

LINCOLN GOLD CORP
Form 10KSB
March 31, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

Annual Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the fiscal year ended **December 31, 2005**

Transition Report Under Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: **0-25827**

LINCOLN GOLD CORPORATION

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

88-0419475

(I.R.S. Employer Identification No.)

Suite 350 885 Dunsmuir Street

Vancouver, British Columbia, Canada

(Address of principal executive offices)

V6C 1N5

(Zip Code)

(604) 688-7377

Issuer's telephone number

Securities registered under Section 12(b) of the Exchange Act: **None.**

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any

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amendment to this Form 10-KSB. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes**
" **No x**

State issuer's revenues for its most recent fiscal year \$NIL

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) **\$5,879,700 as of March 30, 2006**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **41,915,000 shares of common stock as of March 30, 2006**

Transitional Small Business Disclosure Format (check one): Yes " No x

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

FORWARD-LOOKING STATEMENTS

The information in this Annual Report on Form 10-KSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of gold, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. Actual event results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

CORPORATE ORGANIZATION

Incorporation

We were incorporated under the laws of the State of Nevada as Braden Technologies, Inc. on February 17, 1999. We have been engaged in the acquisition, exploration and development of mineral properties since our inception.

Share Split

We completed a four-for-one split of our common stock effective March 10, 2004. As a result of this stock-split, our authorized capital increased from 25,000,000 shares to 100,000,000 shares of common stock. Concurrent with our stock split, the number of our issued and outstanding shares increased from 2,850,000 shares to 11,400,000 shares.

Acquisition of Lincoln Gold

We completed the acquisition of Lincoln Gold Corp., (Lincoln Gold) a Nevada corporation effective March 26, 2004. This acquisition was completed by our acquisition of all of the issued and outstanding shares of Lincoln Gold from the former shareholders of Lincoln Gold. On closing of the acquisition, we issued 24,000,000 shares of our common stock to the shareholders of Lincoln Gold. As a result of this issuance, the number of our issued and outstanding shares increased from 11,400,000 shares to 35,400,000 shares, of which approximately 67.80% was owned by the former shareholders of Lincoln Gold upon the completion of the acquisition.

Merger with Lincoln Gold

Subsequent to our acquisition of Lincoln Gold, we merged with Lincoln Gold in a parent/ subsidiary merger in April 2004 under Chapter 92A of the Nevada Revised Statutes. We completed the change of our name from Braden Technologies Inc. to Lincoln Gold Corporation as part of this merger process.

OVERVIEW

We are engaged in the acquisition and exploration of mineral properties in the State of Nevada. Our plan of operations for the next twelve months is to conduct exploration of our mineral properties in the State of Nevada.

We are an exploration stage company. All of our projects are at the exploration stage and there is no assurance that any of our mining claims contain a commercially viable ore body. We plan to undertake further exploration of our properties. We anticipate that we will require additional financing in order to pursue full exploration of these claims. We do not have sufficient financing to undertake full exploration of our mineral claims at present and there is no assurance that we will be able to obtain the necessary financing.

There is no assurance that a commercially viable mineral deposit exists on any of our mineral properties. Further exploration beyond the scope of our planned exploration activities will be required before a final evaluation as to the economic and legal feasibility of mining of any of our properties is determined. There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on any of our mineral properties.

MINERAL PROPERTIES AND PLAN OF OPERATIONS

We hold interests in five groups of mineral properties, with four properties located in Nevada and one property located in Mexico, as described below:

| Name of Property | Location |
|-------------------------|--|
| Buffalo Valley Property | Humboldt, Lander & Pershing Counties, Nevada |
| Hannah Property | Churchill County, Nevada |
| JDS Property | Eureka County, Nevada |
| Jenny Hill Property | Mineral & NYE Counties, Nevada |
| La Bufa | Mexico |

Our plan of operations is to carry out exploration of our mineral properties. Our specific exploration plan for each of our mineral properties, together with information regarding the location and access, history of operations, present condition and geology of each of our properties, is presented in the section of this Annual Report on Form 10-KSB entitled Description of Properties. All of our exploration programs are preliminary in nature in that their completion will not result in a determination that any of our properties contains commercially exploitable quantities of mineralization.

Our exploration programs will be directed by our management and will be supervised by Mr. Jeff Wilson, our vice-president of exploration. We will engage contractors to carry out our exploration programs under Mr. Wilson's supervision. Contractors that we plan to engage include project geologists, geochemical sampling crews and drilling companies, each according to the specific exploration program on each property. Our budgets for our exploration programs are set forth in the section of this Annual Report on Form 10-KSB entitled Description of Properties. We plan to solicit bids from drilling companies prior to selecting any drilling company to complete a drilling program. We anticipate paying normal industry rates for reverse-circulation drilling.

We plan to complete our exploration programs within the periods specified in the section of this Annual Report on Form 10-KSB entitled Description of Properties. Key factors that could delay completion of our exploration programs beyond the projected timeframes include the following.

- (a) Poor availability of drill rigs due to high demand in Nevada and Mexico;
- (b) Delays caused by permitting and bonding with the US Bureau of Land Management with respect to drilling programs;
- (c) Our inability to identify a joint venture partner and conclude a joint venture agreement where we anticipate a joint venture will be required due to the high costs of a drilling program;
- (d) Adverse weather, including heavy snow; and
- (e) Our inability to obtain sufficient funding.

Key factors that could cause our exploration costs to be greater than anticipated include the following:

- (a) adverse drilling conditions, including caving ground, lost circulation, the presence of artesian water, stuck drill steel and adverse weather precluding drill site access;
- (b) increased costs for contract geologists and geochemical sampling crews due to increased in demand in Nevada; and
- (c) increased drill rig and crew rental costs due to high demand in Nevada and Mexico.

Our board of directors will make determinations as whether to proceed with the additional exploration of our Nevada and Mexico mineral properties based on the results of the preliminary exploration that we undertake. In completing these determinations, we will make an assessment as to whether the results of the preliminary exploration are sufficiently positive to enable us to achieve the financing that would be necessary for us to proceed with more advanced exploration.

We may consider entering into joint venture arrangements on several of our mineral properties, as noted in the section of this Annual Report on Form 10-KSB entitled Description of Properties , to provide the required funding to pursue drilling and advanced exploration of our mineral claims. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to the joint venture partner. The assignment of the interest would be conditional upon contribution by the joint venture partner of capital to enable the advanced exploration on the mineral properties to proceed. We are presently in the process of attempting to locate a joint venture partner for our mineral claims, but we have not concluded any joint venture agreements to date. There is no assurance that any third party would enter into a joint venture agreement with us in order to fund exploration of our mineral claims.

We plan to continue exploration of our mineral claims for so long as the results of the geological exploration that we complete indicate the further exploration of our mineral claims is recommended and we are able to obtain the additional financing necessary to enable us to continue exploration. We have renewed all of our Nevada mineral claims by making the required filings with the Bureau of Land Management by September 1, 2005. We further plan to renew all of our mineral claims by making the required filings with the Bureau of Land Management by September 1, 2006 except where we determine to abandon exploration of any mineral claim prior to September 1, 2006. All exploration activities on our mineral claims are presently preliminary exploration activities. Advanced exploration activities, including the completion of comprehensive drilling programs, will be necessary before we are able to complete any feasibility studies on any of our mineral properties. If our exploration activities result in an indication that our mineral claims contain potentially commercial exploitable quantities of gold, then we would attempt to complete feasibility studies on our property to assess whether commercial exploitation of the property would be commercially feasible. There is no assurance that commercial exploitation of our mineral claims would be commercially feasible even if our initial exploration programs show evidence of gold mineralization.

If we determine not to proceed with further exploration of any of our mineral claims due to results from geological exploration that indicate that further exploration is not recommended or due to our lack of financing, we will attempt to acquire additional interests in new mineral resource properties. Due to our limited finances, there is no assurance

that we would be able to acquire an interest in a new property that merits further exploration. If we were to acquire an interest in a new property, then our plan would be to conduct resource exploration of the new property. In any event, we anticipate that our acquisition of a

new property and any exploration activities that we would undertake will be subject to our achieving additional financing, of which there is no assurance.

PRIOR EXPLORATION ACTIVITIES

A summary of our exploration activities on properties that have been discontinued prior to January 1, 2005 is included in our Annual Report on Form 10-KSB for the year ended December 31, 2004.

Lincoln Flat Property

We previously held option to acquire a 100% interest in the claims comprising the Lincoln Flat project, subject to a net smelter royalty, pursuant an option agreement dated December 24, 2003 between us and Larry and Susan McIntosh of Gardnerville, Nevada, as optionors. The Lincoln Flat property is comprised of twenty-seven (27) unpatented lode claims covering approximately 540 acres (0.84 sq miles) in Lyon and Douglas Counties Nevada. We had the option to acquire a 100% interest in the Lincoln Flat property by making aggregate payments to the optionors in the amount of \$210,000.

We commenced field exploration work on the Lincoln Flat property during the first quarter of 2005 with the objective of further exploring a gold-hematite breccia target and a fracture-controlled gold porphyry target. This field work included a soil sampling and rock-chip sampling program.

We submitted a Notice of Intent to Operate and Reclamation Bond to the U.S. Bureau of Land Management with the objective of drill testing the two target areas in June 2005. Permitting was approved by the U.S. Bureau of Reclamation. We drilled nine reverse-circulation drill holes during the summer of 2005 for a total footage of 5,145 ft. Drilling was conducted to test various gold soil anomalies and geologic targets. While scattered intercepts of gold were encountered, the results did not meet our expectations. As a result, we terminated the option agreement and the property has been returned to the owner. We have no further liabilities or obligations with respect to either the Lincoln Flat Project or the option agreement other than to complete approximately \$15,000 of reclamation work relating to the drilling that we completed. This reclamation work is required under our drilling permit.

New Opportunities

During 2005, we continued to review new prospective gold exploration opportunities in Nevada, Utah, Arizona, California, and Mexico. We plan to continue to review new opportunities on a case-by-case basis.

COMPETITION

We are a junior mineral resource exploration company. We compete with other mineral resource exploration companies for financing and for the acquisition of new mineral properties. Many of the mineral resource exploration companies with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could adversely impact on our ability to achieve the financing necessary for us to conduct further exploration of our mineral properties.

We will also compete with other junior mineral exploration companies for financing from a limited number of investors that are prepared to make investments in junior mineral exploration companies. The presence of competing junior mineral exploration companies may impact on our ability to raise additional capital in order to fund our exploration programs if investors are of the view that investments in competitors are more attractive based on the

merit of the mineral properties under investigation and the price of the investment offered to investors.

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We will also compete with other junior and senior mineral companies for available resources, including, but not limited to, professional geologists, camp staff, helicopter or float planes, mineral exploration supplies and drill rigs.

GOVERNMENT REGULATIONS

We will be required to obtain work permits from the United States Bureau of Land Management (BLM) for any exploration work on our Nevada mineral properties that results in a physical disturbance to the land. We will not be required to obtain a work permit for any phase of our proposed mineral exploration programs that does not involve any physical disturbance to the mineral claims, such as data compilation, field work and geochemical surveys. We will be required to obtain work permits for all drilling operations that we plan to conduct on our mineral properties. Prior to commencing drilling operations on any of our properties, we must submit a Notice of Intent to Operate to the BLM and post a bond as security for our obligation to complete reclamation activities. We will be required by the Bureau of Land Management to undertake remediation work on any work that results in physical disturbance to the mineral claims, including drilling programs. We estimate that the cost of remediation work for our drilling programs will be approximately \$25,000 for each drilling program. The estimated amount of remediation work is included within our budgets for our exploration programs. The actual amount of reclamation cost will vary according to the degree of physical disturbance.

We have made all current Bureau of Land Management filings for our Nevada properties. All claims are in good standing until September 1, 2006. Applicable county fees have also been paid.

The La Bufa property is an exploration concession granted by a branch of the Mexican government and is for a three year terms. Thereafter, the La Bufa property may be converted into an exploitation concession that would have a term of fifty years. The La Bufa property is presently beginning the second year of the tem of its exploration concession. An annual fee of \$1.25 pesos per hectare is due to the Mexican federal government. The net area of the La Bufa exploration concession is 1040.75 hectares, thereby requiring an annual payment of \$1300.94 pesos.

RESEARCH AND DEVELOPMENT EXPENDITURES

We have not spent any amounts on research and development activities since our inception. Our planned expenditures on our exploration programs are summarized under the section of this Annual Report on Form 10-KSB entitled Description of Properties.

EMPLOYEES

We have two employees, namely Paul Saxton, our chief executive officer and chief financial officer, and Jeffrey Wilson, our vice-president of exploration. We carry out our exploration programs through contracts with third parties, including geologists, engineers, drilling companies.

SUBSIDIARIES

We do not have any subsidiaries.

ITEM 2. DESCRIPTION OF PROPERTIES.

DESCRIPTION OF PROPERTIES

We maintain our head office located at Suite 350 885 Dunsmuir Street, Vancouver, B.C., V6C 1N5. These premises are located at the business premises of our president, Mr. Paul Saxton. We pay a proportionate share of rent and administrative expenses associated with these premises.

Our operations office is located at 325 Tahoe Drive, Carson City, Nevada, 89703. Our operations office is located in the home of Mr. Jeff Wilson, our vice-president of exploration. These premises are provided by Mr. Wilson at no cost to us.

Our current four groups of mineral properties located in the State of Nevada are described below:

BUFFALO VALLEY PROPERTY

1. Location and Access

The Buffalo Valley property is located in north-central Nevada, approximately 25 miles west of the small town of Battle Mountain, Nevada in Humboldt, Lander, and Pershing Counties. Access is good via US Interstate 80 to the north and numerous dirt and gravel ranch and mine roads. A map showing the location of and access to the Buffalo Valley property is presented below:

2. Ownership Interest

We have acquired a twenty year lease of the two hundred sixty-eight (268) unpatented lode claims that comprise the Buffalo Valley Property. We acquired our lease pursuant to a mining lease agreement dated July 9, 2004 between us and Nevada North Resources (U.S.A.), Inc., the underlying owner of the property (Nevada North). We paid to \$10,000 to Nevada North upon execution of the lease agreement. We are obligated to make the following advance minimum royalty payments to Nevada North in order to maintain our leasehold interest in the Buffalo Valley Property:

| Date of Payment | Amount of Advance Minimum Royalty |
|-----------------------------|---|
| July 9, 2005 (payment made) | \$20,000 |
| July 9, 2006 | \$20,000 |
| July 9, 2007 | \$40,000 |
| July 9, 2008 | \$40,000 |
| July 9, 2009 | \$50,000 |
| July 9, 2010 | \$50,000 |
| July 9, 2011 | \$60,000 |
| July 9, 2012 | \$60,000 |
| July 9, 2013 | \$70,000 |
| July 9, 2014 | \$70,000 |
| Each Subsequent Anniversary | \$80,000, subject to adjustment for inflation increases with the beginning index being the index published for April 2015 |

We have committed to a two year option on the claims made up of the initial payment and the first year anniversary payment. Thereafter, Nevada North will be entitled to terminate if we do not make any subsequent payment. We will not be responsible or liable for advance royalty payments due subsequent to termination or expiration of the lease agreement.

In addition, we are obligated to pay to Nevada North a net smelter return (NSR) equal to a percentage of Net Revenue as defined and calculated under the lease agreement as follows:

| Price of Gold | Amount of NSR, as a percentage of Net Revenue |
|---|--|
| \$375 or less per ounce | 3.0% |
| More than \$375 but less than \$474 per ounce | 4.0% |
| \$474 or more per ounce | 5.0% |

The initial term of the lease is twenty years from July 9, 2004, subject to our making the required payments to Nevada North. The term of the lease will remain in effect thereafter for so long as mining, processing, construction of mine facilities, development or ore reserves or exploration activities continue on the Buffalo Valley Property or adjacent properties that we own or control.

The lease agreement entitles us to carry out mineral exploration of the Buffalo Valley Property during the term of the lease. We are obligated to pay for all Bureau of Land Management and county maintenance fees required in order to maintain the claims comprising the Buffalo Valley Property during the term of the lease. We do not have any minimum work or exploration requirements under the lease.

We completed the \$20,000 payment due pursuant to our lease agreement for the Buffalo Valley property to Nevada North Resources (U.S.A.), Inc. prior to the first anniversary, as required by the agreement. We have also paid all current BLM and County fees in the amount of \$35,866.50 that were required by October 1, 2006. We are not obligated to complete any exploration expenditures in order to maintain our lease interest in the Buffalo Valley property.

3. History of Operations

The Buffalo Valley Property and adjacent areas have been explored over the past 10 years by Uranerz, Cameco, Nevada North, Homestake, Anglo Gold, and Newcrest. Geophysical work and some drilling were conducted by Uranerz/Cameco and Anglo Gold and perhaps others. Under Homestake's control, exploration of the property was advanced by assimilating the large data base and defining three shear zone targets along the Buffalo Valley axial fault. The targets were never drilled because Barrick bought out Homestake and the property was returned to Nevada North.

The most comprehensive geological report in our possession is an exploration drilling proposal prepared for Homestake which recommended the drilling of 10 exploration holes with attending budget. The drilling program was approved by Homestake's senior management but the holes were never drilled due to the acquisition of Homestake Mining by Barrick.

We also have obtained several CD disks containing geological and geophysical data, including important information from Anglo Gold. We are in the process of organizing and evaluating this information.

4. Present Condition of the Property and Proposed Exploration Program

The Buffalo Valley Property is in the early stage of exploration and presently contains no known gold or silver resources. There is no plant or equipment on the Buffalo Valley Property. The property consists of barren land with no improvements.

We executed a letter to intent to joint venture the Buffalo Valley Property with Agnico-Eagle (USA) Ltd., effective July 26, 2005. Under the terms of the letter agreement, Agnico-Eagle is obligated to keep the property in good standing with the BLM and local Counties and to make the underlying payments to the Owner, Nevada North Resources (USA), Inc. Upon completing US\$3.0 million in work expenditures on the Property, Agnico-Eagle will have earned a 60% interest in the property and a joint venture will be formed. Agnico-Eagle will then have 180 days to elect to earn an additional 10% by preparing and presenting to the Company a feasibility study for the development of a mine on the property. On completion of the feasibility study, Agnico-Eagle will have earned a 70% interest in the property. If the joint venture decides to develop a mine, Agnico-Eagle may loan or help arrange financing for our portion of the required capital in consideration of an additional 5% interest in the joint venture. Exercise of this option would result in Agnico-Eagle holding 75% and us holding 25% of the joint venture. If Agnico-Eagle elects to drop the Property before June 1 in any given year, the lease payment obligations and government claim holding costs shall revert back to us.

The current exploration plans for the Buffalo Valley Property is set forth below. All work will be conducted by Agnico-Eagle and the Company will have no involvement in any exploration contractual work. Our vice-president of exploration will monitor all work completed by Agnico-Eagle.

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| Stage of Exploration | Anticipated Timetable for Completion | Estimated Cost of Completion |
|---|--|------------------------------|
| Possible geophysical programs. | First quarter of 2006 through the second quarter of 2006 | \$1,500 |
| Phase one exploration drilling on structural intersections with magnetica lows and evaluation of exploration data | First quarter of 2006 through the fourth quarter of 2006 | \$250,000 |

It is possible that Agnico-Eagle will complete their phase one drilling and data evaluation and return the property to us prior to June 1, 2006. If so, we would be obligated to make the annual claim maintenance payments to the BLM and local Counties to keep the property in good standing.

Agnico-Eagle will be required to submit a Notice of Intent to Operate plus post a Reclamation Bond (est. \$25,000 cash bond) prior to undertaking any drilling on the Buffalo Valley property.

5. Geology

The Buffalo Valley Property lies within the northern portion of the Battle Mountain-Eureka Gold Trend in the broad, north-northeast-trending Buffalo Valley. Although much of the bedrock in Buffalo Valley is concealed by alluvium, past exploration drilling has revealed favourable stratigraphy for Carlin-type, Cove-type and skarn deposits containing gold and silver mineralization beneath valley fill. Potential host rocks above the Golconda Thrust include the Triassic Star Peak Group (Cove host) and the Carboniferous Havallah Sequence (partial Lone Tree host; Converse host). Host rocks beneath the Golconda Thrust are the Penn-Permian Antler Sequence (Lone Tree & Marigold hosts). District ore controls appear to be north-trending faults, favourable stratigraphy, and +/- 41-39 million year old intrusive rocks. Geophysical interpretations indicate that a swarm of north-trending faults are present within the claims controlled by us. Gossanous alteration and elevated pathfinder elements have been encountered on the property in past drilling. Targets in covered areas are typically defined by intersecting structures and magnetic lows.

HANNAH PROPERTY, CHURCHILL COUNTY, NEVADA

1. Location and Access

The Hannah Property is located approximately 55 miles east of Reno, Nevada in the southern portion of the Trinity Range north of Interstate 80 in Churchill County. Access is east from Reno via Interstate 80 and then north on gravel and dirt roads from Hot Springs Flat to the Property. A map showing the location of and access to the Hannah property is presented below:

2. Ownership Interest

The Hannah property is comprised of twenty-three (23) unpatented lode claims covering approximately 460 acres (0.72 sq. miles) in Churchill County, Nevada.

We have an option to acquire a 100% interest in the claims comprising the Hannah project, subject to a net smelter royalty, pursuant to an option agreement dated December 24, 2003 between us and Larry and Susan McIntosh of Gardnerville, Nevada, as optionors. We have the option to acquire a 100% interest in the Hannah property by making aggregate payments to the optionors in the amount of \$210,000. We may exercise this option at any time prior to the ten year anniversary of the effective date of the agreement, being December 24, 2013. We are obligated to make the following option payments in order to maintain our option agreement in good standing:

| Date of Payment | Amount of Option Payment |
|------------------------|---------------------------------|
| December 24, 2003 | \$5,000 (paid) |
| January 10, 2005 | \$5,000 (paid) |
| January 10, 2006 | \$10,000 (paid) |
| January 10, 2007 | \$15,000 |
| January 10, 2008 | \$25,000 |
| January 10, 2009 | \$25,000 |
| January 10, 2010 | \$25,000 |
| January 10, 2011 | \$25,000 |
| January 10, 2012 | \$25,000 |
| January 10, 2013 | \$50,000 |

We will be deemed to have exercised the option upon completion of the above option payments at which time we will be entitled to a 100% interest in the Hannah property, subject to the payment of a net smelter royalty to the optionors. The net smelter royalty will be calculated as 3% of net smelter returns, as defined in the option agreement, if the price of gold is less than or equal to \$400 per ounce, and 4% of net smelter returns if the price of gold is greater than \$400 per ounce. If we exercise the option, we will have the right to reduce the net smelter royalty by 1%, up to a maximum of 2%, upon the payment of \$500,000 to the optionors for each 1% of reduction as set out in the table below:

| Gold Price (US\$ per ounce) | Net Smelter Royalty payable on execution of the Agreement | Net Smelter Royalty payable after first payment of \$500,000 | Net Smelter Royalty payable after second payment of \$500,000 |
|--------------------------------|---|--|---|
|--------------------------------|---|--|---|

| | | | |
|-----------------------------|----|----|----|
| Less than or equal to \$400 | 3% | 2% | 1% |
| Greater than \$400 | 4% | 3% | 2% |

If we complete a positive feasibility study for the development or mining of mineral products on the Hannah property and obtains all government approvals, consents, licenses and permits to construct, develop or operate a mine on the Hannah property prior to January 10, 2013, we will be obligated purchase the Hannah property prior to the commencement of mining of mineral products. In this event, the purchase price for the Hannah property shall be the sum of all unpaid option payments due to the optionors through January 10, 2013.

We have the exclusive right to conduct exploration on the Hannah property during the term of the option agreement, provided that we make the required option payments. We are obligated to make all federal and county claim maintenance fees in a timely manner to keep the claims in good standing during the term of the option agreement. In the event that we do not make any required option payment, then the optionors will be entitled to terminate the agreement and we will lose our interest in the property. However, we will not have any obligation to make further option payments in the event of termination due our inability to make any required option payment. We may surrender our interest in the property and

terminate the agreement at our election upon written notice to the optionors. In this event, the optionors will retain all option payments paid pursuant to the agreement.

We have paid \$3,074.50 for BLM and County annual claim maintenance fees that were required to be paid by October 1, 2005. We will be required pay approximately \$3,075 for BLM and County annual claim maintenance fees by September 1, 2006. We are not obligated to complete any minimum exploration expenditures or other work commitment in order to maintain our option on the Hannah property.

3. History of Operations

Various old shafts, adits, and numerous small prospects are on the Hannah Property from prospecting in the early 1900 s. Cominco was active in the general area in the 1960 s and Chevron drilled three scattered holes on the claim block in the 1980 s. None of Chevron s holes tested the Hannah gold target. Four backhoe trenches were dug by Cordex in the late 1990 s, however no follow-up work was conducted. NDT Ventures held the property in 2002 but conducted no significant work. A total of 50 soil samples and 329 rock-chip samples have been collected from the property and assayed.

4. Present Condition of the Property and Current State of Exploration

The Hannah Property is in the early stage of exploration and presently contains no known gold or silver resources. Our current state of exploration consists of geologic mapping and sampling.

There is no plant or equipment on the Hannah Property other than some scattered remnants of past prospecting. The property consists of barren land with no improvements with the exception of dirt roads.

We have no formal geologic reports on the Hannah Property. However, we do have all past soil and rock-chip sample results plus preliminary maps from geologic mapping.

We commenced field exploration work on our Hannah property during the first quarter of 2005. The field work included obtaining soil samples as part of a soil sampling program. Results from 132 new soil samples were combined with results from 50 previous samples to define a conspicuous soil gold anomaly approximately 3000 feet in length and locally over 500 feet in width. We believed that this identified anomaly warrants more advanced exploration. As a result, we submitted a Notice of Intent to Operate and a Reclamation Bond for drilling 10 exploration holes to the U.S. Bureau of Land Management (the BLM). The BLM approved our submission and we commenced track-mounted, reverse-circulation drilling on identified gold geochemical targets in May. This drilling program was completed in early June. Eleven (11) holes were completed for a total footage of 4,815 ft. Two holes, H-11 and H-1, encountered encouraging gold-silver mineralization in the western portion of the target area. Although strong alteration was encountered elsewhere to the east, the remaining holes were barren.

We have determined that follow up drilling is warranted on the Hannah Property based on the results of the initial eleven hole drilling program that we completed on the Hannah Property, as described above.

Our plan of exploration for the Hannah Property is as follows:

| Description of Phase of Exploration | Description of Exploration Work Required |
|-------------------------------------|---|
| Pediment Electromagnetic Survey | Conduct geophysical survey in pediment covered area west of mineralized breccia to identify the trace of target zone. |
| | |

Phase 2 Exploration
Drilling

Drill ten shallow reverse-circulation drill holes to test the breccia zone and possible extensions under pediment gravels. Estimate 4000 ft of drilling.

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| Description of Phase of Exploration | Description of Exploration Work Required |
|-------------------------------------|---|
| Bottle-Roll Metallurgical Tests | Conduct several bottle-roll metallurgical tests conducted on as received drill cuttings from mineralized zones. |
| Data Evaluation | Evaluate drilling and metallurgical results. |

The anticipated timetable and estimated budget for completion for each stage of exploration is as follows:

| Stage of Exploration | Anticipated Timetable for Completion | Estimated Cost of Completion |
|---------------------------------|--------------------------------------|------------------------------|
| Pediment Electromagnetic Survey | 3 rd Qtr | \$20,000 |
| Phase 2 Exploration Drilling | 3 rd Qtr | \$130,000 |
| Bottle-Roll Metallurgical Tests | 3 rd Qtr | \$1,500 |
| Data Evaluation | 4 th Qtr | \$7,500 |

All work will be conducted on our behalf by contractors who will anticipate will include a project geologist, Zonge Geoscience for the electro-magnetic survey, a local bulldozer operator for site preparation and reclamation, and a drilling company. Cost estimate for a contract geologist is \$375 per day plus travel expenses. No contracts have been let. Normal industry rates are expected for the geophysical survey, site preparation and reclamation, and reverse-circulation drilling. The program will be supervised by our vice-president of exploration.

In addition, we will continue our efforts to locate a joint venture partner to share the costs of exploration of the Hannah Property.

5. Geology

The Hannah Property lies in exotic metamorphic terrain comprised of Triassic metavolcanics and various Tertiary intrusive rocks and lakebeds (no formation names). A highly oxidized, gold-bearing shear zone cuts the metavolcanics and extends in an east-west direction across the southern portion of the claim block. The trace of the fault zone is uncertain but it is believed to dip to the north and may be up to 100 ft in thickness. The fault is locally exposed as a conspicuous, iron-stained, bleached breccia zone that extends to the west under pediment gravels.

JDS PROPERTY, EUREKA COUNTY, NEVADA

1. Location and Access

The JDS property is located in central Nevada, approximately 40 miles northwest of the small town of Eureka in Eureka County. The property is in Denay Valley adjacent to the northern end of the Simpson Park Mountains. Access is fair to good during good weather via the Tonkin Road (dirt/gravel) that traverses through the property. A map showing the location of and access to the JDS property is presented below:

2. Ownership Interest

We are the owner of the seventy-seven (77) unpatented lode claims comprising the JDS project which covers approximately 1,540 acres (2.04 sq miles). We staked and recorded the mineral claims. These mineral claims are registered in our name and are not subject to underlying lease payments or royalties. The JDS property is subject only to annual claim maintenance fees payable to the BLM and Eureka County. We must pay approximately \$12,500 in BLM and Eureka County annual claim maintenance fees by September 1, 2006 in order to maintain our interest in these properties.

3. History of Operations

There have been no previous operations of any type on the property.

4. Present Condition of the Property and Current State of Exploration

No significant exploration has been conducted on the JDS Property. The property is in early stage exploration and presently contains no known gold resources.

There is no plant or equipment on the JDS Property. The property consists of barren land with no improvements.

We have one geologic report on the JDS Property that was written by Kenneth D. Cunningham, Wyoming Professional Geologist PG-1636, and dated February 9, 2004. The report reviews the potential for Carlin-type gold deposits on the JDS Property.

During the first quarter of 2005, we interpreted newly acquired geophysical data that corroborated the presence of a possible large intrusive body or dike swarm along the north-western perimeter of the claim block. We believe that this is a favorable geologic environment for gold mineralization.

During 2005, we conducted a mercury soil gas survey across the northwest portion of the JDS Property. The survey consisted of 240 samples in eight lines with 50-meter sample stations. A strong soil gas

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anomaly was identified. Subsequently, a detail gravity line was surveyed across the soil gas anomaly area. The gravity data revealed a conspicuous structural bedrock platform buried under gravels. Regional gravity interpretations indicate intersecting faults in the subsurface platform.

Based on the results of this geological survey, we plan to complete a drilling program on the JDS Property.

Our plan of exploration for the JDS Property is as follows:

| Description of Phase of Exploration | Description of Exploration Work Required |
|-------------------------------------|--|
| Phase 1 Drilling | Drill three reverse-circulation holes to test the mercury soil gas anomaly. Estimated total footage: 3,000 to 4,000 ft |
| Data Evaluation | Evaluate drill data |

The anticipated timetable and estimated budget for completion if each stage of exploration are as follows:

| Stage of Exploration | Anticipated Timetable for Completion | Estimated Cost of Completion |
|----------------------|--------------------------------------|------------------------------|
| Phase 1 Drilling | Second and third quarter of 2006 | \$150,000 |
| Data Evaluation | Third quarter of 2006 | \$7,000 |

All work will be conducted on our behalf by contractors who will include a project geologist and a drilling company. Cost estimate for a contract geologist is \$375 per day plus travel expenses. To date, no bids have been solicited from drilling companies; normal industry rates are expected for reverse-circulation drilling. The program will be supervised by our vice-president of exploration.

We plan to seek a joint venture partner to help finance further exploration of the property, including the contemplated drilling program described above. There is no assurance that we will be able to locate a joint venture partner to fund the contemplated drilling program on the JDS property. If we are unable to enter into any joint venture arrangement, then we will proceed with the drilling program provided we have sufficient funding.

5. Geology

The JDS Property lies within the Cortez Trend in the southern portion of the Battle Mountain-Eureka Mineral Belt. Although covered by valley fill, the geology of the JDS Property is believed to be an extension of favourable lower plate rocks of the Roberts Mountains Thrust that are known to host large Carlin-type gold deposits. Potential Devonian host rocks are exposed in the nearby Simpson Park Mountains and are believed concealed under shallow cover at JDS. Similar Devonian strata host very large gold deposits at Pipeline and Cortez to the northwest of the JDS Property. Available gravity data at JDS suggest shallow depth to bedrock and north-trending faults that converge in the northwestern portion of the claim block. The combination of favourable lower plate bedrock and converging faults indicate exploration potential for Carlin-type gold deposit(s). A strong mercury soil gas anomaly has also been identified in the northwest portion of the JDS Property.

JENNY HILL PROPERTY, MINERAL & NYE COUNTIES, NEVADA

1. Location and Access

The Jenny Hill Property is located in west-central Nevada approximately 16 miles due west of the small town of Gabbs in the Black Hills portion of the southern Monte Cristo Mountains. The claims are in Mineral and Nye Counties. Access to the property is via paved State Highway 361 south of Gabbs to the Rawhide Road (dirt) that extends westerly to the vicinity of the southern tip of the Black Hills. A map showing the location of and access to the Jenny Hill property is presented below:

2. Ownership Interest

The Jenny Hill project is comprised of ninety-seven (97) unpatented lode claims covering approximately 1,940 acres (3.03 sq miles) in Mineral and Nye Counties, Nevada. These mineral claims are held by us subject a lease with option to purchase agreement dated September 15, 2004 between us and Larry and Susan McIntosh of Gardnerville, Nevada. The Agreement is a binding letter agreement that governs pending the execution of a definitive agreement. We are presently negotiating a definitive mining lease with option to purchase agreement with the owners, as contemplated in the letter agreement.

We have the option to acquire a 100% interest in the Jenny Hill project, subject to a net smelter royalty, by making aggregate payments to the owners in the amount of \$1,500,000. We may exercise this option at any time prior to the seven year anniversary of the effective date of the agreement, being September 28, 2011. We are obligated to make the following required advance royalty payments, each of which may be credited towards the exercise price of the option, pending the exercise of option as lease payments:

| Date of Payment | Amount of Advance Royalty Payment |
|------------------------|--|
| September 28, 2004 | \$7,000 (paid) |
| September 28, 2004 | \$13,000 (paid) |
| September 28, 2005 | \$25,000 (paid) |
| September 28, 2006 | \$30,000 |
| September 28, 2007 | \$60,000 |
| September 28, 2008 | \$70,000 |
| September 28, 2009 | \$80,000 |
| September 28, 2010 | \$90,000 |
| September 28, 2011 | \$1,125,000 |

We are obligated to complete exploration work on the property in the minimum amount of \$50,000 by September 28, 2005 and \$100,000 in each successive year of the term of the agreement. We have completed the initial \$50,000 of exploration work that was required to be completed by September 28, 2005. We are also obligated to make all federal and county claim maintenance fees in a timely manner to keep the claims in good standing.

We have the exclusive right to conduct exploration on the Jenny Hill property, provided that we make the required advance royalty payments and complete the required exploration expenditures. In the event that we do not make the required advance royalty payments or complete the required exploration expenditures, then the owners will be entitled to terminate the agreement and we will lose our interest in the property. However, we will not have any obligation to make further advance royalty payments or payments in lieu of exploration expenditures in the event of termination due our inability to make the required advance royalty payments or complete the required exploration expenditures. We may surrender our interest in the property and terminate the agreement at our election upon written notice to the owners. In this event, the owners will retain all payments and royalties paid pursuant to the agreement.

In the event that mineral production is commenced on the property, we will be obligated to pay to the owners a 2% net smelter return royalty. The definition of net smelter returns is to be agreed upon in the definitive agreement. We have the right of first refusal to purchase any interest in the property should the owners determine to sell any interest in the property. The owners have also granted to us an area of interest of approximately 1 mile surrounding the Jenny Hill claims. Under this right, any additional mineral claims acquired by the owners that are contiguous or within one mile of the Jenny Hill claims will be subject to our lease and option to purchase agreement.

We are presently proceeding with the preparation of a final definitive agreement between ourselves and the owners which will supersede the September 28, 2005 letter agreement. We have agreed to pay 50% of attorney fees for preparation of this final agreement. We anticipate that the agreement will be completed during the second quarter of 2005.

We completed the payment of \$12,983 for BLM and County annual claim maintenance fees that were required to be paid by September 1, 2005. In addition, we must pay \$30,000 to the owners and complete at least \$100,000 in exploration work on the Property by September 28, 2006.

We executed a letter of intent to joint venture the Jenny Hill property with Kinross Gold Corporation on December 9, 2005. Under the terms of the letter agreement, Kinross is obligated to keep the property in good standing with the BLM and local counties and will make the underlying payments to the owner.

Upon completing \$3.0 million in work expenditures on the property, Kinross will have earned a 60% interest in the property and a joint venture will be formed between us and Kinross. At Kinross' discretion, Kinross may earn an additional 10% interest by producing a feasibility study on the project. Upon the joint venture reaching a positive construction decision for a mine, Kinross will have the option to earn an additional 5% interest by arranging financing instruments on our behalf. Kinross may earn a total interest of 75% in the Property, in which event we would hold a 25% interest. If Kinross elects to drop the property before July 1 in any given year, the lease payment obligations and government claim holding costs shall revert back to us.

3. History of Operations

There are abundant old gold workings and prospect pits on the Jenny Hill property and remnants of a small mill in the Black Hills dating back to the 1880s. Minor gold production also came from the Black Hills by local prospectors in the 1960s. Comaplex Minerals and NDT Ventures were independently active on the southern portion of the claim block in 2000-2004. To date, 303 soil samples and 377 rock-chip samples have been collected and analyzed yielding conspicuous gold. Comaplex Minerals completed 39.14 line miles of ground magnetometer survey (contractor Zonge Geosciences, Inc.) on the southern portion of the claim block. We acquired our interest in the Jenny Hill Property in October 2004.

4. Present Condition of the Property and Current State of Exploration

The Jenny Hill Property is in the early stage of exploration and presently contains no known gold or silver resources. Our current state of exploration consists of geologic mapping and sampling.

There is no plant or equipment on the Jenny Hill Property other than some scattered remnants of past prospecting and mining activities in the Black Hills. The property consists of barren land with no improvements other than a well-maintained county dirt road.

Jenny Hill is an early-stage exploration property. There are no formal geologic reports available at this time. However, we do have copies of all past soil and rock-chip sampling data including maps and results. Most sample analyses were conducted by ALS Chemex. We also have access to the ground magnetometer survey report by Zonge Geosciences, Inc. that was conducted on behalf of Comaplex Minerals.

We staked eighty-five (85) new lode claims during the first quarter of 2005 in order to expand the Jenny Hill property to cover additional property that we believe is prospective for gold exploration. We now control 182 contiguous lode claims that cover approximately 3,640 acres. We initiated limited field exploration work during our first quarter of 2005 which consisted largely of reconnaissance sampling on the newly acquired ground and detail geologic mapping and sampling in the northern portion of the claim block.

We initiated a large, GPS-based, ground magnetometer survey in late April 2005. The survey was completed by a Reno-based geophysical contractor in early May. The survey was conducted to help identify structures related to mineralization and skarn. The magnetometer lines were combined with a previous survey (same contractor) for a total of 68 lines on approximately 100 meter spacing for a total of 105 line-kilometers of data acquisition. The entire claim block is now covered by the magnetometer survey. Subsequent data was interpreted by a certified, Reno-based geophysicist who produced maps showing structure, geologic units, and mineral targets. These data will be used with newly acquired soil geochemical data to help identify drill targets.

Six gravity meter lines and one tie line were also surveyed by the same contractor on the northern portion of the claim block. The survey was conducted to identify depth to bedrock in covered areas and also to help identify concealed structures and rock types. Data interpretation remains in progress. This portion of the claim block has potential for Carlin-type gold hosted in Triassic sedimentary rocks.

We have completed our geophysical programs and are continuing geologic mapping with the objective of identifying drill targets.

Our for the Jenny Hill Property is to minor the explorationwork to be conducted by Kinross Gold Corporation during 2006. We understand that Kinross will undertake the following exploration activities during 2006, with a minimum anticipated expenditure amount of \$200,000:

| Description of Phase of Exploration | Description of Exploration Work Required |
|-------------------------------------|--|
| Geologic Mapping & Sampling | Continue mapping and sampling program |
| Target Identification | Compile all data and identify high-priority gold targets |
| Phase 1 Drilling | Drill targets Specifics unknown at this time |
| Data Evaluation | Evaluate drill data |

5. Geology

The Jenny Hill Property is located along the eastern margin of the northwest-trending Walker Lane Mineral Belt. Bedrock consists of a mass of Jurassic granitic rock resting on a thrust fault, Cretaceous (?) dikes and sills, and sedimentary strata of Triassic Luning Formation. Potential for a Carlin-type gold deposit(s) is present in the altered siltstones of the Luning Formation at the northern end of the claim block. Outcrops yield a Carlin-type geochemical signature with anomalous gold. Potential for gold-bearing skarn exists on the southern portion of the claim block where Cretaceous dikes have cut and altered the Luning Formation adjacent to a large thrust sheet of Cretaceous granitic rock. Anomalous gold is present at the surface in skarn exposures. The northern and southern areas of the property appear linked by a major north-trending fault that may be related to gold mineralization. The property has never been drilled.

LA BUFA PROPERTY

1. Location and Access

The La Bufa exploration concession is located in the southwest extremity of the state of Chihuahua, Mexico and is centered on the small town (mining district) of Guadalupe y Calvo in the Sierra Madre Occidental. The single exploration concession adjoins and surrounds other concessions within the district. Net area is 1040.75 hectares (approximately 2571 net acres). The nearest commercial airport is in the city of Chihuahua, 480 km by road from the property. All-season vehicle access to the property is excellent. The town of Guadalupe y Calvo is the terminus of the paved, well-maintained Mexico Highway 24 which winds 270 kilometers from mining town of Hidalgo del Parral to the northeast. Access on the concession is via dirt roads. A map showing the location and access to the La Bufa property is presented below.

2. Ownership Interest

The La Bufa Property consists of three contiguous Mexican Exploration Concessions, La Bufa (No. 219036), La Bufa 1 (No. 222724), and La Bufa 2 (No. 223165) totalling 1,916.21 hectares, as follows:

| Name | Type | Title | File | Area Hect. | Issued | Expired | Tax Rate | Pesos | US\$ |
|---------|---------|--------|----------|------------|-----------|-----------|----------|---------|-------|
| La Bufa | Explor. | 219036 | 16/31696 | 1040.7594 | 31/Jan/03 | 30-Jan-09 | \$6.0100 | \$6,256 | \$585 |
| La Bufa | Explor. | 222724 | 16/32275 | 485.0000 | 27-Aug-04 | 26-Aug-10 | \$6.0100 | \$2,916 | \$273 |
| La Bufa | Explor. | 223165 | 16/32529 | 765.5000 | 28-Oct-04 | 27-Oct-10 | \$6.0100 | \$4,602 | \$430 |

The concessions were issued by the Direccion General de Minas in 2003 and 2004 to Minera Gavilan, S.A. de C.V., a Mexican subsidiary controlled 100% by Almaden Minerals Ltd., a publicly traded Canadian junior listed on the Toronto Stock Exchange (AMM). On August 8, 2005, we executed a letter of intent to joint venture the property with Almaden whereby we can earn a 51% interest in the property by undertaking exploration expenditures in the minimum amount of US\$2.0 million over 4 years. This letter of intent has not been executed by Almaden to date, however we anticipate that this letter of intent will be executed shortly subsequent to the filing of this Annual Report. Under this letter of intent, we will be able to earn an additional 9% interest by undertaking exploration expenditures in

the minimum amount of an additional US\$1.0 million over a further 18 months. As consideration, we issued to Almaden 50,000

shares of our common stock upon signing of the letter of intent and have agreed to issue to Almaden 60,000 shares on the first anniversary, 70,000 shares on the second anniversary, 80,000 shares on the third anniversary, 90,000 shares on the fourth anniversary, and 100,000 shares upon our electing to acquire the additional 9% interest. In all, we will be acquire a 60% interest in the La Bufa property by undertaking \$3.0 million in exploration work and issuing 450,000 shares of our common stock to Almaden, with Almaden retaining a 40% interest.

3. History of Operations

Gold was discovered in the Guadalupe y Calvo district in 1835 with extended periods of production up to 1939. The discovered gold-silver veins were exploited largely by underground operations. A mint was constructed in 1844 by the Mexican government to take advantage of the precious metals production in the district.

Modern exploration work in the district has centered largely in the area of past production which is surrounded completely by the La Bufa concession. Although the vein system extends beyond the area of the old workings, little exploration work has been conducted. Asarco drilled two core holes in the 1970 s on La Bufa ground but the drill hole locations and results remain unknown.

A previous joint venture on the La Bufa Property between Almaden Minerals Ltd. and Grid Capital Corporation resulted in the drilling of five angle core holes (666.15 m) in three locations during December 2004. Hole GUD04-03 returned encouraging gold-silver-lead-zinc assays from multiple, narrow-vein intercepts (Almaden Minerals News Release, Jan. 24, 2005). However, Grid Capital backed out of the joint venture for undisclosed reasons. We have since entered into a new joint venture with Almaden to explore the La Bufa concession.

4. Present Condition of the Property and Proposed Exploration Program

The La Bufa Property is in the early stage of exploration and presently contains no known gold or silver resources. There is no plant or equipment on the Property. The property encompasses the town of Guadalupe y Calvo. The area of potential gold-silver mineralization lies largely along the eastern side of the town in low, forested and brushed covered hills.

In 2004, Grid Capital Corporation entered into a joint venture with Almaden and drilled five angle core holes for 666.15 meters between the Montecristo and Chipto workings. One hole was lost in historic workings. One hole encountered gold and silver mineralization. Grid Capital turned the property back to Almaden in 2005 for unknown reasons. The core remains stored on the property.

The plan for exploration of the La Bufa Concession is as follows:

| Stage of Exploration | Anticipated Timetable for Completion | Estimated Cost of Completion |
|----------------------|--------------------------------------|------------------------------|
| Construct Base Map | 2 nd Qtr | \$25,000 |
| Property Acquisition | 2 nd Qtr | \$30,000 |
| Data Base Management | 2 nd Qtr | \$10,000 |
| Geologic Mapping | 2 nd Qtr | \$45,000 |
| Soil Survey | 2 nd Qtr | \$45,000 |
| Phase 1 Drilling | 3 rd Qtr | \$225,000 |
| Metallurgy | 4 th Qtr | \$5,000 |

| | | |
|-----------------|---------------------|-------------------|
| Data Evaluation | 4 th Qtr | \$15,000 |
| | | TOTAL: \$ 400,000 |

There are several key factors that can delay completion of the exploration program:

- 1) Delay in the creation of a Mexican business entity under which work must be conducted.
- 2) Delays in permit approval for drilling.
- 3) Limited availability of core rigs in Mexico.
- 4) Lack of funding

Factors that could cause exploration costs to be greater than anticipated are largely from drilling conditions to include the following:

- 1) Caving ground
- 2) Lost Circulation
- 3) Artesian water
- 4) Stuck drill steel
- 5) Drilling in near proximity to the town (special compensation, noise, etc.)

The exploration program will be managed on site by Richard Bybee, P. Geol. State of Wyoming (PG-1505) with extensive experience in Latin America. The Company's V.P. of Exploration, Jeffrey L. Wilson, P. Geol. State of Utah, will oversee the project. Additional seasoned geologists will be used as warranted. No contracts have been let. Potential drilling companies include Layne, Major, and Dateline. ALS Chemex will likely be the analytical laboratory utilized.

We will have to comply with the following government regulation in undertaking exploration of the La Bufa property during 2006.

| Description of Government Regulation to be Complied With | Manner and Cost of Compliance |
|---|---|
| Biannual concession payments to the Mexican Government in January and July of each year | Less than US\$1,000; payments made through Almaden Minerals |
| Set up Mexican Business Entity | Estimate US\$2,500 |
| Drill Permitting | Estimate US\$5,000 |
| Reclamation | Estimate US\$15,000 |

5. Geology

The La Bufa Property lies within the Guadalupe y Calvo district which is one of many epithermal gold-silver districts in the Sierra Madre Occidental of western Mexico. The Sierra Madre Occidental is characterized by deeply incised mountains, and has a total relief of about 3,000 meters. Most of the bedrock exposed in the vicinity of Guadalupe y Calvo consists of an upper volcanic series of bedrock

which is commonly hundreds of meters in thickness. However, erosional exposures of a lower volcanic series of rock, which is favourable to mineralization and occurs in ranges up to 1,000 meters in thickness, are exposed along the eastern flank and central portions of the northwest-trending Guadalupe River Valley that traverses the La Bufa concession. The contact between the upper and lower volcanic series of rock is rarely exposed.

District mineralization occurs as northwest-trending, epithermal gold-silver-lead-zinc quartz veins and breccia veins with local attending stockworks. The veins occur only in the lower volcanic series. Veins typically range from 1 to 3+ meters in true thickness and are generally steeply dipping but may also have shallow dips. Historic production in the district encountered local mineralized zones measuring tens of meters in thickness. Past mining on the Rosario vein extended for a continuous strike length of over 600 meters on seven levels. The vein system appears to consist of multiple strands and extends southeastward for a distance of at least 1700 meters across the La Bufa Concession. The main paved road entering the town has a road cut that exposes a 70-meter zone containing multiple quartz veins.

GLOSSARY OF TECHNICAL TERMS

Mexico Property:

| Term | Definition |
|----------------------|--|
| Epithermal | Said of a hydrothermal mineral deposit formed within 1 km of the surface at temperatures of 50°-200°C, occurring mainly as veins. |
| Quartz Breccia | Quartz vein material that is broken into angular fragments |
| Quartz Stockworks | A three-dimensional network of planar to irregular quartz veinlets closely enough spaced that the whole mass can be mined. |
| gpt | Grams per metric tonne |
| Volcanics | Generally finely crystalline or glassy igneous rocks ejected explosively or extruded at or near the Earth's surface through volcanic action |
| Dacite | Fine-grained extrusive volcanic rock with the same composition as andesite but having less calcic plagioclase and more quartz |
| Andesite | A dark to grayish colored, fine-grained extrusive volcanic rock that may contain phenocrysts of sodic plagioclase. |
| Angular Unconformity | Contact between two groups of rocks where the underlying rocks dip in a different angle than the younger overlying rocks |
| Tuff | A general term for consolidated volcanic ash |
| Artesian Water | Ground water under pressure |
| Caving Ground | A drilling term that refers to rock formations that break when penetrated by a drill and produce rock fragments that may block the borehole and/or contaminate the drill cuttings. |
| Lost Circulation | The loss of drilling fluids through open faults, fractures, and/or permeable rock |

Nevada Properties:

| Term | Definition |
|---------------------|--|
| Artesian water | Ground water under pressure |
| Carboniferous | Geologic Period referring to rocks 286 to 360 million years old |
| Carlin-type deposit | Gold deposits hosted in sedimentary rocks with disseminated gold occurring as micron or submicron particles (invisible gold), typically with very little to no silver. Very large deposits of this type are found in the Carlin Trend in north-central Nevada. |
| Caving ground | A drilling term that refers to rock formations that break when penetrated by a drill and produce rock fragments that may block the borehole and/or contaminate the drill cuttings. |
| Cove-type deposit | Gold-silver deposits hosted in sedimentary rocks with significant amounts of precious metals mineralization hosted in veinlets. The Cove deposit is located in the northern portion of the Battle Mountain-Eureka Trend. |
| Cretaceous | Geologic Period referring to rocks 66.4 to 144 million years old. |
| Devonian | Geologic Period referring to rocks 360 to 408 million years old. |
| Dikes and sills | Generally narrow bodies of igneous rock implaced as magma along faults across bedding (dike) or along zones parallel to bedding (sill). |
| Geochemical survey | A sampling program focusing on trace elements that are commonly found associated with mineral deposits. Common trace elements for gold are mercury, arsenic, and antimony. |
| Geologic mapping | The process of mapping geologic formations, associated rock characteristics and structural features. |
| Geophysical survey | The systematic measurement of electrical, gravity, seismic, magnetic, or other properties as a tool to help identify rock type(s), faults, structures and minerals. |
| Golconda thrust | A major, flat-lying fault that has transposed older rocks over younger rocks. |
| Gossanous | Refers to an iron-bearing material that typically overlies a sulfide-bearing mineralized zone. It forms by the oxidation and leaching out of sulfur and most metals leaving hydrated iron oxides. |
| Gravimeter survey | A survey using a sensitive instrument that can detect density differences in geologic formations. |
| Hematite breccia | Refers to a rock composed of angular rock fragments with conspicuous iron-oxide minerals in the matrix and fractures. |
| Intrusive rock | Refers to any igneous rock (e.g. granite) that was implaced as a magma. |
| Jurassic | Geologic Period referring to rocks 144 to 208 million years old. |

| Term | Definition |
|------------------------------|--|
| Lost circulation | The loss of drilling fluids through open faults, fractures, and/or permeable rock. |
| Magnetometer survey | A survey using a sensitive instrument that can detect the distortion of the Earth's magnetic field by different geologic formations. |
| Mercury soil gas survey | A geochemical sampling survey in which mercury vapor is sampled and measured. Mercury is typically associated with gold deposits in the Great Basin and is a pathfinder for finding gold deposits. |
| Metamorphic rock | Pre-existing rock that has been physically changed by temperature, pressure, shearing stress, or chemical environment, generally at depth in the Earth's crust |
| Pathfinder elements | Trace elements that are typically associated with gold deposits. Common pathfinder elements are mercury, arsenic and antimony. |
| Penn-Permian | Geologic Periods referring to rocks ranging from 245 to 320 million years old. |
| Permo-Triassic | Geologic Periods referring to rocks ranging from 208 to 286 million years old. |
| Reverse-circulation drilling | A drilling method that minimizes contamination of drill cuttings. |
| Roberts Mountains Thrust | A major, flat-lying fault that has transposed older rocks over younger rocks. |
| Rock-chip sampling | The process of chipping off rock samples from outcrops for chemical analysis. |
| Schist | A metamorphic rock that is highly foliated and readily splits into flakes or slabs commonly due to a high content of mica. |
| Skarn deposit | Mineralization formed at the flanks and in contact with intrusive rocks. |
| Stratigraphy | The sequence of stratified rocks. |
| Subcrop | Bedrock just below the surface and usually contributing weathered rock material to the surficial debris. |
| Tertiary | Geologic Period referring to rocks ranging in age from 1.6 to 66.4 million years old. |
| Thrust sheet | A block of rock underlain by a flat-lying fault that originated from compressional forces. |
| Triassic | Geologic Period referring to rocks 208 to 245 million years old |
| Tuff | Volcanic ash that has been solidified into rock. |

ITEM 3. LEGAL PROCEEDINGS.

We currently are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We did not submit any matters to our security holders to be voted upon during our fiscal year ended December 31, 2005.

PART II**ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.****MARKET INFORMATION**

Shares of our common stock are quoted on the OTC Bulletin Board under the symbol LGCP. The following table indicates the high and low bid prices of our common stock during the periods indicated:

| QUARTER ENDED | HIGH BID | LOW BID |
|----------------------|-----------------|----------------|
| December 31, 2005 | \$0.27 | \$0.15 |
| September 30, 2005 | \$0.54 | \$0.23 |
| June 30, 2005 | \$0.90 | \$0.44 |
| December 31, 2004 | \$0.51 | \$0.31 |
| October 30, 2004 | \$0.90 | \$0.42 |
| June 30, 2004 | \$0.90 | \$0.28 |
| March 31, 2004 | \$0.28 | \$0.21 |

The source of the high and low bid information is the NASD OTC Bulletin Board. The market quotations provided reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

HOLDERS OF COMMON SHARES

As at February 6, 2006, we had eighty-nine registered holders of our common stock.

DIVIDENDS

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES

We have reported sales of securities without registration under the Securities Act of 1933 during our fiscal year ended December 31, 2005 on the following Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K that we have filed with the Securities and Exchange Commission.

| Report | Date of Filing with SEC |
|--|-------------------------|
| Quarterly Report on Form 10-QSB for the nine months ended September 30, 2004 | November 21, 2005 |
| Current Report on Form 8-K | March 16, 2005 |

We have not completed any sales of securities without registration pursuant to the Securities Act of 1933 during the fiscal year ended December 31, 2005 that were not reported on the Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K described above.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**PLAN OF OPERATIONS**

Our plan of operations for the next twelve months is to continue with the exploration of our Nevada and Mexican mineral properties. Our planned geological exploration programs are described in detail in Item 2 of this Annual Report on Form 10-KSB entitled Description of Properties.

Our planned exploration expenditures for the next twelve months on our Nevada mineral properties and our Mexican La Bufa property, together with amounts due to maintain our interest in these claims, are summarized as follows:

| Name of Property | Planned Exploration Expenditures | Amounts of Claims Maintenance Due | Amount of Property Payment Due | Total |
|--|---|--|---------------------------------------|--------------------|
| Exploration of Buffalo Valley Property, Nevada | \$Nil (1) | \$Nil (1) | \$Nil (1) | \$Nil (1) |
| Exploration of Hannah Property, Nevada | \$159,000 | \$3,075 | \$15,000 | \$177,075 |
| Exploration of JDS Property, Nevada | \$157,000 | \$12,500 | \$Nil | \$169,500 |
| Exploration of Jenny Hill Property, Nevada | \$Nil (2) | \$Nil (2) | \$Nil (2) | \$Nil (2) |
| Exploration of La Bufa Property, Mexico | \$423,500 | (3) | \$Nil | \$423,500 |
| Administration - Nevada | \$195,000 | - | - | \$195,000 |
| Administration - Vancouver | \$300,000 | - | - | \$300,000 |
| Total | \$1,234,500 | \$15,575 | \$15,000 | \$1,265,075 |

(1) We anticipate Agnico Eagle will undertake exploration expenditures in the amount of approximately \$251,500 on the Buffalo Valley property. Further, Agnico Eagle will be required to pay \$35,867 to the BLM and local counties and \$20,000 to the property owner. These exploration expenditures are to be undertaken and paid for by Agnico Eagle pursuant to our letter of intent to our letter of intent to joint venture the property with Agnico Eagle. However, if Agnico Eagle determines to return the property to us prior to the time when the property payments and/ or maintenance payments are due, then we will be obligated to make the annual claim maintenance payments to the BLM and local counties and the property payments required to maintain the property in good standing.

(2) We anticipate that Kinross will undertake exploration expenditures in the estimated minimum amount of \$200,000 on the Jenny Hill property. Further, Kinross will be required to pay \$12,983 to the BLM and local counties and \$30,000 to the property owner. These exploration expenditures

are to be undertaken and paid for by Kinross pursuant to our letter of intent to our letter of intent to joint venture the property with Kinross. However, if Kinross determines to return the property to us prior to the time when the property payments and/ or maintenance payments are due, then we will be obligated to make the annual claim maintenance payments to the BLM and local counties and the property payments required to maintain the property in good standing.

(3) Included in Planned Exploration Expenditures .

The general and administrative expenses for the year will consist primarily of professional fees for the audit and legal work relating to our regulatory filings throughout the year, as well as transfer agent fees, management fees, investor relations and general office expenses.

We had cash in the amount of \$132,806 and working capital in the amount of \$3,457 as of December 31, 2005. Based on our planned expenditures, we will require a minimum of approximately \$1,275,000 to proceed with our plan of operations over the next twelve months. We anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above. If we achieve less than the full amount of financing that we require, we will scale back our exploration programs on our mineral properties and will proceed with scaled back exploration plans based on our available financial resources.

During the next twelve month period, we anticipate that we will not generate any revenue. Accordingly, we will be required to obtain additional financing in order to continue our plan of operations. We believe that debt financing will not be an alternative for funding additional phases of exploration as we do not have tangible assets to secure any debt financing. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we do not have any financing arranged and we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our exploration programs. In the absence of such financing, we will not be able to continue exploration of our mineral claims. Even if we are successful in obtaining equity financing to fund our exploration programs, there is no assurance that we will obtain the funding necessary to pursue any advanced exploration of our mineral claims following the completion of preliminary exploration. If we do not continue to obtain additional financing, we will be forced to abandon our properties and our plan of operations.

We may consider entering into a joint venture arrangement to provide the required funding to pursue drilling and advanced exploration of our mineral claims. Even if we determined to pursue a joint venture partner, there is no assurance that any third party would enter into a joint venture agreement with us in order to fund exploration of our mineral claims. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to the joint venture partner.

Our exploration plans will be continually evaluated and modified as exploration results become available. Modifications to our plans will be based on many factors, including: results of exploration, assessment of data, weather conditions, exploration costs, the price of gold and available capital. Further, the extent of our exploration programs that we undertake will be dependent upon the amount of financing available to us.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

We were incorporated as Braden Technologies Inc. Effective March 26, 2004, we acquired 100% of the issued and outstanding shares of Lincoln Gold Corp. by issuing 24,000,000 shares of our common stock. We subsequently merged with Lincoln Gold Corp. and changed our name to Lincoln Gold Corporation. Since the acquisition transaction resulted in the former shareholders of Lincoln Gold Corp. owning the majority of our issued and outstanding shares, the transaction, which is referred to as a reverse take-over, has been treated for accounting purposes as an acquisition by Lincoln Gold Corp. of the net assets and liabilities of Braden Technologies Inc. Under this purchase method of accounting, the results of operations of Braden Technologies Inc. are included in these

consolidated financial statements from March 26, 2004. Our date of inception is the date of inception of Lincoln Gold Corp., being September 25, 2003 and our financial statements are presented with reference to the date of inception of Lincoln Gold Corp.

RESULTS OF OPERATIONS

Our results of operations for the year ended December 31, 2005 are summarized below:

| | Accumulated For the Period September 25, 2003 (Date of Inception) To December 31, 2005 \$ | Year Ended December 31, 2005 \$ | Year Ended December 31, 2004 \$ |
|---|---|--|--|
| Revenue | - | - | - |
| Expenses | | | |
| Depreciation | 1,978 | 1,978 | - |
| Foreign exchange loss | 3,790 | 2,115 | 1,675 |
| General and administrative (Note 6(a)) | 2,142,746 | 730,433 | 1,407,503 |
| Impairment loss on mineral acquisition costs | | | |
| Mineral exploration | 858,652 | 584,017 | 263,126 |
| Total Expenses | 3,007,166 | 1,318,543 | 1,672,304 |
| Net Loss From Operations | (3,007,166) | (1,318,543) | (1,672,304) |
| Other Income (Expense) | | | |
| Accounts payable written off | 33,564 | 33,564 | - |
| Interest income | 8,414 | 8,414 | - |
| Interest expense | (37,028) | (17,981) | (19,047) |
| Net Loss | (3,002,216) | (1,294,546) | (1,691,351) |

Both our net loss and exploration expenditures increased substantially for fiscal 2005 compared to fiscal 2004. These increases are attributable largely to our increased exploration activities during fiscal 2005, as described in detail in Item 2 of this Annual Report on Form 10-KSB entitled Description of Properties. We anticipate that our expenses and net loss will continue to increase throughout the current fiscal year in comparison with 2005 as a result of our planned exploration activities and as a result of payments required to maintain our interests in our mineral properties. In addition, we anticipate continued increased professional fees as we comply with our obligations as a reporting company under the Securities Exchange Act of 1934. We anticipate that we will not earn any revenues during the current fiscal year or in the foreseeable future as we are presently engaged in the exploration of our mineral properties.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position at December 31, 2005 was \$132,806 compared to \$127,785 as of December 31, 2004. We had working capital of \$3,457 as of December 31, 2005 compared to a working capital deficit of \$243,959 as of December 31, 2004.

March 2005 Private Placement Financing

We completed a private placement financing in March 2005 for net proceeds of \$901,240. The private placement financing was comprised of the issue of an aggregate of 3,145,000 units (each a Unit) at a price of \$0.30 per Unit to an aggregate of 53 purchasers for total proceeds of \$943,500. Each Unit is comprised of one share of common stock and one share purchase warrant (a Warrant). Each Warrant entitles the investor to purchase one additional share of

common stock for a two year period at a price of \$0.40 per share during the period from the date of issue to the date that is one year from the date of issue and at a price of \$0.50 per share during the period from the date that is one year from the date of issue to

the date that is two years from the date of issue. During our second quarter, we completed the filing of a registration statement with the Securities and Exchange Commission in order to register the resale by the investors of the private placement shares and the shares issuable upon exercise of the warrants.

Plan of Operations

We estimate that our total expenditures over the next twelve months will therefore be approximately \$1,500,000, as outlined above under the heading **Plan of Operations** . We anticipate that we will need to raise a minimum of approximately \$1,275,000 in financing to proceed with our plan of operations over the next twelve months. In addition, we anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above.

If we are unable to achieve the necessary additional financing, then we plan to reduce the amounts that we spend on our exploration activities and administrative expenses in order to be within the amount of capital resources that are available to us. Specifically, we anticipate that we would defer drilling programs pending our obtaining additional financing. Given our plan to scale back our operations if we do not achieve additional financing, we anticipate that our current cash and working capital will be sufficient to enable us to sustain our operations and our interests in our mineral properties for the next twelve months.

Outstanding Convertible Note

We arranged for a \$200,000 convertible note during the fiscal year ended December 31, 2004. On September 15, 2005 we completed an agreement whereby we repaid \$100,000 of the convertible note along with \$35,000 accrued interest and agreed to repay the remaining \$100,000 within sixty days. With the completion of the first payment the convertible note was deemed to be repaid in full and the ability of the holder to convert the debt into common stock and share purchase warrants was cancelled. The amount of \$100,000 was outstanding as of December 31, 2005 and remains outstanding.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive exploration activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

Future Financings

We will require additional financing in order to proceed with the exploration of our mineral properties. We plan to complete private placement sales of our common stock in order to raise the funds necessary to pursue our plan of operations and to fund our working capital deficit. Issuances of additional shares will result in dilution to our existing shareholders. We currently do not have any arrangements in place for the completion of any private placement financings and there is no assurance that we will be successful in completing any private placement financings.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

CRITICAL ACCOUNTING POLICIES

Mineral Property Acquisition Payments and Exploration Costs

We have been in the exploration stage since our formation on September 25, 2003 and we have not yet realized any revenues from our planned operations. We are primarily engaged in the acquisition and exploration of mining properties. Mineral property acquisition and exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are

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capitalized. Such costs will be amortized using the unit-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Stock Based Compensation

We have elected to apply intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). Under the intrinsic value method of accounting, compensation expense is recognized if the exercise price of our employee stock options is less than the market price of the underlying common stock on the date of grant. Stock-based compensation for employees is recognized on the straight-line basis over the vesting period of the individual options. Stock options granted to non-employees are accounted for under Statement of Financial Accounting Standards No. 123 *Accounting for Stock-Based Compensation* (SFAS 123), which establishes a fair value based method of accounting for stock based awards, and recognizes compensation expense based on the fair value of the stock award or fair value of the goods and services received, whichever is more reliably measurable. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose pro forma net income (loss) that would have resulted from the use of the fair value based method under SFAS 123.

Foreign Currency Translation

Our functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. We have not, to the date of our September 30, 2005 financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

ITEM 7. FINANCIAL STATEMENTS

Our audited financial statements, as set forth below, are included with this Annual Report on Form 10-KSB:

| | PAGE |
|--|------------|
| <u>Auditors Report - Manning Elliot</u> | <u>F-1</u> |
| <u>Auditors Report - Amisano Hanson</u> | <u>F-2</u> |
| <u>Consolidated Balance Sheets, December 31, 2005 and 2004</u> | <u>F-3</u> |
| <u>Consolidated Statements of Operations for the years ended December 31, 2005 and 2004 and for the period from inception (September 25, 2003) to December 31, 2005</u> | <u>F-4</u> |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2005 and 2004 and for the periods from inception (September 25, 2003) to December 31, 2005</u> | <u>F-5</u> |
| <u>Consolidated Statements of Stockholders Equity for the period from inception (September 25, 2003) to December 31, 2005</u> | <u>F-6</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>F-7</u> |

Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders
Lincoln Gold Corporation
(An Exploration Stage Company)

We have audited the accompanying consolidated balance sheet of Lincoln Gold Corporation as of December 31, 2005, and the related consolidated statements of operations, cash flows and stockholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying balance sheet of Lincoln Gold Corporation as of December 31, 2004 and the related statements of operations, cash flows and stockholders' deficit for the year then ended and accumulated for the period from September 25, 2003 (Date of Inception) to December 31, 2004, were audited by other auditors in their report dated April 14, 2005. Those auditors expressed an unqualified opinion on those financial statements and included an explanatory paragraph describing the substantial doubt about the Company's ability to continue as a going concern.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Gold Corporation as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any revenue and has incurred significant operating losses since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada

March 20, 2006

**A PARTNERSHIP OF INCORPORATED
PROFESSIONALS**

**AMISANO HANSON
CHARTERED ACCOUNTANTS**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders,
Lincoln Gold Corporation
(formerly Braden Technologies Inc.)

We have audited the accompanying balance sheet of Lincoln Gold Corporation (formerly Braden Technologies Inc.) (An Exploration Stage Company) as of December 31, 2004 and the related statements of operations, stockholders' deficiency and cash flows for the year ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Gold Corporation as of December 31, 2004 and the results of its operations and its cash flows for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is in the exploration stage and has no established source of revenue and is dependent on its ability to raise capital from shareholders or other sources to sustain operations. These factors, along with other matters as set forth in Note 1, raise substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada
April 14, 2005

“Amisano Hanson”
Chartered Accountants

750 WEST PENDER STREET, SUITE 604
VANCOUVER CANADA
V6C 2T7

TELEPHONE: 604-689-0188
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E-MAIL: amishan@telus.net

Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in U.S. dollars)

| | December 31, | |
|--|--------------|-------------|
| | 2005 | 2004 |
| | \$ | \$ |
| ASSETS | | |
| Current Assets | | |
| Cash | 132,806 | 127,785 |
| Prepaid expenses and deposits | 11,302 | - |
| Total Current Assets | 144,108 | 127,785 |
| Property and Equipment (Note 4) | 7,328 | - |
| Total Assets | 151,436 | 127,785 |
| LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT) | | |
| Current Liabilities | | |
| Accounts payable | 20,474 | 84,458 |
| Accrued liabilities | 12,097 | 28,807 |
| Due to related parties (Note 6) | 8,080 | 12,479 |
| Loan payable (Note 7) | - | 46,000 |
| Note payable (Note 8) | 100,000 | - |
| Total Current Liabilities | 140,651 | 171,744 |
| Note Payable (Note 8) | - | 200,000 |
| Total Liabilities | 140,651 | 371,744 |
| Commitments and Contingencies (Note 1 and 5) | | |
| Stockholders Equity (Deficit) | | |
| Common Stock, 100,000,000 shares authorized, \$0.001 par value, 41,865,000 and 38,400,000 shares issued and outstanding, respectively | 41,865 | 38,400 |
| Additional Paid-in Capital | 3,092,488 | 2,074,663 |
| Stock Subscriptions Receivable | - | (528,000) |
| Deficit Accumulated During the Exploration Stage | (3,123,568) | (1,829,022) |
| Total Stockholders Equity (Deficit) | 10,785 | (243,959) |
| Total Liabilities and Stockholders Equity (Deficit) | 151,436 | 127,785 |

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(The accompanying notes are an integral part of these consolidated financial statements)

Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Operations
(Expressed in U.S. dollars)

| | Accumulated For the Period September 25, 2003 (Date of Inception) To December 31, 2005 \$ | Year Ended December 31, 2005 \$ | Year Ended December 31, 2004 \$ |
|--|--|--|--|
| Revenue | - | - | - |
| Expenses | | | |
| Depreciation | 1,978 | 1,978 | - |
| Foreign exchange loss | 3,790 | 2,115 | 1,675 |
| General and administrative (Note 6(a)) | 2,142,746 | 730,433 | 1,407,503 |
| Impairment loss on mineral properties (Note 2(h)) | 55,000 | 55,000 | - |
| Mineral exploration | 803,652 | 529,017 | 263,126 |
| Total Expenses | 3,007,166 | 1,318,543 | 1,672,304 |
| Loss From Operations | (3,007,166) | (1,318,543) | (1,672,304) |
| Other Income (Expense) | | | |
| Accounts payable written off | 33,564 | 33,564 | - |
| Interest income | 8,414 | 8,414 | - |
| Interest expense | (37,028) | (17,981) | (19,047) |
| Net Loss | (3,002,216) | (1,294,546) | (1,691,351) |
| Net Loss Per Share Basic and Diluted | | (0.03) | (0.06) |
| Weighted Average Shares Outstanding | | 41,079,000 | 30,228,000 |

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(The accompanying notes are an integral part of these consolidated financial statements)

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Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

| | Accumulated For the Period From September 25, 2003 (Date of Inception) To December 31, 2005 \$ | Year Ended December 31, 2005 \$ | Year Ended December 31, 2004 \$ |
|--|--|---|---|
| Operating Activities | | | |
| Net loss | (3,002,216) | (1,294,546) | (1,691,351) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Accounts payable written off | (33,564) | (33,564) | |
| Depreciation | 1,978 | 1,978 | - |
| Impairment loss on mineral properties | 55,000 | 55,000 | - |
| Stock-based compensation | 1,145,663 | 108,000 | 1,037,663 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses and deposits | (11,302) | (11,302) | - |
| Account payable and accrued liabilities | (36,235) | (47,130) | 3,820 |
| Due to related parties | 8,080 | (219) | - |
| Net Cash Used in Operating Activities | (1,872,596) | (1,221,783) | (649,868) |
| Investing Activities | | | |
| Cash acquired on acquisition of subsidiary | 68 | - | 68 |
| Mineral property acquisition costs | (55,000) | (55,000) | - |
| Purchase of property and equipment | (9,306) | (9,306) | - |
| Net Cash Flows Used in Investing Activities | (64,238) | (64,306) | 68 |
| Financing Activities | | | |
| Advances from related parties | 4,180 | - | 4,180 |
| Repayment of advances from related parties | (4,180) | (4,180) | |
| Proceeds from loan payable | 46,000 | - | 46,000 |
| Repayment of loan payable | (46,000) | (46,000) | - |
| Issuance of note payable | 200,000 | - | 200,000 |
| Repayment of note payable | (100,000) | (100,000) | - |
| Proceeds from issuance of common stock/stock subscriptions received | 1,969,640 | 1,441,290 | 512,000 |
| Net Cash Flows From Financing Activities | 2,069,640 | 1,291,110 | 762,180 |
| Increase in Cash | 132,806 | 5,021 | 112,380 |
| Cash Beginning of Period | - | 127,785 | 15,405 |
| Cash End of Period | 132,806 | 132,806 | 127,785 |
| Non-cash Investing and Financing Activities | - | - | - |
| Supplemental Disclosures | | | |
| Interest paid | 35,000 | 35,000 | - |
| Income tax paid | - | - | - |

(The accompanying notes are an integral part of these consolidated financial statements)

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Lincoln Gold Corporation

(An Exploration Stage Company)

Consolidated Statements of Stockholders Equity (Deficit)

For the period from September 25, 2003 (Date of Inception) to December 31, 2005

(Expressed in U.S. dollars)

| | Common Stock Number of Shares | Amount | Stock Subscriptions Receivable | Additional Paid-in Capital | Deficit Accumulated During the Exploration Stage | Total |
|--|-------------------------------------|---------|--------------------------------------|----------------------------------|--|----------|
| Balance September 25, 2003 (Date of Inception) | - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Shares issued for cash at \$0.001 per share | 850,000 | 850 | - | - | - | 850 |
| Shares issued for cash at \$0.01 per share | 1,550,000 | 1,550 | - | 13,950 | - | 15,500 |
| Net loss for the period | - | - | - | - | (16,319) | (16,319) |
| Balance, December 31, 2003 | 2,400,000 | 2,400 | - | 13,950 | (16,319) | 31 |
| Adjustment to number of shares issued and outstanding as a result of the acquisition of Lincoln Gold Corp.: Remove shares of Lincoln Gold Corp. | (2,400,000) | (2,400) | - | 2,400 | - | - |
| Add shares of Lincoln Gold Corporation (formerly Braden Technologies Inc.) Fair value of shares issued in connection with the acquisition of Lincoln Gold Corp. | 11,400,000 | 11,400 | - | (11,400) | - | - |
| Net asset deficiency of legal | 24,000,000 | 24,000 | - | (4,950) | (19,050) | - |

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| | | | | | | | |
|--|------------|-----------|-----------|--------------|----------------|-------------|--|
| parent at date of reverse | | | | | | | |
| take-over | - | - | - | - | (102,302) | (102,302) | |
| transaction | | | | | | | |
| Shares issued for cash at \$0.50 | | | | | | | |
| per share | 700,000 | 700 | - | 349,300 | - | 350,000 | |
| Shares issued for cash at \$0.30 | | | | | | | |
| per share | 2,300,000 | 2,300 | (528,000) | 687,700 | - | 162,000 | |
| Stock-based compensation | - | - | - | 1,037,663 | - | 1,037,663 | |
| Net loss for the year | - | - | - | - | (1,691,351) | (1,691,351) | |
| Balance, December 31, 2004 | 38,400,000 | 38,400 | (528,000) | 2,074,663 | (1,829,022) | (243,959) | |
| Proceeds from stock subscriptions | | | | | | | |
| receivable | - | - | 528,000 | - | - | 528,000 | |
| Shares issued for cash at \$0.30 | | | | | | | |
| per share, net of issuance costs | 3,145,000 | 3,145 | - | 898,145 | - | 901,290 | |
| Shares issued for cash at \$0.60 | | | | | | | |
| per share pursuant to the exercise of stock options | 20,000 | 20 | - | 11,980 | - | 12,000 | |
| Shares issued for services at | | | | | | | |
| \$0.36 per share | 300,000 | 300 | - | 107,700 | - | 108,000 | |
| Net loss for the year | - | - | - | - | (1,294,546) | (1,294,546) | |
| Balance, December 31, 2005 | 41,865,000 | \$ 41,865 | \$ - | \$ 3,092,488 | \$ (3,123,568) | \$ 10,785 | |

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(The accompanying notes are an integral part of these consolidated financial statements)

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004
(Expressed in U.S. dollars)

1. Nature of Operations and Continuance of Business

The Company was incorporated in the State of Nevada, USA, on February 17, 1999 under the name of Braden Technologies Inc. Effective March 26, 2004, the Company acquired 100% of the issued and outstanding shares of Lincoln Gold Corp., a private company incorporated in the State of Nevada, USA, on September 25, 2003. On April 6, 2004, the Company and its subsidiary, Lincoln Gold Corp., merged to form Lincoln Gold Corporation.

The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard (SFAS) No. 7 *Accounting and Reporting by Development Stage Enterprises* . The Company's principal business is the acquisition and exploration of mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. As at December 31, 2005, the Company has never generated any revenues and has accumulated losses of \$3,123,568 since inception. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

As at December 31, 2005, the Company has working capital of \$3,457. Management plans to complete private placement sales of the Company's shares in order to raise the funds necessary to pursue its plan of operation and fund working capital.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. The Company's fiscal year-end is December 31.

b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from

those estimates.

c) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128 *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-covered method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

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Lincoln Gold Corporation
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2. Summary of Significant Accounting Policies (continued)

d) Comprehensive Loss

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at December 31, 2005 and 2004, the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

f) Property and Equipment

Property and equipment consists of office equipment and fixtures, computer software, and computer hardware and is recorded at cost. Depreciation is based on a straight line basis over the following periods: Office equipment and fixtures five years; computer software two years; and computer hardware three years.

g) Long-lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes an impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

h) Mineral Property Costs

The Company has been in the exploration stage since its formation on September 25, 2003 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. The Company assesses the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations. During the year ended December 31, 2005, mineral exploration acquisition payments totaling \$55,000 were impaired as there are no proven or probable reserves on these properties.

i) Financial Instruments

The fair values of cash, accounts payable, accrued liabilities, due to related parties and note payable approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

j) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 *Accounting for Income Taxes* as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

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Lincoln Gold Corporation
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2. Summary of Significant Accounting Policies (continued)

k) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

l) Stock-based Compensation

Stock options granted to employees and non-employees are accounted for under SFAS No. 123 *Accounting for Stock-Based Compensation* (SFAS 123), which establishes a fair value based method of accounting for stock based awards, and recognizes compensation expense based on the fair value of the stock award or fair value of the goods and services received, whichever is more reliably measurable.

m) Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3*. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153 *Exchanges of Non-monetary assets - An amendment of APB Opinion No. 29*. The guidance in APB Opinion No. 29, *Accounting for Non-monetary Transactions*, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

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2. Summary of Significant Accounting Policies (continued)

m) Recent Accounting Pronouncements (continued)

In December 2004, the FASB issued SFAS No. 123R, *Share Based Payment*. SFAS No. 123R is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and its related implementation guidance. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS No. 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March, 2005, the SEC staff issued Staff Accounting Bulletin No. 107 (SAB 107) to give guidance on the implementation of SFAS No. 123R. The Company will consider SAB 107 during implementation of SFAS No. 123R.

n) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

| | | |
|-------------------------|----|-----------|
| Current Assets | \$ | 68 |
| Current Liabilities | | (102,370) |
| Net Liabilities Assumed | \$ | (102,302) |

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Lincoln Gold Corporation
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4. Property and Equipment

| | Cost | Accumulated Depreciation | December 31, 2005 Net Carrying Value | December 31, 2004 Net Carrying Value |
|-------------------------------|-------|-----------------------------|---|---|
| | \$ | \$ | \$ | \$ |
| Computer hardware | 4,676 | 902 | 3,774 | |
| Computer software | 1,345 | 616 | 729 | |
| Office equipment and fixtures | 3,285 | 460 | 2,825 | |
| | 9,306 | 1,978 | 7,328 | |

5. Mineral Property Interests

a) Hannah Property

On December 24, 2003, the Company entered into an option agreement to acquire a 100% interest in twenty-three unpatented lode claims situated in Churchill County, Nevada, USA. The option agreement called for net smelter royalties of 1% to 4% upon production. Pursuant to the option agreement, the Company is required to make option payments totaling \$210,000 as follows:

- i. \$5,000 upon signing the agreement (paid);
- ii. \$5,000 on January 10, 2005 (paid);
- iii. \$10,000 on January 10, 2006 (paid subsequently);
- iv. \$15,000 on January 10, 2007;
- v. \$25,000 on January 10th of each year from 2008 to 2012; and
- vi. \$50,000 on January 10, 2013.

b) Lincoln Flat Property

On December 24, 2003 the Company entered into an option agreement for the acquisition of a 100% interest in twelve mineral claims situated in Lyon and Douglas Counties, Nevada, USA. The option agreement called for net smelter royalties of 1% - 4% upon production. Pursuant to the option agreement, the Company was required to make option payments totaling \$210,000 as follows:

- i. \$5,000 upon signing the agreement (paid);
- ii. \$5,000 on January 10, 2005 (paid);
- iii. \$10,000 on January 10, 2006;
- iv. \$15,000 on January 10, 2007;
- v. \$25,000 on January 10th of each year from 2008 to 2012; and
- vi. \$50,000 on January 10, 2013.

During fiscal 2005, the Company decided not to proceed with the option agreement.

c) JDS Property

In fiscal 2004, the Company acquired, by staking, a 100% interest in seventy-seven mineral claims in Eureka County, Nevada, USA.

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Lincoln Gold Corporation
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5. Mineral Property Interests (continued)

d) Basin Property

On February 12, 2004, the Company entered into an option agreement to acquire a 100% interest in ten mineral claims situated in Nye County, Nevada, USA. The option agreement called for net smelter royalties upon production. Pursuant to the option agreement, the Company was required to make option payments totaling \$94,200 as follows:

- i. \$3,200 upon signing the agreement (paid);
- ii. \$1,000 by August 1, 2004 (paid);
- iii. \$15,000 by March 1, 2006;
- iv. \$25,000 by March 1, 2007; and
- v. \$50,000 by March 1, 2008

In addition, the Company agreed to a drill program. The Company decided not to proceed with the drill program as it wanted to focus its efforts on the exploration of its other mineral properties. As a result, the Company's interest in the property lapsed on August 15, 2005.

e) Hercules Property

On April 24, 2004, the Company entered into an option agreement under which it can earn up to a 60% interest in the project located in Nevada, USA. To earn its interest, the Company had to pay \$10,000 (paid) and complete a work program on the property of \$75,000 or 3,600 feet of drilling by September 18, 2004. After completing an initial work program, the Company decided not to pursue the option agreement any further.

f) Buffalo Valley Property

On July 9, 2004, the Company entered into a mining lease agreement for a term of twenty years. The agreement calls for the Company to make advance minimum royalties to the Lessor over the term as follows:

- i. \$10,000 upon exercise of the lease (paid);
- ii. \$20,000 by July 9, 2005 (paid);
- iii. \$20,000 by July 9, 2006;
- iv. \$40,000 by July 9, 2007;
- v. \$40,000 by July 9, 2008;
- vi. \$50,000 by July 9, 2009;
- vii. \$50,000 by July 9, 2010;
- viii. \$60,000 by July 9, 2011;
- ix. \$60,000 by July 9, 2012;

- x. \$70,000 by July 9, 2013;
- xi. \$70,000 by July 9, 2014; and
- xii. \$80,000 plus inflation by July 9 of each year from 2015 to 2024.

The agreement is subject to a net smelter return (“NSR”) ranging from 3% to 5% (dependent on the price of gold). The Company has the right to reduce the NSR by purchasing a portion of the Lessor’s NSR such that the Lessor retains minimum a 3% NSR. The purchase price shall be \$250,000 for each 0.25% NSR.

On July 26, 2005, the Company entered into an agreement whereby it granted the right to earn up to a 75% interest in the property to an Optionee. To earn a 60% interest, the Optionee has a work commitment (includes maintaining the underlying leases and claims in good standing) of \$3,000,000 over a five year period as follows:

- i. \$50,000 in year one;
- ii. \$250,000 in year two;
- iii. \$400,000 in year three;
- iv. \$800,000 in year four; and
- v. \$1,500,000 in year five.

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Lincoln Gold Corporation
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5. Mineral Property Interests (continued)

e) Buffalo Valley Property (continued)

The Optionee is also obligated to pay remaining advance minimum royalties as described in the schedule above. The Optionee can earn an additional 10% interest for producing a feasibility study and a final 5% interest for loaning or arranging for financing of the Company's share of capital required for mine development and construction costs.

f) Jenny Hill Property

On September 28, 2004, the Company entered into a mining lease and option to purchase agreement comprising ninety-seven mineral claims situated in Mineral and Nye Counties, Nevada for a term of seven years. The agreement calls for the Company to make option payments \$1,500,000 over a seven year period as follows:

- v. \$20,000 upon signing the agreement (paid);
- vi. \$25,000 by September 28, 2005 (paid);
- vii. \$30,000 by September 28, 2006;
- viii. \$60,000 by September 28, 2007;
- ix. \$70,000 by September 28, 2008;
- x. \$80,000 by September 28, 2009;
- xi. \$90,000 by September 28, 2010; and
- xii. \$1,125,000 by September 28, 2011.

The Company must also complete a work program on the property of \$50,000, in the first lease year and \$100,000 for the second and each subsequent lease year until the option is exercised and completed.. The agreement is subject to a net smelter return of 2%.

On December 9, 2005 the Company entered into a non-binding agreement whereby it offered the right to earn a 60% interest in the property to an Optionee. The Optionee can earn a 60% interest by spending \$3,000,000 in exploration work on the property over a five year period with a minimum expenditure of \$200,000 to be spent during the first year. In addition, the Optionee can earn an additional 10% interest by completing a feasibility study on the project and an additional 5% interest (for a total of 75%) by arranging financing on behalf of the Company for its share of the construction costs as a result of

both parties reaching a positive construction decision for a mine operation on the project. A formal agreement is to be signed by both parties within ninety days (extended).

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Lincoln Gold Corporation
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8. Note Payable

On January 28, 2004, the Company issued a \$200,000 convertible note with 5,000,000 warrants to purchase common stock of the Company at \$0.04 per share which expire on January 28, 2006. The note carries an interest rate of 10% compounded monthly and is due on January 28, 2006. The interest is payable annually with the second year interest payment due with the principal amount. The holder can convert any portion of the debt to common stock at the value of \$0.04 per share until January 28, 2006. Warrants can be exercised in minimum amounts of 1,000 shares at a conversion price of \$0.04 per share. In accordance with EITF 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments" and EITF 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", there was determined to be minimal fair value related to the warrants issued and there was no beneficial conversion feature amount.

On September 15, 2005 the Company completed an agreement whereby the Company repaid \$100,000 of the convertible note along with \$35,000 accrued interest and agreed to repay the remaining \$100,000 within sixty days. With the completion of the first payment, both the conversion of debt to common stock along with the warrants was cancelled.

9. Common Stock

- a) On March 10, 2005, the Company issued 3,145,000 units at \$0.30 per unit for total cash proceeds of \$943,500 pursuant to a private placement. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at \$0.40 during the first year and at \$0.50 per share during the second year. The Company paid commissions of \$42,210 in connection with this offering which were deducted from the proceeds.
- b) On March 31, 2005, the Company issued 20,000 common shares at \$0.60 per share for total cash proceeds of \$12,000 pursuant to the exercise of stock options.
- c) On August 15, 2005, the Company issued 300,000 shares of common stock at a fair value of \$108,000 in consideration for providing investor relations and shareholder communication services.
- d) On December 20, 2004, the Company issued 2,300,000 units at \$0.30 per unit for total cash proceeds of \$690,000, of which \$162,000 was received as at December 31, 2004 and the remaining balance of \$528,000 was received in fiscal 2005. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at \$0.40 during the first year and at \$0.50 per share during the second year.
- e) On May 31, 2004, the Company issued 700,000 common shares at \$0.50 per share for total cash proceeds of \$350,000.
- f) On March 26, 2004, the Company issued 24,000,000 common shares to acquire 100% of the issued and outstanding shares of Lincoln Gold Corp. as described in Note 3.

Weighted

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| | Number of shares | average exercise price \$ |
|----------------------------|---------------------|------------------------------------|
| Balance, December 31, 2003 | - | - |
| Issued | 7,300,000 | 0.16 |
| Balance, December 31, 2004 | 7,300,000 | 0.16 |
| Issued | 3,145,000 | 0.40 |
| Cancelled | (5,000,000) | 0.04 |
| Balance, December 31, 2005 | 5,445,000 | 0.40 |

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10. Share Purchase Warrants (continued)

As at December 31, 2005 the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|--|
| 2,300,000 | \$0.50 | December 20, 2006 (the exercise price increased from \$0.40 in final year) |
| 3,145,000 | \$0.40 | March 10, 2007 (the exercise price increases to \$0.50 in the final year) |
| 5,445,000 | | |

11. Stock Options

In fiscal 2004, the Board of Directors approved the 2004 Stock Option Plan for a maximum of 2,500,000 shares available to be granted to directors, officers, employees and consultants. The stock option exercise price is set at the fair market value of the shares at the date of grant. The term of the stock options, once granted, is not to exceed ten years. The vesting period of the stock options is set at the discretion of the Board of Directors.

On February 23, 2005, the Board of Directors approved the 2005 Stock Option Plan for a maximum of 2,000,000 shares available to be granted to directors, officers, employees and consultants. The stock option exercise price is set at the fair market value of the shares at the date of grant. The term of the stock options, once granted, is not to exceed ten years. The vesting period of the stock options is set at the discretion of the Board of Directors.

A summary of the Company's stock option activity is as follows:

| | December 31, 2005 | | December 31, 2004 | |
|----------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of year | 2,410,000 | \$0.60 | - | - |
| Granted | - | - | 2,410,000 | \$0.60 |
| Exercised | (20,000) | \$0.60 | - | - |
| Balance, end of year | 2,390,000 | \$0.60 | 2,410,000 | \$0.60 |

Additional information regarding options outstanding as at December 31, 2005 is as follows:

| Outstanding and Exercisable | | | |
|-----------------------------|-----------|---|---------------------------------|
| Exercise price | Number of | Weighted average remaining contractual life | Weighted average exercise price |
| \$ | shares | (years) | \$ |
| | | | |

| | | | |
|------|-----------|-----|------|
| 0.60 | 2,390,000 | 1.4 | 0.60 |
|------|-----------|-----|------|

During the year ended December 31, 2004, the Company recorded \$1,037,663 for the fair value of stock options granted in accordance with SFAS No. 123.

The fair value of stock options granted during the year ended December 31, 2004 was estimated using the Black-Scholes option pricing model assuming a dividend yield of 0%, expected volatility of 115%, risk free interest rate of 2.5%, and weighted average expected option life of two years. The weighted average grant date fair value of the stock options was \$0.43 per share.

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Lincoln Gold Corporation
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12. Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has incurred cumulative net operating losses of approximately \$1,772,000 which commence expiring in 2023. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years. During the years ended December 31, 2005 and 2004, the valuation allowance established against the deferred tax assets increased by \$415,300 and \$199,200, respectively.

The components of the net deferred tax asset as at December 31, 2005 and 2004, and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

| | 2005 | 2004 |
|------------------------|-----------|-----------|
| | \$ | \$ |
| Net Operating Losses | 1,772,000 | 585,500 |
| Statutory Tax Rate | 35% | 35% |
| Effective Tax Rate | | |
| Deferred Tax Asset | 620,200 | 204,900 |
| Valuation Allowance | (620,200) | (204,900) |
| Net Deferred Tax Asset | | |

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Engagement of Manning Elliott

We engaged Manning Elliott, Chartered Accountants as our principal independent accountant effective May 4, 2005. We dismissed Amisano Hanson, Chartered Accountants ("Amisano Hanson") as our principal independent accountant effective May 4, 2005. The decision to change principal independent accountants has been approved by our board of directors.

Amisano Hanson's report dated April 14, 2005 on the balance sheets of Lincoln Gold Corporation as at December 31, 2004 and 2003 and the statements of operations, stockholders' deficiency and cash flows for the year ended December 31, 2004 and for the periods from inception (September 25, 2003) to December 31, 2004 and 2003 did not contain any adverse opinion or disclaimer of opinion, nor was it modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the two fiscal years ended December 31, 2004 and 2003 and the subsequent interim period through to April 14, 2005, there were no disagreements with Amisano Hanson on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to the satisfaction of Amisano Hanson would have caused them to make reference thereto in their reports on our audited financial statements.

We provided Amisano Hanson with a copy of the foregoing disclosures and requested in writing that Amisano Hanson furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not they agree with such disclosures. We received the requested letter from Amisano Hanson wherein they have confirmed their agreement to our disclosures. A copy of Amisano Hanson's letter has been filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2005.

Engagement of Amisano Hanson

We dismissed DeMello & Company, Chartered Accountants ("DeMello & Company") as our principal independent accountant effective February 14, 2005. We engaged Amisano Hanson, Chartered Accountants as our principal independent accountant effective February 14, 2005. The decision to change principal independent accountants has been approved by our board of directors.

DeMello & Company's report dated February 23, 2004 on the balance sheets of Braden Technologies Inc. as at December 31, 2003 and 2002 and the statements of operations, stockholders' deficiency and cash flows for the years ended December 31, 2003 and 2002 did not contain any adverse opinion or disclaimer of opinion, nor was it modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the two fiscal years ended December 31, 2003 and 2002 and the subsequent interim period through to February 14, 2005, there were no disagreements with DeMello & Company on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to the satisfaction of the DeMello & Company would have caused them to make reference thereto in their reports on our audited financial statements.

We provided DeMello & Company with a copy of the foregoing disclosures and requested in writing that DeMello & Company furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not they agree with such disclosures. We received the requested letter from DeMello & Company wherein they have confirmed their agreement to our disclosures. A copy of DeMello & Company's letter has been filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 17, 2005.

ITEM 8A. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and

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procedures as of December 31, 2005, being the date of our most recently completed fiscal year. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Paul Saxton. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

During our most recently completed fiscal year ended December 31, 2005 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

PART III**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.**

Our current executive officers and directors are:

| Name | Age | Position |
|------------------------------|------------|---|
| Andrew F. B. Milligan (1) | 83 | Director and Chairman of the Board |
| Paul F. Saxton (1) | 59 | Director, President, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer |
| James Chapman | 52 | Director |
| Andrew Bowering | 46 | Director |
| Steven Chi (1) | 67 | Director |
| Jeffrey L. Wilson (1) | 57 | Vice-President - Exploration Member of our Audit Committee. |

Set forth below is a brief description of the background and business experience of each of our executive officers and directors for the past five years:

Paul F. Saxton, President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Director

Mr. Saxton was appointed as a director of the Company on March 26, 2004. Our board of directors also appointed Mr. Saxton as our chief executive officer and our chief financial officer as of March 26, 2004. Paul Saxton is a mining engineer who also holds an MBA from the University of Western Ontario. He has been active in the mining industry since 1969, holding various positions including mining engineer, mine superintendent, President and CEO of numerous Canadian mining companies. Following 10 years with Cominco, Paul became Vice President and President of Mascot Gold Mines Ltd., initially working on the design and construction of the Nickel Plate mine in BC. Subsequently Paul became a Vice-President of Corona Corporation where he was responsible for western operations and exploration for the company and was instrumental in the re-opening of the Nickel Plate. In 1989, Paul was appointed Senior Vice President of Viceroy Resource Corporation where he was responsible for obtaining financing and the construction and operations of the Castle Mountain mine in California. As President of Loki Gold Corporation and Baja Gold Inc, Paul was responsible for bringing the Brewery Creek Gold mine into production. Following his departure from Viceroy in 1998, Paul became President of Standard Mining Corp., organizing the company and supervising its exploration activities until 2001, when Standard Mining Corp. was merged with Doublestar Resources Ltd.

Andrew F. B. Milligan, Chairman and Director

Mr. Andrew Milligan was appointed as one of our directors on March 26, 2004. Our board of directors also appointed Mr. Milligan as our chairman as of March 26, 2004. Mr. Milligan is a business executive who has concentrated on mining ventures over the past 25 years. From 1984 to 1986 he was President and Chief Executive Officer of Glamis Gold Ltd. In November 1986 he was appointed President and Chief Executive Officer of Cornucopia Resources Ltd.

In 1998 and 1999 Cornucopia disposed of its gold mining interests and subsequently merged with three other companies to form Quest Investment

Corporation. Mr. Milligan was a director of Quest until June, 2003. He is currently a director of several mining companies trading on both the American Stock Exchange and the TSX Venture Exchange.

James Chapman, Director

Mr. Chapman was appointed as one of our directors on April 12, 2004. Mr. Chapman graduated from the University of British Columbia in 1976 with a B.Sc. Geology degree and has focused on mineral exploration primarily for junior mining companies and consulting groups. This experience has incorporated all aspects of the industry from property evaluation, project generation through implementation and report preparation for owners, clients and regulatory authorities. Since 1982 he has operated as an independent consulting geologist on projects including precious and base metals, uranium, diamonds and phosphate, from reconnaissance level projects to deposit definition drill programs. He is a Qualified Person under Canadian regulations, as defined by National Instrument Policy 43.101.

Andrew W. Bowering, Director

Mr. Andrew Bowering was appointed as a director of the Company on August 20, 2004. Mr. Bowering is a corporate administrator with 17 years experience in the financing and management of exploration, development and start-up companies. He has held senior executive positions and directorships in numerous public companies involved in mineral exploration in Canada, the United States, Mexico and China. Mr. Bowering has directly raised over \$25 million for mineral exploration and development. He has led several large acquisition programs in Northwest British Columbia, Alberta and Central Mexico. In addition to mineral exploration activities, Mr. Bowering was a founder and principle of two publicly traded consumer product companies that operated worldwide. He has an in-depth knowledge of securities markets, regulatory affairs and investor/public relations.

From 2000 until 2003 Mr. Bowering was employed as an investor relations consultant/employee with Doublestar Resources Ltd., a mineral resource company which is publicly traded on the TSX Venture Exchange. Mr. Bowering has been the President and CEO of Pinnacle Mines Ltd. since 2003. Pinnacle is a publicly traded exploration, mine development company listed on the TSX Venture Exchange and has properties in Canada and China.

Steven Chi, Director

Mr. Chi was appointed as a director of the Company on August 20, 2004. Mr. Chi is a professional mining engineer with a career as an executive of the international mining and construction giant, Washington Group International (formerly Morrison Knudsen Company). He has traveled and worked worldwide, including the Americas, Asia and Europe. Mr. Chi currently serves on the board of administrators for a large lignite mine and power plant complex in Leipzig, Germany. Mr. Chi has extensive experience in all aspects of mining and development including gold and precious metals mining and previously served on the board of NASDAQ-listed MK Gold Company.

Jeffrey L. Wilson, Vice-President - Exploration

Mr. Wilson has been appointed as our Vice President - Exploration on May 25, 2004. Mr. Wilson has twenty-seven years of professional exploration experience in the United States, Mexico and Central America with emphasis on gold. He served as Director of Exploration for Echo Bay Exploration Inc. for eleven years, first in western U.S. and later in Mexico and Central America. He earlier served as Exploration Manager, Western U.S., with Tenneco Minerals Company, with most projects in Nevada. Mr. Wilson earned his MSc. in Geology from the University of Southern California.

We also have consulting relationships with other geologists and persons that are included in our projects and properties from time to time.

TERMS OF OFFICE

Our directors are elected to hold office until the next annual meeting of our shareholders and until their respective successors have been elected and qualified. Our executive officers are appointed by our board of directors to hold office until their successors are appointed.

AUDIT COMMITTEE

We have an audit committee of our board of directors comprised of Andrew Milligan, our chairman, Steven Chi and Paul Saxton, our president, chief executive officer and chief financial officer. Mr. Saxton is not independent of our management.

At present, there is no person on our board of directors who would qualify as an audit committee expert. Accordingly, we anticipate that any audit committee that is appointed by our board of directors will not include an audit committee expert unless a new director who can meet these criteria is appointed to our board of directors.

CODE OF ETHICS

We have presently not adopted a code of ethics due to the fact that we are in the early stage of our operations and have only recently acquired our mineral properties. We have received a draft code of ethics prepared by our legal counsel for our review and consideration. Our board of directors is currently reviewing this draft code of ethics and anticipates adopting a code of ethics during the current fiscal year.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on our review of the copies of such forms received by us, we believe that during the fiscal year ended December 31, 2005 all such filing requirements applicable to our officers and directors were complied with other than the following reports were filed late by the following persons:

| Name and Principal Position | Number Of Late Reports | Transactions Not Timely Reported | Known Failures To File a Required Form |
|---------------------------------------|-------------------------------|---|---|
| Paul Saxton, President, Director | None | None | None |
| Andrew Milligan, Director | None | None | None |
| James Chapman, Director | One | None | None |
| Steven Chi, Director | None | None | None |
| Jeffrey Wilson, Vice-President | None | None | None |
| Alexander Holtermann, 10% Shareholder | One | One | None |

ITEM 10. EXECUTIVE COMPENSATION.**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth compensation information as to our chief executive officer, Mr. Paul Saxton, for the past three fiscal years. None of our executive officers earned more than \$100,000 during our most recently completed fiscal year. Mr. Saxton is our named executive officer. No other compensation was paid to any such officer or directors other than the cash and stock option compensation set forth below.

| SUMMARY COMPENSATION TABLE | | | | | | | | | |
|-----------------------------------|--|------|---------------------|-------|---------------------------|--------------------------|--------------------|-------------------|------------------------|
| Name | Title | Year | ANNUAL COMPENSATION | | | LONG TERM COMPENSATION | | | |
| | | | Salary | Bonus | Other Annual Compensation | AWARDS | | PAYOUTS | All Other Compensation |
| | | | | | | Restricted Stock Awarded | Options/SARs * (#) | LTIP payouts (\$) | |
| Paul Saxton (1) | President, Chief Executive Officer, Chief Financial Officer and Director | 2005 | \$34,240(1) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2004 | \$4,500(1) | 0 | 0 | 0 | 430,000 | 0 | 0 |

- (1) Mr. Saxton was appointed as a director and as our president, chief executive officer and chief financial officer on March 26, 2004. We paid a management fee of \$4,500 to a private holding company of Mr. Saxton during fiscal 2004 and a management fee of \$34,240 during fiscal 2005.

STOCK OPTION GRANTS

We did not grant any stock options to any of our executive officers or directors during our fiscal year ended December 31, 2005.

EXERCISES OF STOCK OPTIONS AND YEAR-END OPTION VALUES

The following is a summary of the share purchase options exercised by our directors and officers, including our named executive officers, during our fiscal year ended December 31, 2005:

| AGGREGATED OPTION/SAR EXERCISES DURING THE LAST FINANCIAL YEAR END AND FINANCIAL YEAR-END OPTION/SAR VALUES | | | | |
|--|---------------|--|----------------------------------|---|
| | Common Shares | | Unexercised Options at Financial | Value of Unexercised In-The-Money Options/SARs at Financial Year- |
| | | | | |

| Name (#) | Acquired on Exercise | Value Realized (\$) | Year-End (#) exercisable/unexercisable | End (\$ exercisable/unexercisable) |
|----------|----------------------|---------------------|--|------------------------------------|
|----------|----------------------|---------------------|--|------------------------------------|

| | | | | |
|---|-----|-----|-------------|-------------|
| Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer | NIL | NIL | 430,000/NIL | \$NIL/\$NIL |
|---|-----|-----|-------------|-------------|

| | | | | |
|-----------------------------|-----|-----|-------------|-------------|
| Andrew Milligan Director | NIL | NIL | 430,000/NIL | \$NIL/\$NIL |
|-----------------------------|-----|-----|-------------|-------------|

**AGGREGATED OPTION/SAR EXERCISES DURING THE LAST
FINANCIAL YEAR END AND FINANCIAL YEAR-END OPTION/SAR VALUES**

| Name (#) | Common Shares Acquired on Exercise | Value Realized (\$) | Unexercised Options at Financial Year-End (#) exercisable/unexercisable | Value of Unexercised In-The-Money Options/SARs at Financial Year-End (\$ exercisable/unexercisable) |
|--|---|----------------------------|--|--|
| James Chapman Director | NIL | NIL | 200,000/NIL | \$NIL/\$NIL |
| Jeffrey Wilson Vice-President Exploration | NIL | NIL | 430,000/NIL | \$NIL/\$NIL |

LONG-TERM INCENTIVE PLANS

We do not have any long-term incentive plans, pension plans, or similar compensatory plans for our directors or executive officers.

EMPLOYMENT CONTRACTS

We do not have any employment contracts with any of our officers or directors.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information concerning the number of our common shares owned beneficially as of February 6, 2006 by: (i) each person (including any group) known to us to own more than five percent (5%) of our common stock, (ii) each of our directors and by each of our executive officers, and (iii) our executive officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

| Title of Class | Name and Address of Beneficial Owner | Number of Shares of Common Stock | Percentage of Common Stock⁽¹⁾ |
|-------------------------------|--|---|---|
| Directors and Officers | | | |
| Common Stock | Paul F. Saxton, Director, President, Chief Executive Officer and Chief Financial Officer | 5,930,000 ⁽²⁾ | 14.0% |
| Common Stock | Andrew F.B. Milligan, Director | 1,930,000 ⁽³⁾ | 4.6% |
| Common Stock | James Chapman, Director | 900,000 ⁽⁴⁾ | 2.1% |
| Common Stock | Andrew Bowering, Director | Nil | Nil% |
| Common Stock | Steven Chi, Director | 750,000 ⁽⁵⁾ | 1.8% |

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| | | | |
|---------------------|--|---------------------------------|--------------|
| Common Stock | Jeffrey Wilson, Vice President Exploration | 1,180,000 ⁽⁶⁾ | 2.8% |
| Common Stock | All Directors and Executive Officers as a Group (6 persons) | 10,690,000⁽⁷⁾ | 24.7% |

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| Title of Class | Name and Address of Beneficial Owner | Number of Shares of Common Stock | Percentage of Common Stock⁽¹⁾ |
|------------------------|--|---|---|
| 5% Stockholders | | | |
| Common Stock | Joe Eberhard Dorfstrasse #15 CH 8903, Birmensdorf Switzerland | 3,000,000 shares Direct | 7.2% |
| Common Stock | Michael Baybak ⁽⁸⁾ Suite 1200 750 West Pender Street Vancouver, B.C. | 2,500,000 shares Indirect | 6.0% |
| Common Stock | Sprott Asset Management Inc. ⁽⁹⁾ Suite 2700, South Tower, Royal Bank Plaza, Toronto, Ontario M5J 2J1 Canada | 3,400,000 shares | 7.8% |

- (1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on March 24, 2006. As of March 24, 2006, there were 41,915,000 shares issued and outstanding.
- (2) Consists of 5,500,000 shares held by Mr. Saxton and 430,000 shares that can be acquired by Mr. Saxton upon exercise of options to purchase shares held by Mr. Saxton within 60 days of the date hereof.
- (3) Consists of 1,500,000 shares held by Mr. Milligan and 430,000 shares that can be acquired by Mr. Milligan upon exercise of options to purchase shares held by Mr. Milligan within 60 days of the date hereof.
- (4) Consists of 700,000 shares held by Mr. Chapman and 200,000 shares that can be acquired by Mr. Chapman upon exercise of options to purchase shares held by Mr. Chapman within 60 days of the date hereof.
- (5) Consists of 750,000 shares held by Mr. Chi.
- (6) Consists of 750,000 shares held by Mr. Wilson directly and 430,000 shares that can be acquired by Mr. Wilson upon exercise of options to purchase shares held by Mr. Wilson within 60 days of the date hereof.
- (7) Consists of 9,200,000 shares held by our directors and executive officers and 1,490,000 shares that can be acquired by our directors and executive officers upon exercise of options to purchase shares held by our directors and executive officers within 60 days of the date hereof.

- (8) Windsor Capital Corporation owns directly 2,500,000 shares in the capital of the Company. Michael Baybak beneficially owns a 100% interest in Windsor Capital Corporation.

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- (9) Consists of 1,700,000 shares held by Sprott Asset Management Inc. and 1,700,000 shares issuable upon exercise of 1,700,000 share purchase warrants held by Sprott Asset Management Inc. which are exercisable within 60 days hereof.

Changes in Control

We are unaware of any contract, or other arrangement or provision of our Articles or by-laws, the operation of which may at a subsequent date result in a change of control of our company.

EQUITY COMPENSATION PLAN INFORMATION.

As at December 31, 2005, we had one equity compensation plan under which our common shares have been authorized for issuance to our officers, directors, employees and consultants, namely our 2004 Stock Option Plan. Our 2004 Stock Option Plan has not been approved by our shareholders. We do not have any equity compensation plans that have been approved by our shareholders.

The following summary information is presented for our 2004 Stock Option Plan as of December 31, 2005.

| | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a)) |
|--|--|--|--|
| Plan Category | (a) | (b) | (c) |
| Equity Compensation Plans Approved By Security Holders | Not Applicable | Not Applicable | Not Applicable |
| Equity Compensation Plans Not Approved By Security Holders | 2,390,000 Shares of Common Stock | \$0.60 per Share | 110,000 Shares |

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Except as described below, none of the following persons has any direct or indirect material interest in any transaction to which we were or are a party during the past two years, or in any proposed transaction to which the Company proposes to be a party:

- (A) any director or officer;
- (B) any proposed nominee for election as a director;
- (C) any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our common stock; or
- (D) any relative or spouse of any of the foregoing persons, or any relative of such spouse, who has the same house as such person or who is a director or officer of any parent or subsidiary.

Acquisition of Lincoln Gold

The following of our directors, officers and 5% shareholders were issued the number of shares of our common stock set forth below in consideration of their sale of the number of shares of Lincoln Gold Corp. set forth below in connection with our acquisition of Lincoln Gold Corp., as more particularly described the section of this Prospectus entitled Description of Business .

| Name | Number of Shares of Common Stock Issued | Original Number of Shares of Lincoln Gold Corp. held and transferred | Cost of purchase of Shares of Lincoln Gold Corp. |
|---|--|---|---|
| Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer | 5,500,000 | 550,000 | \$5,500 |
| Andrew Milligan Director | 1,500,000 | 150,000 | \$1,500 |
| James Chapman Director | 1,500,000 (1) | 150,000 | \$1,500 |
| Joe Eberhard Dorfstrasse #15 CH 8903, Birmensdorf Switzerland | 3,000,000 | 300,000 | \$3,000 |
| Michael Baybak Suite 1200 750 West Pender Street Vancouver, B.C. | 2,500,000 | 250,000 | \$2,500 |

(1) Subsequently transferred 750,000 shares to Jeffrey Wilson.

Grant of Stock Options

Our directors and officers were granted the options to purchase shares of our common stock during our fiscal year ended December 31, 2004, as follows:

| Name | Number of Securities Underlying Options Granted | % of Total Options Granted to Employees⁽¹⁾ | Exercise Price (per Share) | Expiration Date |
|---|--|--|-----------------------------------|------------------------|
| Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer | 430,000 | 21.4% | \$0.60 | May 25, 2007 |
| Andrew Milligan Director | 430,000 | 21.4% | \$0.60 | May 25, 2007 |
| | 200,000 | 9.9% | \$0.60 | May 25, 2007 |

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| | | | | |
|--|---------|-------|--------|--------------|
| James Chapman Director | | | | |
| Jeffrey Wilson Vice-President Exploration | 430,000 | 21.4% | \$0.60 | May 25, 2007 |

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Private Placement of Units

Sprott Asset Management Inc. purchased 1,700,000 units at a price of \$0.30 per unit in December 2004 for an aggregate purchase price of \$510,000. Each unit is comprised of one share of common stock and one share purchase warrant. Each warrant entitles the investor to purchase one additional share of common stock for a two year period at a price of \$0.40 per share during the period from the date of issue to the date that is one year from the date of issue and at a price of \$0.50 per share during the period from the date that is one year from the date of issue to the date that is two years from the date of issue. We have agreed to file a registration statement with the Securities and Exchange Commission in accordance with the requirements of the Securities Act of 1933 in order to register the resale by the investor of the shares and the shares issuable upon exercise of the warrants. We agreed to file the registration statement within 120 days from the date of completion of the sale of the units.

Executive Compensation

We paid \$34,240 to a company of which Paul Saxton is a director in respect of management fees payable for the services of Mr. Saxton during fiscal 2005. We paid management fees of \$68,598 to Jeffrey Wilson, our vice-president of exploration, during fiscal 2005.

ITEM 13. EXHIBITS

The following exhibits are attached to this Annual Report on Form 10-KSB:

| Exhibit Number | Description of Exhibit |
|-----------------------|--|
| 3.1 | Articles of Incorporation ⁽¹⁾ |
| 3.2 | Bylaws, as amended ⁽¹⁾ |
| 3.3 | Articles of Merger between Braden Technologies Inc. and Lincoln Gold Corp. ⁽³⁾ |
| 4.1 | Form of Series A Warrant Certificate ⁽⁷⁾ |
| 4.2 | Form of Series B Warrant Certificate ⁽⁷⁾ |
| 4.3 | Form of Subscription Agreement ⁽⁷⁾ |
| 10.1 | Form of Share Purchase Agreement dated March 15, 2004 between the Company and the U.S. Shareholders of Lincoln Gold Corp. ⁽²⁾ |
| 10.2 | Form of Share Purchase Agreement dated March 15, 2004 between the Company and the Non-U.S. Shareholders of Lincoln Gold Corp. ⁽²⁾ |
| 10.3 | Convertible Note executed by Lincoln Gold Corp. in favour of Alexander Holtermann dated January 28, 2004 ⁽³⁾ |
| 10.4 | Hercules Joint Venture Agreement dated April 18, 2004 between the Company and Miranda U.S.A. Inc. and Miranda Gold Corp. ⁽³⁾ |
| 10.5 | 2004 Stock Option Plan ⁽³⁾ |
| 10.6 | Letter Agreement on Mining Lease Terms for Buffalo Valley Property dated July 9, 2004 ⁽⁴⁾ |
| 10.7 | Letter Agreement on Mining Lease Terms for the Jenny Hill Project dated September 28, 2004 ⁽⁵⁾ |

| Exhibit Number | Description of Exhibit |
|-----------------------|---|
| 10.8 | Property Option Agreement for the Hannah project between Lincoln Gold Corp. and Larry McIntosh and Susan K. McIntosh dated December 24, 2003 ⁽⁶⁾ |
| 10.9 | Property Option Agreement for the Lincoln Flat project between Lincoln Gold Corp. and Larry McIntosh and Susan K. McIntosh dated December 24, 2003 ⁽⁶⁾ |
| <u>10.10</u> | <u>Lincoln Gold Corporation 2005 Stock Option Plan</u> |
| <u>23.1</u> | <u>Consent of Independent Auditors, Amisano Hanson ⁽⁸⁾</u> |
| <u>23.2</u> | <u>Consent of Independent Auditors, Manning Elliott ⁽⁸⁾</u> |
| <u>31.1</u> | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁽⁸⁾</u> |
| <u>32.1</u> | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽⁸⁾</u> |

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Form 10-SB Registration Statement originally filed on April 20, 1999, as amended.
- (2) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed on March 16, 2004.
- (3) Previously Filed as an Exhibit to the Quarterly Report on Form 10-QSB filed May 24, 2004.
- (4) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10QSB originally filed August 6, 2004.
- (5) Filed as an Exhibit to the Company's Quarterly Report on Form 10-QSB filed November 15, 2004.
- (6) Filed as an Exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 filed on April 18, 2005.
- (7) Filed as an Exhibit to the Company's Amendment No. 1 to Form SB-2 Registration Statement filed on February 16, 2006
- (8) Filed as an Exhibit to this Annual Report on Form 10-KSB for the year ended December 31, 2005.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our independent auditor, Manning Elliott LLP, for our fiscal year ended December 31, 2005, and by our previous independent auditor, Amisano Hanson, for our last fiscal year ended December 31, 2004:

| | Years ended December 31 | |
|---------------------|--------------------------------|-------------|
| | 2004 | 2005 |
| Audit Fees: | \$7,500 | \$[@] |
| Audit Related Fees: | Nil | Nil |
| Tax Fees: | Nil | Nil |
| All Other Fees: | Nil | Nil |
| Total: | \$7,500 | \$[@] |

Audit Fees

Audit Fees are the aggregate fees billed by our independent auditor for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors

The policy of our Audit Committee is to pre-approve all audit and permissible non-audit services to be performed by our independent auditors during the fiscal year.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN GOLD CORPORATION

Per: */s/ Paul F. Saxton*

Paul F. Saxton, President
Chief Executive Officer and Chief Financial Officer
Director
Date: March 31, 2006

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Per: */s/ Paul F. Saxton*

Paul F. Saxton, President
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer)
(Principal Financial Officer and Principal
Accounting Officer)
Director
Date: March 31, 2006

Per: */s/ Andrew Milligan*

Andrew Milligan
Director
Date: March 31, 2006

Per: */s/ Andrew Bowering*

Andrew Bowering
Director
Date: March 31, 2006

Per: */s/ James Chapman*

James Chapman
Director
Date: March 31, 2006

Per: */s/ Steven Chi*

Steven Chi
Director
Date: March 31, 2006

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