



# Gold Reserve Inc.

NR-12-03

## **Gold Reserve Announces Notice of Right of Repurchase for 5.50% Senior Subordinated Convertible Notes due 2022 and Proposed Restructuring for Noteholders**

**SPOKANE, WASHINGTON May 17, 2012**

Gold Reserve Inc. (TSX VENTURE:GRZ) (NYSE-Amex:GRZ) (the “Company”) announced today that it is notifying holders (“Holders” or “Noteholders”) of its 5.50% Senior Subordinated Convertible Notes due 2022 (the “Notes”) that the Holders have the option, pursuant to the terms of the Indenture, dated as of May 18, 2007 (the “Indenture”) governing the Notes, to require the Company to purchase, in cash, all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest (the “Put Option”).

The Company is also very pleased to announce today that it has agreed to a restructuring proposal with its three largest Noteholders in connection with the Put Option. The agreement with these Noteholders, representing 87.8% of the outstanding Notes, subject to shareholder approval and subject to such consents as may be required under the Indenture, will allow the Company to redeem and restructure its Notes with a combination of cash, common shares, new terms for the remaining balance of the Notes and a Contingent Value Right, each as further described below.

As required by the rules of the U.S. Securities and Exchange Commission (the “SEC”), the Company is filing its Tender Offer Statement on Schedule TO with the SEC notifying the Holders of the Put Option. The Company will pay for any Notes validly surrendered for cash. Because of the agreement reached with its three largest Noteholders, the Company anticipates that a maximum of \$40.6 million will be required to fund the purchase of the Notes if all of the Holders put their Notes pursuant to the Put Option and assuming the restructuring is consummated with its three largest Noteholders upon the terms described in this release. The Company anticipates filing an amendment to the Schedule TO within 10 days to provide other Holders with an election to participate in the restructuring agreed among the Company and its three largest Noteholders.

In order to surrender the Notes for repurchase pursuant to the Put Option, Holders must deliver a Repurchase Notice to The Bank of New York Mellon, as successor in interest to the Bank of New York, the Trustee and paying agent for the Notes under the Indenture, no later than 5:00 p.m., New York City time, on June 15, 2012. Holders of Notes

complying with the transmittal procedures of The Depository Trust Company need not submit a physical Repurchase Notice to The Bank of New York Mellon. Holders may withdraw any Notes previously surrendered for repurchase at any time no later than 5 p.m., EDT, on June 15, 2012.

Pursuant to the Indenture, the Notes are currently convertible into 132.626 shares of the Company's common stock per \$1,000 principal amount of Notes, subject to adjustment under certain circumstances.

The Company will make available to Holders, through The Depository Trust Company, documents specifying the terms, conditions and procedures for surrendering and withdrawing Notes for repurchase. Holders are encouraged to read these documents carefully before making any decision with respect to the surrender of the Notes, because these documents contain important information regarding the details of the Company's obligation to repurchase the Notes.

### **Proposed Alternative Election of Noteholders**

The Company anticipates amending the Schedule TO within 10 days to announce an alternative election (the "Alternative Election") that will be available to all Holders of Notes to reflect the terms of a proposed restructuring of the Notes that has been agreed to with its three largest Noteholders (the "Restructuring"). The Company anticipates that, subject to shareholder approval, each Holder will have the option to require the Company to purchase all or a portion of their Notes for the following consideration for each \$1,000 in principal amount of Notes: (i) \$200 in cash, (ii) 147.06 common shares, (iii) \$300 of amended notes which will remain outstanding under the indenture governing the Notes, as amended, (iv) a Contingent Value Right ("CVR") entitling the holder to a percentage of an award or settlement of the Company's ICSID arbitration claim against the Government of Venezuela with respect to the expropriation of the Company's Brisas Project and any proceeds from the sale of its mining data, and (v) a cash "alternative election fee" payable based on each Holder's pro rata percentage of Notes restructured pursuant to the Alternative Election in an aggregate amount of up to \$1 million (collectively, the "Alternative Consideration"). The maximum CVR net of taxes and other deductions that will be paid if all Holders elect this proposed alternative transaction will not exceed 5.81% of an award or settlement and sale of the mining data. The Restructuring will be subject to the approval of the Company's shareholders at its annual and special meeting scheduled to be held on June 27, 2012. In the event that the Restructuring is not approved by the shareholders, in lieu of the transaction described above, the Put Option will be deferred until September 14, 2012 for those Holders, including the three largest Noteholders as well as any other Holders that make the Alternative Election and the terms of the Notes subject to the Alternative Election will be amended in certain other respects.

Holders of approximately 87.8% of the outstanding Notes have agreed to elect, in the aggregate, to require the Company to repurchase 14.1% of their Notes pursuant to the Put Option and to require the Company to repurchase approximately 85.9% of their Notes for

the Alternative Consideration, if approved. The Company anticipates providing additional details of the Alternative Election in the near future.

Assuming that all Notes other than those held by the three largest Holders are surrendered for repurchase, then together with the maximum principal amount of \$12.7 million of Notes that are to be surrendered by the three largest Holders in connection with the Put Option, the Company anticipates that it will utilize a maximum of \$40.6 million of cash and, depending on the election of the Holders, may issue from 11.4 million to 13.2 million common shares to repurchase the Notes in connection with the restructuring.

This press release does not constitute an offer to purchase the Notes. The offer to repurchase is made solely by the “Company Repurchase Notice to the Holders of Gold Reserve Inc. 5.50% Senior Subordinated Convertible Notes due June 15, 2022” dated May 16, 2012, as the same may be amended.

### **Annual and Special Shareholders Meeting**

At the annual and special shareholders meeting scheduled to be held on June 27, 2012, the Board of Directors and management of the Company will recommend shareholders approve the Restructuring. Members of the Board and management intend to vote all of the Company’s shares held by them in favor of the Restructuring. In connection with these transactions, members of the Board and management have also agreed to a one time waiver of rights under their Change of Control and Retention Units Agreements that would contractually arise as a result of a party acquiring more than 25% of the Company’s shares.

Shareholders of record on May 21, 2012 will be receiving a Management Information Circular shortly that will describe the Restructuring in more detail, as well as other matters including an amendment and continuance of the Company’s Shareholder Rights Plan.

Doug Belanger, President stated “The successful repurchase of the 5.50% Senior Subordinated Convertible Notes pursuant to the Put Option and restructuring agreement will minimize shareholder dilution, to the extent practicable, and position the Company financially to complete its arbitration activities and to execute its business plan to continue as an operating mining company. This process for this transaction has been very constructive and we believe beneficial to both the existing shareholders and Noteholders. A majority of our Noteholders, some of whom are also large shareholders confirmed their strong support for the Company’s ongoing efforts related to our \$2.1 billion ICSID arbitration claim against Venezuela for the expropriation of our Brisas Project and the ongoing operating plan including the recent agreement with Soltoro Limited related to their La Tortuga property, located in Mexico.” Mr. Belanger further stated that “The Company is continuing to pursue settlement discussions with Venezuela with the objective of reaching an amicable settlement that is beneficial to our stakeholders. On behalf of the Board of Directors we also thank the shareholders for their continuing support.”

Further information regarding the Company can be located at [www.goldreserveinc.com](http://www.goldreserveinc.com) , [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com).

*Certain information discussed in this press release constitutes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 and forward-looking information as defined in Canadian securities laws. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Forward-looking information is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Among those factors are those outlined in the “Cautionary Statement Regarding Forward-Looking Statements” and “Risks Factors” contained in Gold Reserve’s filings with the Canadian provincial securities regulatory authorities and U.S. Securities and Exchange Commission, including Gold Reserve’s Annual Information Form and Annual Report on Form 10-K, as amended, for the year ended December 31, 2011, filed with the Canadian provincial securities regulatory authorities and U.S. Securities and Exchange Commission, respectively, as well as this release. The Company undertakes no obligation to update any forward-looking statements except as required by law.*

**Company Contact**

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