



Gold Reserve Inc.

NR-12-05

Gold Reserve Announces Amendment to Tender Offer Notice of Right of Repurchase for 5.50% Senior Subordinated Convertible Notes due 2022 and Proposed Restructuring for Noteholders

SPOKANE, WASHINGTON June 1, 2012

Gold Reserve Inc. (TSX VENTURE:GRZ) (NYSE-MKT: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 Company is modifying the Notice of Right of Repurchase and its terms which were announced on May 17, 2012. On May 17, 2012 the Company announced that it had agreed with Holders of 87.8% of the notes (“Majority Noteholders”) to restructure their Notes, subject to shareholder approval and such consents as may be required under the Indenture, that will allow the Company to restructure the Notes with a combination of cash, common shares, modified terms for the remaining balance of the Notes and a Contingent Value Right as described further below. The Company is now offering the terms of that restructuring arrangement to all remaining Noteholders such that the Holders of the remaining 12.2% of the Notes now can elect to have their Notes repurchased for 100% cash or accept the same arrangement as was agreed with the Majority Noteholders.

Proposed Alternative Election of Noteholders

The Company has amended its Tender Offer Statement with respect to the Right of Repurchase (“Amended Notice”) to include an alternative election (the “Alternative Election”) that will be available to all remaining 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) additional cash consideration 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 June 15, 2012 Noteholder put option (the “Put Option”) will be deferred until September 14, 2012 for Holders, including the three largest Noteholders, that have made the

Alternative Election and the terms of the Notes subject to the Alternative Election will be amended in certain other respects as described in the Amended Notice.

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.

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 pursuant to the Put Option at any time no later than 5 p.m., EDT, on June 15, 2012.

Holders that wish to elect the Alternative Election must deliver a letter of transmittal no later than 5:00 p.m., New York City time, on June 29, 2012 pursuant to the instructions in the Amended Notice.

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.

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 "This transaction will minimize to the extent practicable shareholder dilution and management and the Board of Directors recommend that shareholders approve this transaction and will be voting their own shares in favor of this transaction. This transaction is good for all stakeholders in that it rationalizes the capital structure of the Company, with greater certainty going forward, while dealing with the refinancing of \$102.5 million in convertible debt that can be put to the Company on June 15, 2012."

Holders of Notes are urged to read the Amended Notice, letters of transmittal and related offer materials when they become available because they contain important information. An amendment to our Tender Offer Statement, which includes the offer materials, is being filed with the Securities and Exchange Commission ("SEC") today. The Amended Notice, letters of transmittal and related documents may be obtained free of charge at the SEC's website, www.sec.gov or by directing a request to the Company.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Further information regarding the Company can be located at www.goldreserveinc.com, www.sec.gov and www.sedar.com.

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