LINCOLN GOLD CORP
Form 10QSB
August 14, 2006

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

FORM 10-QSB

[x] Quarterly Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the quarterly period ended **June 30, 2006**

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

For the transition period from to ______ to ______

COMMISSION FILE NUMBER 0-25827

LINCOLN GOLD CORPORATION
(Name of small business issuer in its charter)

NEVADA	**88-0419475**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 350, 885 Dunsmuir Street, Vancouver, BC	**V6C 1N5**
(Address of principal executive offices)	(Zip Code)

604-688-7377
Issuer's telephone number

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 [x] No [ ]**

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 August 8, 2006**

Transitional Small Business Disclosure Format (check one): **Yes [ ] No [x]**

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

PART I

ITEM 1. FINANCIAL STATEMENTS

Our unaudited financial statements for the three and six months ended June 30, 2006, as set forth below, are included with this Quarterly Report on Form 10-QSB:

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

	June 30, 2006 $ (unaudited)	December 31, 2005 $
ASSETS		
Current Assets		
Cash	15,983	132,806
Prepaid expenses and deposits	6,400	11,302
Total Current Assets	22,383	144,108
Property and Equipment (Note 3)	5,884	7,328
Total Assets	28,267	151,436
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	29,177	20,474
Accrued liabilities	19,272	12,097
Due to related parties (Note 5(b))	12,884	8,080
Note payable (Note 6)	100,000	100,000
Total Liabilities	161,333	140,651
Commitments and Contingencies (Note 1 and 4)		
Stockholders Equity (Deficit)		
Common Stock, 100,000,000 shares authorized, $0.001 par value; 41,915,000 and 41,865,000 shares issued and outstanding, respectively	41,915	41,865
Additional Paid-in Capital	3,102,438	3,092,488
Deficit Accumulated During the Exploration Stage	(3,277,419)	(3,123,568)
Total Stockholders Equity (Deficit)	(133,066)	10,785
Total Liabilities and Stockholders Equity (Deficit)	28,267	151,436

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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)
(Unaudited)

	Three Months Ended June 30, 2006 $	Three Months Ended June 30, 2005 $	Six Months Ended June 30, 2006 $	Six Months Ended June 30, 2005 $	Accumulated From September 25, 2003 (Date of Inception) to June 30, 2006 $
Revenue	-	-	-	-	-
Expenses					
Depreciation	722	326	1,444	472	3,422
Foreign exchange loss	1,233	359	2,009	454	5,799
General and administrative (Note 5(a))	60,554	241,717	119,632	452,354	2,262,378
Impairment of mineral properties (Note 2(h))	-	-	10,000	-	65,000
Mineral exploration	3,743	264,300	16,475	327,225	820,127
Total Expenses	66,252	506,702	149,560	780,505	3,156,726
Loss From Operations	(66,252)	(506,702)	(149,560)	(780,505)	(3,156,726)
Other Income (Expense)					
Accounts payable written off			-	-	33,564
Interest income	267	2,431	923	2,431	9,337
Interest expense	(2,649)	(7,450)	(5,214)	(13,626)	(42,242)
Net Loss	(68,634)	(511,721)	(153,851)	(791,700)	(3,156,067)
Net Loss Per Share Basic and Diluted	-	(0.01)	-	(0.02)	
Weighted Average Shares Outstanding	41,915,000	40,356,000	41,892,000	40,356,000	

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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 Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Six Months Ended June 30, 2006 $	Six Months Ended June 30, 2005 $
Operating Activities		
Net loss	(153,851)	(791,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,444	472
Impairment of mineral properties	10,000	-
Changes in operating assets and liabilities:		
Prepaid expenses and deposits	4,902	-
Account payable and accrued liabilities	15,878	(6,492)
Due to related parties	4,804	(63)
Net Cash Used in Operating Activities	(116,823)	(797,783)
Investing Activities		
Purchase of property and equipment	-	(6,255)
Net Cash Flows Used in Investing Activities	-	(6,255)
Financing Activities		
Repayment of loan payable	-	(48,090)
Proceeds from share subscriptions receivable	-	528,000
Proceeds from issuance of common stock	-	913,290
Net Cash Flows Provided by Financing Activities	-	1,393,200
Increase (Decrease) in Cash	(116,823)	589,162
Cash Beginning of Period	132,806	127,785
Cash End of Period	15,983	716,947
Non-cash Investing and Financing Activities		
Shares issued for mineral property costs	10,000	-
Supplemental Disclosures		
Interest paid	-	-
Income tax paid	-	-

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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
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

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 June 30, 2006, the Company has never generated any revenues, has accumulated losses of $3,156,067 since inception of the development stage, and has a working capital deficiency of $138,950. These factors raise substantial doubt regarding the Company s ability to continue as a going concern. 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.

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. The Company filed an amended SB-2 Registration Statement with the U.S. Securities and Exchange Commission to register and offer up to 2,857,143 units at a price of $0.20 per unit. Each unit will consist of one share of common stock, one-half Class A Warrant and one Class B Warrant.

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.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

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.

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 June 30, 2006 and 2005 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 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 six month period ended June 30, 2006, mineral property costs totaling $10,000 were impaired as there are no proven or probable reserves on these properties.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

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 that 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.

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

Prior to January 1, 2006, the Company accounted for stock-based awards under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* using the intrinsic value method of accounting, under which compensation expense was only recognized if the exercise price of the Company s employee stock options was less than the market price of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R *Share Based Payments* , using the modified prospective transition method. Under that transition method, compensation cost is recognized for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated. There was no effect on the Company s reported loss from operations, cash flows of loss per share as a result of adopting SFAS No. 123R.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

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.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

l) Stock-based Compensation (continued)

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

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2005	2,390,000	$	0.60
Granted	-		-
Exercised	-		-
Balance, June 30, 2006	2,390,000	$	0.60

Additional information regarding options outstanding as at June 30, 2006 is as follows:

	Outstanding and Exercisable		
Exercise price	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
$0.60	2,390,000	0.95 years	$0.60

m) Recent Accounting Pronouncements

In 2006, the Financial Accounting Standards Board (FASB) has issued SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* and No. 156 *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140* , but they will not have a material effect in the Company s results of operations or financial position. Therefore, a description and its impact for each on the Company s operations and financial position have not been disclosed.

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 did not expect 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 did not have a material effect on the Company s results of operations or financial position.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

n) Interim Financial Statements

These interim financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

o) Reclassifications

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

	Cost $	Accumulated Depreciation $	June 30, 2006 Net Carrying Value $	December 31, 2005 Net Carrying Value $
Computer hardware	4,676	1,681	2,995	3,774
Computer software	1,345	953	392	729
Office equipment and fixtures	3,285	788	2,497	2,825
	9,306	3,422	5,884	7,328

4. 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:

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

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Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

4. Mineral Property Interests (continued)

c) Buffalo Valley Property

On July 9, 2004, the Company entered into a mining lease agreement with Nevada North Resources (U.S.A.) Inc. (Nevada North) 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:

- $10,000 upon exercise of the lease (paid);
- $20,000 by July 9, 2005 (paid);
- $20,000 by July 9, 2006 (lease terminated);
- $40,000 by July 9, 2007;
- $40,000 by July 9, 2008;
- $50,000 by July 9, 2009;
- $50,000 by July 9, 2010;
- $60,000 by July 9, 2011;
- $60,000 by July 9, 2012;
- $70,000 by July 9, 2013;
- $70,000 by July 9, 2014; and
- $80,000 plus inflation by July 9 of each year from 2015 to 2024.

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 had a work commitment (includes maintaining the underlying leases and claims in good standing) of $3,000,000 over a five-year period as follows:

- $50,000 in year one;
- $250,000 in year two;
- $400,000 in year three;
- $800,000 in year four; and
- $1,500,000 in year five.

On May 24, 2006 the Company terminated its lease agreement with Nevada North and returned the property to them.

d) 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:

- $20,000 upon signing the agreement (paid);
- $25,000 by September 28, 2005 (paid);
- $30,000 by September 28, 2006;
- $60,000 by September 28, 2007;
- $70,000 by September 28, 2008;
- $80,000 by September 28, 2009;
- $90,000 by September 28, 2010; and
- $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 completed. The agreement is subject to a net smelter return of 2%.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
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(Expressed in U.S. dollars)
(Unaudited)

4. Mineral Property Interests (continued)

d) Jenny Hill Property (continued)

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).

e) La Bufa Property

On August 5, 2005, the Company entered into a Letter of Intent to form a joint venture for the exploration and development of the La Bufa property, located in Chihuahua, Mexico. Under the Letter of Intent, the Company may acquire a 51% interest in the La Bufa property by spending \$2,000,000 on the property over four years and by issuing 350,000 shares of the Company to Almaden over a five year period (50,000 shares issued at a fair value of \$10,000 on March 15, 2006). In addition, the Company may acquire another 9% of the property by spending an additional \$1,000,000 on the property. If production is achieved, the Company will pay a bonus by issuing 100,000 of its shares. The Company is committed to spend \$100,000 in the first year.