

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Gold Reserve Inc.
926 W. Sprague Ave., Suite 200
Spokane, Washington
99201

Item 2 Date of Material Change

May 16, 2012

Item 3 News Release

The news release attached hereto as Schedule "A" was disseminated over CNW Group's newswire on May 17, 2012 (the "News Release").

Item 4 Summary of Material Change

Gold Reserve Inc. (the "Company") notified holders ("Holders" or "Noteholders") of its 5.50% Senior Subordinated Convertible Notes due 2022 (the "Notes") issued pursuant to the terms of that certain Indenture dated as of May 18, 2007 (the "Indenture") that the Holders have the option, pursuant to the terms of the Indenture, to require the Company to purchase, in cash, all or a portion of their Notes (the "Put Option"). Concurrently, the Company announced a proposal to restructure the Notes (the "Restructuring") pursuant to the terms of an agreement in principle (the "Restructuring Agreement") with its three largest Noteholders, namely, Steelhead Navigator Master, L.P. of which Steelhead Partners, LLC ("Steelhead") is the general partner, funds managed by Greywolf Capital Management LP ("Greywolf") and funds managed by West Face Capital Inc. ("West Face"). The Restructuring is subject to all required approvals and/or consents, all as further described below and in the News Release.

Item 5 Full Description of Material Change

The Company notified Holders of its Notes, pursuant to a Company Repurchase Notice, a copy of which is available for review under the Company's profile at www.sedar.com, of the Put Option requiring the Company to purchase on June 15, 2012, 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 Company also agreed in principle to the Restructuring with its three largest Noteholders in connection with the Put Option. The Restructuring 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 restructure its Notes with a combination of cash, common shares, new terms for the remaining balance of the Notes and contingent value rights ("CVRs"). The Company will announce an alternative

election (the “Alternative Election”) that will be available to all Holders of Notes to reflect the terms of 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 US\$1,000 in principal amount of Notes: (i) US\$200 in cash, (ii) 147.06 common shares, (iii) US\$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 US\$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.

In the event the required shareholder Approval is not obtained with respect to the Restructuring, the Indenture will be amended and the Notes will effectively be changed as follows:

- the Repurchase Date (as defined in the Indenture) will be deferred for 90 days (to Friday, September 14, 2012);
- the price of the common shares of the company to be used in calculating the number of such shares to be delivered upon exercise of the Repurchase Put Right (as defined in the Indenture) will have a floor price of \$3.61 and a ceiling price of \$4.00;
- the rate at which the principal amount of Notes is converted into common shares of the Company will be increased from 132.6260 of such common shares per \$1,000 principal amount of Notes (equivalent to a conversion price of \$7.54 per share) to 250 common shares per \$1,000 principal amount of Notes (equivalent to a conversion price of \$4.00 per share);
- subject to the mandatory redemption obligation specified immediately below, the Company will not exercise its redemption rights before September 14, 2014;
- the Company will redeem the Notes then outstanding, in whole or in part (on a pro-rata basis), for an amount of cash equal to 120% of the face value thereof plus accrued and unpaid interest upon (i) the Company’s receipt of payment of any arbitration award or (ii) the Company’s receipt of proceeds from the sale of its mining data, in each case with 20 days’ notice to each of Steelhead, Greywolf and West Face; provided, however, that the Company’s redemption obligations in (i) and (ii) shall be limited to the amount of the proceeds received by the Company (provided, further, that any subsequent receipt of additional proceeds shall be applied in a similar manner until such time as the redemption obligations have been satisfied in full); and
- the Company will provide a first priority blanket lien on all of the Company’s

mining data to secure the Company's obligations under the Notes and the Company shall deliver such instruments and agreements on the date of close as each of Steelhead, West Face and Greywolf may reasonably require to memorialize and perfect the first-priority security interest in all of the Company's mining data.

The purpose and business reasons of the Restructuring is to enable the Company, which does not currently have the funds necessary to purchase in cash all of the Notes in the event all Noteholders would elect to be paid in cash pursuant to the Put Option, to continue and complete the arbitration process against the Government of Venezuela relating to the expropriation of the Company's Brisas Project, by alleviating its financial difficulties in the short term while maintaining the interests of its securityholders, with the anticipated effect that the Company will be able to execute on its current business plan and continue to operate as a mining company.

Steelhead and West Face are "related parties" of the Company and the transactions contemplated by the Restructuring Agreement to complete the Restructuring with each such party constitutes "related party transactions", as such terms are defined in, and for purposes of, Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101").

Pursuant to the Restructuring Agreement which is anticipated to be formalized into a definitive agreement, a copy of which will be available for review under the Company's profile at www.sedar.com, Steelhead will put 5% of its Notes to the Company pursuant to the Put Option for cash proceeds of approximately US\$2,848,600. The remaining 95% of the Notes (in the approximate amount of US\$54,123,400) will be subject to the Restructuring Agreement, and subject to shareholder approval, Steelhead has agreed to restructure such outstanding principal amount for cash in the amount of US\$10,824,680, US\$16,237,020 principal amount of amended Notes (the "Modified Notes") and 7,959,324 common shares of the Company together with CVRs. In the event the Restructuring is completed, Steelhead will increase its common share holdings in the Company from 19.4% to 27.5% or by an additional 8.1 % (assuming all other Noteholders (except West Face and Greywolf which are subject to the Restructuring Agreement) decline the Alternative Election and elect to only receive cash pursuant to the Put Option), and increase the amount of outstanding principal under the Notes that it currently holds to 70.1% of the total amount of principal outstanding under the Modified Notes. In the event the Restructuring is completed, West Face's common share holdings in the Company will not change materially.

The board of directors of the Company, all of whom are independent of Steelhead and West Face, met formally and informally on numerous occasions during the course of negotiations of the Restructuring Agreement to discuss the proposed terms and have concluded unanimously that the terms of the Restructuring Agreement are fair and in the best interests of the Company and its Shareholders.

Certain individuals who are officers, employees and directors of the Company have agreed to a limited waiver of their rights to all "change of control" payments and benefits that would arise under certain agreements to which such individuals are a party in connection with the Restructuring solely for the purpose of facilitating the Restructuring and the transactions contemplated thereby. In addition, officers and directors have agreed to enter into agreements

to vote the shares they own in support of the Restructuring and the transactions contemplated thereby.

Since the Restructuring is subject to shareholder approval, the Company is only relying upon the financial hardship exemption from the formal valuation requirements of MI 61-101 provided in subsection 5.5(g) of MI 61-101 in respect of the related party transactions with each of West Face and Steelhead. The independent directors of the Company, being all of the directors of the Company, have unanimously determined that the Company is in serious financial difficulty, that the Restructuring is designed to improve the financial condition of the Company, and the terms of the Restructuring are reasonable in the circumstances of the company. Furthermore the Restructuring is not subject to court approval nor has the Restructuring been ordered to be effected under bankruptcy or insolvency law.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Executive officer of Gold Reserve who is knowledgeable about the material change:
A. Douglas Belanger, President, (509) 623-1500

Item 9 Date of Report

May 25, 2012

GOLD RESERVE INC.

Per: "A. Douglas Belanger"
Name: A. Douglas Belanger
Title: President

Schedule "A"
News Release



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 US\$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 US\$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 US\$1,000 in principal amount of Notes: (i) US\$200 in cash, (ii) 147.06 common shares, (iii) US\$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 US\$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 US\$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 US\$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 US\$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 ,
www.sec.gov and 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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