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GOLD RESERVE INC

Form 6-K

May 02, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of May 2006

Commission File Number: 001-31819

Gold Reserve Inc.

(Exact name of registrant as specified in its charter)

926 W. Sprague Avenue, Suite 200

Spokane, Washington 99201

(Address of principal executive offices)

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 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): 82-_____

Filed with this Form 6-K is the following, which is incorporated herein by reference:

99.1 Gold Reserve U.S. GAAP reconciliation to Financial Statements in accordance with item 18 under Form 20-F

Certain statements included herein, including those that express management's expectations or estimates of our future performance, constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risk factors that may cause the actual financial results, performance, or achievements of Gold Reserve to be materially different from our estimated future results, performance, or achievements expressed or implied by those forward looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation, concentration of operations and assets in foreign countries, corruption, requests for improper payments, uncertain legal enforcement, regulatory, political and economic risks associated with Venezuelan operations, our ability to obtain additional funding for the

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development of the Brisas project, in the event any key findings or assumptions previously determined by our experts in the final feasibility study (including any updates thereto) significantly differ or change as a result of actual results in our expected construction and production at the Brisas project, risk that actual mineral reserves may vary considerably from estimates presently made, impact of currency, metal prices and metal production volatility, changes in proposed development plans (including technology used), our dependence upon the abilities and continued participation of certain key employees, and risks normally incident to the operation and development of mining properties. These are discussed in greater detail in Gold Reserve's filings with the U.S. Securities and Exchange Commission at www.sec.gov and the Annual Information Form and other reports filed with Canadian provincial securities commissions at www.sedar.com. Gold Reserve expressly disclaims any intention or obligation to update or revise any forward looking statement whether as a result of new information, events or otherwise.

SIGNATURES

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.

Gold Reserve Inc.
(Registrant)

Date: May 2, 2006
By: s/ Robert A. McGuinness
Name: Robert A. McGuinness
Title: Vice President - Finance & CFO

EXHIBIT INDEX

99.1 Gold Reserve U.S. GAAP reconciliation to Financial Statements in accordance with item 18 under Form 20-F

Auditors' Report with respect to supplementary information
To the Board of Directors of Gold Reserve Inc.

Our audit of the consolidated financial statements of Gold Reserve Inc. referred to in our report to the Shareholders dated February 17, 2006 included consideration of note 11, Differences Between Canadian and U.S. GAAP as at December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005.

Management has also prepared supplementary disclosure under U.S. GAAP as at December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005 ("Supplementary Information on Differences Between Canadian and U.S. GAAP"). In our opinion, this Supplementary Information on Differences Between Canadian and U.S. GAAP presents fairly, in all material respects, the disclosures set forth therein when read in conjunction with the related consolidated financial statements of the Company.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants

Vancouver, British Columbia, Canada

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February 17, 2006

Supplementary Information on Differences Between Canadian and U.S. GAAP

The Company prepares its consolidated financial statements in U.S. dollars in accordance with Canadian GAAP, which principles differ in certain respects from United States GAAP. The Company has previously reported its financial statements in accordance with Item 17 under Form 20-F, including the U.S. GAAP reconciliation requirements thereunder. This should be read in conjunction with the financial statements of the Company set forth in the 2005 Form 20-F.

The effect of the principal differences between U.S. and Canadian GAAP as required by Item 18 of Form 20-F (and the rules and regulations of the SEC) are summarized below.

Consolidated Summarized Balance Sheets

	Canadian GAAP	Change	U.S. GAAP
2005			
Assets			
Current assets A	\$ 22,797,616	\$ 4,112,904	\$ 26,910,520
Mineral property costs C	46,381,380	(41,034,321)	5,347,059
Other assets	12,775,876	-	12,775,876
	\$ 81,954,872	\$ (36,921,417)	\$ 45,033,455
Liabilities			
Liabilities	\$ 2,317,106	-	\$ 2,317,106
Shareholders' equity			
Common shares & equity units B	140,512,063	(5,185,930)	135,326,133
Less, common shares & equity units held by affiliates	(674,598)		(674,598)
Contributed surplus		1,489,156	1,489,156
Stock options B	1,867,537	3,922,652	5,790,189
Value assigned to warrants		3,682,447	3,682,447
Accumulated deficit B,C	(61,983,016)	(44,942,646)	(106,925,662)
Accumulated other comprehensive income A		4,112,904	4,112,904
KSOP debt	(84,220)		(84,220)
	79,637,766	(36,921,417)	42,716,349
	\$ 81,954,872	\$ (36,921,417)	\$ 45,033,455
2004			
Assets			
Current assets A	\$ 33,057,053	\$ 3,043,978	\$ 36,101,031
Mineral property costs C	41,034,321	(41,034,321)	
Other assets	12,514,157		12,514,157
	\$ 86,605,531	\$ (37,990,343)	\$ 48,615,188

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Liabilities	\$ 2,429,473		\$ 2,429,473
Shareholders' equity			
Common shares & equity units B	136,907,516	(5,409,346)	131,498,170
Less, common shares & equity units held by affiliates	(674,598)		(674,598)
Stock options B	1,004,197	7,071,690	8,075,887
Value assigned to warrants		5,395,019	5,395,019
Accumulated deficit B,C	(52,955,734)	(48,091,684)	(101,047,418)
Accumulated other comprehensive income A		3,043,978	3,043,978
KSOP debt	(105,323)		(105,323)
	84,176,058	(37,990,343)	46,185,715
	\$ 86,605,531	\$ (37,990,343)	\$ 48,615,188

Consolidated Summarized Statements of Operations

	2005	2004	2003
Net Loss under Canadian GAAP	\$ (9,027,282)	\$ (5,482,629)	\$ (3,707,336)
Stock based compensation B	3,149,038	1,391,066	(7,704,726)
Mineral property costs C		(6,268,328)	
Net loss under U.S. GAAP	(5,878,244)	(10,359,891)	(11,412,062)
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale securities A	1,068,926	(70,147)	3,072,941
Reclassification adjustment for (gain)loss included in net loss	55,957		(176,375)
Total comprehensive loss under U.S. GAAP	\$ (4,753,361)	\$ (10,430,038)	\$ (8,515,496)
Basic and diluted net loss per share under U.S. GAAP	\$ (.17)	\$ (.35)	\$ (.46)

Consolidated Summarized Statements of Cash Flows

	2005	2004	2003
Cash flow used by operating activities under Canadian GAAP	\$ (7,729,508)	\$ (3,958,108)	\$ (2,898,151)
Mineral property costs C		(6,268,328)	
Cash flow used by operating activities under U.S. GAAP	\$ (7,729,508)	\$ (10,226,436)	\$ (2,898,151)
Cash flow (used) provided by investing activities under Canadian GAAP	\$ (2,691,289)	\$ (3,661,785)	\$ 2,731,267
Mineral property costs C		6,268,328	

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Cash flow (used) provided by investing
 activities under U.S. GAAP \$ (2,691,289) \$ 2,606,543 \$ 2,731,267
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A Under U.S. GAAP, marketable securities would be divided between held-to-maturity securities and available-for-sale securities. Those securities classified as available-for-sale would be recorded at market value and the unrealized gain or loss would be recorded as part of comprehensive income.

B For U.S. GAAP purposes, the Company accounts for stock-based employee compensation arrangements using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No.25, iAccounting for Stock Issued to Employees. Under U.S. GAAP, when the exercise price of certain stock options is amended (the iRepricing i), these options are accounted for as variable compensation from the date of the effective Repricing. Under this method, following the Repricing date, compensation expense is recognized when the quoted market value of the Company's common shares exceeds the amended exercise price. Should the quoted market value subsequently decrease, a recovery of a portion, or all of the previously recognized compensation expense will be recognized. For U.S. GAAP purposes, the Company will adopt SFAS 123R, iAccounting for Stock Based Compensation effective January 1, 2006. SFAS 123R requires the use of the fair value method of accounting for stock based compensation. This standard is substantially consistent with the revised provisions of CICA 3870, which was adopted by the Company for Canadian GAAP effective January 1, 2004. For U.S.GAAP, the Company has not yet determined which acceptable method of adoption it will apply.

C Under Canadian GAAP, the Company capitalizes mineral property exploration and development costs after proven and probable reserves have been established. The Company also capitalizes costs on properties where it has found non-reserve material that does not meet all the criteria required for classification as proven or probable reserves. Under U.S. GAAP, exploration and development expenditures incurred on properties where mineralization has not been classified as a proven and probable reserve under SEC rules, are expensed as incurred. Accordingly, certain expenditures are capitalized for Canadian GAAP purposes but expensed under U.S. GAAP.

Pro-forma stock based compensation

For U.S. GAAP purposes, the Company accounts for stock-based employee compensation arrangements using the intrinsic value method. Had the fair value method of accounting been used under U.S. GAAP, the net loss and net loss per share would have been as follows:

	2005	2004	2003

Net loss under U.S. GAAP	\$ (5,878,244)	\$ (10,359,891)	\$ (11,412,062)
Variable plan accounting adjustment included			
in net loss	(2,285,698)	(791,643)	7,704,726
Stock based compensation under the fair value method	(863,340)	(599,423)	(406,108)

Pro-forma net loss under U.S. GAAP	\$ (9,027,282)	\$ (11,750,957)	\$ (4,113,444)
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Pro-forma basic and diluted

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net loss per share			
under U.S. GAAP	\$ (.26)	\$ (.40)	\$ (.17)

Development Stage Enterprise

In August of 1992, the Company acquired the Brisas Project. Beginning in 1993 the Company decided to focus its efforts on the Development of Brisas thereby meeting the definition of a development stage enterprise under Statement of Financial Accounting Standards No. 7 (FAS 7), Accounting and Reporting by development Stage Enterprises. The following additional information is required under FAS 7.

Consolidated Summarized Statements of Operations - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

Other income	\$ (14,935,581)
Mineral property exploration and development	39,505,080
General & administrative expense	27,345,826
Other expense	49,085,509

Deficit accumulated during the development stage from January 1, 1993 to December 31, 2005	\$ 101,000,834
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Accumulated deficit, December 31, 1992	5,924,828
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Accumulated deficit, December 31, 2005	\$ 106,925,662
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Consolidated Summarized Statements of Cash Flows - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

Cash used by operating activities	\$ (73,097,165)
Cash used by investing activities	(12,432,736)
Cash provided by financing activities	103,271,301

Increase in cash and cash equivalents for the period from January 1, 1993 to December 31, 2005	17,741,400
Cash and cash equivalents at December 31, 1992	1,628,852

Cash and cash equivalents at December 31, 2005	\$ 19,370,252
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Additional Shareholders' Equity disclosure - U.S. GAAP
For the period from January 1, 1993 to December 31, 2005

Common Shares and Equity Units Issued					Shares and units held by affiliates	\$ Contrib- uted surplus	\$ Value assigned to options	\$ Val assign to warran
\$ Issue Price	Common Shares	Equity Units	\$ Amount					
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Balance, December 31, 1992	8,875,862		8,290,819	(70,944)				
Stock issued for cash Private								

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placement	4.12	2,530,000	10,413,976	
Exercise of options	1.34	300,000	401,000	
Exercise of warrants	3.52	5,037	17,749	
Stock issued for services	3.89	12,552	48,851	
Net loss				
Change in KSOP debt				
Reduction of shareholders' equity due to change in subsidiaries' minority interest			(25,050)	

Balance, December 31, 1993		11,723,451	19,147,345	(70,944)
Stock issued for cash				
Private placement	9.82	2,000,000	19,630,530	
Exercise of options	2.32	295,967	687,494	
Exercise of warrants	6.07	2,134,250	12,962,750	
Stock issued for services	5.50	6,000	33,000	
Stock issued to KSOP	6.19	20,000	123,760	
Stock issued for litigation settlement	6.15	2,750,000	16,912,500	
Value attributed to warrants issued in litigation settlement			800,000	
Net loss				
Increase in common stock held by affiliates				(433,332)
Effect of change in accounting for investments				
Decrease in unrealized gain on available-for-sale securities				
Change in KSOP debt				
Reduction of shareholders' equity due to change in subsidiaries' minority interest				(843,986)

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Balance,			
December 31, 1994	18,929,668		69,453,393 (504,276)
Stock issued for cash			
Exercise of options	2.74	167,835	460,162
Stock issued to KSOP	5.60	50,000	280,195
Stock issued for minority interest in subsidiaries	7.43	1,329,185	9,882,028
Net loss			
Increase in common stock held by affiliates			(924,289)
Increase in unrealized gain on available-for-sale securities			
Change in KSOP debt			
Reduction of shareholders' equity due to change in subsidiaries' minority interest			(6,924)

Balance,			
December 31, 1995	20,476,688		80,068,854 (1,428,565)
Stock issued for cash			
Exercise of options	5.37	497,623	2,673,988
Exercise of warrants	10.52	1,729,500	18,202,500
Net loss			
Decrease in unrealized gain on available-for-sale securities			
Change in KSOP debt			
Addition to shareholders' equity due to change in subsidiaries' minority interest			7,436

Balance,			
December 31, 1996	22,703,811		100,952,778 (1,428,565)
Stock issued for cash			
Exercise of			

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options	5.75	124,649		716,716
Stock issued to KSOP	5.02	89,683		450,000
Net loss				
Increase in unrealized gain on available-for-sale securities				
Change in KSOP debt				

Balance, December 31, 1997		22,918,143		102,119,494 (1,428,565)
Stock issued for cash				
Exercise of options	1.90	223,624		425,883
Stock issued to KSOP	3.00	50,000		150,000
Net loss				
Change in shares held by affiliates			(1,034,323)	1,025,234
Decrease in unrealized gain (loss) on available-for-sale securities				
Change in KSOP debt				

Balance, December 31, 1998		23,191,767		101,661,054 (403,331)
Stock issued for cash				
Exercise of options	1.19	12,500		14,899
Stock issued for services	0.84	70,000		58,760
Stock issued to KSOP	1.13	300,000		337,500
Stock retired	3.02	(1,629)		(4,915)
Net loss				
Net common shares exchanged for equity units		(1,584,966)	1,584,966	
Decrease in unrealized loss on available-for-sale securities				
Change in KSOP debt				

Balance, December 31, 1999		21,987,672	1,584,966	102,067,298 (403,331)
Stock issued for services	0.55	70,000		38,688
Net loss				
Equity units exchanged				

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for common shares		138,570	(138,570)		
Increase in unrealized gain on available-for-sale securities					
Change in KSOP debt					

Balance, December 31, 2000		22,196,242	1,446,396	102,105,986	(403,331)
Stock issued for cash					
Exercise of options	0.78	5,500		4,285	
Stock issued for services	0.75	20,000		15,000	
Stock issued to KSOP	0.47	300,000		140,640	
Net loss					
Change in common stock held by affiliates					(271,267)
Equity units exchanged for common shares		133,380	(133,380)		
Increase in unrealized gain on available-for-sale securities					
Change in KSOP debt					

Balance, December 31, 2001		22,655,122	1,313,016	102,265,911	(674,598)
Stock issued for cash					
Exercise of options	0.72	18,000		12,960	
Stock issued for services	0.85	100,000		85,200	
Stock issued to KSOP	0.67	200,000		134,000	
Variable plan accounting for options					1,162,804
Net loss					
Equity units exchanged for common shares		23,036	(23,036)		
Decrease in unrealized gain on available-for-sale securities					
Change in KSOP debt					

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Balance,							
December 31, 2002	22,996,158	1,289,980	102,498,071	(674,598)		1,162,804	
Stock issued for cash							
Private placement	1.95	4,042,000		7,888,508			
Exercise of options	0.74	400,000		294,605			
Stock issued for services	5.06	60,000		303,600			
Stock issued to KSOP	1.28	200,000		256,000			
Value assigned to warrants issued							1,730,643
Variable plan accounting for options						7,704,726	
Net loss							
Equity units exchanged for common shares		52,100	(52,100)				
Increase in unrealized gain on available-for-sale securities							
Change in KSOP debt							

Balance,							
December 31, 2003	27,750,258	1,237,880	111,240,784	(674,598)		8,867,530	1,730,643
Stock issued for cash							
Private placement	3.61	5,361,000		19,337,034			
Exercise of warrants	4.28	21,100		90,211			
Exercise of options	0.89	373,954		333,310			
Stock issued for services	4.13	54,000		223,012			
Stock issued to KSOP	3.41	75,000		255,750			
Value assigned to warrants issued							3,682,443
Variable plan accounting for options						(791,643)	
Assigned value of exercised warrants				18,069			(18,069)
Net loss							
Equity units exchanged for common shares		80,483	(80,483)				
Decrease in unrealized gain on available-for-sale securities							

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Change in KSOP
debt

Balance, December 31, 2004	33,715,795	1,157,397	131,498,170	(674,598)		8,075,887	5,395,01	
Stock issued for cash								
Exercise of warrants	4.33	260,900		1,129,905				
Exercise of underwriter compensation options	3.00	202,100		605,468				
Exercise of underwriter compensation warrants	4.32	70,735		305,646				
Exercise of options	1.00	573,030		571,326				
Stock issued for services	2.92	251,350		733,231				
Stock issued to KSOP	3.45	75,000		258,971				
Net loss								
Variable plan accounting for options							(2,285,698)	
Assigned value of exercised warrants				223,416				(223,4
Assigned value of expired warrants						1,489,156		(1,489,1
Equity units exchanged for common shares		47,377	(47,377)					
Increase in unrealized gain on available-for- sale securities								
Change in KSOP debt								

Balance, December 31, 2005	35,196,287	1,110,020	135,326,133	(674,598)	1,489,156	5,790,189	3,682,44	