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 August 2017

Commission File Number: 001-31819

Gold Reserve Inc.

(Exact name of registrant as specified in its charter)
999 W. Riverside Avenue, Suite 401
Spokane, Washington 99201
(Address of principal executive office)

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

Form 20-F ☐ Form 40-F ☒

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes ☐ No ☒

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

This Report on Form 6-K and the exhibits attached hereto are hereby incorporated by reference into Gold Reserve Inc.'s (the "Company") current Registration Statements on Form F-3 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:

- 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;
- the ability of the Company and Venezuela to (i) successfully overcome any legal, regulatory or technical obstacles to operate Empresa Mixta Ecosocialista Siembra Minera, S.A. and develop the Brisas Cristinas Project, (ii) obtain any remaining governmental approvals and (iii) obtain financing to fund the capital costs of the Brisas Cristinas Project;
- risks associated with exploration, delineation of adequate resources and reserves, regulatory and permitting obstacles 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;
- local risks associated with the concentration of our future operations and assets in Venezuela, including operational, security, 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 under the Settlement Agreement;
- pending the receipt of payments under the Settlement Agreement or otherwise, our continued ability to service or restructure our outstanding notes or other obligations as they come due and access future additional funding, when required, for ongoing liquidity and capital resources;
- shareholder dilution resulting from future restructuring, refinancing and/or conversion of our outstanding notes or from the sale of additional equity, if required;
- value realized from the disposition of the remaining Brisas Project related assets, if any;

- 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. and/or Canadian 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 and www.sec.gov, respectively for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in our affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with the U.S. Securities and Exchange Commission (the "SEC") or other securities regulators or presented on the Company's website. Forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this notice. We disclaim any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to our disclosure obligations under applicable U.S. and Canadian securities regulations. Investors are urged to read the Company's filings with U.S. and Canadian securities regulatory agencies, which can be viewed online at www.sec.gov and www.sedar.com, respectively.

SIGNATURE

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

Dated: August 7, 2017

GOLD RESERVE INC. (Registrant)

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

GOLD RESERVE INC.

July 24, 2017

Dear Shareholders:

The board of directors of the Company (the "Board") is very pleased to report that the Company achieved substantial progress in 2016 which has carried over to the date of this letter.

After successfully prevailing with the Venezuela government and the settlement of the Company's October 2009 claim 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 the Brisas property, we immediately commenced discussions with Venezuela to resolve how the compensation was to be paid. After lengthy discussions and the entering a Memorandum of Understanding, a settlement agreement (the "Settlement Agreement") was eventually entered into between the parties in July 2016, which has subsequently been amended three times to accommodate Venezuela with what it believed to be a realistic payment schedule. Pursuant to the Settlement Agreement, as amended, Venezuela has agreed to make payments to the Company, in accordance with a payment schedule, in the aggregate amount of US$1,037 million, comprised of approximately US$797 million to satisfy the arbitral ICSID award granted in favor of the Company and US$240 million for the Company's technical mining data related to the Brisas property.

In June of 2017, Venezuela paid the Company US$40 million and subsequently, in July 2017, Venezuela paid the Company an additional US$29.5 million. Pursuant to the Settlement Agreement, as amended, the Company is scheduled to receive 19 additional monthly payments of US$29.5 million and three monthly payments of US$40.8 million each month going forward, totaling approximately US$680 million. A final payment of US$285 million is scheduled to be paid on or before June 10, 2019. In addition, Venezuela has agreed to place Venezuelan financial instruments with a face value of US$350 million in trust as collateral for future payments.

In 2016, the Company and Venezuela also agreed to form a joint venture company to hold, develop and put into production the gold copper and silver rights to 18,950 hectares of land which includes the Brisas property and the adjacent Cristinas gold-copper project. A wholly-owned subsidiary of the Company holds a 45% interest in the joint venture company, Empresa Mixta Ecosocialista Siembra Minera, S.A., and the remainder of the interest is held by the Venezuelan government.

The aggregate payments of US$69.5 million received so far have provided the Company with the financial resources to pay off the Company's convertible notes resulting in the Company being substantially debt free as of the date hereof. Additionally, future payments will allow the Company to honor its previously announced intention to distribute a substantial amount of the ICSID award collected to our shareholders.

The Board is extremely pleased with what the Company has achieved during a very difficult time period for Venezuela. This success has been achieved by considerable effort and persistence and is not the simple by-product of having prevailed in the ICSID arbitration.

Notwithstanding the recent success of the Company and the building of a solid foundation for what we believe will be a positive future for the Company and our shareholders, a dissident shareholder, Steelhead Partners, LLC, ("Steelhead") has utilized the provisions of corporate law to nominate three new individuals (being Messrs. Michael James Johnston, Joseph Mannello and Chris Hodgson) for election to the Board and to require that the Company include a statement (the "Steelhead Statement") in the accompanying management information circular (the "Circular"). The Steelhead Statement, among other things, questions the Company's decision to grant stock options to directors, officers, employees and consultants in February 2017 and conveys a dissatisfaction with the performance and actions of the Board and management of the Company.

For the reasons set forth in the Circular, the Board and management strongly disagree with the content of the Steelhead Statement and recommend that shareholders WITHHOLD their vote in respect of Steelhead's nominees. In summary, the Board and management believe that:

(i) based upon the review and recommendation of the Company's nominating committee comprised of independent members of the Board, Steelhead's nominees will not provide the Board with any skills, experience or competencies it does not already possess, as further detailed in the Circular;

(ii) for the reasons set out in the Circular, the election of Steelhead's nominees will result in the loss of members of the Board who have significant experience with, and knowledge of, the Company, its operations and the unique region in which it operates;

(iii) the election of Steelhead's nominees would result in a shareholder holding less than 10% of the outstanding shares of the Company controlling almost half of the Board;

(iv) for the reasons set out in the Circular, including that stock options had not been granted since 2015, the granting of stock options to its key directors, officers, employees and consultants in February 2017 (which was based on the recommendation of the Company's compensation committee comprised of independent members of the Board) was a legitimate and necessary action of the Board to incentivize such persons and to allocate reward based upon their respective contributions to the Company's future progress and success; and

(v) despite Steelhead's clear expression of dissatisfaction, since the date of the Steelhead Statement, it has not taken any opportunity to provide the Board or management with a clear statement as to how the Company should proceed with its current business activities going forward.

In addition to the three individuals nominated by Steelhead, Greywolf Capital Management LP ("Greywolf"), the Company's largest shareholder, has also requested that one of its nominees (being Mr. Robert A. Cohen) be put before shareholders for election as a director at the Company's upcoming annual meeting of shareholders to be held on August 29, 2017 (the "Meeting"). **While the Board strongly recommends that shareholders WITHHOLD their votes in respect of Steelhead's three nominees, the Board has <u>not</u> made a recommendation to shareholders with respect to Greywolf's nominee.**

The Board believes that if all of Steelhead's nominees and the Greywolf's nominee are elected as directors of the Company at the Meeting, the "change of control" provisions of agreements existing between the Company and certain members of management will be triggered which may result in the loss of senior management, who are important assets to the Company, and a requirement that the Company make "change of control" payments totaling over US$15 million to such persons.

We strongly believe that the future of the Company depends on the existing members of the Board and management team, their continuous efforts and their willingness to travel to Venezuela for extended periods of times, in addition to the current Boards' understanding and knowledge of the Company, the mining industry and doing business in Venezuela.

This is your Company and your vote is important. As a result, the Board urges each shareholder of the Company to review the Circular and cast your vote at the Meeting.

On Behalf of the Board,

"*James H. Coleman*"

James H. Coleman
Chairman

GOLD RESERVE INC.

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting (the "Meeting") of the holders of Class A common shares (the, "Shareholders") of GOLD RESERVE INC. (the "Company") will be held at the Gold Reserve Inc. office in the United States, located at 999 W. Riverside, Suite 401, Spokane, Washington, USA on August 29, 2017 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, 2016, 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 2016 Annual Report on Form 40-F (the "2016 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 2016 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 August 4, 2017.

The Board of Directors has fixed the close of business on July 10, 2017 as the record date for the determination of Shareholders entitled to notice of the meeting and any adjournment or postponement thereof.

DATED this 24th day of July 2017

BY ORDER OF THE DIRECTORS

Rockne J. Timm
Chief Executive Officer

GOLD RESERVE INC.

MANAGEMENT INFORMATION CIRCULAR

MANAGEMENT SOLICITATION OF PROXIES

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies by the management of GOLD RESERVE INC. (the "Company") to be voted at the Annual Meeting of Shareholders of the Company (the "Meeting") to be held on Tuesday, the 29th day of August 2017 at 9:30 a.m. (Pacific daylight time), at the Gold Reserve Inc. office in the United States, located at 999 W. Riverside, Suite 401, 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 ("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 24th day of July 2017.

The Notice of Annual Meeting of Shareholders, Circular and the Company's 2016 Annual Report on Form 40-F (the "2016 Annual Report") are also available for review on the Company's website at www.goldreserveinc.com and www.sedar.com under 2017 Annual Shareholder Meeting.

FORWARD LOOKING INFORMATION

This Circular contains "forward-looking statements" within the meaning of applicable U.S. federal securities laws and "forward-looking information" within the meaning of applicable Canadian provincial and territorial securities laws and state the Company's and its management's intentions, hopes, beliefs, expectations or predictions for the future including without limitation statements with respect to the Company's receipts of the payments contemplated by the Settlement Agreement (as defined below), the distribution of any of such payments to the Company's shareholders, the contemplated pledge of Venezuela debt securities as security for such payments and the development of the Brisas Cristinas Project (as defined below) and the future of the Brisas Cristinas Project and Siembra Minera (as defined below). Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

The Company cautions that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause the actual outcomes, financial results, performance, or achievements of the Company to be materially different from the Company's estimated outcomes, future results, performance, or achievements expressed or implied by those forward-looking statements, including without limitation the risk that Venezuela may not be able to fund the contemplated future payments to the Company pursuant to the Settlement Agreement, the uncertainty of the value of the Venezuela debt securities to be pledged to the Company in the event Venezuela defaults on its payment obligations, the risk that a revised feasibility study, a revised environmental impact statement and a PEA for the Brisas Cristinas Project will not be completed within the time frames anticipated, the risk that Siembra Minera may not be able to arrange financing for the anticipated capital costs of the Brisas Cristinas Project and the risk that the development of the Brisas Cristinas Project may not proceed as anticipated.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company 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 rules promulgated by the Securities and Exchange Commission (the "SEC") and applicable Canadian provincial and territorial securities laws.

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, Suite 401, 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 SHARES WILL BE VOTED "FOR" THE MATTERS SPECIFICALLY IDENTIFIED IN THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS ACCOMPANYING THIS CIRCULAR OTHER THAN WITH RESPECT TO THE ELECTION OF THE DISSIDENT NOMINEES AND THE GREYWOLF NOMINEE (AS EACH ARE DEFINED BELOW), FOR WHICH CLASS A SHARES WILL BE "WITHHELD" FROM VOTING.

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 July 10, 2017, the record date for the Meeting, there were 89,848,104 issued and outstanding Class A Shares. As of the date hereof, there are 92,267,191 issued and outstanding Class A Shares.

The Company has set the close of business on July 10, 2017 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 July 24, 2017, 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 [1]
Greywolf Event Driven Master Fund.	6,380,948	6.92%
Greywolf Overseas Intermediate Fund	4,681,240	5.07%
Greywolf Strategic Master Fund SPC, Ltd. – MSP9	10,000,000	10.84%
Greywolf Strategic Master Fund SPC, Ltd. – MSP5	2,481,959	2.69%
Total Greywolf Capital Management LP [2]	**23,544,147** [3]	**25.52%**

(1) Based on the number of Class A Shares outstanding on July 24, 2017.

(2) As of July 24, 2017 GCOF Europe Sarl beneficially holds approximately $2,971,011 of outstanding 11% convertible notes due 2018, which may be converted into 990,337 Class A Shares; Greywolf Strategic Master Fund SPC, Ltd. MSP9 beneficially holds approximately $5,315,750 of outstanding 11% convertible notes due 2018, which may be converted into 1,771,916 Class A Shares; Greywolf Strategic Master Fund SPC, Ltd. – MSP5 beneficially holds approximately $1,155,616 of outstanding 11% convertible notes due 2018, which may be converted into 385,205 Class A Shares, and Greywolf Overseas Intermediate Fund holds approximately $2,258,964 of outstanding 11% convertible notes due 2018, which may be converted into 752,988 Class A Shares.

(3) The number of Class A Shares held is based on publicly available information filed with SEC by Greywolf Capital Management LP ("Greywolf") on April 28, 2017.

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

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders at the close of business on July 10, 2017 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 six members and Shareholders are being asked to elect seven members to the Board.

The Board has held 30 meetings since the beginning of the most recently completed financial year at which attendance, in person or by phone, averaged 97%. Messrs. A. Douglas Belanger, Patrick D. McChesney and James H. Coleman attended all 30 of the meetings; Messrs. Jean Charles Potvin and Rockne J. Timm attended 29; Mr. James P. Greyer attended 28; and Mr. Kenneth I Juster attended 18 meetings of 20 meetings held before his resignation from the Board on January 19, 2017 to take a position with the Donald J. Trump Administration as Deputy Assistant to the President for International Economic Affairs. Mr. Juster's resignation from the Board was required as a result of his new position. Mr. Juster was a nominee of Steelhead Partners, LLC ("Steelhead").

DIRECTOR NOMINEES

Directors Nominated by Management

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 (the "Management Nominees"), 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.

Name and Place of Residence	Director of Gold Reserve Inc. since	Shares Beneficially Owned or Controlled	Member of Committee
Rockne J. Timm Spokane, Washington, USA	1984	1,170,040	Executive Committee Barbados Committee Legal Committee
A. Douglas Belanger Spokane, Washington, USA	1988	1,400,940	Executive Committee Mining Committee Financial Markets Committee
James P. Geyer Spokane, Washington, USA	1997	407,473	Audit Committee Mining Committee
James H. Coleman, Q.C. Calgary, Alberta, Canada	1994	380,588	Executive Committee Legal Committee Barbados Committee
Patrick D. McChesney Las Vegas, Nevada, USA	1988	185,777	Audit Committee Compensation Committee Nominating Committee Barbados Committee
Jean Charles Potvin Toronto, Ontario, Canada	1993	316,672	Compensation Committee Nominating Committee Mining Committee Financial Markets Committee

For further details regarding the Management Nominees, including their principal occupations, all other positions and offices with the Company now held by them and background information, please see the section entitled "*Steelhead's Dissident Nominees*" below.

The Greywolf Nominee

Greywolf is a registered investment advisor with approximately $3.2 billion in assets under management. As at the date hereof, Greywolf, on behalf of certain funds that it manages or advises, exercises control or direction over 23,557,147 Class A Shares (representing approximately 25.5% of the outstanding Class A Shares as of the date hereof).

While Greywolf has no contractual right to nominate a director, it has requested that Mr. Robert A. Cohen (the "Greywolf Nominee") be nominated for election as a director of the Company. In response to Greywolf's request, both management of the Company and certain members of the Board have met with and interviewed Mr. Cohen for this role. Additionally, the nominating committee of the Board (the "Nominating Committee") has assessed the experience and qualifications of Mr. Cohen. As a result of these discussions and assessments, the Board has agreed to include the nomination of the Greywolf Nominee in this Circular and put his election in front of Shareholders; however, the Board has not made any recommendation to Shareholders in respect of the nomination of the Greywolf Nominee and has not approved the nomination or election of the Greywolf Nominee as a director of the Company.

The following table and the notes thereto state the name and residence of the Greywolf Nominee, his principal occupations or employment, the period or periods of service as a director of the Company and the approximate number of Class A Shares beneficially owned, controlled or directed, directly or indirectly, by him as at the date hereof.

Proposed Greywolf Nominee				
Name and Place of Residence	**Principal Occupation(1)**	**Director of Gold Reserve Inc. since**	**Shares Beneficially Owned or Controlled(2)(3)**	**Member of Committee**
Robert A. Cohen New Rochelle, NY	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.	-	-	-

(1) The information as to principal occupations or employment has been furnished by Mr. Cohen.

(2) The information as to voting securities beneficially owned, controlled or directed, directly or indirectly, not being within the knowledge of the directors and management of the Company, has been furnished by the Greywolf Nominee.

(3) On May 1, 2017 Mr. Cohen entered a consulting agreement with the Company for advisory and consulting services . Pursuant to such consulting agreement, he was granted 125,000 stock options at US$2.69 and is currently paid $3,000 per month. As of this date, the stock options have not yet been exercised.

Steelhead's Dissident Nominees

By letter dated February 21, 2017, Steelhead notified the Company that, pursuant to Section 136 of the ABCA, it would be nominating each of Messrs. James Michael Johnston, Chris Hodgson and Joseph Mannello (the "Dissident Nominees") for election to the Board, in its capacity as a Shareholder.

As of July 10, 2017, the record date for the Meeting, Steelhead, on behalf of Steelhead Navigator Master, L.P. ("Steelhead Navigator") and another client, exercised control or direction over 7,331,701 Class A Shares (representing approximately 8.2% of the outstanding Class A Shares as of such date) which may be voted at the Meeting. As at the date hereof, Steelhead, on behalf of Steelhead Navigator and another client, exercises control or direction over 8,805,269 Class A Shares (representing approximately 9.5% of the outstanding Class A Shares as of the date hereof).

Section 136 of the ABCA allows any Shareholder to propose the nomination of directors at a Shareholders meeting so long as, among other things, such Shareholder holds greater than 5% of the issued and outstanding Class A Shares. To be clear, the use of Section 136 of the ABCA allows such a Shareholder to bypass the Company's corporate governance procedures and committees, such as the Nominating Committee, that have been established to, among other things, assess the effectiveness of the Board, the competencies and skills of each individual director and ensuring that appropriate structures and procedures are in place to ensure that the Board can function independently of management and to facilitate open and candid discussion among its independent directors.

In addition to utilizing Section 136 of the ABCA to bypass the usual method of nominating directors to the Board, Steelhead has also utilized the ABCA to require that the Company include the following statement (the "Steelhead Statement") in the Circular.

> *"As a long-term large shareholder, Steelhead Partners, LLC believes that it is time to infuse the board with new members who will bring extensive experience, fresh ideas and a willingness to challenge the status quo. Current board members, each of whom has served more than 20 years, are risking progress made as they are unable or unwilling to question management's failure to compel Venezuela to meet its payment obligations. Despite this lack of progress, the current board also recently approved management, director and consultant option awards. It is a critical time for corporate governance considering the company's need to strategically manage the award process and eventual distribution of proceeds.*
>
> *The three individuals we are nominating would bring significant relevant experience to the board: Michael Johnston, managing member of Steelhead Partners, is a successful professional investor who has been involved with Gold Reserve for many years; Joseph Mannello, a significant longtime shareholder, has critical credit market expertise; and Chris Hodgson has extensive government experience including as Minister of Natural Resources, Development and Mines in Ontario, Canada and has served on mining company boards."*

The Company's response to the nomination of the Dissident Nominees and the Steelhead Statement is as follows:

The Steelhead Statement states that "*it is time to infuse the board with new members who will bring extensive experience, fresh ideas and a willingness to risk the status quo*".

The Steelhead Statement states that "it is time to infuse the board with new members who will bring extensive experience, fresh ideas and a willingness to risk the status quo" and suggests that the election of Messrs. Johnston, Hodgson and Mannello as directors of the Company will meet that objective. However, since receiving the Steelhead Statement no such "fresh ideas" have ever been put forth to the Board or management so that they might evaluate and act thereon. Additionally, the Board and management respectfully disagree that the Dissident Nominees would bring significant relevant experience to the Board.

The Company's recent business activities have involved negotiating with the Venezuela government with respect to the losses caused by the actions of Venezuela that terminated the Company's previous mining project in Venezuela (the "Brisas Project") and developing a business plan to develop the Brisas Project and the adjacent Cristinas gold-copper project (the "Brisas Cristinas Project") as the Company and Venezuela entered into an agreement in August 2016 for the formation of a jointly-owned company, Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera"), to develop the Brisas Cristinas Project of which the Company has a 45% interest.

Despite the foregoing, the Steelhead Statement fails to reference anything relating to the Company's 45% interest in Siembra Minera, which holds Brisas Cristinas Project. Management and the Board believe that the Company's interest in Siembra Minera, which was methodically achieved through delicate and painstaking negotiations with the Venezuela government, is extremely important to enhancing Shareholder value in the Company.

With the recent conclusion of settlement negotiations with the Venezuela government, the recent payments and the progress being made with Siembra Minera, the Board and management cannot fathom how one could conclude the status quo should be risked.

While Steelhead's Statement claims that Mr. Johnston is a "successful professional investor", the Company is not an investment company but rather an exploration stage company engaged in the business of acquiring, exploring and developing mining projects. Investors should examine the performance of Steelhead over the past several years. Although Mr. Johnston has extensive experience with corporate bonds and high-yield and investment-grade credit analysis, based on the information provided by Steelhead, he does not appear to have any public or mining company experience or any experience with companies operating in South American countries such as Venezuela.

Mr. Mannello, like Mr. Johnston, does not appear to have any public company, mining or international experience based on the information provided by Steelhead. Instead, Mr. Mannello's experience also appears to be limited to investment, banking and capital markets matters.

Lastly, while Mr. Hodgson does have public board experience and mining industry experience, based on the information provided by Steelhead, he does not appear to have any experience dealing with South American countries such as Venezuela. As the President of the Ontario Mining Association, Mr. Hodgson's experience appears to be more relevant to mining companies with properties in Canada.

In addition to the foregoing, in its correspondence, Steelhead has made it clear that it is not proposing to increase the size of the Board to accommodate the election of the Dissident Nominees. In other words, Steelhead, who owns or controls less than 10% of the issued and outstanding Class A Shares, as of the date hereof, is requesting that it should be permitted to nominate 50% of the current Board size (i.e. three of six directors). In light of the Board's fiduciary duty to act with a view to the best interests of the Company, the Board and management questions the reasonableness of a minority shareholder having such significant control of the Board and therefore managing and supervising the activities and affairs of the Company. Furthermore, this means that Steelhead is requesting that three of the current members of the Board, being three of Messrs. Timm, Belanger, Geyer, Coleman, McChesney and Potvin, be replaced by the Dissident Nominees.

In addition to almost 160 years of combined experience with the Company, the current members of the Board have significant experience in the mining industry and, in particular, irreplaceable experience with mining issuers in developing countries such as Venezuela. In particular:

- 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 chief executive officer of GR Mining (Barbados) Inc. ("GR Mining") and GR Engineering (Barbados) Inc. ("GR Engineering") (the "Barbados Subsidiaries") since 2016. Mr. Timm has been a director of Siembra Minera which is owned 45% By GR Mining. In addition, Mr. Timm is a director of Great Basin Energies, Inc. since 1981 and MGC Ventures, Inc. since 1989.
- 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 a director of Siembra Minera, director and president of each of the Barbados Subsidiaries since 2016 and 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.

- 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 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 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.
- Mr. Coleman is the executive chairman of the Company 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 this membership on the Board for over 10 years and on the boards of directors of other issuers such as Amex Exploration Inc., 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, Sterling Resources Ltd. since 2013, and Petrowest Corporation since 2012.
- Mr. McChesney, a business consultant and previously a chief financial officer and chief technology officer of Foothills Auto Group, has been on the Board for almost 30 years and has over 30 years' experience preparing and analyzing financial statements in the mining, public accounting, retail, electronics and construction industries. Prior to his involvement with the Company, he was the controller of a mining company that operated six producing gold mines as well as the controller and a consultant for an environmental remediation company. He has been a key member of the audit committee of the Board (the "Audit Committee") for almost 20 years and the chair of the Audit Committee for two years. Mr. McChesney has been a director of Great Basin Energies, Inc. since 2002 and MGC Ventures, Inc. since 1989.
- 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 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 a 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.

In addition to the foregoing, each of the members of the Board are also fundamental to the various committees of the Company which are tasked with providing the Board with insight and guidance on particular specialized areas. In particular, to supplement the existing Nominating Committee, Audit Committee and the compensation committee of the Board (the "Compensation Committee"), the Board created four new committees earlier in 2017; namely a mining committee comprised of Messrs. Geyer (chair), Potvin and Belanger (the "Mining Committee"), a Barbados committee comprised of Messrs. McChesney (chair), Timm and Coleman (the "Barbados Committee"), a legal committee comprised of Messrs. Coleman (chair) and Timm (the "Legal Committee") and a financial markets committee comprised of Messrs. Potvin (chair) and Belanger (the "Financial Markets Committee"). For more information related to the various committees of the Board, please see the section entitled "*Corporate Governance*" below.

The Board and management believe that as a result of the Board's significant experience, knowledge of the Company and determination, successful negotiations with the Venezuelan government recently resulted in a settlement of the Company's claim for compensation for losses caused by Venezuela's termination of the Brisas Project, in the sale of the Mining Data, and in the formation of Siembra Minera

The Board and management also believe that the composition of the Board has a significant impact on the ability of the Board to operate effectively and to work with management in a productive way with the goal of increasing Shareholder value and directing the business and affairs of the Company in a manner consistent with its strategies and objectives.

For the purpose of ensuring an effective and experienced Board, the Nominating Committee was created in 2012 with the goal of both identifying and reviewing individuals proposed to become members of the Board and recommending director nominees for election or appointment to the Board. In making such recommendations, pursuant to its charter, the Nominating Committee is required to consider, among other things, the nominee's independence, his or her experience, areas of expertise, including without limitation, experience in the mining industry, diversity, perspective, broad business judgment and leadership and other criteria established by the Board, all in the context of an assessment of the perceived needs of the Board at that time. Pursuant to its charter, the Nominating Committee is also tasked with considering director candidates recommended by shareholders. The Nominating Committee has reviewed the qualifications of the Dissident Nominees based on the information provided by Steelhead and, in response, the Nominating Committee has unanimously determined, among other things, not to recommend the election of the Dissident Nominees. The Board is in agreement with the determinations of the Nominating Committee.

The Steelhead Statement states that management, under the oversight of the Board, has failed to "*compel Venezuela to meet its payment obligations*" and references a "*lack of progress*" made by the Company.

The Board and management of the Company strongly disagree with Steelhead's assertion that there has been a lack in progress and that the Board or management could have compelled the Venezuela government to deviate from the actions it has taken in any material way.

The Steelhead Statement was included in a letter to the Company dated March 8, 2017 and therefore unfortunately fails to consider recent events. Additionally, in the opinion of the Board and management, Steelhead's suggestion that management failed to compel Venezuela to meet its payment obligations, suggests that Steelhead, and in particular James Michael Johnston, its managing member, lacks the experience necessary to understand the very basics of negotiating with a foreign entity such as Venezuela, as to which sovereign immunities applicable in countries around the world make ordinary judgment enforcement and other coercive measures against foreign nations extraordinarily time consuming, complex and very expensive to achieve.

Conversely, it is through the current Board's experience and determination that the Company has been able to achieve its recent success with the Venezuela government and the settlement of the Company's October 2009, claim 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 the Brisas Project.

In September 2014, the ICSID Tribunal granted the Company an Arbitral Award (the "Award") totaling (i) US$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. Since the Award was issued, the Company, through the Board, has diligently pursued enforcement and collection of the Award in France, England, Luxembourg and the United States.

During the first half of 2016, the parties agreed, following extensive negotiations over a number of months with Venezuelan authorities, to significant terms, including economic conditions and various decrees and resolutions impacting the entity envisioned to develop the Brisas Cristinas Project. Concurrent with those activities, the Company developed a business plan for the Brisas Cristinas Project with broad input from the Company's engineering consultants. Thereafter, the Company met with and reviewed the business plan with representatives of Venezuela. These discussions were key to the joint agreement to revise royalty and income tax rates related to the Brisas Cristinas Project resulting in the parties concluding initial formation negotiations, moving on to the negotiation of the various terms of the articles of incorporation and by-laws of a jointly-owned company to develop the Brisas Cristinas Project.

In July 2016, the Company signed a settlement agreement (the "Settlement Agreement") with Venezuela which contemplated payment of the Award including interest of approximately US$770 million in respect of the Brisas project and acquisition of the Company's mining data by Venezuela for $240 million (the "Mining Data").

In August 2016, the Company and Venezuela entered into an agreement for the formation of the jointly-owned company to develop the Brisas Cristinas Project.

In anticipation of the jointly-owned company, GR Mining, a wholly-owned subsidiary of Gold Reserve Inc. and GR Engineering, a wholly-owned subsidiary of GR Mining were formed in early 2016. GR Mining was formed to hold the Company's interest in the jointly-owned company, Siembra Minera, and provide for the management of the development and operation of the Brisas Cristinas Project and GR Engineering was formed to provide engineering, procurement, construction management (EPCM) and technical services to Siembra Minera;

In June of 2017, the Company and Venezuela amended the terms of the Settlement Agreement pursuant to which Venezuela would pay Gold Reserve a total of approximately US$1,037,000,000 (including the price agreed for the Mining Data).

On June 16, 2017, the Company reported that Venezuela had paid the Company an initial installment of US$40,000,000 and would pay the balance of the amount owing in installments over approximately the next two years.

On July 11, 2017, the Company further reported that it received the second installment payment of US$29.5 million pursuant to the terms of the Settlement Agreement.

In sum, it is through the Board and management's patience and determination, that the Company has now received approximately US$70 million to date and is scheduled to receive 19 additional monthly payments of US$29.5 million and three monthly payments of US$40.8 million on or before the 10th day of each month going forward, totaling approximately US$680 million. The final payment of US$285 million is scheduled to be paid on or before June 10, 2019. In addition, Venezuela has agreed to place Venezuelan financial instruments with a face value of US$350 million in trust as collateral for the future payments of the Award.

Gold Reserve has agreed to refrain from enforcing the Award as long as Venezuela is current in its obligations to the Company. In addition, Venezuela has agreed to permanently withdraw all legal proceedings seeking annulment.

As a result of the foregoing success, the disclosure in the Steelhead Statement with respect to a lack of progress is outdated and now patently incorrect. Despite the recent success of the Company, Steelhead has not withdrawn its nomination of the Dissident Nominees or withdrawn or amended the Steelhead Statement.

The Steelhead Statement criticized the "*recently approved management, director and consultant option awards*" in light of a perceived "lack of progress" and went on to suggest that there was a breakdown in corporate governance relating to the issuance of options while ignoring the existence and significant value of the 45% interest in the Siembra Minera.

The Steelhead Statement references the Company's recent issuance of stock options to management, directors and consultants despite a perceived "lack of progress". In particular, on February 16, 2017, the Board granted an aggregate of 3,125,000 stock options to its officers and directors and granted an aggregate of 1,902,500 stock options to employees and consultants of the Company. These stock options are exercisable at US$3.15 (approximately Cdn. $4.12 based on the Bank of Canada US$:CDN$: closing rate on February 15, 2017) and have a ten year term.

As mentioned above, the Company has made substantial progress since September 2014. In addition to prolonged negotiations and the resulting execution of the Settlement Agreement with respect to Venezuela's expropriation of the Brisas Project and the sale of the Mining Data, the extensive negotiations with respect to the creation of Siembra Minera and the development of a business plan for the Brisas Cristinas Project, the Company has also created and organized the Barbados Subsidiaries, completed a non-brokered private placement in May 2016 for gross proceeds of US$34.3 million and successfully started the Award collection process. In addition, much progress has been made with respect to Siembra Minera as further detailed in the Company's annual information form filed on April 28, 2017.

The stock options issued in February 2017 were granted by the Board upon a unanimous recommendation by the Compensation Committee, which, at the time of such consideration, included Mr. Juster, who was a nominee of Steelhead. The recommendation by the Compensation Committee followed lengthy review and a consideration of the aforementioned progress as well as a multitude of other factors including, but not limited to:

(i) That almost 70% of the stock options held by NEOs and directors of the Company as at the end of the most recently completed financial year expired in January 2017 and that almost 50% the stock options issued in February 2017 were issued to replace such expiring stock options which had a significantly lower exercise price (US$2.89).

(ii) That neither the CEO nor the president of the Company had been granted options in over five years and neither had any stock options immediately prior to the February 2017 grant.

(iii) Numerous meetings between the Compensation Committee and the Company's directors, NEOs, employees and consultants with respect to their compensation package and their roles and responsibilities going forward.

(iv) That stock options are granted to motivate the recipient to achieve the Company's goals and business strategies such as the creation of Shareholder value and to retain skilled and talented executives and employees.

(v) That pursuant to the terms of the Option Plan and the rules of the TSX Venture Exchange (the "TSXV") stock options cannot be issued with an exercise price less than the market price of the Class A Shares and the time of the grant and, therefore, such options only have value if the market price of the underlying Class A Shares increases above the exercise price of such stock options.

(vi) The significant efforts and substantial contributions made by the Company's directors, officers, employees and consultants to achieve the resolution with the Venezuela government with respect to the Brisas Project, the sale of the Mining Data and the establishment of Siembra Minera and the progress made since achieving those Company milestones.

(vii) The extensive ongoing and future obligations of the Company's directors, officers, employees and consultants in connection with Siembra Minera, the Brisas Cristinas Project and various matters related to the collection of the Award and the sale of the Mining Data.

(viii) An extensive internal survey of stock options paid to directors, officers, employees and consultants of mining companies with similar experience in the mining industry. Please see the section entitled "Compensation Benchmarking" below for further information about the other companies the Compensation Committee considers in its compensation review.

(ix) That certain directors, senior officers, employees and consultants of the Company are required to travel to Venezuela frequently to attend to Company matters, such as the with respect to Siembra Minera, the Brisas Cristinas Project and various matters related to the collection of the Award and the sale of the Mining Data, and that such persons should be appropriately compensated for the risks of travelling to a country with one of the world's highest crime rates, including one of the highest homicide rates.

(x) Changes in positions within the Company such as Mr. Coleman's new role as executive chairman.

As a result of the foregoing considerations, among other things, and during several months of deliberation, the Compensation Committee, in accordance with their mandate, recommended that the Board grant these options to the Company's directors, senior officers and certain employees and consultants. As a result, the Board granted these stock options in February 2017. The Compensation Committee and the Board stand by this decision.

For clarity, the table below shows, for each NEO and current director of the Company, the aggregate number of stock options held as at the end of the most recently completed financial year, the number of stock options that expired in January 2017, the number of stock options granted in February 2017 and the aggregate number of stock options currently held.

Name	Stock Options as of December 31, 2016	Options Expired on January 30, 2017	Stock Options as of February 1, 2017	Stock Options Granted February 16, 2017	Stock Options as of the date hereof
James H. Coleman Executive Chairman and Director	240,000	90,000 (Exercise price of US$2.89)	**150,000**	800,000 (Exercise price of US$3.15)	950,000
Rockne J. Timm Chief Executive Officer and Director	394,000	394,000 (Exercise price of US$2.89)	**0**	850,000 (Exercise price of US$3.15)	850,000
Robert A. McGuinness Vice President Finance and CFO	187,000	112,000 (Exercise price of US$2.89)	**75,000**	200,000 (Exercise price of US$3.15)	275,000
A. Douglas Belanger President and Director	376,000	376,000 (Exercise price of US$2.89)	**0**	600,000 (Exercise price of US$3.15)	600,000
Mary E. Smith Vice President Administration and Secretary	168,000	108,000 (Exercise price of US$2.89)	**60,000**	200,000 (Exercise price of US$3.15)	260,000
James P. Geyer Director	200,000	90,000 (Exercise price of US$2.89)	**110,000**	125,000 (Exercise price of US$3.15)	235,000
Patrick D. McChesney Director	200,000	90,000 (Exercise price of US$2.89)	**110,000**	150,000 (Exercise price of US$3.15)	260,000
Jean Charles Potvin Director	200,000	90,000 (Exercise price of US$2.89)	**110,000**	200,000 (Exercise price of US$3.15)	310,000
	1,965,000	**1,350,000**	**615,000**	**3,125,000**	**3,740,000**

For more information about the stock options held by directors and NEOs and the Company's compensation program and the compensation provided to the Company's directors and officers, please see the section entitled "Executive Compensation" and "Director Compensation" below.

In addition to the foregoing, with respect to Steelhead's comments regarding corporate governance, it is noted that the Board and management are committed to maintaining a high standard of corporate governance on a level that goes above and beyond what is required under Canadian securities law and the rules of the TSXV. For a detailed summary of the Company's corporate governance practices and the details of the numerous committees put in place by the Board to ensure good corporate governance, please see the section below entitled "*Corporate Governance*".

Based on the foregoing, the Board and management believe that it is abundantly clear that the comments included in the Steelhead Statement have no merit and that the election of the Dissident Nominees would not only fail to add significant value or experience to the Board but would also result in the loss of value and experience possessed by the incumbent directors that the Dissident Nominees would replace. It is for the reasons mentioned above that the Board unanimously and respectfully recommends that Shareholders WITHHOLD their votes in respect of the election of the Dissident Nominees.

The following table and the notes thereto state the name and residence of all of the Dissident Nominees, their principal occupations or employment, the period or periods of service as directors of the Company and the approximate number of Class A Shares beneficially owned, controlled or directed, directly or indirectly, by each of them as at the date hereof.

Proposed Dissident Nominees				
Name and Place of Residence	**Principal Occupation[(1)]**	**Director of Gold Reserve Inc. since**	**Shares Beneficially Owned or Controlled[(2)]**	**Member of Committee**
James Michael Johnston Washington, USA	Mr. Johnston is the co-founder and managing partner of Steelhead, established in Seattle, Washington in 1996 to form and manage Steelhead Navigator Fund, L.P.	-	8,805,269[(3)]	-
Joseph Mannello New Jersey, USA	Mr. Mannello is the interim chief executive officer (since September 2016) and a director and audit committee chair (since December 2015) of Myos-Rens Technology Inc. (a biotherapeutics and bionutrition company). Mr. Mannello also served as the executive managing director of Brean Capital (a boutique investment firm) from March 2013 to April 2015 and the executive managing director of Gleacher and Company (a dissolved investment banking company) from March 2008 to March 2012.	-	350,000	-
Chris Hodgson Ontario, Canada	Mr. Hodgson has been a director of EACOM Timber Corp. (a private company) since 2014; a director of Fairfax India Holdings Corporation (an investment holding company) since 2014, where he sits on the audit and compensation committees; a director of Cara Operations Limited (a full service restaurant company) since 2015, where he also sits on the audit and compensation committees; and a director of Canadian Orebodies Inc. since 2008, where he is the chair of the audit committee. Mr. Hodgson was a director of The Brick Income Trust from 2005 to 2013 and Phoscan Chemical Corp. from 2008 to 2013. Mr. Hodgson has also been the president and director of the Ontario Mining Association since 2004.	-	-	-

(1) The information as to principal occupations or employment has been furnished by Steelhead.
(2) The information as to voting securities beneficially owned, controlled or directed, directly or indirectly, not being within the knowledge of the directors and management of the Company, has been furnished by Steelhead.
(3) Mr. Johnston is the managing member of Steelhead and, therefore, has control and direction over, but disclaims beneficial ownership of, 8,805,269 Class A Shares.

Shareholders will vote for the election of individual directors separately. The term of office of each director will be from the date of the Meeting at which he is elected until the next annual meeting, or until his successor is elected or appointed, unless his office is earlier vacated by his resignation or termination.

Management recommends voting for all nominees except for the Dissident Nominees and the Greywolf Nominee. The board of directors to be elected at the meeting will consist of seven directors. Since the number of nominees for election as directors exceeds the number fixed for such election, the seven nominees with the most "FOR" votes will be elected. Shareholders should not vote “FOR” for more than seven nominees. If a Shareholder votes for more than seven nominees, his, her or its vote in respect of the nomination of directors will not be tabulated.

The Board believes that if all of the Dissident Nominees and the Greywolf Nominee are elected as directors of the Company at the Meeting, the “change of control” provisions of the Change of Control Agreements (as defined below) will be triggered which may result in the loss of senior management, who are important assets to the Company, and a requirement that the Company make “change of control” payments totaling over US$15 million to such persons (as of the date hereof). For further information regarding such payments please see the section entitled “Executive Compensation - Termination And Change Of Control Benefits” below.

ALL INFORMATION CONTAINED IN THIS CIRCULAR WITH RESPECT TO THE DISSIDENT NOMINEES, NOT BEING WITHIN THE KNOWLEDGE OF THE DIRECTORS AND MANAGEMENT OF THE COMPANY, HAS BEEN FURNISHED BY STEELHEAD AND THE DISSIDENT NOMINEES. ALL INFORMATION CONTAINED IN THIS CIRCULAR WITH RESPECT TO THE GREYWOLF NOMINEE, NOT BEING WITHIN THE KNOWLEDGE OF THE DIRECTORS AND MANAGEMENT OF THE COMPANY, HAS BEEN FURNISHED BY THE GREYWOLF NOMINEE.

Other Executive Officers

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

Mr. McGuinness' principal occupation with the Company is as Vice President of Finance since March 1993 and chief financial officer since June 1993. He also serves as vice president of finance, chief financial officer and treasurer of Great Basin Energies, Inc. and MGC Ventures, Inc. Mr. McGuinness resides in Spokane, Washington, USA.

Mary E. Smith - Vice President of Administration and Secretary

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

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No Management Nominee is, and to the knowledge of the directors and executive officers of the Company based on information provided by Steelhead, the Steelhead Nominees and the Greywolf Nominee, no Dissident Nominee or Greywolf Nominee is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

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

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

No Management Nominee is, and to the knowledge of the directors and executive officers of the Company based on information provided by Steelhead, the Steelhead Nominees and the Greywolf Nominee, no Dissident Nominee or Greywolf Nominee is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No Management Nominee has, and to the knowledge of the directors and executive officers of the Company based on information provided by Steelhead, the Steelhead Nominees and the Greywolf Nominee, no Dissident Nominee or Greywolf Nominee 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.

Except as noted below, no Management Nominee has, and to the knowledge of the directors and executive officers of the Company based on information provided by Steelhead, the Steelhead Nominees and the Greywolf Nominee, no Dissident Nominee and no Greywolf Nominee has, been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or, (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Mr. Mannello was the chief executive officer of Mendham Capital Group, Inc. ("Mendham"). On September 17, 1998, during the time when Mr. Mannello was the chief executive officer, Mendham agreed to an acceptance, waiver and consent with the National Association Of Securities Dealers, Inc. (the "NASD") with respect to a violation related to timely the inputting of trade tickets which resulted in the imposition of a $9,000 fine and censure by the NASD.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE:

(1) VOTED <u>FOR</u> THE ELECTION OF EACH OF THE MANAGEMENT NOMINEES UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER CLASS A SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF SUCH MANAGEMENT NOMINEE;

(2) <u>WITHHELD</u> FROM VOTING FOR THE ELECTION OF THE GREYWOLF NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER CLASS A SHARES ARE TO BE VOTED FOR THE GREYWOLF NOMINEE; AND

(3) <u>WITHHELD</u> FROM VOTING FOR THE ELECTION OF EACH DISSIDENT NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER CLASS A SHARES ARE TO BE VOTED FOR SUCH DISSIDENT NOMINEE.

MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR BUT, IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING MANAGEMENT NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER CLASS A SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

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, 2017 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, 2016 (the "Financial Statements") and the report of the Company's independent auditors on the Financial Statements are included in the 2016 Annual Report and will be submitted at the Meeting. Copies of the Financial Statements can also be obtained on www.sec.gov and www.sedar.com. Shareholders are not being asked to vote on the receipt of the Financial Statements.

EXECUTIVE COMPENSATION

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

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis ("CD&A") is to provide information about the Company's executive compensation philosophy, objectives and processes and to discuss compensation decisions relating to certain of the Company's senior officers, being the four identified named executive officers (the "NEOs") during the Company's most recently completed financial year, being the year ended December 31, 2016. 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 2016 by the Compensation Committee. The Compensation Committee was composed of the following three (3) directors:

Jean Charles Potvin (Chair)

Kenneth I Juster (resigned in January 2017)

Patrick D. McChesney

The Compensation Committee met six times during 2016 via conference calls and email exchanges. While serving on the Compensation Committee, all of the members participated actively in all discussions. All of the members of the Compensation Committee have had direct experience in matters of executive compensation that is relevant to their responsibilities as members of such committee by virtue of their respective professions and long-standing involvement with public companies and matters of executive compensation. In addition, each member of the Compensation Committee keeps abreast on a regular basis of trends and developments affecting executive compensation.

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

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

The Company currently does not anticipate making any significant changes to its compensation policies and practices in 2017.

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 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 2016, 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 internal survey were:

Coeur Mining, Inc.	Copper Mountain Mining Corporation
Northern Dynasty Minerals Ltd.	Gran Colombia Gold Corp.
Hecla Mining Company	International Tower Hill Mines Ltd.
Lydian International Limited	Midas Gold
NovaGold Resources Inc.	Sandspring Resources Ltd.
Pretium Resource Inc.	Detour Gold Corporation

All of the participants of the internally generated survey are listed on the NYSE MKT, the Toronto Stock Exchange, or 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 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 2016 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 2016 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, 2016, 2015, and 2014.

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

Name and Principal Position	Year	Salary $	Share-based Awards $	Option-based Awards $	Non-equity Incentive plan compensation		Pension value $	All Other Compensation $	Total Compensation $
					Annual incentive plans	Long-term incentive plans			
James H. Coleman Executive Chairman and Director	2016	500,000	-	-	n/a	n/a	n/a	182,000 (3)	682,000
	2015	36,000	-	62,765 (1)	n/a	n/a	n/a	100,000 (4)	198,765
	2014	36,000	-	21,833 (2)	n/a	n/a	n/a	90,257 (5)	148,090
Rockne J. Timm (11) Chief Executive Officer and Director	2016	625,000	-	-	n/a	n/a	n/a	181,950 (6)	806,950
	2015	330,000	-	-	n/a	n/a	n/a	31,800 (9)	361,800
	2014	330,000	-	-	n/a	n/a	n/a	34,499 (10)	364,499
Robert A. McGuinness Vice President Finance and CFO	2016	212,625	-	-	n/a	n/a	n/a	27,641 (8)	240,266
	2015	210,000	-	-	n/a	n/a	n/a	25,200 (9)	235,200
	2014	210,000	-	65,498 (2)	n/a	n/a	n/a	27,865 (10)	303,363
A. Douglas Belanger (11) President and Director	2016	450,000	-	-	n/a	n/a	n/a	109,450 (7)	559,450
	2015	300,000	-	-	n/a	n/a	n/a	31,800 (9)	331,800
	2014	300,000	-	-	n/a	n/a	n/a	34,499 (10)	334,499
Mary E. Smith Vice President Administration and Secretary	2016	142,917	-	-	n/a	n/a	n/a	18,579 (8)	161,496
	2015	140,000	-	-	n/a	n/a	n/a	16,800 (9)	156,800
	2014	140,000	-	52,398 (2)	n/a	n/a	n/a	18,577 (10)	210,975

(1) On June 29, 2015, the Company granted 75,000 options to Mr. Coleman with an exercise price of $3.91 per share. The fair value of these options at the date of grant was estimated using Black-Scholes with the following assumptions: a two year expected term; expected volatility of 37%; risk free interest rate of 0.64% per annum; and a dividend rate of 0%. The weighted average grant date fair value of these options was calculated at approximately $0.84. The options vested immediately upon grant.

(2) On July 25, 2014, the Company granted options to the NEOs as follows: Mr. Coleman, 25,000; Mr. McGuinness, 75,000; and Ms. Smith, 60,000; with an exercise price of $4.02 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards ("Black-Scholes") with the following assumptions: a two year expected term; expected volatility of 38%; risk free interest rate of 0.53% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the options granted during 2014 was calculated at approximately $0.87. The options vested as follows: 1/3 upon grant, 1/3 on January 25, 2015, and 1/3 on July 25, 2015.

(3) During 2016 the Board authorized an increase in Mr. Coleman's annual salary to $500,000, which included payment for services as Chairman and director fees. This amount represents a retroactive payment to June 2015.

(4) Represents cash fees earned as Chairman during the year.

(5) Represents cash fees of Cdn. $100,000 earned as Chairman during the year converted to US dollars.

(6) 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 contribution in the form of cash to the KSOP Plan for 2016 in the amount of $34,450.

(7) 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 contribution in the form of cash to the KSOP Plan for 2016 in the amount of $34,450.

(8) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2016.

(9) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2015.

(10) Represents the Company's contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2014.

(11) Neither Mr. Timm nor Mr. Belanger received additional compensation for their roles as directors.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the NEOs outstanding as at December 31, 2016. No share-based awards were outstanding as at December 31, 2016.

		Option-based Awards				Share-based Awards		
Name	Grant Date	Number of securities underlying unexercised options #	Option exercise price $	Option expiration date	Value of unexercised in-the-money options [1] $	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	1/30/2012	90,000	2.89	1/30/2017	115,200[2]	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	58,500	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	3,750	-	-	-
	6/29/2015	75,000	3.91	6/29/2025	19,500	-	-	-
	Total	240,000			196,950	-	-	-
Rockne J. Timm Chief Executive Officer and Director	1/30/2012	394,000	2.89	1/30/2017	504,320[2]	-	-	-
	Total	394,000			504,320	-	-	-
Robert A. McGuinness Vice President Finance and CFO	1/30/2012	112,000	2.89	1/30/2017	143,360[2]	-	-	-
	7/25/2014	75,000	4.02	7/25/2024	11,250	-	-	-
	Total	187,000			154,610	-	-	-
A. Douglas Belanger President and Director	1/30/2012	376,000	2.89	1/30/2017	481,280[2]	-	-	-
	Total	376,000			481,280	-	-	-
Mary E. Smith Vice President Administration and Secretary	1/30/2012	108,000	2.89	1/30/2017	138,240[2]	-	-	-
	7/25/2014	60,000	4.02	7/25/2024	9,000	-	-	-
	Total	168,000			147,240	-	-	-

(1) The "Value of unexercised in-the-money options" was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2016 the closing price of the Class A Shares on the OTCQB was $4.17.

(2) These stock options have expired as of the date hereof. Please see the section above entitled "*Business of the Meeting – Director Nominees – Directors Nominated by Steelhead*" for more information regarding the stock options currently held by NEOs.

OPTIONS VESTED DURING THE YEAR

No stock options held by NEOs vested during 2016. No share-based awards vested, and no non-equity.

INCENTIVE PLANS

The 2012 Equity Incentive Plan, as amended and restated (the "2012 Plan")

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

The maximum number of Class A Shares issuable under options granted under the 2012 Plan is 8,750,000 Class A Shares. At the date of this Circular 137,500 options have been exercised, 7,027,500 options are outstanding and 1,585,000 are available for grant.

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. This amendment was approved by the TSXV on October 6, 2016.

Securities Authorized for issuance under Equity Compensation Plans

The following table sets forth certain information regarding the 2012 Plan as of December 31, 2016:

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	3,357,000	N/A	5,393,000
Total	3,357,000		5,393,000

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 2017 to $18,000 ($24,000 limit for participants who are 50 or more years of age, or who turn 50 during 2017).

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 2017) to a maximum of $54,000 ($60,000 limit for participants who are 50 or more years of age or who turn 50 during 2017). The annual dollar limit is an aggregate limit which applies to all contributions made under this plan. For KSOP Plan year 2017 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 2016) for plan years 2016, 2015, and 2014 were $163,340, $149,605, and $164,094, respectively.

Retention Units

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

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

The Units vest 100% when (i) the Company collects the proceeds of at least $200,000,000 in the form of cash, securities, commodities, bonds or other non-cash consideration and collateral, if applicable, from the ICSID arbitration process and/or the sale of the Mining Data and (ii) agrees to distribute a substantial majority of the proceeds to its Shareholders.

The Units also become fully vested and payable upon a Change of Control. A Change of Control, as it relates to the Retention Plan, means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Class A Shares; a change in the composition of the Board that causes less than a majority of the current directors of the Board to be members of the incoming board; solicitation of proxies or consents by or on behalf of a person other than the board; reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; liquidation or dissolution of the Company; or any other event the Board reasonably determines constitutes a Change of Control.

In connection with the 2012 restructuring of the Company's 5.5% convertible notes due 2022 (the "2012 Restructuring"), members of management and the directors agreed to limited waivers of their rights under the Retention Plan. Other than with respect to the Restructuring, members of management and the directors have not provided any other waivers to a Change of Control event under any Change of Control Agreements. On March 15, 2017, Steelhead obtained an order from the Alberta Securities Commission that Steelhead is entitled to communicate with, and solicit proxies from, no more than 15 Shareholders with respect to the Meeting. **Pursuant to the terms of the Retention Plan, the solicitation of proxies by Steelhead will be a "change of control" under the Retention Plan and the Units will fully vest and become payable.**

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

No Units were granted to directors, executive officers, or employees in 2016, 2015, or 2014. As of December 31, 2016 an aggregate of 1,457,500 unvested Units have been granted to directors and executive officers of the Company and 315,000 Units have been granted to other employees. The minimum value of these Units, based on the grant date value of the Class A Shares, was approximately $7.7 million.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Termination of Employment, Change in Responsibilities and Employment Contracts

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

The Company maintains Change of Control Agreements with each of the NEOs, which were implemented by the Board to induce the NEOs to remain with the Company in the event of a Change of Control. The Board believes these individuals 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 Brisas Cristinas 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.

In connection with the 2012 Restructuring, members of management and the directors agreed to limited waivers of their rights under the Retention Plan. Other than with respect to the Restructuring, members of management and the directors have not provided any other waivers to a Change of Control event under any Change of Control Agreements.

On March 15, 2017, Steelhead obtained an order from the Alberta Securities Commission that Steelhead is entitled to communicate with, and solicit proxies from, no more than 15 Shareholders with respect to the Meeting. The Board is currently evaluating, and will continue to evaluate this event in the context of the change of control provisions of the Change of Control Agreements. **Additionally, the Board believes that if all of the Dissident Nominees and the Greywolf Nominee are elected as directors of the Company at the Meeting, the Change of Control provisions of the Change of Control Agreements will be triggered which may result in the loss of senior management, who are important assets to the Company, and a requirement that the Company make Change of Control payments totaling over US$15 million to such persons (as of the date hereof).**

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

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

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

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

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

Participants would have been entitled to collectively receive an aggregate of approximately $13,775,618 if a Change of Control had occurred on December 31, 2016. This amount assumes all persons with Change of Control Agreements elect the buy-out of their options as described above. For purposes of such calculation, The Company assumed the election was made on December 31, 2016, which resulted in share price of $4.17 per Class A Share. This amount was determined exclusive of any gross-up payments, which payments could be substantial depending on the tax position of each individual.

The following table represents the estimated payout for employees holding Change of Control Agreements at December 31, 2016. These amounts were determined exclusive of any gross-up payments, which could be substantial depending on the tax position of each individual.

Name	Compensation [1] $	Payout of Stock Options [2] $	Payout of Retention Units [3] $	Total
Rockne J. Timm	2,145,034	504,320	1,514,500	4,163,854
Robert A. McGuinness	679,338	154,610	594,000	1,427,948
A. Douglas Belanger	1,636,055	481,280	1,514,500	3,631,835
James Coleman [4]	1,709,938	196,950	444,500	2,351,388
Mary E. Smith	519,190	147,240	527,900	1,194,330
Total NEOs	6,689,554	1,484,400	4,595,400	12,769,354
Other participants	789,471	1,191,380	1,376,800	3,357,651
Total	7,479,025	2,675,780	5,972,200	16,127,005

(1) Represents the estimated payout as of December 31, 2016 of the associated salary, vacation, KSOP contribution, bonus and insurance.
(2) Represents the payout of stock options.
(3) Represents the payment associated with the value of the Units on December 31, 2016 and does not include 500,000 Units for non-employee directors equal to $2,222,500.
(4) Mr. Coleman's Change of Control Agreement did not become effective until May 26, 2017; however, for the purposes of the table above, it was assumed that Mr. Coleman's Change of Control Agreement was effective on December 31, 2016.

DIRECTOR COMPENSATION

Summary Director Fee Tables

During 2016, the Board agreed to pay $36,000 to each non-employee director in quarterly installments of $9,000 per quarter.

Name	Year	Fees Earned [1] $	Share-based awards $	Option-based awards $	Non-equity Incentive plan compensation	All Other Compensation $	Total $
James P. Geyer	2016	36,000	-	-	-	-	36,000
Kenneth I. Juster [2]	2016	36,000	-	-	-	-	36,000
Patrick D. McChesney	2016	36,000	-	-	-	-	36,000
Jean Charles Potvin	2016	36,000	-	-	-	-	36,000

(1) Represents cash fees granted as director during the year.
(2) Mr. Juster resigned as a director of the Company in January 2017.

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

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. For information regarding the compensation of such NEOs, please see the section above entitled "*Executive Compensation*".

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the directors as at December 31, 2016. No Share-based awards were outstanding as at December 31, 2016.

		Option-based Awards				Share-based Awards		
Name	Grant Date	Number of securities underlying unexercised options #	Option exercise price $	Option expiration Date	Value of unexercised in-the-money options [(1)] $	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 P. Geyer	1/30/2012	90,000	2.89	1/30/2017	115,200[(2)]	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	58,500	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	3,750	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	9,100	-	-	-
Total		200,000			186,550	-	-	-
Kenneth I. Juster	3/17/2015	100,000	3.89	3/17/2020	28,000	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	9,100	-	-	-
Total		135,000			37,100	-	-	-
Patrick D. McChesney	1/30/2012	90,000	2.89	1/30/2017	115,200[(2)]	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	58,500	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	3,750	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	9,100	-	-	-
Total		200,000			186,550	-	-	-
Jean Charles Potvin	1/30/2012	90,000	2.89	1/30/2017	115,200[(2)]	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	58,500	-	-	-
	7/25/2014	25,000	4.02	7/25/2024	3,750	-	-	-
	6/29/2015	35,000	3.91	6/29/2025	9,100	-	-	-
Total		200,000			186,550	-	-	-

(1) The "Value of unexercised in-the-money options" was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2016 the closing price of the Class A Shares on the OTCQB was $4.17.

(2) These stock options have expired as of the date hereof. Please see the section above entitled "*Business of the Meeting - Director Nominees - Directors Nominated by Steelhead*" for more information regarding the stock options currently held by directors of the Company.

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 2016. No share-based awards vested, and no non-equity incentive plan compensation was earned, during 2016.

Name	Option-based awards – Value vested during the year [1] $	Share-based awards – Value vested during the year $	Non-equity incentive plan compensation – Value earned during the year $
Kenneth I. Juster	21,250 [1] [2]	-	-

(1) On March 17, 2016 25,000 stock options vested for Mr. Juster with an exercise price of $3.89 per share and a market price of $4.45 per share, based on the closing price of the Class A Shares on the OTCQB on that date.

(2) On September 17, 2016 25,000 stock options vested for Mr. Juster with an exercise price of $3.89 per share and a market price of $4.18 per share, based on the closing price of the Class A Shares on the OTCQB on that date.

Directors and Officers Insurance

The Company carries directors' and officers' liability insurance which is subject to a total aggregate limit of $30,000,000 and deductibles from $100,000 to $1,000,000 depending on the nature of the claim. The annual premium for the latest policy period was $288,000.

2012 BONUS POOL PLAN

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

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

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

The Bonus Plan is administered by a committee of independent directors who selected the individual participants in the Bonus Plan and fixed the relative percentage of the total pool to be distributed to each participant. Participation in the Bonus Plan fully vests upon the participant's selection by the committee, subject to voluntary termination of employment or termination for cause.

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

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

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. McChesney, Geyer and Potvin 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 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. Mr. Juster, an independent Board member, resigned in January 2017.

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.

The independent directors of the Board hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In addition, each of the Audit Committee, the Compensation Committee and the Nominating 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. 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 under Investor Relations – Corporate Governance and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 926 W. Sprague Ave. Suite 200, Spokane, WA 99201, Attn: Investor Relations.

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

Mr. McChesney is currently a business consultant and previously was Chief Financial Officer of Foothills Auto Group, an operator of franchised auto dealerships, where he was responsible for the financial statements. Mr. McChesney graduated from the University of Portland, with a Bachelor degree in Accounting. During his 30 plus year working career, he has prepared and analyzed financial statements in the mining, public accounting, retail, electronics and construction industries. Mr. McChesney has been a member of the Audit Committee since August 1998 and Chair since March 17, 2015.

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.

The Audit Committee met four times during 2016 at which attendance, in person or by phone, averaged 100%. The Audit Committee's principal functions are to assist the Board in fulfilling its oversight responsibilities, and to specifically review: (i) the integrity of our financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of our system of internal audit function and the independent auditor; and (iv) our compliance with laws and regulations, including disclosure controls and procedures. During 2016, 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, 2016 and 2015 are detailed in the following table:

Fee Category	Year Ended 2016	Year Ended 2015
Audit Fees(1)	$88,775	$100,661
Audit Related Fees (2)	51,355	39,069
Tax Fees (3)	116,620	8,829
All Other Fees	-	-
Total	$256,750	$148,559

All fees for services performed by the Company's external auditors during 2016 were pre-approved by the Audit Committee.

(1) Audit fees were for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements.

(2) Audit-related fees were for the review of the Company's quarterly financial statements and services provided in respect of other regulatory-required auditor attest functions associated with government audit reports, registration statements, prospectuses, periodic reports and other documents filed with securities regulatory authorities or other documents issued in connection with securities offerings.

(3) Tax fees were for services outside of the audit scope and represented consultations for tax compliance and advisory services relating to common forms of domestic and international taxation.

Pre-approval Policies and Procedures

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

NOMINATING COMMITTEE

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, 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 composed of the following three (3) directors:

Patrick D. McChesney (Chair)

Jean Charles Potvin

James P. Geyer

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

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

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

COMPENSATION COMMITTEE

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

Jean Charles Potvin (Chair)

Patrick D. McChesney

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 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 composed of the following two (2) directors:

James H. Coleman (Chair)

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 composed of the following three (3) directors:

James P. Geyer (Chair)

Patrick D. McChesney

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 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 composed of the following three (3) directors:

Patrick D. McChesney (Chair)

Rockne J. Timm

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., 926 W. Sprague Avenue, Suite 200, 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 and Special Meeting of Shareholders accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

ADDITIONAL INFORMATION

Additional information about the Company may be found on the SEDAR website at www.sedar.com, on the SEC's website at www.sec.gov and on the Company's website at 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, 2016, as contained in the 2016 Annual Report on Form 40-F filed with the SEC on or before April 28, 2017. 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, 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 24th day of July 2017.

(signed) "*Rockne J. Timm*"	(signed) "*Robert A. McGuinness*"
Rockne J. Timm	Robert A. McGuinness
Chief Executive Officer	Vice President Finance and Chief Financial Officer

APPENDIX A

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

Purpose

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

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

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

Organization

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

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

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

Independent Auditors and Their Services

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

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

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

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

Annual Financial Reporting

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

1. Review and discuss with appropriate members of management the annual audited financial statements, related accounting and auditing principles and practices, and (when required of management under securities laws applicable to the Company and stock exchange requirements on which the Company's common shares are listed, as applicable) management's assessment of internal control over financial reporting and recommend to the Board whether such annual financial statements should be approved.
2. Timely request and receive from the independent auditors, the report (along with any required update thereto), to the extent such report is required by securities laws applicable to the Company and stock exchange requirements on which the Company's common shares are listed, as applicable, prior to the filing of an audit report, concerning:

    - all critical accounting policies and practices to be used;
    - all alternative treatments of financial information within generally accepted accounting principles for policies and practices relating to material items that have been discussed with company management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and

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

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

Quarterly Financial Reporting

The Committee shall:

1. Review and discuss with appropriate members of management the quarterly financial statements of the Company, the results of the independent auditors' review of these financial statements and interim profit and loss press releases prior to their public disclosure.
2. Review and discuss with Company management and, if appropriate, the independent auditors, significant matters relating to:
   - the quality and acceptability of the accounting principles applied in the financial statements;
   - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
   - the selection, application and effects of critical accounting policies and estimates applied by the Company; and
   - any off-balance sheet transactions and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under securities laws applicable to the Company or stock exchange requirements on which the Company's common shares are listed, as applicable.

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

Other Functions

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

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

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

The Committee shall periodically:

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

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

The Committee shall establish and maintain procedures for:

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

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

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

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

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

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

Meetings, Reports and Resources

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

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

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

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

As the Committee deems necessary to carry out its duties, it is authorized to select, engage (including approval of the fees and terms of engagement), oversee, terminate, and obtain advice and assistance from outside legal, accounting, or other advisers or consultants. The Company shall provide for appropriate funding, as determined by the Committee and recommended to the Board, for payment of:

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

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

APPENDIX B

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

	Disclosure Requirement under Form 58-101F2	**Company's Governance Practices**
1. (i)	Disclose the identity of directors who are independent.	The Board of Directors (the "Board") of the Company believes that Messrs. McChesney, Geyer and Potvin 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, 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. Mr. Juster, an independent Board member, resigned in January 2017 to take a position with the Donald J. Trump Administration as Deputy Assistant to the President for International Economic Affairs. Mr. Juster's resignation from the Board was required as a result of his new position.

	Disclosure Requirement under Form 58-101F2	Company's Governance Practices
(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 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.

	Disclosure Requirement under Form 58-101F2	Company's Governance Practices
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; (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.

	Disclosure Requirement under Form 58-101F2	Company's Governance Practices
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 Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee are the only committees of the Board.
8.	Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.	Due to its current size, the Board does not currently have a separate committee for assessing the effectiveness of the Board as a whole, the committees of the Board, or the contribution of individual directors. The Board as a whole bears these responsibilities. The Board chair meets annually with each director individually to discuss personal contributions and overall Board effectiveness.

Exhibit 99.2

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. ☒

Annual Meeting Proxy Card

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

A Proposals — VOTING RECOMMENDATIONS ARE INDICATED BELOW

1. Election of the following nominees as directors, as set forth in the management information circular of the Company dated July 24, 2017. THE BOARD OF DIRECTORS TO BE ELECTED AT THE MEETING WILL CONSIST OF SEVEN DIRECTORS. SINCE THE NUMBER OF NOMINEES FOR ELECTION AS DIRECTORS EXCEEDS THE NUMBER FIXED FOR SUCH ELECTION, THE SEVEN NOMINEES WITH THE MOST "FOR" VOTES WILL BE ELECTED. DO NOT VOTE "FOR" FOR MORE THAN SEVEN NOMINEES. IF YOU DO SO, YOUR VOTE IN RESPECT OF THIS RESOLUTION WILL NOT BE TABULATED.
Directors Nominated by Management – MANAGEMENT RECOMMENDS VOTING FOR THESE NOMINEES:

	For	Withhold		For	Withhold		For	Withhold
01 - Rockne J. Timm	☐	☐	02 - A. Douglas Belanger	☐	☐	03 - James P. Geyer	☐	☐
04 - James H. Coleman	☐	☐	05 - Patrick D. McChesney	☐	☐	06 - Jean Charles Potvin	☐	☐

Director Nominated by Greywolf Capital Management LP – MANAGEMENT DOES NOT MAKE A RECOMMENDATION IN RESPECT OF THIS NOMINEE:

	For	Withhold
07 - Robert A. Cohen	☐	☐

Directors Nominated by Steelhead Partners, LLC – MANAGEMENT RECOMMENDS WITHHOLDING YOUR VOTE IN RESPECT OF THESE NOMINEES:

	For	Withhold		For	Withhold		For	Withhold
08 - James Michael Johnston	☐	☐	09 - Joseph Manedo	☐	☐	10 - Chris Hodgson	☐	☐

	For	Withhold
2. Appointment of PricewaterhouseCoopers LLP as auditors for the year ending December 31, 2017 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.

1 U P X

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

PROXY — GOLD RESERVE INC.

+

ANNUAL MEETING OF SHAREHOLDERS
AUGUST 29, 2017

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 August 29, 2017 (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.)

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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 nonregistered shareholders.

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

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

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

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.

2016

Annual Report to Shareholders

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Gold Reserve Inc. ("Gold Reserve", the "Company", "we", "us", or "our") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015, the related notes contained therein as well as the 2015 MD&A. This MD&A has been approved by our Board of Directors (the "Board") and is dated April 28, 2017.

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 0.7544 and 0.7820, respectively, and the exchange rate at the end of each such period equaled 0.7448 and 0.7226, 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 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 Cana-dian 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:

- delay or failure by the Bolivarian Republic of Venezuela (“Venezuela”) to make payments or otherwise honor its commitments under the settlement agreement (as amended, the “Settle- ment Agreement”), including with respect to the sale of our technical mining data related to the Brisas Project (the “Mining Data”);
- the ability of the Company and Venezuela to (i) successfully overcome any legal or regulatory obstacles to operate the Mixed Company for the purposes of developing the Brisas Cristinas Project (as herein defined), (ii) the completion of any additional definitive documentation and final- ization of any remaining governmental approvals and (iii) obtain financing to fund the capital costs of the Brisas Cristinas Project;
- risks associated with exploration, delineation of adequate reserves, regulatory and permitting obstacles and other risks associated with the development of the Brisas Cristinas Project;
- local risks associated with the concentration of our future operations and assets in Venezuela, including operational, security, regulatory, political and economic risks;
- our ability to resume our efforts to enforce and collect the International Centre for the Settlement of Investment Disputes (“ICSID”) arbitral award (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 under the Settlement Agreement, it is terminated and further efforts to consummate the Settlement Agreement are abandoned;
- pending the receipt of payments under the Settle- ment Agreement or otherwise, our continued ability to service or restructure our outstanding notes or other obligations as they come due and access future additional funding, when required, for ongoing liquidity and capital resources;
- shareholder dilution resulting from future restruc- turing, refinancing and/or conversion of our outstanding notes or from the sale of additional equity, if required;
- value realized from the disposition of the remaining Brisas Project related assets, if any;
- our prospects in general for the identification, exploration and development of mining projects and other risks normally incident to the explor- ation, development and operation of mining properties, including our ability to achieve revenue producing operations in the future;
- abilities and continued participation by certain employees; and
- 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 furnished or filed with the U.S. Securities and Exchange Commission (the “SEC”) or other securities regulators or presented on our website. Forward-looking statements speak only as of the date made. All subsequent written and

oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this notice. We disclaim any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to our disclosure obligations under applicable rules promulgated by the SEC and the Ontario Securities Commission (the "OSC"). Investors are urged to read our filings with U.S. and Canadian securities regulatory authorities, which can be viewed online at www.sec.gov and www.sedar.com, respectively.

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

SETTLEMENT AGREEMENT

- The signing of a Memorandum of Understanding (the "MOU") in February 2016 with the Bolivarian Republic of Venezuela ("Venezuela") that contem- plated settlement, including payment and resolu- tion, of the Award granted in our favor by ICSID in respect of the Brisas Project and the transfer of the Mining Data;
- The execution of a Settlement Agreement in July 2016 with Venezuela which provided for payment of the Award (including accrued interest) in the amount of approximately $770 million in respect of the Brisas project and the acquisition by Venezuela of the Mining Data for $240 million;
- The execution of addendums to the Settlement Agreement in early November and again in early December 2016 whereby the parties agreed to revise the payment schedule. Any payments pursuant to the Settlement Agreement continue to be contingent upon Venezuela obtaining the necessary financing, which has not occurred and, as a result, as of the date of this report no payments have been made by Venezuela; and

- At the passing of the last agreed upon payment date, the board of directors chose to not formally terminate the Settlement Agreement as a result of the delay in the initial agreed upon payment(s), but instead instructed management to continue all efforts to work with Venezuela to complete the terms of the Settlement Agreement. Manage- ment has recently proposed and Venezuela is currently considering a third addendum to the Settlement Agreement, whereby the parties would agree, among other things, to revise the previously proposed payment schedule.

MIXED COMPANY AGREEMENT

- The parties signed an agreement ("Mixed Company Agreement") on August 7, 2016, for the formation of a jointly owned company ("Mixed Company") to develop the Brisas and the adjacent Cristinas gold-copper project (the "Brisas Cristinas Project");
- Formed GR Mining (Barbados) Inc. ("GR Mining") and GR Engineering (Barbados) Inc. ("GR Engi- neering") in early 2016. GR Mining was formed to hold our interest in Siembra Minera and provide for the management of the development and operation of the Brisas Cristinas Project and GR Engineering was formed to provide technical services to Siembra Minera; and
- Established Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera"), the Mixed Company that will develop the Brisas Cristinas Project, in October 2016.

PRIVATE PLACEMENT

- Completed a non-brokered private placement in May 2016 for the issuance of 8,562,500 Class A common shares at $4.00 per share for gross pro- ceeds of $34.3 million.

AWARD ENFORCEMENT

- Due to the rejection on February 7, 2017 by the Paris Court of Appeal of Venezuela's annulment arguments and the issuance of a judgment dismis- sing the applications filed by Venezuela pending

before the French courts in relation to the Award we initiated service to accelerate Venezuela's appeal before the French Cour de cassation, which is the court of final resort in the French judicial system. Regardless of whether Venezuela files an appeal to the Cour de cassation, the *exequatur* previously achieved by us remains in full force and effect; and
- Continued legal efforts in the United States and Luxembourg to posture the Company for future legal activities related to enforcement of the Award.

OTHER

- Continued to pursue the sale of the Brisas Project equipment; and
- Pursued activities related to the LMS property in Alaska.

EXPLORATION PROSPECTS

BRISAS CRISTINAS PROJECT

Empresa Mixta Ecosocialista Siembra Minera, S.A.

In August 2016, we executed an agreement with Venezuela for the formation of a jointly owned Mixed Company to develop and operate the Brisas Cristinas Project. On September 29, 2016 a Presidential Decree was issued authorizing the formation of Siembra Minera.

In anticipation of the Mixed Company Agreement, GR Mining and GR Engineering were formed in early 2016. GR Mining was formed to hold our interest in Siembra Minera and provide for the management of the development and operation of the Brisas Cristinas Project and GR Engineering was formed to provide technical services to Siembra Minera. Siembra Minera is owned 55% by Venezuela through Corporacion Venezolana De Mineria, S.A. (a Venezuelan government corporation) and 45% by GR Mining.

The completion of the Mixed Company Agreement was based upon extensive long-term negotiations with Venezuelan authorities, related to significant business terms, including economic conditions and various decrees and resolutions impacting the entity envisioned to develop the Brisas Cristinas Project. Concurrent with those activities, we developed the Business Plan for the Brisas Cristinas Project with broad input from our engineering consultant. Thereafter we met with and reviewed the Business Plan with PDVSA Development. These discussions were central to our joint agreement to revise royalty and income tax rates related to the Project resulting in parties concluding negotiations and coming to an agreement. Thereafter, from April to July 2016, we negotiated the various terms of the articles of incorporation and by-laws of Siembra Minera. On October 4th, Siembra Minera was duly incorporated before the Register Office in Puerto Ordaz, Bolivar state and published its incorporation in Official Gazzete No. 41.002 of that same date.

On October 31, 2016, the Ministry of Mines issued Resolution 000030 which was published in the Official Gazzette No. 41.022 on November 2, 2016, assigning the area (approximately 18,950 hectares) including the Brisas Cristinas area to Siembra Minera. On March 27, 2017, Presidential Decrees were issued transferring all of the gold and strategic minerals (including copper and silver) rights to Siembra Minera.

These Decrees also authorized a term of twenty years plus extensions, a NSR royalty of five percent for the first 10 years of production and six percent for the following 10 years and seven percent thereafter, a special advantage to Venezuela of three percent of gross sales and 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.

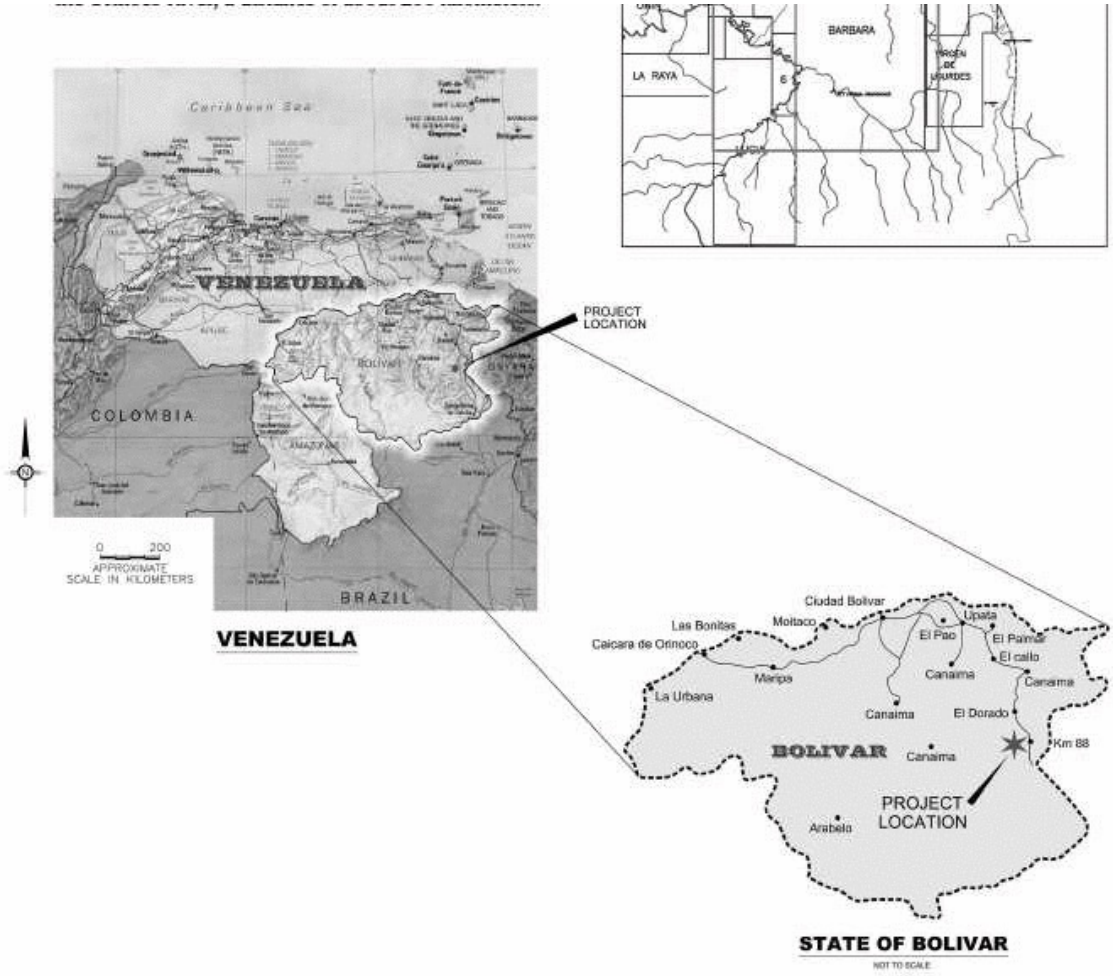
The significant negotiated terms related to the formation of Siembra Minera and its development and operation of the Brisas Cristinas Project include:

- Siembra Minera holds the rights to the gold, cop-
  - silver and other strategic minerals contained
  - a 18,950 hectare area located in the Km
  - gold mining district of southeast Bolivar State
  - includes the Brisas Cristinas Project;
- GR Engineering, under a Technical Services
  - will provide engineering, procurement
  - construction services to Siembra Minera for
  - fee of 5% over all costs of construction and
  - and, thereafter, for a fee of 5% over
  - costs during operations;
- Presidential Decrees, within the legal framework
  - the "Orinoco Mining Arc" (created on February
  - 2016 under Presidential Decree No. 2.248 as
  - area for national strategic development Official
  - No. 40.855), will or have been issued
  - provide for tax and fiscal incentives for mixed
  - operating in that area that include
  - from value added tax, stamp tax,
  - taxes and any taxes arising from the
  - of tangible or intangible assets, if
  - to the mixed companies by the parties and
  - same cost of electricity, diesel and gasoline as
  - incurred by the government or related entities;
- Gold price participation, in accordance with an
  - upon formula resulting in specified respec-
  - percentages based on the sales price of gold
  - ounce. For sales up to $1,600 per ounce, net
  - will be allocated 55% to Venezuela and
  - to us. For sales greater than $1,600 per
  - the incremental amount will be allocated
  - to Venezuela and 30% to us. For example,
  - sales at $1,600 and $3,500 per ounce, net
  - will be allocated 55.0% – 45.0% and 60.5%
  - 39.5%, respectively;
- Net smelter return royalty ("NSR") to Venezuela
  - the sale of gold, copper, silver and any other
  - minerals of 5% for the first ten years of
  - production, 6% for the next ten years
  - 7% thereafter;

- 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;
- The Parties agreed to work together to complete financing(s) to jointly fund the contemplated $2.1 billion anticipated capital costs of the Brisas Cristinas project on behalf of Siembra Minera, which is expected to be comprised of a combi- nation of project financing, development agencies, equipment manufacturer, offtake and smelter financings. 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 will be repaid from the financing proceeds;
- Funds associated with future capital cost financings will be held in offshore US dollar accounts and dividends and profit distributions, if any, will be directly paid to the shareholders;
- 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 Bolivars for the Brisas Cristinas Project. Venezuela agrees to use its best efforts to grant to Siembra Minera similar terms that would apply to the Brisas Cristinas 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 associated with the Brisas Cristinas Project; and
- The board of directors is comprised of seven individuals, of which four are appointed by Venezuela and three by us.

Brisas Cristinas Location

The Brisas Cristinas Project is located in the Guyana region, in the Kilometer (Km) 88 gold mining district of Bolivar State in southeast Venezuela. The name Kilometer 88 for the district came from the area being located near kilometer 88 marker of the road linking El Dorado (Km 0) with the Brazilian border (Pan American Highway or Highway 10). Las Claritas is the closest town to the property. The closest nearby large city is Puerto Ordaz situated on the Orinoco River near its confluence with the Caroní River. Puerto Ordaz is home to most of the major industrial facilities like the aluminum smelters and port facilities accessible to ocean-going vessels from the Atlantic Ocean via the Orinoco River, a distance of about 200 kilometers.



Brisas Cristinas History

Gold was first discovered in the Brisas Cristinas region in 1920. Gold mining at the site was initiated in the 1930's and continued sporadically on a minor scale until the early 1980's when a gold rush occurred. During this period it has been reported that several thousand small miners worked alluvial and saprolite-hosted gold deposits using hydraulic mining techniques. This material was processed in sluices and small hammer mills. Since the early 1960's the mining ministry granted gold mining concessions in the Guayana region, including the 1964 Las Cristinas and the 1988 Brisas concessions with small scale mining activities continuing under a legal framework.

Also, in the late 1980's the mining ministry assigned to CVG, a state owned development corporation for the Guayana Region, the rights to grant gold mining operating contracts in the whole Guayana region, excluding the areas already under concession. Since Las Cristinas concessions had by then elapsed, CVG cleared the area of small miners and in 1991 established a joint venture with Placer Dome Inc. ("Placer") named Minera Las Cristinas (MINCA), for the development of the property. At approximately the same time, in 1992 we acquired the Brisas concession initiating the exploration and development of the Brisas property. The amount of gold recovered over the years is unknown and much of the Brisas Cristinas project area now held by Siembra Minera is now void of any substantial vegetation and covered with tailings.

Las Cristinas

Based on publicly available information, Placer conducted essentially all of the modern exploration on Cristinas during their tenure on the property from 1991 to 2001. Placer completed line cutting, mapping, rock and soil sampling, geophysics, and drilling of 1,174 drill holes for a total of 158,738 meters of drilling, resulting in a significant presence of gold and copper in the deposit. Placer's drilling was conducted in essentially three phases – shallow drilling to test saprolite, bedrock drilling and infill drilling in saprolite,

and finally infill drilling of the pit area. Placer completed a comprehensive feasibility study on the project in 1996 that was updated in 1998.

After extensive exploration, Placer announced commencement of construction of the project in August 1997. However, in January 1998, Placer announced it had decided to suspend construction. Construction resumed once again in May 1999 but was again suspended in July 1999 due to uncertainties with respect to gold prices and legal security of title. Up until that time, Placer had reportedly spent US$168 million on the project.

CVG took possession of the property in 2001 and in 2002 signed a mine operating agreement with Crystallex International ("Crystallex") to explore, mine, and produce gold at Las Cristinas. Crystallex reportedly drilled 90 holes for a total of 28,427 meters from 2003 through early 2007. Crystallex's 2003 drilling program twinned selected Placer holes to independently evaluate Placer's drill-hole data and assay base. Crystallex's subsequent drilling, conducted from 2004 through 2007, focused on infill drilling, drilling down-dip extensions of the stratiform mineralized zone, and exploring strike extensions of the deposit.

Brisas

The Brisas concession was acquired by us in August 1992 with the acquisition of Compañia Aurifera Brisas del Cuyuni C.A. Prior to 1992, no known drill holes existed on the Brisas site. Initial work included surface mapping, regional geophysical surveys, and geochemical sampling. Several anomalies were identified on the property and drilling and assaying began in 1993. The presence of a large strata bound gold-copper mineralization was discovered in both alluvial and hard rock material early in the drilling program. Additional work followed with petrology, mineral studies, density tests, metallurgical sample collection, and laboratory test work.

We commenced initial exploration drilling in 1993 utilizing both auger and core drilling methods. A

majority of the exploration and development drilling took place in 1996 and 1997. From 1996 on, all exploration drilling was completed utilizing diamond drill core rigs. Additional exploration drilling was completed in 1999, 2003, 2004, and 2005. As of 2005, 802 exploration holes had been drilled of which 731 were diamond core holes. This represented 186,094 meters of exploration core drilling, and 189,985 total meters of exploration drilling, core and auger. Subsequent to 2005, 76 additional holes were drilled on the Brisas property for geotechnical and other studies.

We completed and filed in August 2005 a Venezuelan Environmental and Social Impact Assessment (V-ESIA) for the Ministry of Environment and Natural Resources ("MARN"), with the assistance of a number of independent consultants. At the time the V-EISA satisfied Venezuelan requirements to obtain an "Administrative Authorization to Affect Natural Resources for Construction of Infrastructure and Exploitation of Alluvial and Vein Deposits of Gold and Copper," which was granted by MARN. In addition, an International Environmental and Social Impact Assessment (I-ESIA) meeting World Bank Standards, the Equator Principles and any requirements desired by financing institutions was completed in draft form during the subsequent months.

Detailed engineering, including construction drawings, site layout, manpower requirements, construction planning, and many other functions required in a project of this magnitude were substantially advanced through 2008 by SNC Lavalin and was approximately 85% complete by mid-2008. This was the final step in the engineering process for mine development work and is expected to be an important resource for the development of the Brisas Cristinas project.

Brisas Cristinas Combined

Brisas and Cristinas properties are immediately adjacent to each other. Historical studies for both projects show their respective pit designs coming within a few hundred meters of each other and mineralization continuing in-line along strike over a

distance of 5 to 6 kilometers covering both areas. The void between the projects, the Potaso area, had never been significantly drilled due to a large man-made lake that was a result of historical small miner activity. However, based on historical small miner activities in the immediate area and the alignment of strike and dip of mineralization being almost identical on both properties, we believed that it was highly likely that the mineralization continued between the pits.

The concept of combining the Brisas and Cristinas properties was first evaluated in the year 2000 and as part of that effort we studied additional economic aspects of developing and exploiting the mineralization on the properties. It was determined that not only did the adjoining properties share one large, continuous mineral deposit, but developing and exploiting this mineralization in a combined project would have less impact on the environment than two separate projects, and as a result would create efficiencies and economies of scale that would enhance the combined project economics. The concept was developed utilizing Brisas information combined with available Cristinas data from public records and permit documents.

In 2001 INGEOMIN, the Venezuelan government's Geological & Mining Institute prepared a comprehensive report evaluating the environmental, social and economic impacts of the combined project being proposed by us and strongly recommended its implementation. However, Venezuela decided to move forward, on a standalone basis, with the Las Cristinas project with Crystallex while we continued our work on the combined project in parallel with our efforts to develop the Brisas Project.

Multiple mineral resource estimates and feasibility studies, that are no longer current, have been completed on each individual property in the past and Siembra Minera plans to complete a new resource estimate on the combined properties in the future with a view to preparing a Preliminary Economic Assessment ("PEA") in accordance with National Instrument 43-101- Standards of Disclosure for Mineral Projects ("NI 43-101").

We believe that based on previous studies the Brisas Cristinas Project has the potential to be a large open pit mining project. Our base plan is to combine the Brisas and Cristinas properties into one project and utilize the 2008 Brisas design and layout as an initial blue print. This concept eliminates the duplication of infrastructure facilities and staff from the previously independent project plans. It reduces the project footprint or disturbed ground by 30 to 40% of the area from what was anticipated for the independently developed projects. As a result, it allows the down-dip expansion of the pit area for increased recovery of additional potential ore resources while reducing related environmental impacts significantly. The Brisas site would be the starting point for the project due to its advanced stage of design, environmental permitting and readiness for construction activity.

Brisas Cristinas Project Completed Activities

Siembra Minera held its first meeting of shareholders and its board of directors in October 2016 where the appointment of the directors was confirmed and key strategic issues associated with the startup of the initial activities of Siembra Minera were discussed. A second board meeting was held in early 2017, in the office of the Ministry of Mines, with the presence of the Directors, Legal Consultant, and Secretary of Siembra Minera, again the discussions covered key strategic issues.

Subsequent to the October board meeting, we traveled to Germany with Venezuelan representatives to meet with a German smelter company resulting in a signed letter of intent through which the smelter expressed its interest in a future service agreement including possible financing conditions and offering the plant's available capacity to process 60 to 100% of the copper concentrate for 10 to 15 years.

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

- Established bank accounts in both offshore US$ accounts and Venezuelan Bolivars. External

  auditors have been identified and formal desig- nation will occur during upcoming board meetings. Certain key employees have been engaged and additional initial interviews completed. Potential office locations in Caracas and Puerto Ordaz have been identified;
- Initiated discussions whereby the parties are working on a draft EPCM contract between GR Engineering and Siembra Minera;
- Conducted preliminary 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 miners 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 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 the Region of Integral Defense Guayana (REDI)Êlead by General Carlos Augusto Leal Tellería;
- 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 project area. This project is inti- mately 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
- Requested a High Definition Multispectral Satellite image of the Project land position and its adjacent area at the end of 2016 which will be used to document existing conditions and as an aid for documenting and census of existing small miner activity. Completion will take several months due to multiple satellite passes to meet cloud cover requirement.

Brisas Cristinas Initial Scope of Work

Siembra Minera will focus its initial staffing efforts towards providing the future management group the required organization structure, policies and facilities to support its workforce and expects to employ a project director and a general manager as soon as is possible. Thereafter, additional key staff positions are expected to be filled and the following tasks will be implemented:

- Identify and lease secure office facilities with reliable access to utilities such as electrical power, telephone and secure high speed internet and source office furniture and IT hardware.
- Engage professional consultants with proven suc- cess in technical matters, engineering, design, operations experience and international environmental & social standards required to conduct data research, studies, resource estimates, pit design, mine plans, complete engineering & design

  work, prepare drawings, specifications, procure- ment documents and other documents for permits and reports.
- Engage consultants to assist in acquiring Venezuela visas, provide for incoming/outgoing transportation, day to day office work and trans- portation, living accommodations or housing assistance.
- Prepare and implement security policies, trans- portation and housing policies, hire and train security staff, acquire vehicles and equipment. It will be necessary to determine number of security people including those required for rotating shift assignments and number and type of vehicles.
- Complete initial contractual agreement between GR Engineering and Siembra Minera for EPCM services which will allow for the engagement of consultants and early-works contractors. A more extensive contract document will be completed as significant detail engineering, procurement and construction takes place.
- Prepare and submit updated permit applications for approval of early-works construction which will include timber clearing, road building and sediment control structures in areas of the access roads, overland conveyor corridor, powerline corridor, process plant, man camp area, rock quarry and tailings dam area. In conjunction with the permit application we expect to prepare and submit a draft scope of work, design specifications and drawings for construction.
- Assemble a temporary work facility and temporary housing or man camp for Company employees and consultants associated with the early-works and field data collection required for the Inter- national ESIA.
- Prepare and implement long-term small miner consultation, relocation and education program.

- Implement public consultation regarding the plans for construction, operations, reclamation, project size & magnitude providing for mitigation of the impact upon the general public and communities surrounding the project area.
- Prepare a preliminary ESIA document using exist- ing information from the Brisas Project, which would exclude updated field data and the result of the small miner and public consultation, but would allow for the initiation of discussions with institutions for project financing and for prepa- ration of Venezuela environmental permits. A more substantial final ESIA would be completed when the Cristinas field data is collected, combined project engineering and design is substantially complete and the small miner and public consul- tations with mitigation plans are complete.
- Initiate the preparation of a Preliminary Economic Assessment NI 43-101 document by an indepen- dent engineering company allowing for the public disclosure of resource tonnages, metal grade, annual production and any economic projections and providing support for obtaining international bank or financial institution project financing.
- Engage an international engineering contractor and initiate detail engineering work which will provide information regarding engineering, design and cost estimates for completion of a feasibility study. This effort will also provide design specifi- cation and pricing information that is needed for ordering long lead time equipment. The work would also support public consultations activities, permitting efforts, and completion of an updated NI 43-101 document. The new NI 43-101 will include the feasibility study results and provide a proven and probable reserve estimate for public disclosure and financing.

LMS Gold Project

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

Raven retains a royalty interest with respect to (i) "Precious Metals" produced and recovered from the Property equal to 3% of "Net Smelter Returns" on such metals (the "Precious Metals Royalty") and (ii) "Base Metals" produced and recovered from the Property equal to 1% of Net Smelter Returns on such metals, provided that we have the option, for a period of 20 years from the date of closing of the acquisition, to buy back a one-third interest (i.e. 1 %) in the Precious Metals Royalty at a price of $4 million. The Property consists of 36 contiguous State of Alaska mining claims covering 61 km2 in the Goodpaster Mining District situated approximately 25 km north of Delta Junction and 125 km southeast of Fairbanks, Alaska.

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

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

BRISAS ARBITRAL AWARD

SETTLEMENT AGREEMENT

In February 2016, we signed the Memorandum of Understanding (the "MOU") with the Bolivarian Republic of Venezuela ("Venezuela") represented by the Office of the Attorney General and the Ministry of Popular Power of Oil and Mining that contemplated settlement, including payment and resolution, of the Award granted in our favor by ICSID in respect of the Brisas Project and the transfer of the Mining Data. In April 2016, in the spirit of providing continuity to the discussions begun in February, the parties agreed to extend the MOU to allow for further efforts to agree on a settlement.

At the urging of the board of directors, management had made numerous multi-weeks trips to Venezuela since late 2015 to meet face to face with the President of Venezuela, Minister of Mines, Attorney General, Central Bank President, and many other key administration officials and their staff to ensure that a settlement agreement with Venezuela was obtained.

In July 2016, we executed a Settlement Agreement with Venezuela which contemplated payment of the Award, including interest, of approximately $770 million in respect of the Brisas project, acquisition of our Mining Data by Venezuela for $240 million and, included, among other terms:

- Payment of the Award in respect of the Brisas project of approximately $770 million, including accrued interest up to February 24, 2016, in two installments, $600 million due on or before October 31, 2016 and the remaining approxi- mately $170 million on or before December 31, 2016. The Company agreed to temporarily sus- pend 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.
- The acquisition of our Mining Data by Venezuela for $240 million, payable in four quarterly install-

  ments of $50 million beginning October 31, 2016, with a fifth and final installment of $40 million due on or before October 31, 2017. After the final payment, the Mining Data will be transferred to the Venezuelan National Mining Database.
- Venezuela agreed to use the proceeds from any financing it closes after the execution of this agreement to pay us the amounts owed under the agreement in preference to any other creditor.
- Termination of the agreement by written notice by us, without requiring any decision from any judicial authority if the two installments with respect to the payment of the Award are not received within the periods provided in the Settlement Agreement.
- In early November 2016, and again in early December 2016, the parties executed addendums to the Settlement Agreement whereby the parties agreed to revise the payment schedule under which Venezuela would make payments related to the Award and Mining Data as follows: $300 million on or before December 15, 2016; $469.7 million on or before January 3, 2017; $50 million on or before January 31, 2017; $100 million on or before February 28, 2017 and $90 million on or before June 30, 2017. The payments for the Award and Mining Data continue to be contingent upon Venezuela obtaining the necessary financing, which has not occurred and, as a result, as of the date of this report no payments have been made by Venezuela. At the passing of the last agreed upon payment date, the Board of Directors chose to not formally terminate the Settlement Agree- ment as a result of the delay in the initial agreed upon payment(s), but instead instructed manage- ment to continue all efforts to work with Venezuela to complete the terms of the Settlement Agree- ment. Management has recently proposed and Venezuela is currently considering a third adden- dum to the Settlement Agreement, whereby the parties would agree, among other things, to revise the previously proposed payment schedule.

ENFORCEMENT AND COLLECTION EFFORTS

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

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.

Subsequent to the issuance of the Award, both parties filed requests for the ICSID Tribunal to correct what each party identified as "clerical, arithmetical or similar errors" in the Award as is permitted by the rules of ICSID's Additional Facility. In December 2014, the Tribunal denied both parties' requests for correction and reaffirmed the Award originally rendered in our favor on September 22, 2014. This proceeding marked the end of the Tribunal's jurisdiction with respect to 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.

Legal Activities in France

The Award was issued by a Tribunal constituted pursuant to the arbitration rules of ICSID's Additional Facility and, by agreement of the parties the seat of the Tribunal was in Paris. As a consequence, the Award is subject to review by the French courts.

In October 2014, we filed an application before the Paris Court of Appeal (the "Paris Court") to obtain an Order of *exequatur* for the recognition of the Award in France. Venezuela opposed our application and requested a stay of execution pending the determination of its application for annulment of the Award, discussed below. On January 29, 2015, the Paris Court granted our application for *exequatur* and dismissed Venezuela's request to stay the execution of the Award pending the outcome of its application to annul the Award. Since Venezuela was denied its motion to stay the execution of the Award, the *exequatur* or recognition of our Award granted on January 29, 2015 remains in full force and effect.

In late October 2014 and in May 2015, Venezuela filed applications before the Paris Court, declaring its intent to have the Award and the December 15th decision (described above) annulled or set aside. At that time, we expected a ruling on Venezuela's applications sometime in May 2016. As a result of the subsequent temporary suspension of the legal enforcement of the Award pursuant to the Settlement Agreement, the Paris Court did not make a ruling until February 2017.

On February 7, 2017, the Paris Court rejected all of Venezuela's annulment arguments and issued a judgment dismissing the applications filed by Venezuela pending before the French courts in relation to the Award. In addition to the Award remaining enforceable in France, the Paris Court ordered Venezuela to pay

an amount of 150,000 for our legal fees and costs. Venezuela can consider appealing the judgment before the French Cour de cassation, which is the court of final resort in the French judicial system. Regardless of whether Venezuela files an appeal, the *exequatur* remains in full force and effect.

Legal Activities in the District of Columbia –US District Court and US Court of Appeals In November 2014, we filed in the U.S. District Court for the District of Columbia (the "district court") a petition to confirm the Award. In June 2015, Venezuela filed a motion to dismiss and in the alternative, Venezuela asked for a stay of enforcement of the Award pending the annulment determinations by the Paris Court. In November 2015, the district court entered an Order denying Venezuela's motions, confirming the Award, and entering judgment for us against Venezuela for the Award, pre-award interest and legal fees totaling $740,331,576, plus post-award interest on the total amount awarded, exclusive of legal fees, at a rate of LIBOR plus 2%, compounded annually, from September 22, 2014, until payment in full (collectively, the "Judgment").

In December 2015, we filed a motion for an Order by the district court under 28 U.S.C. § 1610(c) determining that a "reasonable period of time" had elapsed since entry of the Judgment and in January 2016, the district court granted the motion, thus allowing us to pursue further efforts to enforce and collect on the Judgment. Venezuela filed a notice of appeal of the Judgment to the United States Court of Appeals for the District of Columbia Circuit. Filing of the appeal did not automatically stay enforcement of the Judgment.

Thereafter, in January 2016, we filed a motion for an Order by the district court permitting registration of the Judgment in federal district courts outside the District of Columbia and Venezuela filed a motion for a stay of execution of the Judgment pending appeal without an appeal bond, which was later denied by the district court. In the same month, we served Venezuela with requests for written discovery (interrogatories and requests for production of documents)

in aid of enforcement of the Judgment. The original date for Venezuela to respond to the discovery requests was in February 2016.

In February 2016, the parties filed a stipulation with the district court stating that Venezuela consented to the relief requested in our motion for an Order permitting registration of the Judgment outside the District of Columbia, that we would not so register the Judgment prior to March 2016, and that Venezuela's due date to respond to our January 2016 discovery requests would be extended to March 2016. Shortly thereafter, the district court entered an Order enforcing the terms of this stipulation.

In March 2016, the parties agreed that Venezuela's due date to respond to our January 2016 discovery requests would be further extended to April 2016, and that we would not register the Judgment in other federal district courts prior to April 2016.

In May 2016, the appellate court denied Venezuela's motion for a stay of execution pending appeal, the parties agreed to extend the above-referenced April 2016 deadlines to May 22, 2016, and the appellate court issued a schedule for the appeal. Thereafter, as a result of the Settlement Agreement, the parties have entered into a series of agreed or unopposed extensions of the appeal briefing schedule, which have been approved by the appellate court. Most recently, in March 2017, the court approved an extension that schedules the briefing to occur between May 2017 and July 2017.

Legal Activities in Luxembourg

In October 2014, we were granted an exequatur for the recognition and execution of the Award by the Tribunal d'arrondissement de et à Luxembourg allowing us to proceed with conservatory or attachment actions against Venezuela's assets in the Grand Duchy of Luxembourg. In January 2015, Venezuela filed a notice of appeal of this decision in the Cour d'appel de Luxembourg (the "Luxembourg Court of Appeal") asking for a stay of execution pending the determination of its application to annul the Award before the

Paris Court of Appeal. In June 2015, the Luxembourg Court of Appeal stayed Venezuela's appeal of the October 28, 2014 order granting the exequatur (recognition and execution) of the Award in Luxembourg, on the basis that the Paris Court of Appeal was scheduled to hear Venezuela's application to annul within a few months. The exequatur remains in full effect allowing us to proceed with seizure filings if and when we deem it appropriate. In light of the February 2017 ruling by the Paris Court, Venezuela must inform the Luxembourg Court of Appeal whether it wants to maintain the suspension of its appeal. The exequatur continues to allow for seizures in the form of conservatory actions to be taken while the appeal is pending.

Legal Activities in England

In May 2015, we filed in the High Court (Queen Bench's Division - Commercial Court) an application for leave to enforce the Award pursuant to s. 101(2) of the Arbitration Act.ÊIn the English courts, such application is made by way of an Arbitration Claim Form (the "Claim").ÊIn that same month, the Court granted leave to enforce the Award as a judgment or Order of the court, and entered judgment in the amount of the Award (the "Order and Judgment").Ê In September 2015 (prior to formal service), Venezuela made an application to the Court for declarations that the Court had no jurisdiction over the Claim, and for Orders that (i) the Claim be set aside, (ii) service of the Claim (if any) be dismissed and (iii) the Order and Judgment be set aside (the "Jurisdiction Application").Ê

The hearing for the Jurisdiction Application took place in London in January 2016 and judgment was handed down the first of February 2016. The Court dismissed the Jurisdiction Application and ordered that, among other things, Venezuela did not have sovereign immunity and we followed the correct procedure in relation to the Claim. On February 23, 2016, Venezuela filed an Appeal with the Court of Appeal. Venezuela originally requested permission to appeal on an additional ground, which was denied by the Jurisdiction Application judge and the Court of Appeal at first instance, however the Court of Appeal has

granted Venezuela an oral hearing in respect of this request. The permission to appeal hearing is listed for October 11, 2017. The Appeal itself is listed for October 16 to 18, 2017, with October 19, 2017 held in reserve depending on the outcome of Venezuela's permission request (referred to above).

The parties have agreed by consent to extend the time for Venezuela to make any further application to set aside the Order and Judgment until 14 days following resolution of the Appeal of the Jurisdiction Application by Venezuela.ÊWe intend to continue to take all available steps to ensure that Appeal of the Jurisdiction Application is resolved as quickly as possible, and that any further application that Venezuela may make will be dealt with expeditiously, so that enforcement can proceed without further delay. Enforcement cannot proceed while the Appeal is pending.

Obligations Due Upon Collection of the Award and Sale of Brisas Technical Mining Data We have outstanding Contingent Value Rights ("CVRs"), which are obligations arising from the disposition of a portion of the rights to future proceeds of the Award against Venezuela and/or the sale of the Brisas Project technical mining data (the "Mining Data").

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

The Board of Directors (the "Board") approved a Bonus Pool Plan (the "Bonus Plan") in May 2012, which is intended to compensate the participants, including executive officers, employees, directors and consultants, for their past and future contributions including their past efforts related to the development of the Brisas Project, execution of the Brisas Arbitration and the collection of an award and/or sale of the Mining Data. The bonus pool under the Bonus Plan is comprised of the gross proceeds collected or the fair value of any consideration realized (calculated on substantially the same terms as the CVR) 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 who selected the individual participants in the Bonus Plan and fixed the relative percentage of the total pool to be distributed to each participant. Participation in the Bonus Plan by existing participants is fully vested, subject to voluntary termination of employment or termination for cause.

We also maintain the Gold Reserve Director and Employee Retention Plan (the "Retention Plan") (See Note 10 to the audited consolidated financial statements). Each Unit (the "Retention Units") granted entitles such participant to receive a cash payment equal to the fair market value of one Class A Share: (a) on the date the Unit was granted or (b) on the date any such participant becomes entitled to payment, whichever is greater. Units previously granted under the plan become fully vested upon: (1) collection of proceeds from the Award and/or sale of the Mining Data totaling at least $200 million and we agree to distribute a substantial majority of the proceeds to our shareholders or, (2) the event of a change of control. A "Change of Control", as it relates to the Retention Plan, means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding 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; solicitation of proxies or consents by or on behalf of a person other than the 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, 2016 an aggregate of 1,457,500 unvested units have been granted to directors and executive officers of the Company and 315,000 units have been granted to other employees. We currently do not accrue a liability for the Bonus Plan or Retention Plan as events required for payment under the Plans have not yet occurred. The minimum value of these units, based on the grant date value of the Class A common shares, was approximately $7.8 million. An estimated $1.8 million of contingent legal fees will also become due upon the collection of the Award.

Upon payment of the Award or receipt of proceeds from the disposition of the Mining Data, subject to certain limitations, we are obligated to make an offer to existing holders to redeem the 2018 Notes (as defined herein) at a price equal to 120% of the principal amount of 2018 Notes then outstanding. See "Description of Capital Structure".

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

FINANCIAL OVERVIEW

Our overall financial position continues to be influenced by the seizure of our mining project known as the Brisas Project by the Venezuelan government, legal costs related to obtaining the Award and efforts to enforce and collect it, restructuring of outstanding convertible notes in 2012, 2014 and 2015 and related interest expense. Recent operating results continue to be impacted by expenses associated with the enforcement and collection of the Award and more recent efforts to come to a settlement of the Award, formation of the Mixed Company, interest expense related to our debt and 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, 2016, of approximately $26.4 million compared to an increase of approximately $2.9 million for the same period in 2015, which was primarily as a result of an increase in net cash provided by financing activities in 2016 compared to 2015, partially offset by an increase in net cash used in operating activities during the same periods. Net loss for the year ended December 31, 2016 increased from the comparable period in 2015 by approximately $3.4 million primarily as a result of increases in arbitration settlement and mixed company expenses and a write-down of property, plant and equipment.

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

Historically we have financed our operations through the issuance of common stock, other equity securities and debt. The timing of any future investments or transactions if any, and the amounts that may be required cannot be determined at this time and are subject to available cash, the collection, if

any, of the Award, sale of remaining Brisas Project related equipment, the timing of the conversion or maturity of the outstanding Convertible Notes and Interest Notes and/or future financings, if any. We have only one operating segment, the exploration and development of mineral properties.

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

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.

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

SELECTED ANNUAL INFORMATION (1)

	2016	2015	2014
Other income (loss)	$ (493,355)	$ (537,801)	$ (7,271,670)
Expenses	$ (21,052,337)	$ (17,598,096)	$ (18,298,309)
Net loss (2)	$ (21,545,692)	$ (18,135,897)	$ (25,569,979)
Per share	$ (0.26)	$ (0.24)	$ (0.34)
Total assets	$ 48,488,677	$ 22,380,727	$ 19,409,084
Total non-current financial liabilities	$ 44,980,511	$ 40,684,361	$ 2,054,491
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, 2016, we had cash and cash equivalents of approximately $35.7 million which represents an increase from December 31, 2015 of approximately $26.4 million. The net increase was primarily due to proceeds from the issuance of common shares offset by cash used by operations. The activities that resulted in the net change in cash are more fully described in the “Operating,” “Investing” and “Financing” Activities sections below.

	2016	Change	2015
Cash and cash equivalents	$ 35,747,049	$ 26,396,157	$ 9,350,892

As of December 31, 2016, we had financial resources including cash, cash equivalents and marketable securities totaling approximately $36.3 million, Brisas Project related equipment with an estimated fair value of approximately $11.7 million (See Note 7 to the audited consolidated financial statements), short-term financial obligations including accounts payable and accrued expenses of approximately $0.7 million and long-term indebtedness of approximately $57.1 million face value. Approximately $2.5 million in legal fees which were deferred during the arbitration and became payable as a result of the Award were, by agreement, paid in December 2015. This agreement included a reduction of $0.5 million from the original amount due of $3.1 million and a deferral of an additional $0.1 million until collection of the award. The total amount of contingent legal fees which will become payable upon the collection of the Award is approximately $1.8 million.

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

Operating Activities

Cash flow used in operating activities for the years ended December 31, 2016 and 2015 was approximately $10.9 million and $8.9 million, respectively. Cash flow used in operating activities consists of net operating losses (the components of which are more fully discussed below) adjusted for non-cash expense items primarily related to accretion of Convertible Notes recorded as interest expense, write-down of property, plant and equipment, settlement of debt, stock options compensation and certain non-cash changes in working capital.

Cash flow used in operating activities during the year ended December 31, 2016 increased from the prior comparable period generally due to payments on accounts payable and costs associated with the arbitration settlement and mixed company.

Investing Activities

	2016	Change	2015
Proceeds from disposition of marketable securities	$ 48,456	$ 48,456	$ –
Purchase of property, plant and equipment	(350,000)	(350,000)	–
Proceeds from sale of equipment	–	(165,000)	165,000
	$ (301,544)	$ (466,544)	$ 165,000

In 2016, the Company completed the acquisition of the LMS Gold Project together with certain personal property for $350,000 and recorded proceeds from the disposition of marketable securities of $48,456. The Company received proceeds from the sale of equipment of $165,000 in 2015. As of December 31, 2016, the Company held approximately $11.7 million of equipment located in various facilities in North America and Europe and intended for use on the Brisas Cristinas project or for future sale (See Note 7 to the audited consolidated financial statements).

Financing Activities

	2016	Change	2015
Issuance of convertible notes	$ –	$ (11,989,575)	$ 11,989,575
Issuance of common shares	38,425,875	37,745,885	679,990
Financing fees	(141,887)	876,243	(1,018,130)
Settlement of convertible notes	(694,730)	(694,730)	–
	$ 37,589,258	$ 25,937,823	$ 11,651,435

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. During 2016 and 2015, certain directors, officers, employees and consultants exercised approximately 2.3 million and 0.4 million outstanding options, respectively for net proceeds to the Company of approximately $4.2 million and $0.7 million, respectively.

During the fourth quarter of 2015, we issued approximately $13.4 million aggregate principal amount of new 11% Senior Secured Convertible Notes due December 31, 2018 (the "New Notes") and modified, amended and extended the maturity date of approximately $43.7 million aggregate principal amount of previously outstanding convertible notes, interest notes and accrued interest from December 31, 2015 to December 31, 2018 (the "Modified Notes" and, together with the New Notes, the "2018 Convertible Notes"). The New Notes are comprised of

approximately $12.3 million aggregate principal amount of 2018 Convertible Notes, issued with an original issue discount of 2.5% of the principal amount, and approximately $1.1 million of additional 2018 Convertible Notes representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee. The total cost of the new issuance and restructuring of the 2018 Convertible Notes was approximately $2.4 million, which includes approximately $1.4 million of extension and issuance fees that were expensed and approximately $1.0 million associated with legal and associated transactional fees that were capitalized.

The 2018 Convertible Notes bear interest at a rate of 11% per year, which are accrued quarterly on a compounded basis, issued in the form of new 11% Senior Secured Interest Notes due 2018 (the "Interest Notes" and together with the 2018 Convertible Notes, the "2018 Notes") and payable in cash at maturity. The 2018 Convertible Notes are convertible, at the option of the holder, into 333.3333 of Class A common shares per US $1,000 (equivalent to a conversion price of US $3.00 per common share) at any time upon prior written notice to us. The Interest Notes are not convertible into our Class A common shares or any other security. The 2018 Notes are senior obligations, secured by substantially all of our assets.

We also have outstanding $1.0 million aggregate principal amount of 5.50% Senior Subordinated Convertible Notes (the "2022 Convertible Notes" and, together with the 2018 Convertible Notes, the "Convertible Notes") issued in May 2007 with a maturity date of June 15, 2022. The 2022 Convertible Notes bear interest at a rate of 5.50% per year, payable semiannually in arrears on June 15 and December 15 and, subject to certain conditions we may redeem, repurchase or convert the 2022 Convertible Notes into our Class A common shares at a conversion price of $7.54 per common share.

The amount recorded as Convertible Notes and Interest Notes in the consolidated balance sheet as of December 31, 2016 is comprised of approximately $36.8 million carrying value of 2018 Convertible Notes, approximately $1.0 million of 2022 Convertible Notes and Interest Notes of approximately $6.2 million. The carrying value of Convertible Notes is being accreted to face value using the effective interest rate method over the expected life of the Convertible Notes with the resulting charge recorded as interest expense. (See Note 11 to the audited consolidated financial statements).

Contractual Obligations

The following table sets forth information on the Company's material contractual obligation payments for the periods indicated as of December 31, 2016. For further details see "Financing Activities" above and Note 11 to the audited consolidated financial statements:

	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Convertible Notes [1]	$ 50,852,345	$ –	$ 49,814,345	$ –	$ 1,038,000
Interest Notes [1]	19,763,220	–	19,763,220	–	–
Interest	313,995	57,090	114,180	114,180	28,545
	$ 70,929,560	$ 57,090	$ 69,691,745	$ 114,180	$ 1,066,545

1 Includes $49,814,345 principal amount of remaining 11% Senior Secured Convertible Notes due December 31, 2018 (the "2018 Convertible Notes") and 11% Senior Secured Interest Notes due December 31, 2018 (the "Interest Notes" and, together with the 2018 Convertible Notes, the "2018 Notes") from previous financings and restructurings and $1,038,000

principal amount of 5.50% Convertible Notes due June 15, 2022 (the "2022 Convertible Notes" and, together with the 2018 Notes, the "Notes"). The amounts shown above include the principal payments due unless the Notes are converted into our Class A common shares (other than the Interest Notes), redeemed or repurchased prior to their due date pursuant to the terms of the indenture governing the Notes (See Note 11 to the consolidated financial statements).

The amount recorded as convertible notes and interest notes in the consolidated balance sheet as of December 31, 2016 is comprised of approximately $36.8 million carrying value of 2018 Convertible Notes issued pursuant to the 2015 restructuring, approximately $1.0 million of previously issued 2022 Convertible Notes and post 2015 restructuring Interest Notes of approximately $6.2 million. The carrying value of convertible notes will be accreted to face value using the effective interest rate method over the expected life of the notes with the resulting charge recorded as interest expense.

During 2015 we extended the maturity date of approximately $43.7 million of convertible notes and interest notes from December 31, 2015 to December 31, 2018 and issued approximately $13.4 million of additional 2018 Convertible Notes also maturing December 31, 2018.

RESULTS OF OPERATIONS

Summary

Consolidated other income (loss), total expenses and net loss for the two years ended December 31, 2016 were as follows:

	2016	Change	2015
Other Income (Loss)	$ (493,355)	$ 44,446	$ (537,801)
Total Expenses	(21,052,337)	(3,454,241)	(17,598,096)
Net Loss	$ (21,545,692)	$ (3,409,795)	$ (18,135,897)
Net loss per share	$ (0.26)		$ (0.24)

Other Income (Loss)

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

	2016	Change	2015
Interest income	$ 47,691	$ 47,040	$ 651
Gain on disposition of marketable securities	48,360	48,360	–
Loss on settlement of debt	(70,221)	424,880	(495,101)
Write-down of property, plant and equipment	(556,558)	(556,558)	–
Loss on sale of equipment	–	9,432	(9,432)
Loss on impairment of marketable securities	(13,769)	32,860	(46,629)
Foreign currency gain	51,142	38,432	12,710
	$ (493,355)	$ 44,446	$ (537,801)

In 2016 and 2015, we recognized a loss on settlement of debt related to the convertible notes that were restructured or converted (See Note 11 to the audited consolidated financial statements). 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

	2016	Change	2015
Corporate general and administrative	$ 4,111,563	$ 968,304	$ 3,143,259
Mixed Company	1,648,043	1,648,043	–
Debt restructuring	–	(1,399,148)	1,399,148
Exploration	320,611	70,992	249,619
Legal and accounting	867,965	597,827	270,138
Arbitration and settlement	2,785,817	632,694	2,153,123
Equipment holding costs	796,680	44,392	752,288
Interest expense	10,521,658	891,137	9,630,521
Total expenses for the period	$ 21,052,337	$ 3,454,241	$ 17,598,096

Corporate general and administrative expense for the year ended December 31, 2016 increased from the comparable period in 2015 primarily due to an increase in costs associated with employee compensation and director fees. Expenses associated with the formation of the Mixed Company totaled approximately $1.6 million for the year ended December 31, 2016. The increase in legal and accounting expense is primarily attributable to fees incurred in relation to additional regulatory filings associated with the restructuring of convertible notes and corporate tax planning. Expenses related to the Award settlement in 2016 increased from 2015 due to expenses incurred in completing a settlement agreement. The increase in interest expense was due to the 2015 extension of the maturity date of the outstanding notes and the issuance of additional notes. Overall, total expenses for the year ended December 31, 2016 increased by approximately $3.5 million over the comparable period in 2015.

SUMMARY OF QUARTERLY RESULTS (1)

Quarter ended	12/31/16	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15
Other income (loss)	$(554,106)	$ 6,798	$ 9,032	$ 44,921	$ (541,993	$ (1,662)	$ (10,748)	$ 16,602
Net loss before tax (2)	(6,400,329)	(5,585,556)	(4,637,513)	(4,922,294)	(6,389,066)	(3,581,046)	(4,453,454)	(3,712,331)
Per share	(0.08)	(0.06)	(0.06)	(0.06)	(0.08)	(0.05)	(0.06)	(0.05)
Fully diluted	(0.08)	(0.06)	(0.06)	(0.06)	(0.08)	(0.05)	(0.06)	(0.05)
Net loss (2)	(6,400,329)	(5,585,556)	(4,637,513)	(4,922,294)	(6,389,066)	(3,581,046)	(4,453,454)	(3,712,331)
Per share	(0.08)	(0.06)	(0.06)	(0.06)	(0.08)	(0.05)	(0.06)	(0.05)
Fully diluted	(0.08)	(0.06)	(0.06)	(0.06)	(0.08)	(0.05)	(0.06)	(0.05)

(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 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. Other income (loss) in the fourth quarter of 2015 was primarily due to the restructuring of the 2018 Notes and

the impairment of marketable securities. Other income (loss) in the first and third quarters of 2015 was a result of foreign exchange gain (loss). Other income (loss) in the second quarter of 2015 primarily related to the sale of equipment.

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 the Mixed Company. 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. The decrease in net loss during the third quarter of 2015 was primarily due to a decrease in arbitration enforcement and collection costs. The increase in net loss during the second quarter of 2015 was primarily due to increases in arbitration enforcement and collection costs and accretion of Convertible Notes.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the fourth quarter of 2015, we issued approximately $13.4 million of New Notes and modified, amended and extended the maturity date of approximately $43.7 million of Modified Notes. The New Notes

are comprised of approximately $12.3 million aggregate principal amount of 2018 Convertible Notes, issued with an original issue discount of 2.5% of the principal amount, and approximately $1.1 million aggregate principal amount of additional 2018 Convertible Notes representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee. Pursuant to the transaction $19.0 million and $11.7 million of the Modified Notes were held by a fund managed by Steelhead and funds managed by Greywolf, respectively, and $10.7 million of the New Notes were issued to funds managed by Greywolf. Both Steelhead and Greywolf exercised control or direction over more than 10% of our Class A common shares prior to the transaction. In addition we paid, in the case of the New Notes, a fee of 2.5% of the principal in the form of an original issue discount and in the case of the Modified Notes, a fee of 2.5% of the principal in the form of additional 2018 Convertible Notes (or an aggregate principal amount of $0.5 million and $0.3 million, respectively) to the Steelhead and the Greywolf funds, respectively. (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:

- assessments of the recoverability of the Brisas Project related equipment and the estimated fair value determined in connection with impairment testing;

- determination of the fair value of our Convertible Notes which are accreted to their face value at maturity using the effective interest rate method over the contractual life of the Convertible Notes, with the resulting charge recorded as interest expense;
- use of the fair value method of accounting for stock options which is computed using the Black- Scholes method which utilizes estimates that affect the amounts ultimately recorded as stock based compensation; and
- preparation of tax filings in a number of jurisdic- tions 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 Management's Discussion and Analysis and our filings with Canadian and U.S. securities regulators, before making investment decisions involving our securities. The following risk factors, as well as risks not currently known to us, could adversely affect our future business, operations and financial condition and could cause future results to differ materially from the estimates described in our forward-looking statements.

Risks Related to Collection of Award Failure to complete the transactions outlined in the Settlement Agreement (as amended), could materially adversely affect the Company.

On July 17, 2016, we signed a Settlement Agreement with Venezuela which contemplated payment of the Award including interest of approximately $770 million in respect of the Brisas project and acquisition of our Mining Data by Venezuela for $240 million. In early November 2016, and again in early December 2016, the parties executed addendums to the Settlement Agreement whereby the parties agreed to revise the payment schedule (including the timing of our temporary suspension of the enforcement of the Award) under which Venezuela would make payments related to the Award and Mining Data as follows: $300 million on or before December 15, 2016; $469.7 million on or before January 3, 2017; $50 million on or before January 31, 2017; $100 million on or before February 28, 2017 and $90 million on or before June 30, 2017. The payments for the Award and Mining Data are contingent upon Venezuela obtaining the necessary financing, which has not occurred and, as a result, as of the date of this report no payments have been made by Venezuela. As of the date of this report, we have chosen not to terminate the Settlement Agreement as a result of the delay in the initial agreed upon pay-ment(s), but instead continue our efforts to work with Venezuela to complete the terms of the Settlement Agreement. Management has recently proposed and Venezuela is currently considering a third addendum to the Settlement Agreement, whereby the parties would agree, among other things, to revise the previously proposed payment schedule.

There can be no assurances that we will be able to successfully consummate the Settlement Agreement and receive the payments contemplated therein. Such failure may require us to continue the lengthy enforcement and collection process which could materially adversely affect, among other things, our ability to service debt and maintain sufficient liquidity to operate as a going concern.

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

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

Although the process of getting the 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.

Enforcement and collection of the Award is a lengthy process and will be ongoing for the foreseeable future if we are not successful in consummating the transactions contemplated by the 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 if we do not conclude the Settlement Agreement, or a substantial passage of time before

we are able to otherwise collect the Award, would materially adversely affect our ability to service debt and maintain sufficient liquidity to operate as a going concern.

We cannot predict when or if the Award will be collected either partially or in full or if we will conclude the Settlement.

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

Risks Relating to the Convertible Notes and Interest Notes (collectively the "Notes") Our ability to generate the cash needed to pay principal and interest amounts on the Notes or pay similar obligations in the future depends on many factors, some of which are beyond our control.

We are currently primarily engaged in managing the Brisas Arbitration in an effort to enforce and collect the Award or otherwise settle our dispute with the Venezuelan government as contemplated by the Settlement Agreement. We have no commercial production and no ability to generate cash from operations to

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

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

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

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

As of December 31, 2016, we had outstanding approximately $50.9 million aggregate principal amount of Convertible Notes and $6.2 million Interest Notes. If all of such Convertible Notes were converted to Class A common shares at their current conversion rates, an additional approximately 16.9 million Class A common shares would be issued, thereby significantly diluting the ownership of existing shareholders.

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

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

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

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

There is no existing trading market for the Notes and we have no obligation to list the Notes at any time. We have not and do not intend to list the Notes on any United States or Canadian securities exchange or market place. As a result, there can be no assurance that a liquid market will develop or be maintained for the Notes, that note holders will be able to sell any of the Notes at a particular time (if at all) or that the prices you receive if or when you sell the Notes will be above their initial offering price.

Other Risks Related to the Notes

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

- We could incur substantially more debt and may take other actions which may affect our ability to satisfy our obligations under the Notes.
- Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repur- chase the Notes.
- Upon the occurrence of a fundamental change and in connection with note holders' right to require us to repurchase the Notes, we may satisfy our obligations through the issuance of our Class A common shares, the value of which may decrease.
- Upon conversion of the Convertible Notes, we will have the option to deliver cash in lieu of some or all the Class A common shares to be delivered upon conversion, the amount of cash to be delivered per Convertible Notes being calculated on the basis of average prices over a

  specified period, and note holders may receive less proceeds than expected.
- The adjustment to the conversion rate for the Convertible Notes converted in connection with a specified corporate transaction may not ade- quately compensate note holders for any lost value of Convertible Notes as a result of such transaction.
- The conversion rate of the Convertible Notes may not be adjusted for all dilutive events.
- The Notes may not be rated or may receive a lower rating than anticipated.
- If you hold Notes, note holders will not be entitled to any rights with respect to our Class A common shares, but will be subject to all changes made with respect to our Class A common shares.
- If the Notes are held in book-entry form, note holders will be required to rely on the procedures and the relevant clearing systems to exercise their rights and remedies.
- The value of the Collateral may not be sufficient to satisfy all the obligations secured by such Collateral. As a result, holders of the Notes may not receive full payment on their Notes following an event of default.
- Rights of holders of the Notes in the Collateral may be adversely affected by bankruptcy proceedings.
- Any future pledge of Collateral may be avoidable in bankruptcy.
- Rights of holders of Notes and CVRs in the Collat- eral may be adversely affected by the failure to perfect liens on the Collateral or on Collateral acquired in the future. Any future pledge of collateral may be avoidable in bankruptcy.

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

We are required to maintain compliance with the TSXV listing rules, which in addition to other rules, require us as a "Mining Issuer" to hold an interest of 50% or more in a qualifying property or the right to acquire such an interest in a qualifying property in order to maintain our listing. With the acquisition of the LMS Gold Project (see "PROPERTIES"), we are currently in compliance with the applicable TSXV listing rule.

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

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

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

- we do not have an active market for our Class A common shares and large sell or buy transactions may affect the market price;
- developments in our efforts to conclude the transactions contemplated by the MOU;
- developments in our other effort to collect the Award and/or sell the Mining Data;

- economic and political developments in Venezuela;
- our operating performance and financial condition;
- our ability to obtain additional financing for wor- king capital, capital expenditures, acquisitions or general purposes;
- shareholder dilution resulting from restructuring or refinancing our outstanding Notes due December 31, 2018;
- the public's reaction to announcements or filings by us or other companies;
- the public's reaction to negative news regarding Venezuela and/or international responses to Venezuelan domestic and international policies;
- the price of gold, copper and silver; and
- the addition to or changes to existing personnel.

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

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

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

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

We have not declared or paid any dividends on our Class A common shares since 1984. We may

declare cash dividends or make distributions in the future only if our earnings and capital are sufficient to justify the payment of such dividends or distributions. Regarding the collection of the Award and/or payment for the Mining Data, subject to applicable regulatory requirements regarding capital and reserves for operating expenses, accounts payable and taxes, we expect to distribute, in the most cost efficient manner, a substantial majority of any net proceeds pursuant to the Award after fulfillment of our corporate obligations.

Risks Related to the Business

Any development activities on the Brisas Cristinas Project as contemplated by the Mixed Company Agreement will require additional exploration work and financing and there is no assurance that the project will be determined feasible.

No formal exploration or development activities have taken place at the proposed location of the Brisas Cristinas Project for some time. Even if the Settlement Agreement is completed and the required financing is obtained, substantial effort and financing would be required to re-commence work on any Brisas Cristinas Project. We can provide no assurances that the project or its development would be determined feasible.

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

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

- the effects of local political, labor and economic developments, instability and unrest;

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

Operating losses are expected to continue.

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

in alternative projects such as the Brisas Cristinas Project and we achieve commercial production.

We may be unable to continue as a going concern.

We have no revenue producing operations at this time and our working capital position, cash burn rate and debt maturity schedule may require that we seek additional sources of funding to ensure our ability to continue activities in the normal course. Our longer-term funding requirements may be adversely impacted by financial market conditions, industry conditions, regulatory approvals or other unknown or unpredictable conditions and, as a result, there can be no assurance that additional funding will be available or, if available, offered on acceptable terms.ÊÊ

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

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

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

Exploration for gold and other metals is speculative in nature, involves many risks and frequently is unsuccessful. As is customary in the industry, not all

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

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

U.S. taxpayers should be aware that we have determined that we were a "passive foreign investment company" (a "PFIC") under Section 1297(a) of the U.S. Internal Revenue Code (the "Code") for the taxable year ended December 31, 2016, and that we may be a PFIC for all taxable years prior to the time we have income from production activities. We do not believe that any of our subsidiaries were PFICs as to any of our shareholders for the taxable year ended December 31, 2016, however, due to the complexities of the PFIC determination summarized below, we cannot guarantee this belief or that the Internal Revenue Service (the "IRS") would not take a contrary position. The determination of whether we and any of our subsidiaries will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether we and any of our subsidiaries will be a PFIC for any taxable year generally depends on our assets and income and those

of our subsidiaries' over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Management's Discussion and Analysis. Accordingly, there can be no assurance that we and any of our subsidiaries will not be a PFIC for any taxable year.

For taxable years in which we are a PFIC, any gain recognized on the sale of our Class A common shares and any "excess distributions" (as specifically defined) paid on our Class A common shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the Class A common shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the Class A common shares generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a timely and effective "QEF election" generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of our "net capital gain" and "ordinary earnings" (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by us. For a U.S. taxpayer to make a QEF election, we must agree to supply annually to the U.S. taxpayer the "PFIC Annual Information Statement" and permit the U.S. taxpayer access to certain information in the event of an audit by the IRS. We will prepare and make the statement available to U.S. taxpayers, and will permit access to the information. As a possible second alternative, a U.S. taxpayer may make a "mark-to-market election" with respect to a taxable year in which we are a PFIC and the Class A common shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which we are a PFIC, an amount

equal to the excess, if any, of (a) the fair market value of the Class A common shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in such Class A common shares.

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

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

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

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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

In August 2014, the FASB issued ASU 2014-15, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update was effective for us commencing with the annual period ending after December 15, 2016 and did not have an impact on our financial statements.

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 89,848,104 Class A common shares were issued and outstanding as at the date hereof. Shareholders are entitled to receive notice of and attend all meetings of shareholders with each Class A common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. Shareholders are entitled to dividends if, as and when declared by the Board. Shareholders are entitled upon our liquidation, dissolution or winding up to receive our remaining assets available for distribution to shareholders.

Equity Units

In February 1999, Gold Reserve Corporation became a subsidiary of Gold Reserve Inc., the successor

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

Preferred Shares

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

Share Purchase Warrants

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

Share Purchase Options

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, 2016, there were 3,357,000 options outstanding and 5,393,000 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
March 17, 2020	$	3.89	100,000
June 9, 2021	$	1.92	875,000
July 25, 2024	$	4.02	310,000
June 29, 2025	$	3.91	215,000
January 20, 2027	$	3.45	125,000
February 16, 2027	$	3.15	4,002,502
Total Class A common shares issuable pursuant to stock options			5,877,502

Convertible Notes and Interest Notes

At December 31, 2016, we had $50.9 million aggregate principal amount of convertible notes outstanding, which are comprised of (i) approximately $49.9 million aggregate principal amount of 2018 Convertible Notes and approximately $1.0 million aggregate principal amount of 2022 Convertible Notes. Interest on the 2018 Convertible Notes accrues and is capitalized quarterly and is payable in a new series of 11% Senior Secured Interest Notes due December 31, 2018 (the "Interest Notes" and together with the 2018 Convertible Notes, the "2018 Notes"). Interest on the Interest Notes is also payable in additional Interest Notes. We had $6.2 million aggregate principal amount of Interest Notes outstanding at December 31, 2016. The 2018 Notes mature on December 31, 2018. (See Note 11 to the audited consolidated financial statements).

Holders of the 2018 Convertible Notes may convert them into 333.3333 Class A common shares per $1,000 principal amount (which is equivalent to a conversion price of $3.00 per common share), subject to adjustment upon the occurrence of certain events. The Interest Notes are not convertible into Class A common shares or any other security. We paid, in the case of the New Notes, a fee of 2.5% of the principal in the form of an original issue discount, and in the case of the Modified Notes, an extension fee of 2.5% of the extended principal and interest notes in the form of additional 2018 Convertible Notes. For a more detailed description of the terms of the 2018 Notes, see "Material Contracts". The 2022 Convertible Notes subject to certain conditions can be redeemed, repurchased or converted into our Class A common shares at a conversion price of $7.54 per common share.

Capital Structure

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

Class A common shares outstanding	89,848,104
Shares issuable pursuant to the 2012 Equity Incentive Plan	5,877,502
Shares issuable pursuant to the Convertible Notes	16,742,447
Total shares outstanding, fully diluted	112,468,053

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.Ê 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.Ê

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

Management, including the CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of December 31, 2016 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, 2016.

The effectiveness of internal control over financial reporting as of DecemberÊ31, 2016 has been audited by our independent auditors, PricewaterhouseCoopersÊLLP ("PwC"), as stated in their audit report, which is dated April 28, 2017 and included below.

/s/ Rockne J. Timm
Chief Executive Officer
April 28, 2017

/s/ Robert A. McGuinness
Vice President-Finance and CFO
April 28, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gold Reserve Inc.

We have completed integrated audits of Gold Reserve Inc.'s December 31, 2016 and December 31, 2015 consolidated financial statements and its internal control over financial reporting as at December 31, 2016. Our opinions, based on our audits are presented below.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gold Reserve Inc. (theÊ"Company"), which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reserve Inc. as at December 31, 2016 and 2015 and results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on internal control over financial reporting

We have also audited Gold Reserve Inc.'s internal control over financial reporting as at December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management's responsibility for internal control over financial reporting

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

Auditor's responsibility

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

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

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

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control

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

Inherent limitations

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

Opinion

In our opinion, Gold Reserve Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2017

GOLD RESERVE INC.

CONSOLIDATED BALANCE SHEETS

(Expressed in U.S. dollars)

		December 31, 2016		December 31, 2015
ASSETS				
Current Assets:				
Cash and cash equivalents (Note 4)	$	35,747,049	$	9,350,892
Marketable securities (Notes 5 and 6)		541,216		180,986
Deposits, advances and other		153,916		590,250
Total current assets		36,442,181		10,122,128
Property, plant and equipment, net (Note 7)		12,046,496		12,258,599
Total assets	$	48,488,677	$	22,380,727
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses (Note 3)	$	691,409	$	1,549,905
Accrued interest		2,379		2,388
Total current liabilities		693,788		1,552,293
Convertible notes and interest notes (Note 11)		43,968,020		39,671,870
Other (Note 11)		1,012,491		1,012,491
Total liabilities		45,674,299		42,236,654
SHAREHOLDERS' EQUITY				
Serial preferred stock, without par value				
Authorized: Unlimited				
Issued: None				
Common shares (Note 12)		342,190,645		290,467,418
Class A common shares, without par value				
Authorized: Unlimited				
Issued and outstanding: 2016...89,710,604				
2015...76,447,147				
Contributed Surplus (Note 11)		25,723,900		30,435,625
Stock options (Note 10)		17,353,725		20,523,325
Accumulated deficit		(382,897,065)		(361,351,373
Accumulated other comprehensive income		443,173		69,078
Total shareholders' equity (deficit)		2,814,378		(19,855,927
Total liabilities and shareholders' equity	$	48,488,677	$	22,380,727

Contingencies (Note 3)

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

Approved by the Board of Directors:

/s/ Patrick D. McChesney /s/ James P. Geyer

GOLD RESERVE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. dollars)

	For the Years Ended December 31,	
	2016	**2015**
OTHER INCOME (LOSS)		
Interest income	$ 47,691	$ 651
Gain on disposition of marketable securities	48,360	–
Loss on settlement of debt (Note 11)	(70,221)	(495,101)
Write-down of property, plant and equipment (Note 7)	(556,558)	–
Loss on sale of equipment	–	(9,432)
Loss on impairment of marketable securities (Note 5)	(13,769)	(46,629)
Foreign currency gain	51,142	12,710
	(493,355)	(537,801)
EXPENSES		
Corporate general and administrative	4,111,563	3,143,259
Mixed Company (Note 8)	1,648,043	–
Debt restructuring (Note 11)	–	1,399,148
Exploration	320,611	249,619
Legal and accounting	867,965	270,138
Arbitration and settlement (Note 3)	2,785,817	2,153,123
Equipment holding costs	796,680	752,288
Interest expense (Note 11)	10,521,658	9,630,521
	21,052,337	17,598,096
Net loss for the year	$ (21,545,692)	$ (18,135,897)
Net loss per share, basic and diluted	$ (0.26)	$ (0.24)
Weighted average common shares outstanding, basic and diluted	84,456,074	76,118,236

GOLD RESERVE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in U.S. dollars)

	For the Years Ended December 31,	
	2016	**2015**
Net loss for the year	$ (21,545,692)	$ (18,135,897)
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to the consolidated statement of operations:		
Unrealized gain on marketable securities, net of tax of nil	360,386	5,445
Realized gain on marketable securities, net of tax of nil	(60)	–
Impairment loss on marketable securities, net of tax of nil	13,769	46,629
Other comprehensive income	374,095	52,074
Comprehensive loss for the year	$ (21,171,597)	$ (18,083,823)

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, 2016 and 2015

(Expressed in U.S. dollars)

	Common Shares and Equity Units			Contributed		Stock	Accumulated	Accumulated Other Comprehensive
	Common Shares	Equity Units	Amount	Surplus	Warrants	Options	Deficit	income
Balance, December 31, 2014	76,077,547	100	$ 289,326,172	$ 11,682,644	$ 543,915	$ 20,669,308	$ (343,215,476)	$ 17,004
Net loss							(18,135,897)	
Other comprehensive income								52,074
Stock option compensation						315,273		
Fair value of options exercised			461,256			(461,256)		
Equity Units converted to shares	100	(100)						
Warrant expiration				543,915	(543,915)			
Equity component – convertible notes				18,209,066				
Common shares issued for:								
Option exercises	369,500		679,990					
Balance, December 31, 2015	76,447,147	–	290,467,418	30,435,625	–	20,523,325	(361,351,373)	69,078
Net loss							(21,545,692)	
Other comprehensive income								374,095
Stock option compensation						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	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

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,	
	2016	2015
Cash Flows from Operating Activities:		
Net loss for the year	$ (21,545,692)	$ (18,135,897)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock option compensation	14,907	315,273
Depreciation	5,545	7,623
Loss on settlement of debt	70,221	495,101
Loss on sale of equipment	–	9,432
Write-down of property, plant and equipment	556,558	–
Accretion of convertible notes	10,463,666	9,573,212
Non cash restructure expense	–	1,399,148
Gain on disposition of marketable securities	(48,360)	–
Impairment loss on marketable securities	13,769	46,629
Changes in non-cash working capital:		
Net (increase) decrease in deposits and advances	436,334	(236,508)
Net decrease in accounts payable and accrued expenses	(858,505)	(2,378,703)
Net cash used in operating activities	(10,891,557)	(8,904,690)
Cash Flows from Investing Activities:		
Proceeds from disposition of marketable securities	48,456	–
Purchase of property, plant and equipment	(350,000)	–
Proceeds from sales of equipment	–	165,000
Net cash provided by (used in) investing activities	(301,544)	165,000
Cash Flows from Financing Activities:		
Proceeds from the issuance of debt	–	11,989,575
Proceeds from the issuance of common shares	38,425,875	679,990
Financing fees	(141,887)	(1,018,130)
Settlement of debt	(694,730)	–
Net cash provided by financing activities	37,589,258	11,651,435
Change in Cash and Cash Equivalents:		
Net increase in cash and cash equivalents	26,396,157	2,911,745
Cash and cash equivalents - beginning of year	9,350,892	6,439,147
Cash and cash equivalents - end of year	$ 35,747,049	$ 9,350,892
Supplemental Cash Flow Information:		
Cash paid for interest	$ 749,311	$ 57,310

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

Note 1. The Company and Significant Accounting Policies:

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

Gold Reserve Inc. is the successor issuer to Gold Reserve Corporation which was incorporated in 1956. A significant portion of our activities relate to enforcement and collection efforts associated with the Sep-tember 2014 Award in connection with Venezuela's seizure of our mining project known as the Brisas Project, the execution of the August 2016 Settlement Agreement and more recently the November 4, 2016 amended Settlement Agreement (the "Settlement Agreement") with Venezuela in regards to the payment of the Award and the acquisition of our Mining Data (See Note 3, Arbitral Award Settlement and Associated Mining Data Sale).

In February 1999 each Gold Reserve Corporation shareholder exchanged their shares for an equal number of Gold Reserve Inc. Class A common shares except in the case of certain U.S. holders who for tax reasons elected to receive equity units which were comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share and substantially equivalent to one Class A common share of Gold Reserve Inc. As of December 31, 2015, all equity units had been converted to Class A common shares.

Basis of Presentation and Principles of Consolidation. These audited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The statements include the accounts of the Company, Gold Reserve Corporation, two Barbadian subsidiaries formed to hold our interest in and operate the Mixed Company as defined herein and several dormant

subsidiaries domiciled in Venezuela, Canada and Barbados which were previously formed to hold our interest in our foreign subsidiaries or for future transactions. The Mixed Company is beneficially owned 55% by Venezuela and 45% by Gold Reserve. All subsidiaries are wholly owned. All intercompany accounts and transactions have been eliminated on consolidation. Our policy is to consolidate those subsidiaries where control exists. We have only one operating segment, the exploration and development of mineral properties.

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

Exploration and Development Costs.

Exploration costs incurred in locating areas of potential mineralization or evaluating properties or working interests with specific areas of potential mineralization are expensed as incurred. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and equipment. 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 it is not being depreciated as it is not yet available for its intended use. The ultimate recoverable value of this equipment may be different than management's current estimate. We have additional property, plant and equipment which are recorded at cost less impairment charges and accumulated depreciation. Replacement costs and major improvements are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any resulting gain or loss is reflected in operations. Furniture and office equipment is depreciated using the straight-line method over 5 to 10 years. The remaining property, plant and equipment are fully depreciated.

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

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

rates. Translation gains and losses are included in the statement of operations.

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

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

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

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

Convertible Notes. Convertible notes are initially recorded at estimated fair value and subsequently measured at amortized cost. The fair value is allocated between the equity and debt component parts based on their respective fair values at the time of issuance and recorded net of transaction costs. The equity portion of the 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.

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

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

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

Note 2. New Accounting Policies:

Adopted in the year

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

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

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 are still in the process of evaluating the impact of this standard.

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 are still in the process of evaluating the impact of this standard.

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 is effective for us commencing with the annual period beginning after December 15, 2016. We do not expect the adoption of this standard will 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.

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 us commencing with the annual period beginning after December 15, 2017. We do not expect the adoption of this standard will have a significant impact on our financial statements.

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 we do not expect the adoption of this standard will have a significant impact on our financial statements.

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 the Brisas Project in violation of the terms of the Treaty between the Government of Canada and the Government of Venezuela for the Promotion and Protection of Investments (the "Canada-Venezuela BIT"). (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1)).

In September 2014, the ICSID Tribunal unanimously awarded 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 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 at the date of the original Settlement Agreement approximated $29.4 million. Since the Award was issued, we have pursued enforcement and collection of the Award in France, England, Luxembourg and the United States.

On July 17, 2016, we signed a settlement agreement with Venezuela (the "Settlement Agreement") which contemplated payment of the Award (including accrued interest) of approximately $770 million in respect of the Brisas project and the acquisition of our Mining Data by Venezuela for $240 million, the first payment being due on or before October 31, 2016. Pursuant to the terms of the Settlement Agreement, we temporarily suspended the legal enforcement of the Award preserving our ability to resume enforcement and collection of Award via the courts, in the

event we ultimately do not receive the agreed upon payments contemplated in the Settlement Agreement, as amended.

In early November 2016, and again in early December 2016, the parties executed addendums to the Settlement Agreement whereby the parties agreed to revise the payment schedule under which Venezuela would make payments related to the Award and Mining Data as follows: $300 million on or before December 15, 2016; $469.7 million on or before January 3, 2017; $50 million on or before January 31, 2017; $100 million on or before February 28, 2017 and $90 million on or before June 30, 2017. The payments for the Award and Mining Data continue to be contingent upon Venezuela obtaining the necessary financing, which has not occurred and, as a result, as of the date of this report no payments have been made by Venezuela. At the passing of the last agreed upon payment date, the Board of Directors chose to not formally terminate the Settlement Agreement as a result of the delay in the initial agreed upon payment(s), but instead instructed management to continue all efforts to work with Venezuela to complete the terms of the Settlement Agreement. Management has recently proposed a third addendum to the Settlement Agreement, whereby the parties would agree, among other things, to revise the previously proposed payment schedule.

In October 2014 and January 2015, respectively, Venezuela filed annulment applications before the Paris Court of Appeal (the "Court") regarding the Award and the December 15, 2014 arbitral decision dismissing its request for rectification. During the same period, the Company applied to the Court for exequatur of the Award, which entails recognition and enforcement of the Award in France. The Court issued the exequatur on January 29, 2015 declaring the Award to be recognized and enforceable in France. On February 7, 2017, the Court rejected all of Venezuela's previous annulment arguments and issued a judgment dismissing the applications filed

by Venezuela pending before the French courts in relation to the Award. In addition to the Award remaining enforceable in France, the Court ordered Venezuela to pay an amount of 150,000 for our legal fees and costs. Venezuela can consider appealing the judgment before the French Cour de cassation, which is the court of final resort in the French judicial system.

Obligations related to the collection of the Award

We have outstanding CVRs which entitle each holder that participated in the note restructuring completed in 2012 to receive, net of certain deductions (including income tax calculation and the payment of our then current obligations), a pro rata portion of a maximum aggregate amount of 5.468% calculated on the proceeds actually received by us with respect to the Award and/or the disposition of the Mining Data related to the development of the Brisas Project.

The Board of Directors (the "Board") approved a Bonus Pool Plan (the "Bonus Plan") in May 2012, which is intended to compensate the participants, including executive officers, employees, directors and consultants, for their past and future contributions including their past efforts related to the development of the Brisas Project, execution of the Brisas Arbitration and the collection of an award and/or sale of the Mining Data. The bonus pool under the Bonus Plan is comprised of the gross proceeds collected or the fair value of any consideration realized (calculated on substantially the same terms as the CVR) 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 who selected the individual participants in the Bonus Plan and fixed the relative percentage of the total pool to be distributed to each participant. Participation in the Bonus Plan by existing participants is fully vested, subject to voluntary termination of employment or termination for cause.

The Company maintains the Gold Reserve Director and Employee Retention Plan (See Note 10). Each unit (the "Retention Units") 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: (1) on the date the unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. Units previously granted under the plan become fully vested upon: (1) collection of Award proceeds from the ICSID arbitration process and/or sale of mining data totaling at least $200 million and we agree to distribute a substantial majority of the proceeds to our shareholders or, (2) the event of a change of control. We currently do not accrue a liability for the Bonus or Retention Plan as events required for payment under the Plans have not yet occurred.

Upon payment of the Award or receipt of proceeds from the disposition of the Mining Data, subject to certain limitations, we are obligated to make an offer to existing holders to redeem the 2018 Notes at a price equal to 120% of the principal amount of 2018 Notes then outstanding. See "Description of Capital Structure".

Our current plan is to distribute to our shareholders, in the most cost efficient manner, a substantial majority of any net 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. Such obligations include payments pursuant to the terms of the Convertible Notes (if not otherwise converted), Interest Notes, CVRs, Bonus Plan and Retention Plan (all as defined herein), contingent legal fees of approximately $1.8 million which will become payable upon the collection of the Award or undertakings made to a court of law.

Note 4. Cash and Cash Equivalents:

		December 31, 2016		December 31, 2015
Bank deposits	$	1,122,542	$	9,278,730
Money market funds		34,624,507		72,162
Total	$	35,747,049	$	9,350,892

Note 5. Marketable Securities:

		December 31, 2016		December 31, 2015
Fair value at beginning of year	$	180,986	$	175,541
Dispositions, at cost		(96)		–
Realized gain		(60)		–
Impairment loss		(13,769)		(46,629)
Increase in market value		374,155		52,074
Fair value at balance sheet date	$	541,216	$	180,986

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 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, 2016 and 2015, marketable securities had a cost basis of $98,043 and $111,908, respectively.

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. The most observable Level 2 inputs used for the convertible notes include the volume weighted average trading price of our common stock and the most recent observable trading history of the 2022 Notes (as defined in Note 11).

		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

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

Note 7. Property, Plant and Equipment:

	Cost	Accumulated Depreciation	Net
December 31, 2016			
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
	$ 12,588,556	$ (542,060)	$ 12,046,496

	Cost	Accumulated Depreciation	Net
December 31, 2015			
Machinery and equipment	$ 12,234,092	$ –	$ 12,234,092
Furniture and office equipment	519,832	(495,325)	24,507
Leasehold improvements	41,190	(41,190)	–
	$ 12,795,114	$ (536,515)	$ 12,258,599

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 $350,000, 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, provided that we have the option, for a period of 20 years from the date of closing of the acquisition, to buy back a one-third interest (i.e. 1%) in the Precious Metals Royalty at a price of $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 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. During the second quarter of 2015, equipment with a carrying value of $174,432 was sold and we recorded a loss on sale of $9,432.

Note 8. Mixed Company:

On August 7, 2016, we executed an agreement ("Mixed Company Agreement") with Venezuela for the formation of a jointly owned company ("Mixed Company") and in October 2016, together with Venezuela, we established Empresa Mixta Ecosocialista Siembra Minera, S.A. ("Siembra Minera"), the entity that will develop the Brisas Cristinas Project.

Siembra Minera is beneficially owned 55% by Corporacion Venezolana De Mineria, S.A., a Venezuelan government corporation, and 45% by Gold Reserve and the parties will retain their respective interest in the Siembra Minera in the event the agreed upon payments, pursuant to the Settlement Agreement, are not made by Venezuela. Siembra Minera will, among other things, hold the gold, copper, silver and other strategic mineral rights within Bolivar State, including the Brisas Cristinas Project, (each having a 40 year term comprised of 20 years with two 10 year extensions), be authorized, via Presidential Decrees and Ministerial and Central Bank 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. We incurred costs of $1.6 million during 2016 associated with the legal negotiation related to the Mixed Company Agreement and our efforts to facilitate the establishment of Siembra Minera.

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 2016 and 2015 were approximately $163,000 and $150,000, respectively.

Note 10. Stock Based Compensation Plans:

Equity Incentive Plans

On June 27, 2012, the shareholders approved the 2012 Equity Incentive Plan (the "2012 Plan") to replace our previous equity incentive plans. In 2014, the Board amended and restated the 2012 Plan changing the maximum number of Class A common shares issuable under options granted under the 2012 Plan from a "rolling" 10% of the outstanding Class A common shares to a fixed number of 7,550,000 Class A common shares. 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, 2016, there were 5,393,000 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, 2016 and 2015 are as follows:

	2016		2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of year	5,643,500	$ 2.43	5,698,000	$ 2.31
Options exercised	(2,286,500)	1.83	(369,500	1.84
Options granted	–	–	315,000	3.90
Options outstanding - end of year	3,357,000	$ 2.84	5,643,500	$ 2.43
Options exercisable - end of year	3,357,000	$ 2.84	5,593,500	$ 2.42

The following table relates to stock options at December 31, 2016:

	Outstanding Options					Exercisable Options			
Exercise Price	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
$ 1.92	875,000	$ 1.92	$ 1,968,750	4.44	875,000	$ 1.92	$ 1,968,750	4.44
$ 2.89	1,607,000	$ 2.89	2,056,960	0.08	1,607,000	$ 2.89	2,056,960	0.08
$ 3.00	250,000	$ 3.00	292,500	1.44	250,000	$ 3.00	292,500	1.44
$ 3.89	100,000	$ 3.89	28,000	3.21	100,000	$ 3.89	28,000	3.21
$ 3.91	215,000	$ 3.91	55,900	8.49	215,000	$ 3.91	55,900	8.49
$ 4.02	310,000	$ 4.02	46,500	7.56	310,000	$ 4.02	46,500	7.56
$ 1.92 - $4.02	3,357,000	$ 2.84	$ 4,448,610	2.64	3,357,000	$ 2.84	$ 4,448,610	2.64

During the years ended December 31, 2016 and 2015, the Company granted nil and 0.32 million options, respectively. In 2016 and 2015, approximately 2.3 million and 0.4 million outstanding options were exercised, respectively for net proceeds to the Company of approximately $4.2 million and $0.7 million, respectively. The Company recorded non-cash compensation expense during 2016 and 2015 of $0.02 million and $0.3 million, respectively, for stock options granted in 2015 and prior periods.

The weighted average fair value of the options granted in 2015 was calculated as $0.85. The fair value of options granted was determined using the Black-Scholes model based on the following weighted average assumptions:

	2015
Risk free interest rate	0.66 %
Expected term	2.0 years
Expected volatility	38 %
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 (the "Retention Units") 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: (1) on the date the unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. Units previously granted under the plan become fully vested upon: (1) collection of Award proceeds from the ICSID arbitration process and/or sale of mining data totaling at least $200 million and we agree to distribute a substantial majority of the proceeds to its shareholders or, (2) the event of a change of control. A "Change of Control", as it relates to the Retention Plan, means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding 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; solicitation of proxies or consents by or on behalf of a person other than the 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, 2016 an aggregate of 1,457,500 unvested units have been granted to directors and executive officers of the Company and 315,000 units have been granted to other employees. The Company currently does not accrue a liability for these units as events required for vesting of the units have not yet occurred. The minimum value of these units, based on the grant date value of the Class A common shares, was approximately $7.8 million. The Company also maintains change of control agreements with certain officers and employees. As of December 31, 2016, the amount payable under these agreements in the event of a change of control, including unvested retention units, was approximately $16.0 million.

Note 11. Convertible Notes and Interest Notes:

During the fourth quarter of 2015, we issued approximately $13.4 million aggregate principal amount of new 11% Senior Secured Convertible Notes due December 31, 2018 (the "New Notes") and modified, amended and extended the maturity date of approximately $43.7 million aggregate principal amount of previously outstanding convertible notes, interest notes and accrued interest from December 31, 2015 to December 31, 2018 (the "Modified Notes" and, together with the "New Notes", the "2018 Convertible Notes"). The New Notes are comprised of approximately $12.3 million aggregate principal amount of 2018 Convertible Notes, issued with an original issue discount of 2.5% of the principal amount, and approximately $1.1 million of additional 2018 Convertible Notes representing 2.5% of the extended principal and interest amount due to the note holders as a restructuring fee.

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

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

The Modified Notes include convertible notes and interest notes from previous financings and restructurings in 2007, 2012 and 2014. Pursuant to a 2012 restructuring, we issued CVRs that entitle the holders to an aggregate of 5.468% of any future proceeds, net of certain deductions (including income

tax calculation and the payment of our then current obligations), actually received by us with respect to the Brisas Arbitration proceedings and/or disposition of the Mining Data.

The 2018 Convertible Notes bear interest at a rate of 11% per year which is accrued quarterly and is payable in the form of a new 11% Senior Secured Interest Note due December 31, 2018 (the "Interest Notes" and, together with the 2018 Convertible Notes, the "2018 Notes") and payable in cash at maturity. Interest on the Interest Notes is also payable in additional Interest Notes. The 2018 Convertible Notes are convertible, at the option of the holder, into 333.3333 Class A common shares per $1,000 principal amount (equivalent to a conversion price of $3.00 per common share) at any time upon prior written notice to us. The Interest Notes are not convertible into our Class A common shares or any other security. We also have outstanding $1.0 million aggregate principal amount of 5.50% Senior Subordinated Convertible Notes due June 15, 2022 (the "2022 Convertible Notes" and, together with the 2018 Convertible Notes, the "Convertible Notes") issued in May 2007 with a maturity date of June 15, 2022. The 2022 Convertible Notes bear interest at a rate of 5.50% per year, payable semiannually in arrears on June 15 and December 15 and, subject to certain conditions we may redeem, repurchase or convert the 2022 Convertible Notes into our Class A common shares at a conversion price of $7.54 per common share.

The amount recorded as Convertible Notes and Interest Notes in the consolidated balance sheet as of December 31, 2016 is comprised of approximately $36.8 million carrying value of 2018 Notes, approximately $1.0 million of 2022 Convertible Notes and Interest Notes of approximately $6.2 million. The carrying value of the 2018 Convertible Notes is being accreted to face value using the effective interest rate method over the expected life of the 2018 Convertible Notes with the resulting charge recorded as interest expense.

The 2018 Notes are secured by substantially all of our assets and are subject to certain terms including: (1) the Award and the Mining Data, or any payments made thereon, may not be pledged without consent of holders comprising at least 75% in aggregate principal amount of outstanding 2018 Notes; (2)Êsubject to certain exceptions, we may not incur any additional indebtedness without consent of holders comprising at least 75% in aggregate principal amount of the outstanding 2018 Notes; (3) the Company may not engage in any future financings whether by private placement or otherwise, without the consent of the Majority Holders which expires upon the earliest of (i) a substantial majority of the Awards proceeds being distributed to the shareholders and (ii) December 31, 2016. Thereafter, to the extent the 2018 Notes remain outstanding, each holder of the Secured Notes will have the right to participate, on a pro-rata basis based on the amount of equity it holds, including Class A common shares issuable upon conversion of convertible securities, in any future equity (or equity-linked) or debt financing; (4) the 2018 Notes shall be redeemable on a pro-rata basis, by us at the note holders' option, for an amount of cash equal to 120% of the outstanding principal balance upon (a) the issuance of a final Arbitration Award, with respect to which enforcement has not been stayed and no annulment proceeding is pending, or (b) our receipt of proceeds from the sale of the Mining Data; provided we shall only be obligated to make a redemption to the extent net cash proceeds received are in excess of $20,000,000, net of taxes and $13,500,000 to fund professional fees and expenses and accrued and unpaid prospective operating expenses; (5) capital expenditures (including exploration and related activities) shall not exceed an aggregate of $500,000 in any 12-month period without the prior consent of holders of a majority in the aggregate principal amount of the outstanding 2018 Notes; (6) subject to certain exceptions, we shall not incur, create or suffer to exist any liens securing indebtedness without consent of holders comprising at least 75% in aggregate principal amount of the outstanding

2018 Notes; and (7) we shall not agree with any holder of the 2018 Notes to any amendment or modification to any terms of any security issued under the indenture governing the 2018 Notes, provide any fees or other compensation whether in cash or in-kind to any holder of such securities, or engage in the repurchase, redemption or other defeasance of any such security without offering such terms, compensation or defeasance to all holders of the 2018 Notes on an equitable and pro-rata basis.

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

In 2016, $7.2 million face value of 2018 Convertible Notes were converted at a price of $3.00 per share resulting in the issuance of 2.4 million Class A common shares. As of December 31, 2016, the Company had $50.9 million face value of Convertible Notes and $6.2 million face value of Interest Notes outstanding.

Note 12. Common Shares:

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 are subject to a hold period in Canada of four months and a day from their date of issuance.

During 2016 and 2015, certain directors, officers, employees and consultants exercised approximately 2.3 million and 0.4 million outstanding options, respectively for net proceeds to the Company of approximately $4.2 million and $0.7 million, respectively.

Note 13. Income Tax:

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

	2016	2015
Income tax benefit based on Canadian tax rates	$ 5,386,423	$ 4,533,974
Increase (decrease) due to:		
Different tax rates on foreign subsidiaries	248,385	222,999
Non-deductible expenses	(1,040,629)	(1,712,121)
Change in valuation allowance and other	(4,594,179)	(3,044,852)
	$ –	$ –

No current income tax has been recorded by us for each of the two years ended December 31, 2016. We have recorded a valuation allowance to reflect the estimated amount of the future tax assets which may not be realized, principally due to the uncertainty of utilization of net operating losses and other carry forwards prior to expiration. The valuation allowance for future tax assets may be reduced in the near term if our estimate of future taxable income changes. The components of the Canadian and U.S. future income tax assets as of December 31, 2016 and 2015 were as follows:

	Future Tax Asset	
	2016	2015
Net operating loss carry forwards	$ 46,962,497	$ 40,779,302
Property, Plant and Equipment	3,227,610	3,087,432
Capital loss carry forwards	15,411	1,116,595
Other	330,882	325,467
	50,536,400	45,308,796
Valuation allowance	(50,536,400)	(45,308,796)
Net deferred tax asset	$ –	$ –

At December 31, 2016, we had the following U.S. and Canadian tax loss carry forwards:

U.S.	Canadian	Expires
$ 1,386,674	$ –	2018
1,621,230	–	2019
665,664	–	2020
896,833	–	2021
1,435,774	–	2022
1,806,275	–	2023
2,386,407	–	2024
3,680,288	–	2025
4,622,825	1,946,470	2026
6,033,603	3,612,395	2027
4,360,823	13,768,805	2028
1,769,963	13,048,798	2029
2,159,079	16,121,064	2030
3,216,024	18,051,860	2031
3,041,866	5,237,048	2032
5,532,290	6,734,675	2033
1,933,918	9,702,739	2034
2,099,507	12,593,389	2035
3,770,594	15,742,039	2036
$ 52,419,637	$ 116,559,282	

CORPORATE INFORMATION

Officers and Directors

Rockne J. Timm

Chief Executive Officer and Director

A. Douglas Belanger

President and Director

Robert A. McGuinness

Vice President of Finance and CFO

Mary E. Smith

Vice President of Administration and Secretary

James H. Coleman

Non-Executive Chairman and Director

James P. Geyer

Director

Jean Charles (JC) Potvin

Director

Patrick D. McChesney

Director

Share Information

Number of Shareholders: Approximately 8,000

Common Shares Issued April 28, 2017 Class A common - 89,848,104 Common Share Purchase Options - 5,877,502

Securities Listings

Canada -

The TSX Venture Exchange: GRZ.V

United States -

OTC: GDRZF

Transfer Agent

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

Registered Agent

Norton Rose Fulbright Canada LLC

Calgary, Alberta Canada

Office

Corporate

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

Bankers

Bank of America Spokane, Washington USA

Bank of Montreal

Vancouver, British Columbia Canada

Auditors

PricewaterhouseCoopers LLP

Vancouver, British Columbia Canada

Counsel

Norton Rose Fulbright Toronto, Ontario Canada

Baker & McKenzie LLP

Houston, Texas USA

Annual Meeting

The 2017 Annual Meeting will be held at 9:30 a.m. on August 29, 2017 999 W. Riverside Avenue, Suite 401 Spokane, Washington

Additional information regarding the company may be obtained at www.GoldReserveInc.com

Gold Reserve Inc.

999 W. Riverside Ave

Suite 401

Spokane, WA 99201

800.625.9550

www. goldreserveinc.com