

Market Valuation of a Major Gold-Copper Property in Venezuela using the International Valuation Standards and Worldwide Value Indicators

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Chairman, Extractive Industries Expert Group
International Valuation Standards Committee



www.ivsc.org

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**Appraisal of Market Value
Las Brisas Gold Mining Concessions
Bolivar State, Venezuela**

by

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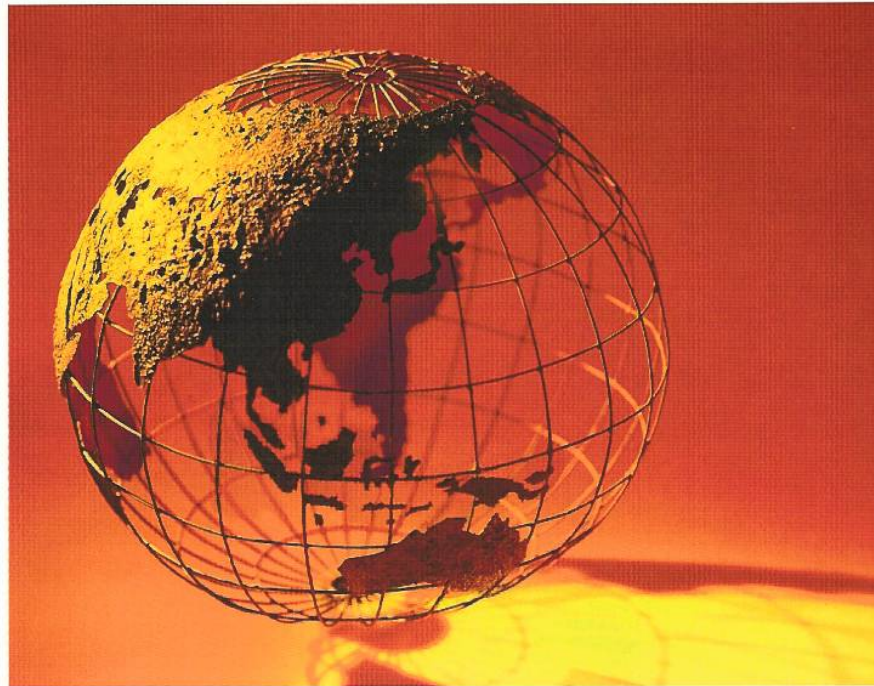


Effective date: 10 February 2006

Report Date: 17 April 2006

International Valuation Standards Eighth Edition

2007



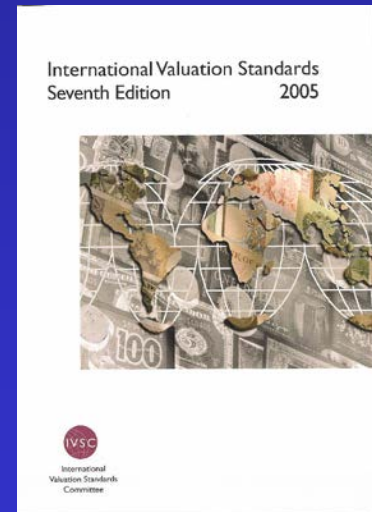
International
Valuation Standards
Committee

International Valuation Standards Committee (IVSC)

- Formed in 1981 as the TIAVSC
- Published the first set of IVSs in 1985
 - Mainly for valuation of land and buildings
- Objectives of developing valuation standards and promoting harmonised standards worldwide
- United Nations NGO, working closely with World Bank, EU, BIS, OECD, IMF, WTO, Basel Banking Committee
- 50 nations participate in developing and maintaining its standards
 - The IVSs are translated into a number of languages
- The Polish Federation of Valuer's Associations is a Member

Development of the International Valuation Standards (IVSs)

- The First Edition of IVSs in 1985 was a thin core of real estate valuation standards
- 2005, the Seventh Edition, is the first to contain mineral and petroleum valuation standards.
- Designed for worldwide use
- Based on comprehensive Generally Accepted Valuation Principles (GAVP)
- 2007, the Eight Edition, 462 pages



International Valuation Standards (IVSs)

- Valuation of all asset types:
 - Real Property
 - Includes mineral rights, mineral deposits, land, buildings
 - Personal Property
 - Includes machinery and equipment, working capital and securities
 - Businesses
 - Includes mine and quarry operating entities
 - Financial Interests
 - Intangible assets, including options to buy or sell real property and personal property

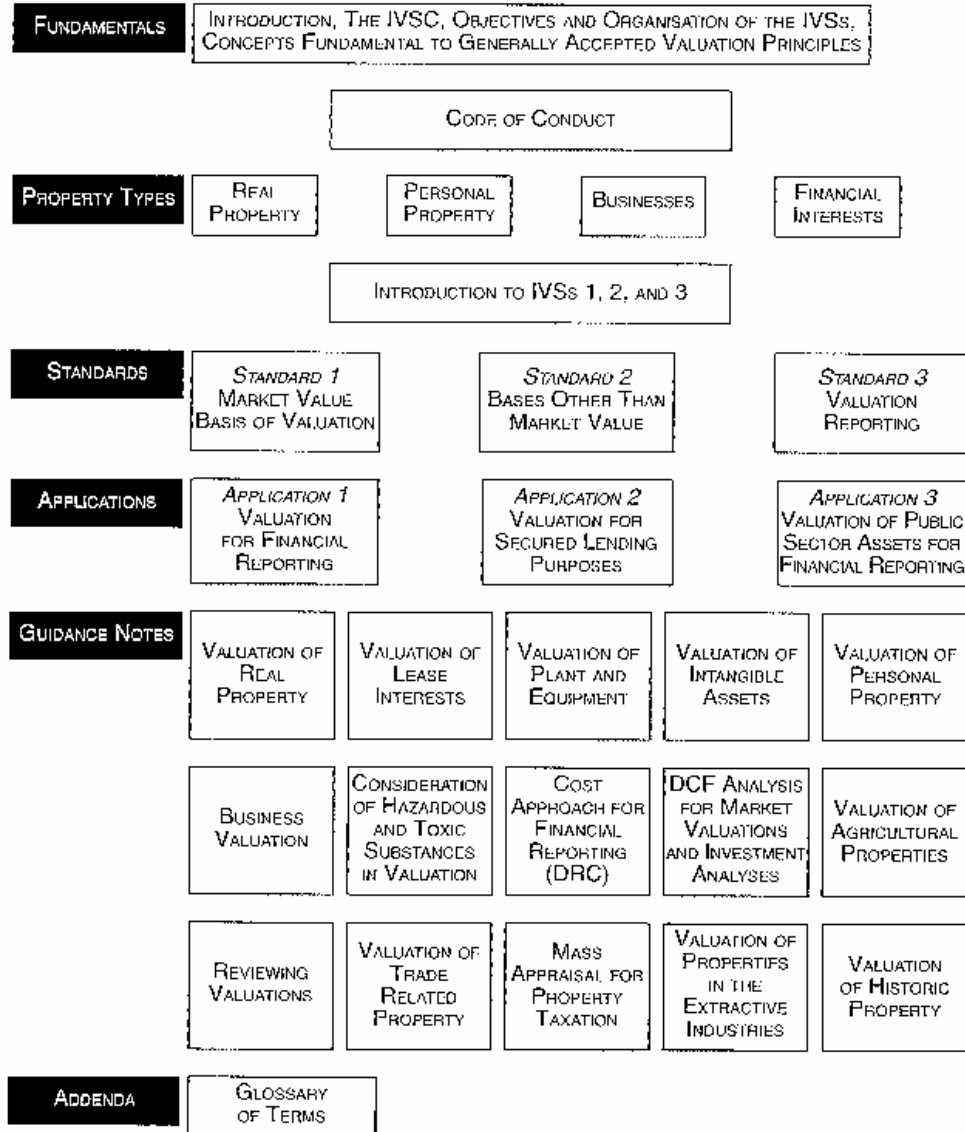
International Valuation Standards (IVSs)

- Market-based and Non-Market valuations
- Valuations for most purposes
 - Including private sector (non-government) financial reporting (corporate accounting), particularly with the International Financial Reporting Standards (IFRSs)
 - and public sector (government) accounting, particularly with the International Public Sector Accounting Standards (IPSAS)

International Valuation Standards (IVSs)

- Principles-based standards, not rules-based
 - Minimizes loopholes for abuse of standards
 - Minimizes obsolescence with changing legislation, economy, and professional practice
 - The basic principles are common across all professional sectors of valuation
 - Minimizes conflicts of theory, principles, and modes of application between valuation sectors

Structure of the IVSs



First Questions for a Valuation Assignment

- What is to be valued?
 - What is the Subject property?
- What interest in the property is to be valued?
- What type of value should be estimated?
 - Market value
 - Investment value for the client
 - Going concern value, or value-in-use, etc.
- What is the intended use of the valuation?
- What is the Effective Date of the valuation?

IVSC Undergoing Major Change

- Demand for the IVSs and IVSC interpretation support is rapidly increasing
- Increasing needs to support the rapid global adoption of the IFRSs (such as in China)
- In May 2008, changing name to International Valuation Standards Council
- Paid staff replacing volunteer professionals
- Will have a Management Board, a Standards Board, a Professional Board, and an Interpretations Committee

***Appraisal
Standards
Board***

USPAP

*Uniform Standards
of Professional
Appraisal Practice
and Advisory Opinions*

2005 Edition

Effective January 1, 2005



THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

Las Brisas, Venezuela, Valuation

- The client requested that the Las Brisas gold property Market Valuation abide by the IVSs and the USA's USPAP standards
- Following each set of standards should lead to essentially the same result
 - The instructions in both sets of standards follow the Generally Accepted Valuation Principles
- But, USPAP provides no instructions specifically for valuations in the minerals and petroleum industries

Cristinas Camp

North



El Potaso

Boundary Zone

Pozo Azul

Bricas Plant





INDEX MAP TO BRISAS DEL CUYUNI AND CHOCO 5 CONCESSIONS OF GRZ CORP
 ELLIS INTERNATIONAL SERVICES, INC. (S D OLMORE) 06/2005

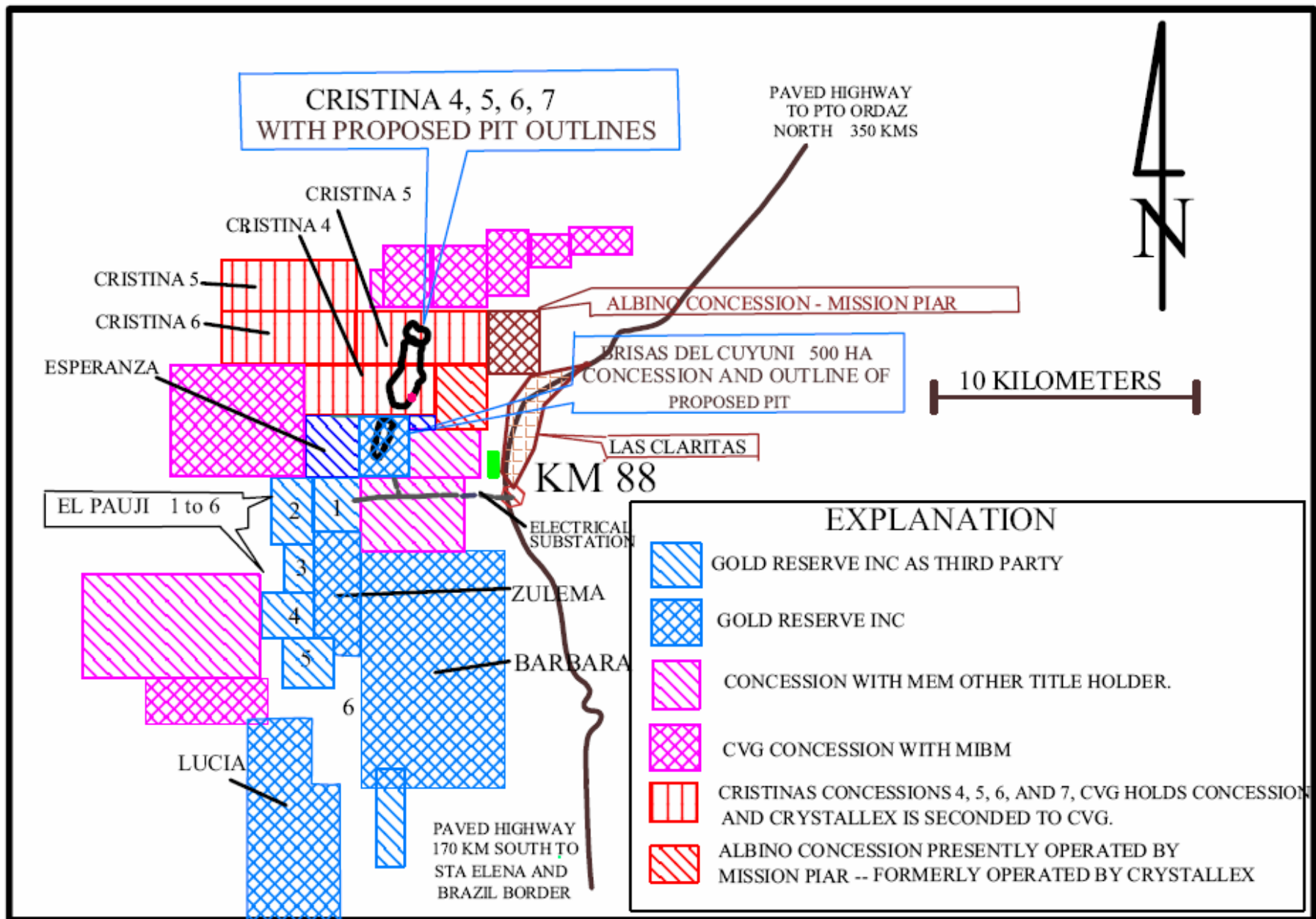
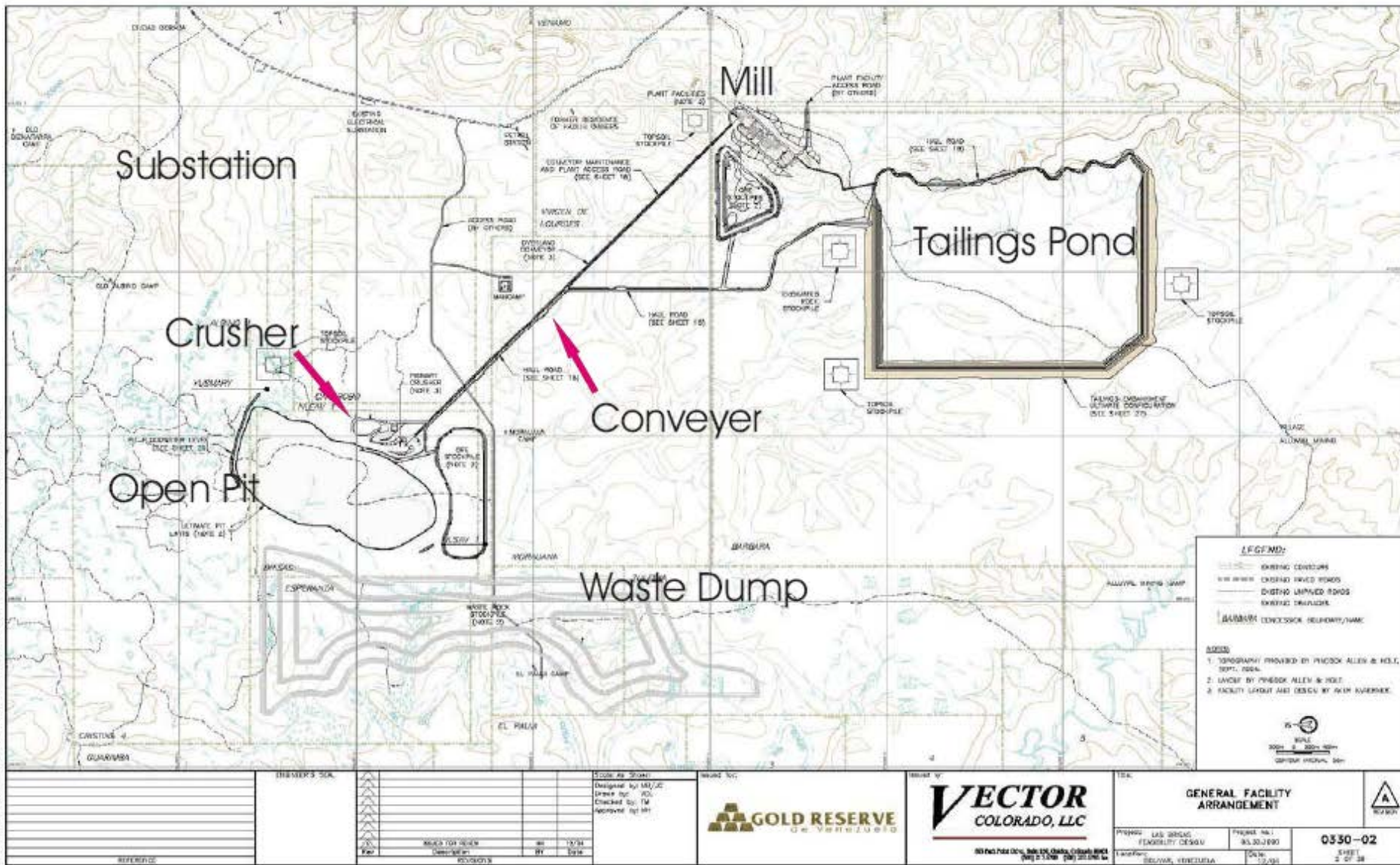


Figure 3 -- Map of Gold Reserves Inc and Crystallex contracts in the region of Km 88 and Las Claritas.



Source: Gold Reserve Inc.

Figure 4 - Arrangement Plan for Facilities at Las Brisas Mining Project.



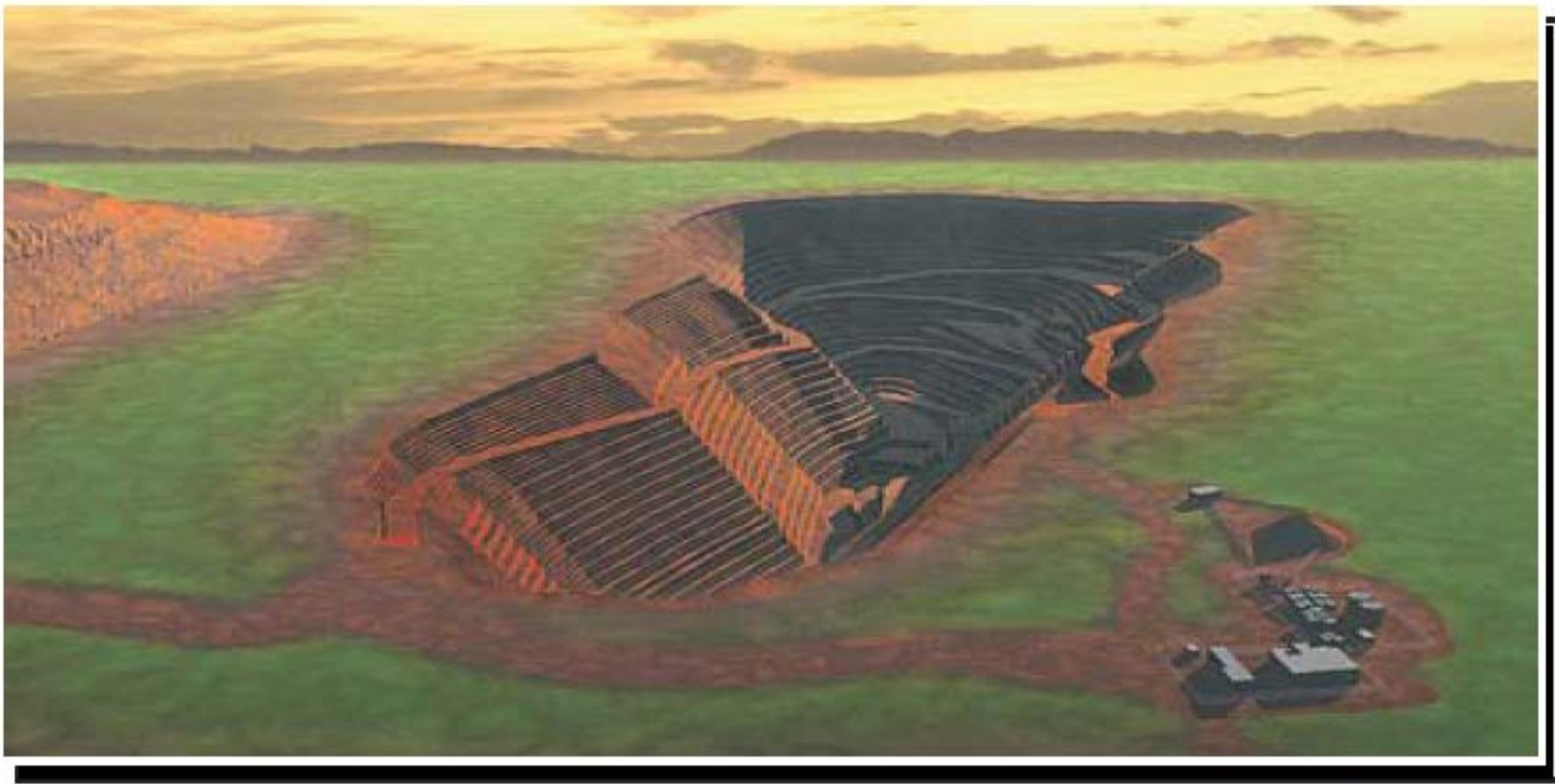


Las Brisas Project

- From the early 1980s, illegal (garimpeiro) gold mining has taken place on the Las Brisas and Las Cristinas concessions.
- Gold Reserve began geological mapping in 1992.
- During 1993-2005, Gold Reserve drilled 830 holes, recovering 195,000 meters of core.
- 1.9 km deposit strike length controlled by Gold Reserve, with 0.75 km width surface intersect.
- 200-meter thick stratabound and strataform unit of ore grade mineralization dips to the west. It is open at depth.
- Host rock, volcanic tuff. Majority of mineralization is disseminated sulfide. Near the surface there is ore grade gold in oxide saprolites.

Las Brisas Project

- In May 2005: Proven and Probable Reserves, at \$350/oz Au and \$0.90/lb Cu, were 446 million tonnes averaging 0.70 gpt Au and 0.131% Cu, for recoverable metal production of 10.1 million troy oz Au and 585,000 tonnes Cu.
- The open pit mine design in January 2005 bankable feasibility study based on 16 year mine life. Hydraulic shovels. 236-tonne trucks.
- Annual average ore production 25.2 million tonnes at 2.16 stripping ratio.
- Ore processing at 70,000 tonnes per day, through milling, flotation, filtration, and gold smelting.



Source: Gold Reserve Inc.

Figure 8 - Image of the Las Brisas Mine when the pit is near full depth.

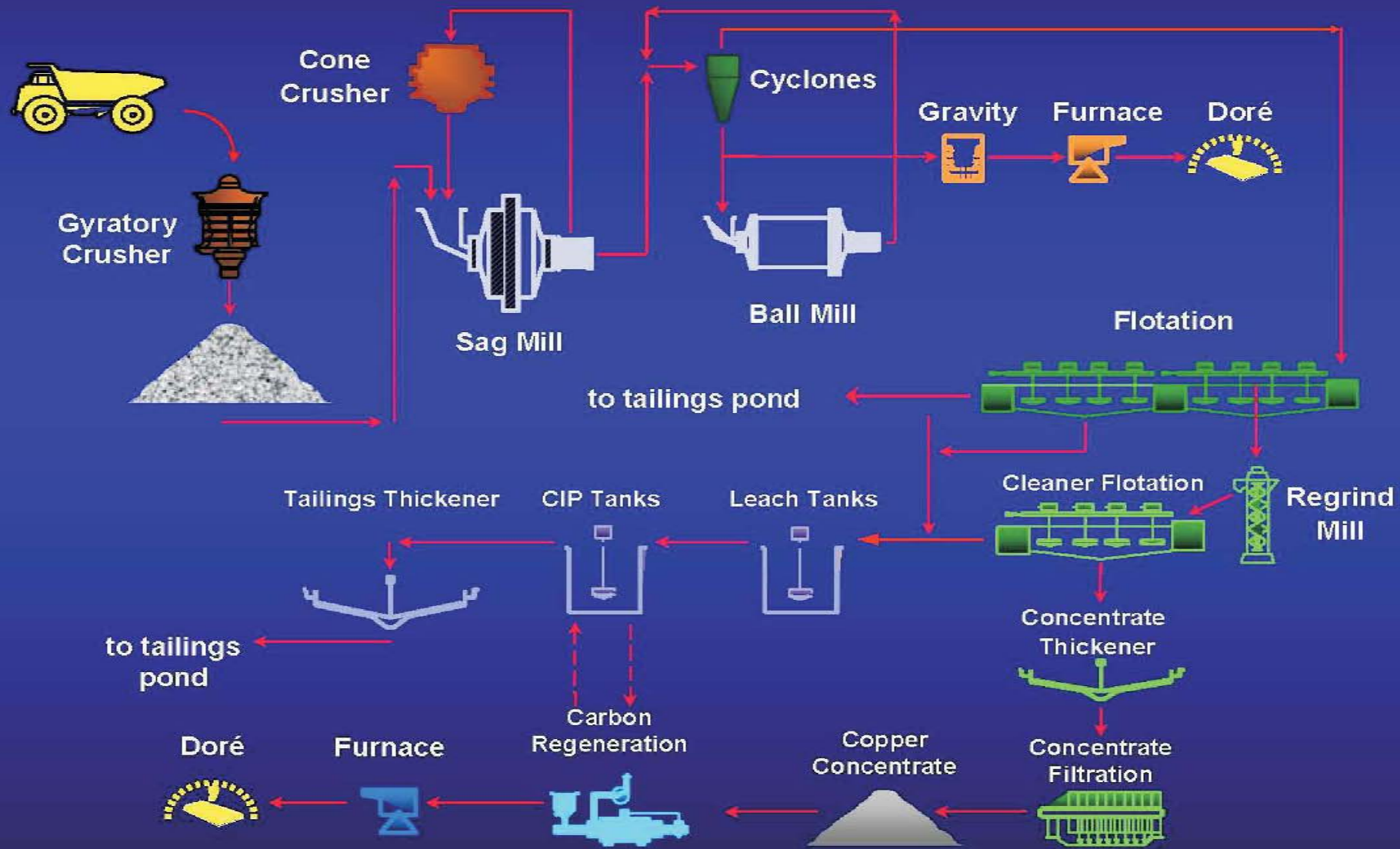


Figure 9 - Proposed Las Brisas Ore Processing Flow Sheet



Figure 10 - Port Ordaz, 373 km NNW of Las Brisas, from where copper concentrate will be shipped internationally.

Source: Gold Reserve Inc.



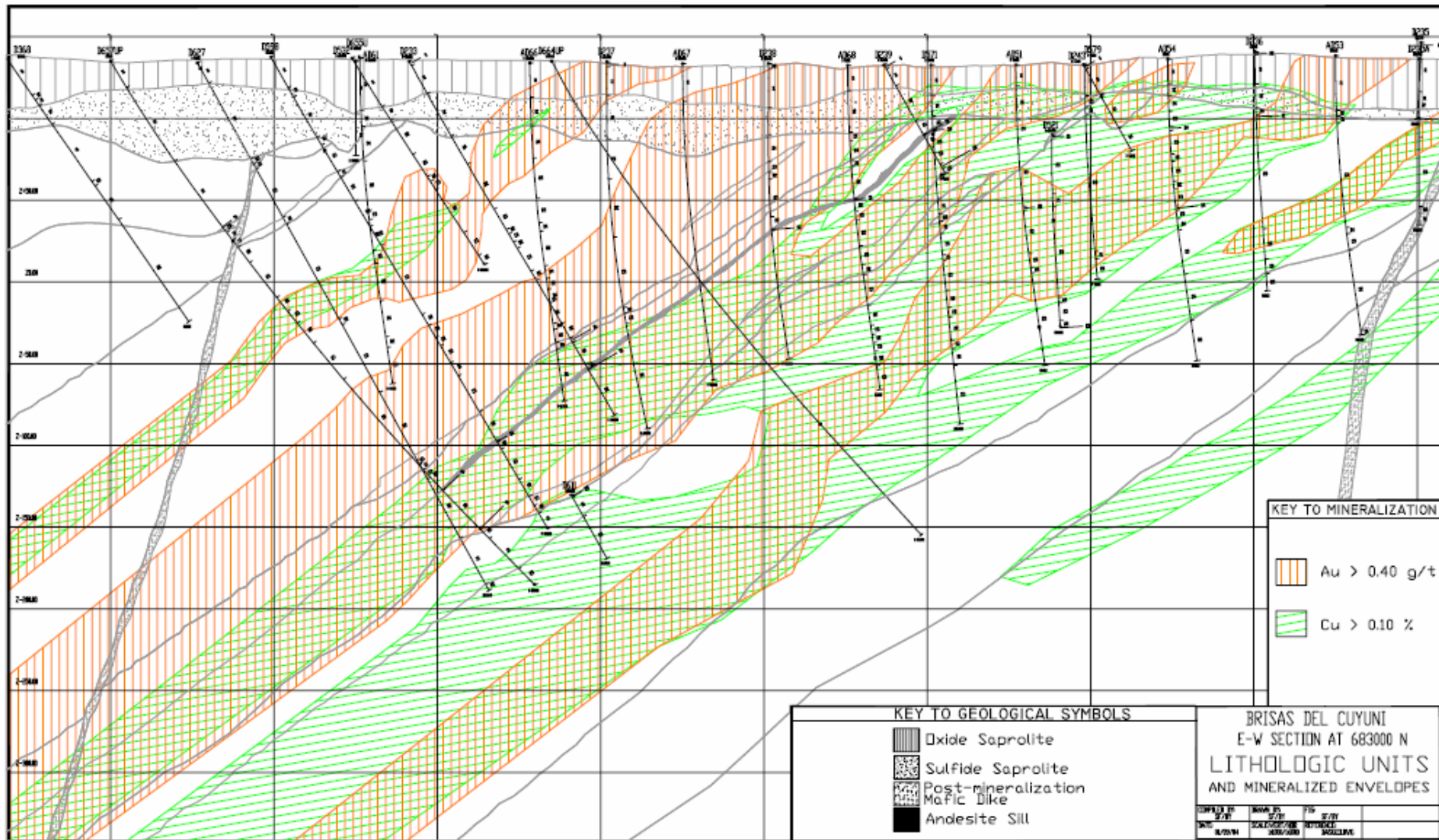
Figure 11- The dam that will supply hydroelectric power to Las Brisas.


Source: Gold Reserve Inc.



Figure12- The electrical substation that will serve the Las Brisas project.

Source: Gold Reserve Inc.



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Prepared for
GOLD RESERVE INC.
 Project Name
 Las Brisas Gold/Copper Project
 43-101 Report

Figure 16 - LAS BRISAS
CROSS SECTION OF LITHOLOGY WITH Au AND Cu MINERALIZED

Date of Issue
 Feb/2005
 Drawing Name
 Fig9-1.dwg

Project No. 9381.01

Table 4 - Las Brisas Mineral Reserves on May 17, 2005, based on metal prices of \$350 per ounce gold and \$0.90 per pound copper.

	Reserve Tons (millions)	Gold Grade (gpt)	Gold Ounces (thousands)	Copper Grade (%)	Copper lbs. (millions)	Strip Ratio
Proven	206.9	0.726	4,829	0.125	570	
Probable	239.3	0.683	5,255	0.136	720	
Total	446.2	0.703	10,084	0.131	1,290	2.16

Cutoff AuEq (g/t)	Tonnes (000)	Gold		Copper	
		g/t	oz	%	m lbs
0.15	992,657	0.498	15,882,868	0.116%	2,535
0.2	880,575	0.527	14,929,334	0.118%	2,285
0.3	688,768	0.596	13,192,000	0.123%	1,861
0.4	582,498	0.661	12,378,000	0.126%	1,622
0.5	472,215	0.736	11,178,000	0.132%	1,379
0.6	349,635	0.846	9,513,000	0.135%	1,041
0.7	268,278	0.939	8,102,000	0.139%	824
* blue values interpolated					

Source: Gold Reserve Inc., NR-0503, Public Announcement (May 13, 2005): "Brisas Measured and Indicated Gold Resources Increases to 12.4 Million Ounces." www.goldreserveinc.com

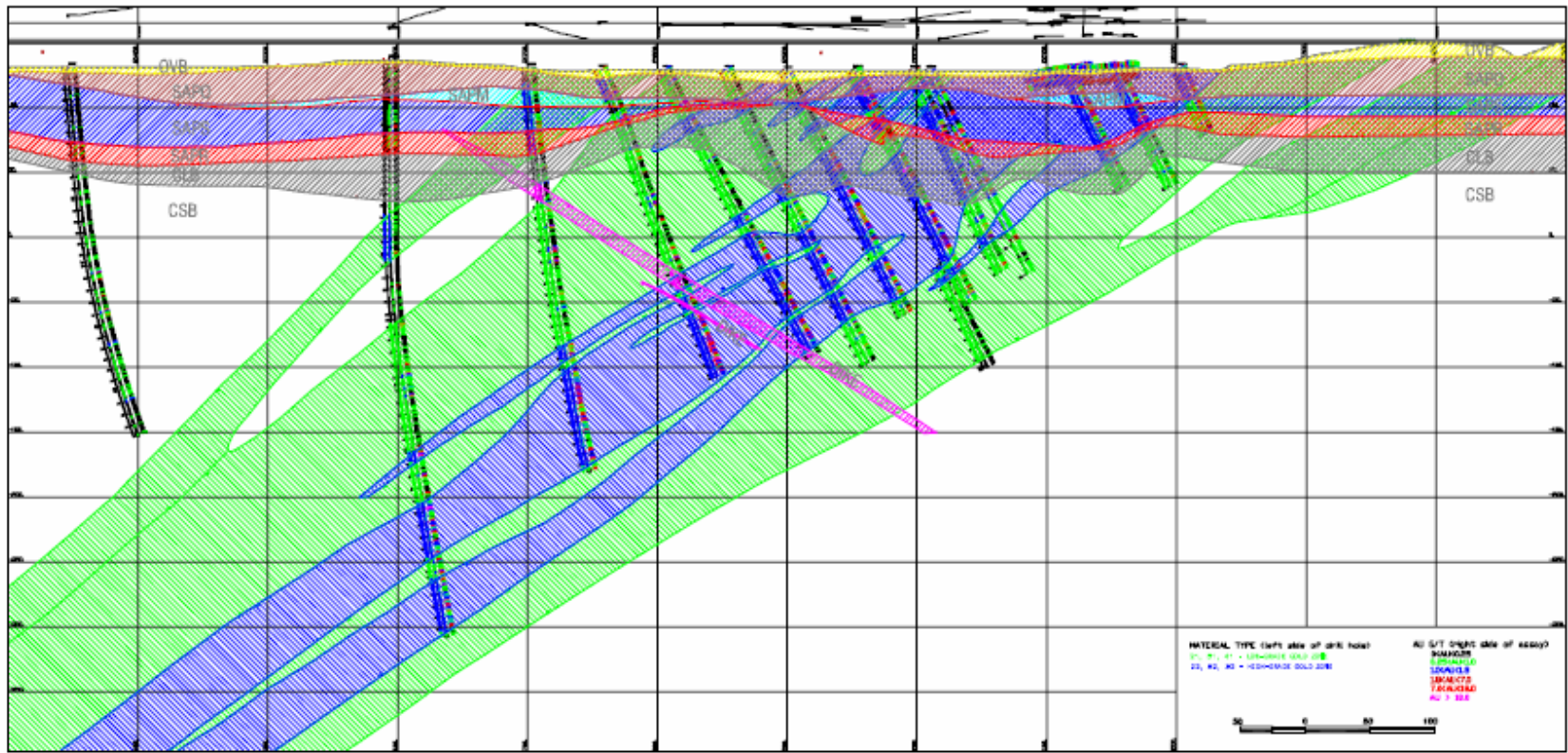


Figure 23 - Las Cristinas example grade control cross section

DATE	APR 2, 2003
	REVISION BY
DRAWN BY	S. MARRAS
	CHECKED BY
SCALE	AS SHOWN
	SEE PLAN
MINE DEVELOPMENT ASSOCIATES	NEWFIELD
	NEWFIELD
PROJECT	NEWFIELD
	NEWFIELD
CLIENT	NEWFIELD
	NEWFIELD
DRAWN BY	S. MARRAS
	CHECKED BY
SCALE	AS SHOWN
	SEE PLAN
MINE DEVELOPMENT ASSOCIATES	NEWFIELD
	NEWFIELD
PROJECT	NEWFIELD
	NEWFIELD
CLIENT	NEWFIELD
	NEWFIELD

Crystallex International
 Las Cristinas
 Conduccion Section 9150 Au
 Venezuela

Table 7- Measured and Indicated Resources – Las Cristinas (2005)

Cutoff Au (g/t)	Tonnes (000)	Gold		Copper	
		g/t	oz	%	m lbs
0.15	1,115,029	0.666	23,873,420	0.098	2,401
0.2	998,163	0.713	22,876,000	0.100	2,208
0.3	799,642	0.809	20,789,105	0.106	1,868
0.4	632,610	0.960	19,532,000	0.114	1,593
0.5	500,657	1.097	17,661,000	0.120	1,327
0.6	406,499	1.225	16,011,000	0.125	1,121
0.7	330,868	1.358	14,445,000	0.130	947
* blue values interpolated					

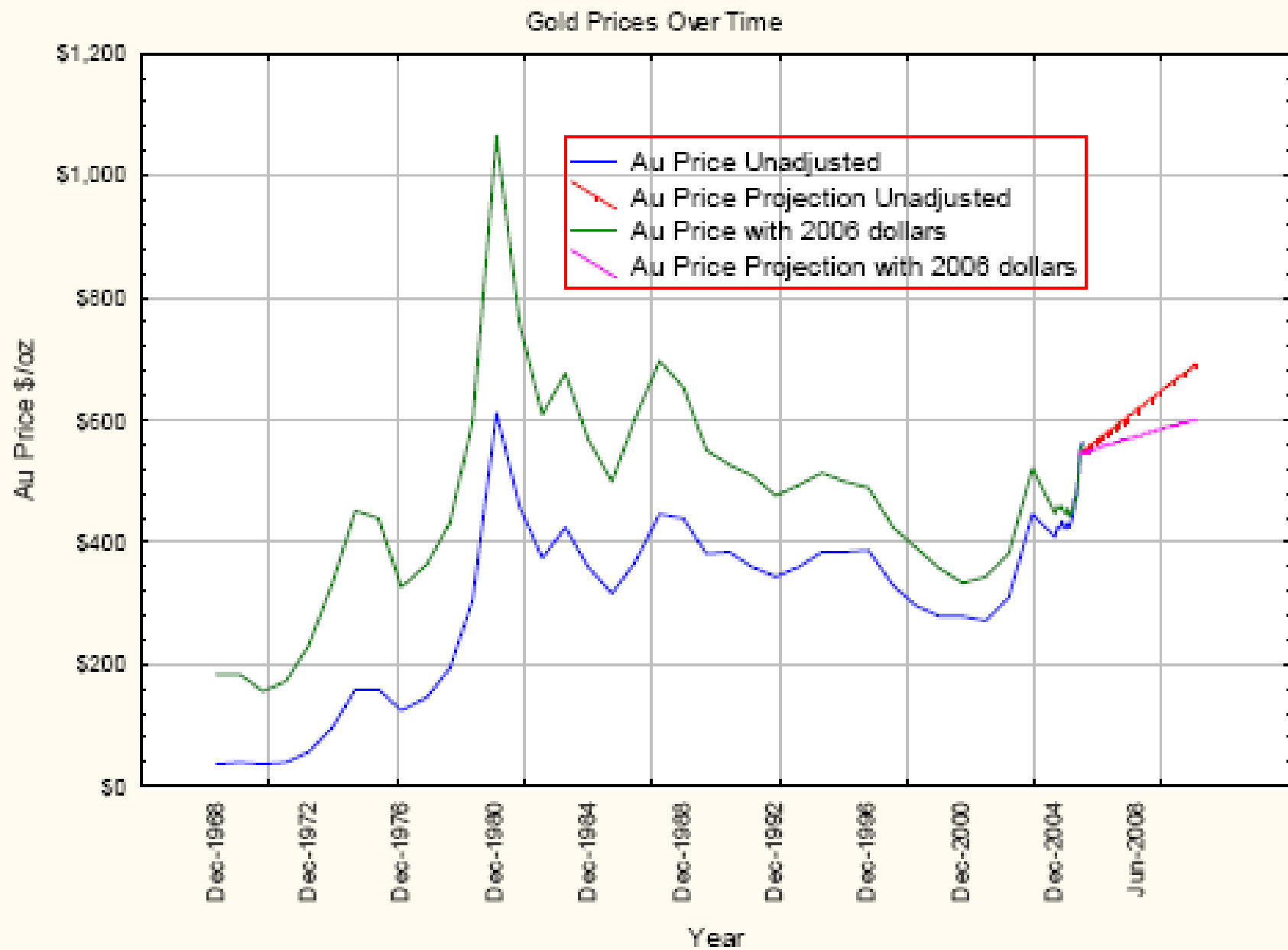


Figure 26 - Gold Prices Over Time

Copper Prices Over Time

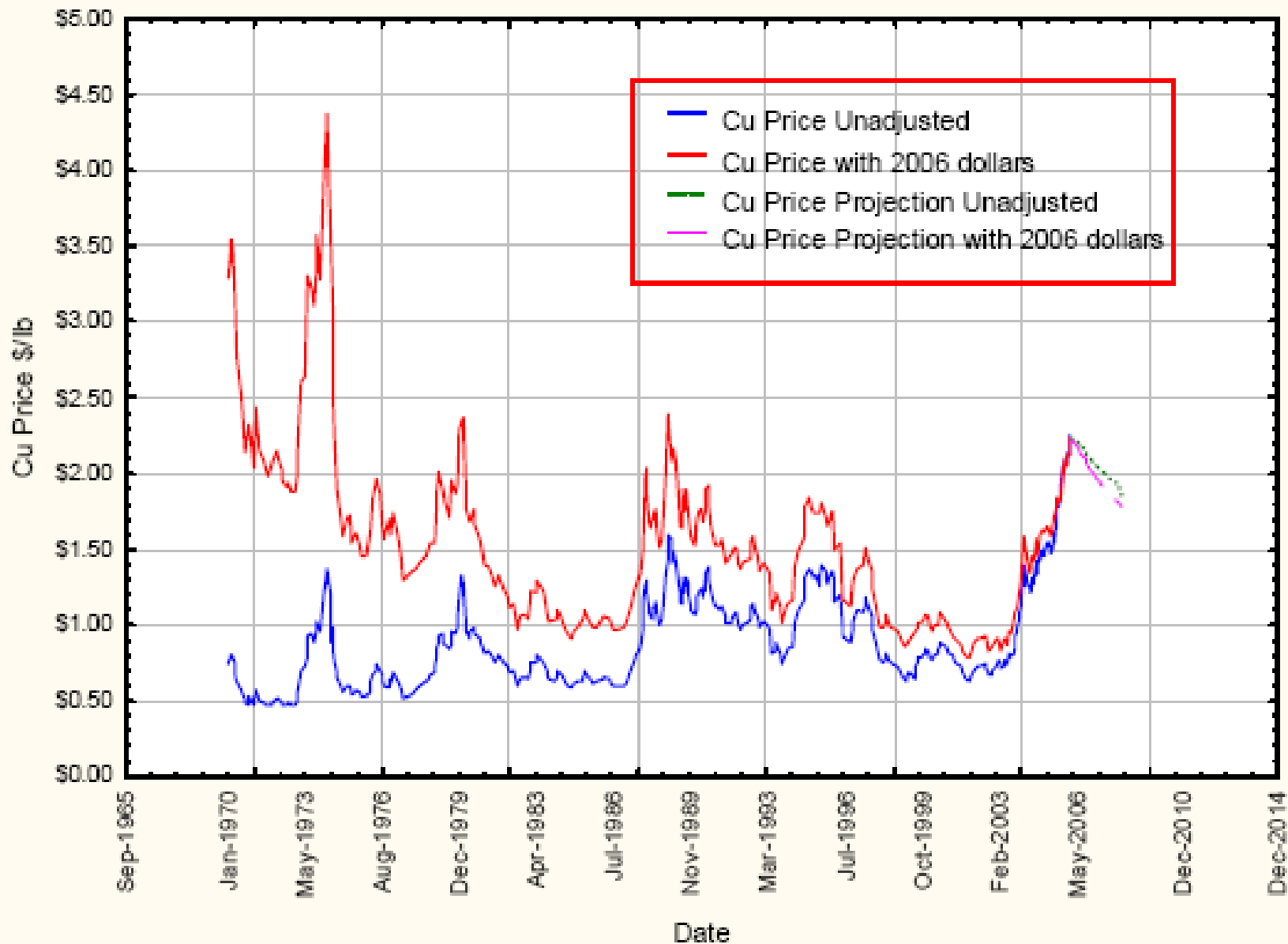


Figure 27 - Copper Prices Over Time



Las Cristinas-Las Brisas Combined Resource

- 5 km strike length of ore deposit.
- The drill delineated mineable resource at \$525/oz Au and \$1.00/lb Cu exceeded 45 million oz Au and 2.5 million tonnes Cu.
- Drilling to demonstrate continuity between the Las Cristinas and Las Brisas concession would substantially increase the resource estimate.

Cristinas Camp

North



El Potaso

Boundary Zone

Pozo Azul

Bricas Plant



Client

An investment group holding a significant percentage of Gold Reserve's shares

Purpose of the Valuation

Determination of the Market Value of the real property interests held by Gold Reserve Inc in the Las Brisas group of concessions.

Intended Use of the Valuation

To help interested parties understand the Market Value of the Las Brisas property.

Market Value Definition

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

(IVS 2007)

Valuation Assignment Difficulties

- Significant country risk was facing mineral property holders in Venezuela.
 - Some farms of absentee owners had been nationalised in recent years
 - President Chavez was talking of nationalising gold properties that were lacking development.
 - Harsh talk between the Venezuelan and the USA governments.

Valuation Assignment Difficulties

- The title for the Las Brisas concession is an ownership title granted by the government to Gold Reserve's subsidiary.
 - This title provides high security of tenure, subject to timely filing of regular reports and fees.
 - In contrast, Crystallex holds the neighboring Las Cristinas concessions under a lease from a government company.
 - A suit is being heard in an international disputes settlement center, brought against Venezuela by a Canadian company, for previously unjustly taking the Las Cristinas concessions.

Valuation Assignment Difficulties

- Uncertainty as to when, or if, Gold Reserve and Crystallex would be granted the remaining major permit needed to begin mine development.
- Uncertain potential to combine the mining of Las Brisas and Las Cristinas into a single logical mining unit, subject to government and company agreement. The likely buyer of Las Brisas might intend to pursue this, or the government might require the combination to avoid wastage of a high value natural resource.

Price and Cost Forecast

- What selling prices for gold and copper should be used as being representative of the likely Las Brisas buyer's expectations?
- Would the likely buyer intend to change the mining plans due to the current high gold and copper prices?
- Would the likely buyer expect the very low government controlled prices of electricity and diesel fuel to continue for most of the mine life (these being critical to the low Las Brisas operating cost forecast)?

Market Valuation Requirements

- Based on the Highest and Best Use of the subject property.
 - Expansive development options beyond those in the January 2005 feasibility study were considered. These included cooperative mining, or merging, with Las Cristinas.
- Consider applying all three valuation approaches.
 - The three approaches were applied:
 - Sales Comparison Approach
 - Income Capitalisation Approach
 - Cost Approach
- The inputs to all valuation methods should have market derived elements.
- Reconcile the results from the various approaches and methods.

Transaction (Sales) Analysis

- Internal Rate of Return Analysis used to derive discount rates for NPV/DCF calculations in Income Approach
- Study of gold price expectations
- Analysis of Reserve and Resource prices
- Study of comparative country risk factors
- Derived adjustments for Sales Comparison Adjustment Grid.
- Adjusted deposits to a uniform basis to use in the Adjustment Grid

Deposit Transactions Selected

- Worldwide, 10+ million oz Au resource deposits are rarely transacted.
- The search settled for deposits with resources of 1 million oz and above, that sold within a few years of the Effective Date of Valuation.
- Nine deposit sales initially used. After completion of the sales comparison analysis, a sale occurred on Boddington, Australia. This was used for confirmation of the Las Brisas value estimate.

Deposit Transactions Selected

- 1: Youga, Burkina Faso
- 2: Bermejil, Mexico
- 3: Mayskoye, N.E. Russia
- 4: North Mara, Tanzania
- 5: Amapari, Brazil
- 6: Paracatu, Brazil
- 7: Suurikuusikko, Finland
- 8: Guariche, Venezuela
- 9: Choco 10, Venezuela
- 10: Boddington, Australia

Acquisition	Transaction 1 Youga, Burkina Faso	Transaction 2 Bermejil, Mexico	Transaction 3 Mayskoye, Russia	Transaction 4 North Mara, Tanzania	Transaction 5 Amapari, Brazil	Transaction 6 Paracatu, Brazil	Transaction 7 Suurikuusikko, Finland	Transaction 8 Guariche, Venezuela	Transaction 9 Choco 10, Venezuela
Agreement Date	9-Sep-03	22-Mar-05	4-Sep-03	8-Jul-03	6-Nov-03	9-Nov-04	12-May-05	19-Jul-05	11-Feb-06
Buyer	Etruscan	Goldcorp	Highland Gold	Placer Dome	Wheaton River	Kinross	Agnico-Eagle	Hecla	Gold Fields Ltd
Acquisition Type	Corporation acquired	Property acquired	Corporation acquired	Corporation acquired	Corporation acquired	Corporation acquired	Corporation acquired	Corporations acquired	Corporation acquired
Property Interest Purchased	90% interest in concessions	Deposit 100%	100% of license	100% of mine and 423 sq km tenements	100% of deposit	Remaining 51%, giving 100% control	Remaining 86%, giving 100% control	100% interest in concession	95% interest in concession
Deposit/Mine Acquisition Price Component	\$5.5m	\$70m	\$34.9m	\$288m	\$105m	\$261.2m (for 51%)	\$121m (for 86%)	\$4,525,000	\$353m (for 95%)
Development Status	Preliminary feasibility study	Indicated Resources only	Undeveloped	New operating open pit mine	Mine Design	Operating open pit mine	Indicated Resources and drilling	M&I Resource	New operating open pit mine
Development Investment Planned	Feasibility Study	Feasibility study	\$90m for mine construction	50% capacity increase considered	\$54m for initial mine construction	\$112m for SAG mill	Feasibility Study in progress	Exploration and evaluation drilling	\$50m expansion
Reserves- P&P, oz Au	664,800	0	3,680,000 (non- CRIRSCO)	2,940,000	1,390,000	8,485,000	0	N/A	1,223,000
Resources- M&I, oz Au Excluding Reserves	81,200	2,370,000	8,970,000	1,310,000	300,000	22,000	1,950,000	373,816	502,000
Resources- Inferred, oz Au	510,000	0		102,500	1,000,000	0	1,060,000	519,547	1,700,000
Total, oz Au	1,256,000	2,370,000	12,650,000	4,350,000	2,690,000	8,505,000	3,010,000	893,363	3,400,000
Reserve Equivalent Price, per oz Au	\$8.67	\$59.07	\$8.14	\$79.56	\$58.66	\$60.28	\$112.90	\$14.35	\$196.00
Life of Mine, production yrs	5.5	10	30+	10+	11	27	N/A	N/A	10+
Mine Type - Open pit, underground, or combination	Open pit	Open pit	Combination	Open Pit	Open pit, then underground	Open pit	Combination	Open pit	Open pit
Operating Cash Cost per oz Au	\$255	\$200	\$160-170	\$200	Open pit \$144; underground \$195	\$220	High	N/A	\$185
Gold Recovery	93%	60-65%	>90%	89%	90 - 94%	78%	Difficult	N/A	93%
Important By-product	No	No	Ag	No	No	No	No	No	No
Au Price at Agreement Date, \$/oz	\$382.25	\$432.50	\$370	\$348.15	\$380.25	\$431.90	\$424.20	\$419.25	\$544.40
Comments	\$1m assumed paid for tenements. Govt. NPI 10%	Combined with sister Los Filos pit	Russian 6% royalty assumed	\$10m assumed paid for exploration tenements		0.33% royalty and 1.0% tax on net sales	\$10m for other assets; complex metallurgy; 2% NSR royalty	\$2m assumed for tenements	\$10m assumed paid for exploration tenements

Table 8- Side-by-side Comparison of the 9 Transactions

Sales Adjustment Factors

- Time and Price adjustment: Adjusts for change in gold price, to that at the effective date of valuation. This percentage adjustment factor is the ratio of the operating margins at the two dates.
- Developed v. Undeveloped Reserve adjustment
- Reserves v. Resources balance adjustment
- Deposit/project size adjustment
- Open Pit v. Underground Mining adjustment
- Operating Cost (including energy price factors) adjustment
- Country Risk adjustment
- Other Risk adjustment

Acquisition	Transaction 1 Youga, Burkina Faso	Transaction 2 Bermejil, Mexico	Transaction 3 Mayskoye, Russia	Transaction 4 North Mara, Tanzania	Transaction 5 Amapari, Brazil	Transaction 6 Paracatu, Brazil	Transaction 7 Suurikuusikko, Finland	Transaction 8 Guariche, Venezuela	Transaction 9 Choco 10, Venezuela
Agreement Date	9-Sep-03	22-Mar-05	4-Sep-03	8-Jul-03	6-Nov-03	9-Nov-04	12-May-05	19-Jul-05	11-Jan-06
Buyer	Etruscan Resources	Goldcorp Inc.	Highland Gold Mining	Placer Dome	Wheaton River	Kinross	Agnico-Eagle	Hecla	Gold Fields
Reserve equivalent price, \$/oz Au	\$8.67	\$59.07	\$8.14	\$79.56	\$58.66	\$60.28	\$112.90	\$14.35	\$195.70
Au price at agreement date, \$/oz	\$382.25	\$432.50	\$375.00	\$348.15	\$380.25	\$431.90	\$424.20	\$419.25	\$544.40
Au price at 10-Feb-06, \$/oz	\$557.00	\$557.00	\$557.00	\$557.00	\$557.00	\$557.00	\$557.00	\$557.00	\$557.00
Time and Price adjustment	+150%	+70%	+90%	+140%	+95%	+65%	+70%	+70%	+5%
Developed v. Undeveloped Reserve adjustment	0%	0%	0%	-50%	0%	-40%	0%	0%	-40%
Reserves v. Resources balance adjustment	0%	0%	+20%	0%	0%	0%	0%	0%	+10%
Deposit/project size adjustment	+100%	+50%	0%	+25%	+30%	0%	+30%	130%	0%
Open Pit v. Underground Mining adjustment	0%	0%	+50%	0%	+25%	0%	+50%	0%	0%
Operating Cost (including energy price factors) adjustment	+50%	+30%	+20%	+20%	+20%	+20%	+20%	+10%	0%
Metallurgical complexity and recovery adjust	-20%	+20%	+10%	-15%	-15%	+10%	+10%	-20%	-20%
Valuable Byproduct adjustment	+20%	+15%	+15%	+20%	+20%	+30%	+15%	+25%	+25%
Discovery and expansion potential adjustment	-20%	0%	-10%	-20%	-10%	+20%	-30%	-10%	-25%
Location and Access adjust	+20%	-15%	+30%	0%	0%	0%	+15%	+20%	0%
Country Risk adjustment	0%	-50%	0%	0%	-50%	-50%	-60%	0%	0%
Other Risk adjustment	0%	-15%	+80%	0%	0%	0%	-10%	+15%	0%
Taxes, Royalty, Levies adjust	+10%	0%	+10%	0%	-5%	-5%	-5%	0%	0%
Brisas Reserve, oz Au	\$65.92	\$97.62	\$97.90	\$116.86	\$97.26	\$58.37	\$156.41	\$76.66	\$101.72
Brisas Resource (M&I), oz Au	\$32.96	\$48.81	\$48.95	\$58.43	\$48.63	\$29.19	\$78.21	\$38.33	\$50.86
Subject Value (million)	\$781	\$1,157	\$1,160	\$1,384	\$1,152	\$692	\$1,853	\$908	\$1,205

Table 9- Sales Comparison Adjustment Grid

Table 10 - Comparison of Boddington and Las Brisas

	Boddington	Las Brisas (AK 2005)
Average Reserve grade	0.87 g/t and 0.12% Cu.	0.70 g/t and 0.13% Cu
Mine operating life	17 years	16 years
Gold Recovery	82%	83%
Average annual production	600,000 oz Au	486,000 oz Au
Stripping ratio	1.4	1.8
Development capital cost	\$1.4 - 1.5 billion	\$552 million
Gold cash cost, net of Cu	\$210/oz	\$167/oz

Acquisition	Transaction, Boddington, Australia
Agreement Date	13-Feb-06
Buyer	Newmont
Reserve equivalent price, \$/oz Au	\$54.31
Au price at agreement date, \$/oz	\$549.30
Au price at 10-Feb-06, \$/oz	\$557.00
Time and Price adjustment	0%
Minority Interest adjustment	+50%
Capital Cost Adjustment	+100%
Operating Cost (including energy price factors) adjustment	+25%
Metallurgical complexity and recovery adjust	0%
Valuable Byproduct adjustment	0%
Discovery and expansion potential adjustment	+10%
Country Risk adjustment	-60%
Other Risk adjustment	+20%
Taxes, Royalty, Levies adjust	0%
Brisas Reserve, oz Au	\$107.53
Brisas Resource (M&I), oz Au	\$53.77
Subject Value (million)	\$1,274

Table 11- Sales Comparison Analysis for Boddington, Australia

Income Approach

Key Economic Assumptions and Results	Scenario 1 Las Brisas Base	Scenario 2 Las Brisas Constrained	Scenario 3 Las Brisas Unconstrained	Scenario 4 Las Brisas and Las Cristinas
Mining ore tons/day--Las Brisas (000)	70	114	114	114
Mining ore tons/day--Cristinas(000)	0	0	0	160
Total Mining ore tons/ day (000)	70	114	114	274
Mine Life (years)	18	18	22	22
Op Cost/ton (\$)	\$5.45	\$5.43	\$5.43	\$4.70
Cash Cost (\$/oz)	\$164.33	\$166.79	\$164.92	\$131.11
Au Grade--Las Brisas (grams/ton)	0.71	0.61	0.60	0.60
Au Grade--Cristinas (grams/ton)	NA	NA	NA	0.70
Net Payable Au Recovery (%)	82.4%	81.4%	81.4%	81.4%
Cu Grade--Las Brisas (%)	0.129%	0.129%	0.110%	0.110%
Cu Grade--Cristinas (%)	NA	NA	NA	0.103%
Net Payable Cu Recovery (%)	83.0%	82.0%	82.0%	82.0%
Strip Ratio	1.92	2.19	2.17	2.54
Mining and Dewatering Cost/ore ton	\$1.44	\$1.55	\$1.54	\$1.38
Processing Cost/ore ton	\$2.21	\$2.10	\$2.10	\$1.61
G&A Cost/ore ton	\$0.39	\$0.37	\$0.37	\$0.28
Transport Charge/ore ton	\$120.00	\$120.00	\$120.00	\$120.00
Copper Charge/ton Concentrate	\$90.00	\$90.00	\$90.00	\$90.00
Copper Charge/lb	\$0.09	\$0.09	\$0.09	\$0.09
Gold Charge/oz	\$5.00	\$5.00	\$5.00	\$5.00
Smelt/Ref./Trans (\$000) per year	\$35,421	\$58,091	\$58,573	\$140,452
Operating Cost (\$000) per year	\$136,989	\$223,711	\$223,671	\$464,267
Development Capital (\$000)	\$662,400	\$984,001	\$984,001	\$1,980,882
Sustaining Capital (\$000)	\$190,800	\$283,435	\$290,565	\$584,934

Table 12: Key Economic Assumptions and Results for the Four Cashflow Model scenarios.

Scenario 1 is at \$400/oz Au and \$1.00/lb Cu. Scenarios 2, 3 and 4 are at \$575/oz Au and \$1.20/lb Cu

Discount Rate Selection

Constant \$, Before Income Tax Cash Flows

Transaction 3: Mayskoye, Russia

Announcement: 4 September 2003. Spot price Au \$370/oz

IRR: 19%/annum at \$375/oz Au

Transaction 4: North Mara, Tanzania

Date of Announcement: 8 July 2003. Spot price Au \$348.15/oz

IRR: 1%/annum at \$348

6% at \$400

10% at \$450

Assumed 18 year mine life, consuming all Reserves and M&I&I Resources.

Discount Rate Selection

Constant \$, Before Income Tax Cash Flows

Transaction 5: Amapari, Brazil

Date Announced: 6 November 2003. Spot price Au \$380.25/oz

IRR: 2.5% to 3.5% at \$375/oz

Assumed 11 year mine life, consuming all Reserves, M&I and some Inferred Resources.

Transaction 6: Paracatu, Brazil

Announcement Date: 9 November 2004. Spot price Au, \$431.90/oz

IRR: 3% at \$432/oz

5% at \$475/oz

7% at \$500/oz

8% at \$525/oz

10% at \$575/oz

Assumed 27 years remaining mine life, Reserves only.

Discount Rate Selection

Constant \$, Before Income Tax Cash Flows

Transaction 9: Choco 10, Venezuela

Announcement Date: 11 January 2006. Spot price Au \$544.40/oz

Scenario 1:

IRR: 10% at \$470/oz
12.1% at \$500/oz
15.2% at \$544.4/oz

Assumed remaining mine life of 13 years, consuming all Reserves and M&I&I Resources

Scenario 2:

IRR: 3.1% at \$500/oz
7.1% at \$544.4/oz
10% at \$580/oz

Assumed remaining mine life of 7¼ years, consuming the amount of Reserve equivalent ounces

Scenario 3:

IRR: negative (-5.7%/annum) at \$544.4/oz
10% at \$729/oz

Assumed remaining mine life of 5 years, consuming the announced P&P Reserves only

Discount Rate Selection

Constant \$, Before Income Tax Cash Flows

- Arizona Department of Revenue surveys, 1997-2005:
Gold properties in mergers, acquisitions, mine development studies.
Mean discount rate is between 6% - 9%/annum.
- Capital Asset Pricing Model, end 2005 data
Medium to large precious metal mining companies.
Discount rate 5.9%/annum.
- Interview of likely buyer – Venezuela risk:
Discount rate 9% - 11%/annum

Scenario	Commodity Pricing	Gold \$/oz	Copper \$/lb	Discount Rate %/yr	NPV \$ million
Las Brisas Base Case	Principal	575	1.20	10.0	653
Las Brisas Base Case	Principal	575	1.20	5.7	1,200
Las Brisas Constrained	Principal	575	1.20	10.0	727
Las Brisas Constrained	Principal	575	1.20	6.7	1,200
Las Brisas Constrained	10-Feb-2006	557	1.20	10.0	655
Las Brisas Constrained	10-Feb-2006	557	1.20	6.2	1,200
Las Brisas Constrained	NYMEX long term futures (2006\$)	597	1.50	10	977
Las Brisas Constrained	NYMEX long term futures (2006\$)	597	1.50	8.55	1,200
Las Brisas Unconstrained	Principal	575	1.20	10.0	847
Las Brisas-Las Cristinas	Principal	575	1.20	10.0	3,167
Las Brisas (40% of Las Brisas-Las Cristinas)	Principal	575	1.20	10.0	1,267

Table 17 - Preliminary Valuation Results from the Income Approach.

Development Scenario	NPV \$million	Probability	Estimated Value \$million
Las Brisas Constrained	727	50%	364
Las Brisas Unconstrained	847	20%	169
Las Brisas-Las Cristinas Combined, Separate Ownership (40% allocation to Las Brisas)	1,267	15%	190
Las Brisas-Las Cristinas Combined, Las Brisas Expansion	2,472	15%	364
Weighted Estimate:			1,087

Table 18 - Weighted NPV estimate valuation for Las Brisas

Stock Market Entity Value Extraction

- Las Brisas valuation \$155 million
- Las Cristinas valuation \$575 million
 - 35% more Au Reserves
 - Up to 50% more Au Resources
 - Las Cristinas is leased
 - Gold Reserve owns Las Brisas
 - No right to recover and sell the Cu
 - Gold Reserve owns the Las Brisas Cu
 - Vanessa Ventures disputes Crystallex' control of Las Cristinas
 - Problems with garimpeiros
 - Permit approvals less certain for Las Cristinas mining

Reconciliation and Conclusion

The following estimates of the Market Value of Gold Reserve Inc's Las Brisas concessions have been derived at the Effective Date of Valuation of 10 February 2006:

- Estimate of Market Value by the Sales Comparison Approach: \$1,200 million
- Estimate of Market Value by the NPV Method of the Income Approach : \$1,100 million
- Estimate of Market Value by entity value extraction from corporate capitalization, with the Cost Approach: \$155 million.

The Market Value of the subject Las Brisas concessions is concluded to be \$1,200 million on the Effective Date of Valuation of 10 February 2006.

Scientific Method	Valuation Process
Hypothesis	Define the problem
Gather information	Plan the valuation
Record the data	Collect the data
Analyse the data	Apply value approaches
State a conclusion	Arrive at a value conclusion

American Society of Appraisers, 1997, Module V

Market Valuation Requirements – Ellis' Opinion

- Science
- Economics
- Experience
- Wisdom
- Independence
- In-depth inquiry and research

First Questions for a Valuation Assignment

- What is to be valued?
 - What is the Subject property?
- What interest in the property is to be valued?
- What type of value should be estimated?
 - Market value
 - Investment value for the client
 - Going concern value, or value-in-use, etc.
- What is the intended use of the valuation?
- What is the Effective Date of the valuation?