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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](http://www.sec.gov) and the Annual Information Form and other reports filed with Canadian provincial securities commissions at [www.sedar.com](http://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     |
|---|---------------|-----------------|---------------|
| <b>2005</b>   |               |                 |               |
| <b>Assets</b>   |               |                 |               |
| 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 |
| <b>Liabilities</b>                                    |               |                 |               |
| Liabilities   | \$ 2,317,106  | -               | \$ 2,317,106  |
| <b>Shareholders' equity</b>                           |               |                 |               |
| 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 |
| <b>2004</b>   |               |                 |               |
| <b>Assets</b>   |               |                 |               |
| 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  
 =====

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<br>adjustment included         |                |                 |                 |
| in net loss   | (2,285,698)    | (791,643)       | 7,704,726       |
| Stock based compensation under<br>the fair value method | (863,340)      | (599,423)       | (406,108)       |
| -----   |                |                 |                 |
| Pro-forma net loss under<br>U.S. GAAP                   | \$ (9,027,282) | \$ (11,750,957) | \$ (4,113,444)  |
| =====   |                |                 |                 |

Pro-forma basic and diluted

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|                                       |          |          |          |
|---------------------------------------|----------|----------|----------|
| net loss per share<br>under U.S. GAAP | \$ (.26) | \$ (.40) | \$ (.17) |
|---------------------------------------|----------|----------|----------|

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### 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      |
| <hr/>   |                 |
| Deficit accumulated during the development stage<br>from January 1, 1993 to December 31, 2005 | \$ 101,000,834  |
| <hr/>   |                 |
| Accumulated deficit, December 31, 1992  | 5,924,828       |
| <hr/>   |                 |
| 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     |
| <hr/>   |                 |
| Increase in cash and cash equivalents for the period<br>from January 1, 1993 to December 31, 2005 | 17,741,400      |
| Cash and cash equivalents at December 31, 1992  | 1,628,852       |
| <hr/>   |                 |
| 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   | \$       | \$ Value | \$ Val |
|---------------------------------------|-----------|--------|-----------|------------|----------|----------|----------|--------|
| \$                                    | Common    | Equity | \$ Amount | and units  | Contrib- | \$ Value | assigned | \$ Val |
| Issue                                 | Shares    | Units  |           | held by    | uted     | to       | to       | assign |
| Price                                 |           |        |           | affiliates | surplus  | options  | warran   |        |
| <hr/>                                 |           |        |           |            |          |          |          |        |
| Balance,                              |           |        |           |            |          |          |          |        |
| December 31, 1992                     | 8,875,862 |        | 8,290,819 | (70,944)   |          |          |          |        |
| Stock issued for<br>cash<br>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)              |

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|   |            |           |                        |
|---|------------|-----------|------------------------|
| 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                  |

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|                       |            |  |                         |
|-----------------------|------------|--|-------------------------|
| 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    |          |