34,624,507
Total	<u>\$ 137,672,718</u>	<u>\$ 35,747,049</u>

Payments made by Venezuela associated with the Settlement Agreement are initially 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. Under the trust agreement, the Company has the right to direct transfer of the funds to its bank accounts outside of Venezuela. Deposits held in the Trust Account as of the balance sheet date are recorded as cash and cash equivalents. Deposits made to the Trust Account subsequent to the balance sheet date but prior to the date of issuance of the consolidated financial statements are recorded as a receivable as of the balance sheet date, arising from the sale of the Mining Data to Venezuela.

In August 2017, the U.S. government imposed financial sanctions targeting the Venezuelan government by issuing an executive order that prohibits U.S. persons from dealing in financing of greater than 30 days for the Venezuelan government, including any entity owned or controlled by the Venezuelan government (with respect to the state oil company and its subsidiaries, these restrictions prohibit financings of greater than 90 days). In addition, U.S. persons are prohibited from dealing in, among other things, bonds or equity issued by the Venezuelan government after the U.S. financial sanctions were imposed on August 25, 2017. These U.S. financial sanctions built on sanctions imposed by the U.S. government starting in March 2015 that prohibit various Venezuelan officials from traveling to the U.S., freeze any assets they may have in the U.S. and generally prohibit U.S. persons from doing business with them and any entity they own 50% or more. Subsequent to the U.S. actions, Canada imposed its own sanctions. Recently the U.S. government added several additional individuals to the sanctions list and prohibited U.S. persons from dealing in cryptocurrencies issued by the Venezuelan government. The U.S. and Canadian governments have been reported to be considering further sanctions (collectively, the "Sanctions"). The Sanctions, in addition to the economic and financial condition of Venezuela, have complicated the monthly transfer of funds from the Trust Account to our bank accounts.

As of April 26, 2018, Venezuela has transferred a total of \$128.5 million to our bank account with \$59 million remaining in the Trust Account. The monthly payments pursuant to the Settlement Agreement from December 2017 and January, February, March and April 2018 totaling approximately \$147.5 million remain unpaid. (See Note 3, Arbitral Award Settlement and Associated Mining Data Sale).

#### Note 5. Marketable Securities:

	December 31, 2017	December 31, 2016
Fair value at beginning of year	\$ 541,216	\$ 180,986
Dispositions, at cost	–	(96)
Realized gain	–	(60)
Impairment loss	–	(13,769)
Increase (decrease) in fair market value	(301,984)	374,155
Fair value at balance sheet date	<u>\$ 239,232</u>	<u>\$ 541,216</u>

The Company's marketable securities are classified as available-for-sale and are recorded at quoted market value with gains and losses recorded within other comprehensive income (loss) until realized or impaired. Realized gains and losses are based on the average cost of the shares held at the date of disposition. As of December 31, 2017 and 2016, marketable securities had a cost basis of \$98,043.

**Note 6. Fair Value Measurements:**

Accounting Standards Codification ("ASC") 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability and Level 3 inputs are unobservable inputs for the asset or liability that reflect the entity's own assumptions.

	Fair value		
	December 31, 2017	Level 1	Level 2
Marketable securities	\$ 239,232	\$ 239,232	–

	Fair value		
	December 31, 2016	Level 1	Level 2
Marketable securities	\$ 541,216	\$ 541,216	–
Convertible notes and interest notes	\$ 77,164,724	–	\$ 77,164,724

**Note 7. Property, Plant and Equipment:**

	Cost	Accumulated Depreciation	Net
<b>December 31, 2017</b>			
Machinery and equipment	\$ 11,677,534	–	\$ 11,677,534
Furniture and office equipment	587,126	(503,216)	83,910
Transportation equipment	489,560	–	489,560
Leasehold improvements	39,185	(7,655)	31,530
Mineral property	350,000	–	350,000
	<u>\$ 13,143,405</u>	<u>(510,871)</u>	<u>\$ 12,632,534</u>

	Cost	Accumulated Depreciation	Net
<b>December 31, 2016</b>			
Machinery and equipment	\$ 11,677,534	–	\$ 11,677,534
Furniture and office equipment	519,832	(500,870)	18,962
Leasehold improvements	41,190	(41,190)	–
Mineral property	350,000	–	350,000
	<u>\$ 12,588,556</u>	<u>(542,060)</u>	<u>\$ 12,046,496</u>

During 2017, the Company purchased approximately \$0.5 million of transportation equipment that is intended to be used in the development of the Siembra Minera project. On March 1, 2016, we completed the acquisition of certain wholly-owned mining claims known as the LMS Gold Project (the "Property"), together with certain personal property for \$0.4 million, pursuant to a Purchase and Sale Agreement with Raven Gold Alaska Inc. ("Raven"), a wholly-owned subsidiary of Corvus Gold Inc. which was recorded as mineral property.

Raven retains a royalty interest with respect to (i) precious metals produced and recovered from the Property equal to 3% of net smelter returns on such metals (the "Precious Metals Royalty") and (ii) base metals produced and recovered from the Property equal to 1% of net smelter returns on such metals. 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.

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. In December 2016, based on market valuations for mining equipment which included the review of transactions involving comparable assets, we recorded a write-down of \$0.6 million to an estimated fair value. We did not record any write-downs of property, plant and equipment in 2017.

#### **Note 8. 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.

Siembra Minera is beneficially owned 55% by Corporacion Venezolana de Minería, S.A., a Venezuelan government corporation, and 45% by Gold Reserve. Siembra Minera holds certain gold, copper, silver and other strategic mineral rights contained within Bolívar State comprising the Siembra Minera Project (which has a 20 year term with two 10 year extensions) and is, among other things authorized, via Presidential Decrees and Ministerial resolutions, to carry on its business, pay a net smelter return royalty to Venezuela on the 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. Pursuant to the Settlement Agreement, both parties will retain their respective interest in Siembra Minera in the event the settlement payments are not made by Venezuela.

The Company's cumulative expenditures associated with Siembra Minera through December 31, 2017 amounted to approximately \$9.2 million. These expenditures primarily include costs associated with consultants working on the Siembra Minera Project, which have been recognized in the Consolidated Statements of Operations.

#### **Note 9.**

##### **KSOP Plan:**

The KSOP Plan, adopted in 1990 for retirement benefits of employees, is comprised of two parts, (1) a salary reduction component, and a 401(k) which includes provisions for discretionary contributions by us, and (2) an employee share ownership component, or ESOP. Allocation of 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 the KSOP Plan years 2017 and 2016 were approximately \$234,000 and \$163,000, respectively.

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

##### Equity Incentive Plans

On June 27, 2012, our shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan") to replace our previous equity incentive plans. On September 19, 2016, the Board approved an amendment and restatement of the 2012 Plan to increase the maximum number of shares issuable thereunder to 8,750,000, representing less than 10% of the issued and outstanding Class A Common Shares of the Company at such date. Such amendment was approved by the TSX Venture Exchange ("TSXV") on October 6, 2016.

As of December 31, 2017, there were 1,585,000 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 2012 Plan.

Share option transactions for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of period	3,357,000	\$ 2.84	5,643,500	\$ 2.43
Options granted	5,277,500	3.15	-	-
Options exercised	(2,073,435)	2.88	(2,286,500)	1.83
Options expired	(1,469,500)	2.89	-	-
Options outstanding - end of period	5,091,565	\$ 3.13	3,357,000	\$ 2.84
Options exercisable - end of period	4,004,067	\$ 3.13	3,357,000	\$ 2.84

The following table relates to stock options at December 31, 2017:

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)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)	
													\$ 1.92
\$ 2.69	125,000	\$ 2.69	75,000	9.33	62,500	\$ 2.69	37,500	9.33	\$ 3.00	250,000	0.44	72,500	0.44
\$ 3.00	250,000	\$ 3.00	72,500	0.44	250,000	\$ 3.00	72,500	0.44	\$ 3.15	3,544,643	9.13	496,250	9.13
\$ 3.15	3,544,643	\$ 3.15	496,250	9.13	2,519,645	\$ 3.15	352,750	9.13	\$ 3.45	102,000	0.05	-	102,000
\$ 3.45	102,000	\$ 3.45	-	0.05	102,000	\$ 3.45	-	0.05	\$ 3.89	100,000	0.05	-	100,000
\$ 3.89	100,000	\$ 3.89	-	0.05	100,000	\$ 3.89	-	0.05	\$ 3.91	215,000	6.28	-	215,000
\$ 3.91	215,000	\$ 3.91	-	6.28	215,000	\$ 3.91	-	6.28	\$ 4.02	310,000	6.56	-	310,000
\$ 4.02	310,000	\$ 4.02	-	6.56	310,000	\$ 4.02	-	6.56	\$ 1.92 - \$4.02	5,091,565	7.57	\$ 1,253,293	4,004,067
\$ 1.92 - \$4.02	5,091,565	\$ 3.13	\$ 1,253,293	7.57	4,004,067	\$ 3.13	\$ 1,072,293	7.15					

During the years ended December 31, 2017 and 2016, the Company granted 5,277,500 and NIL stock options, respectively. In 2017 and 2016, approximately 2.1 million and 2.3 million outstanding options were exercised, respectively, for net proceeds to the Company of approximately \$6.0 million and \$4.1 million, respectively. The Company recorded non-cash compensation expense during 2017 and 2016 of \$5.1 million and \$0.02 million, respectively. Subsequent to December 31, 2017, 237,000 options expired unexercised.

The weighted average fair value of the options granted in 2017 was calculated as \$1.04. The fair value of options granted was determined using the Black-Scholes model based on the following weighted average assumptions:

	2017
Risk free interest rate	1.22 %
Expected term	2.0 years
Expected volatility	59 %
Dividend yield	nil

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

## Retention Plan and Change of Control Agreements

The Company maintains the Gold Reserve Director and Employee Retention Plan. Each unit (a "Retention Unit") granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A common share on the date the Retention Unit is granted or on the date any such participant becomes entitled to payment, whichever is greater. Units previously granted under the plan became fully vested upon the collection of proceeds from sale of the Mining Data and the Board of Director's agreement to distribute a substantial majority of the remaining proceeds to our shareholders. In June 2017, as a result of the collection of proceeds related to the sale of the Mining Data, the Retention Units vested and in the third quarter of 2017 the Company paid \$7.7 million to plan participants. As of December 31, 2017 there were no Retention Units outstanding.

The Company also 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 December 31, 2017, in the event of a change of control, the amount payable under these agreements was approximately \$16.2 million. None of this amount has currently been recognized as a change of control is not considered probable at this time.

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

In the third quarter of 2017, the Company settled all of its outstanding 11% Senior Secured Convertible Notes and Interest Notes due December 31, 2018 (the "2018 Notes"). Prior to settlement, the Company had a total of \$59.1 million face value of 2018 Notes outstanding. Of these notes, \$36.3 million were redeemed for cash and the Company paid an additional \$6.4 million related to a 20% premium due on the redeemed notes and \$0.2 million in interest to the redemption date. The remaining \$22.8 million 2018 Notes were converted to approximately 7.6 million Class A common shares. As a result of the redemption or conversion of 2018 Notes, the Company recorded a \$16.6 million loss on settlement of debt consisting of the \$6.4 million premium paid and approximately \$10.2 million of remaining unamortized discount. In October 2017, the Company redeemed for cash its remaining debt, which consisted of approximately \$1.0 million face value of 5.5% Senior Subordinated Convertible Notes due June 15, 2022 (the "2022 Convertible Notes").

## **Note 12. Income Tax:**

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") which makes broad and complex changes to the U.S. tax code. The Tax Act establishes new tax laws that will affect 2017 and later years, including, but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21% beginning in 2018. As a result of the reduction of the rate, we have revalued our net deferred tax liability as of December 31, 2017. Based on this revaluation, we have reduced our U.S. deferred tax assets and liabilities and recorded a deferred income tax expense for the year ended December 31, 2017.

Income tax expense (benefit) for the years ended December 31, 2017 and 2016 differs from the amount that would result from applying Canadian tax rates to net income (loss) before taxes. These differences result from the items noted below:

	2017		2016	
	Amount	%	Amount	%
Income tax expense (benefit) based on Canadian tax rates	\$ 31,146,013	25	\$ (5,386,423)	25
Increase (decrease) due to:				
Different tax rates on foreign subsidiaries	16,872,781	14	(248,385)	1
Non-deductible expenses	3,581,209	3	1,040,629	(5)
Withholding tax	2,000,265	1	—	—
Change in valuation allowance and other	(18,527,094)	(15)	4,594,179	(21)
	<u>\$ 35,073,174</u>	<u>27</u>	<u>\$ —</u>	<u>—</u>

The Company recorded income tax expense of \$35.1 million and NIL for the years ended December 31, 2017 and 2016, 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 components of the Canadian and U.S. deferred income tax assets as of December 31, 2017 and 2016 were as follows:

	December 31,	
	2017	2016
Deferred income tax assets		
Net operating loss carry forwards	\$ 35,964,366	\$ 46,962,497
Property, Plant and Equipment	3,227,745	3,227,610
Capital loss carry forwards	1,478,385	15,411
Other	204,209	330,882
	<u>40,874,705</u>	<u>50,536,400</u>
Valuation allowance	(40,662,538)	(50,536,400)
	\$ 212,167	\$ -
Deferred income tax liabilities		
Cash held in trust	(18,614,650)	-
Net deferred income tax liability	\$ (18,402,483)	\$ -

At December 31, 2017, we had the following Canadian tax loss carry forwards:

	Expires
\$ 2,087,825	2026
3,874,732	2027
14,768,712	2028
13,996,418	2029
17,291,796	2030
19,362,808	2031
5,617,369	2032
7,223,755	2033
10,407,364	2034
13,507,936	2035
16,060,511	2036
<u>19,658,239</u>	<u>2037</u>
<u>\$ 143,857,465</u>	

At December 31, 2017, the Company has approximately \$52.4 million in U.S tax loss carryforwards which have been fully utilized in the calculation of current income tax expense.

## CORPORATE INFORMATION

### Officers and Directors

James H. Coleman

*Executive Chairman and Director*

Rockne J. Timm

*Chief Executive Officer and Director*

A. Douglas Belanger

*President and Director*

Robert A. McGuinness

*Vice President of Finance and CFO*

Mary E. Smith

*Vice President of Administration and Secretary*

James P. Geyer

*Director*

Jean Charles (JC) Potvin

*Director*

Robert A. Cohen

*Director*

James Michael Johnston

*Director*

### Annual Meeting

The 2018 Annual Meeting will be held at 9:30 a.m. on June 14, 2018 999 W. Riverside Avenue 7th Floor Masthead Suite Spokane, Washington USA

### Share Information

Number of Shareholders: Approximately

8,000

Common Shares Issued April 26, 2018

Class A common— 99,395,048

Purchase Options— 4,279,568

### Securities Listings

Canada— The TSX Venture Exchange: GRZ.V

United States— OTCQX: GDRZF

### Transfer Agent

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

### Registered Agent

Norton Rose Fulbright Canada LLC

Calgary, Alberta Canada

### Bankers

Bank of America Spokane, Washington USA

Bank of Montreal Vancouver, BC Canada

### Auditors

PricewaterhouseCoopers LLP

Vancouver, BC Canada

### Counsel

Norton Rose Fulbright Toronto, Ontario Canada

Baker & McKenzie LLP

Houston, Texas USA

**Office**

Corporate

999 W. Riverside Avenue, Suite 401 Spokane, WA 99201 Ph: (509) 623-1500 Fx: (509) 623-1634



