

LINCOLN GOLD CORP  
Form 10KSB  
April 02, 2007

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

**FORM 10-KSB**

(Mark One)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2006**

**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)

Issuer's telephone number: **(604) 688-7377**

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

Title of each class

**Not Applicable**

Name of each exchange on which registered

**Not Applicable**

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

**Common Stock, \$0.001 par value**

(Title of class)

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

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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 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

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

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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.)

**\$3,296,667 as of March 26, 2007**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **43,656,666 shares of common stock as of March 26, 2007**

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

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## 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 events and 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.

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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 four groups of mineral properties, with three properties located in Nevada and one property located in Mexico, as described below:

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

In addition, we are in the process of negotiating to acquire a fourth property in Nevada. The property is known as the Pine Grove and is near Yerington, Nevada. There are two patented claims associated with the property and two claim holders. We are in the process of drawing up formal agreements on the claims pursuant to negotiations that have been completed to date. No expenditures have been made on the claims and none will be made until the formal agreements are signed.

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;

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- (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 to 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, 2006. We further plan to renew all of our mineral claims by making the required filings with the Bureau of Land Management by September 1, 2007 except where we determine to abandon exploration of any mineral claim prior to September 1, 2007. 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.

### **Buffalo Valley Property**

Agnico Eagle completed the drilling of five deep RC holes for 4,850 ft on the Company's Buffalo Valley Property near Battle Mountain, Nevada. Assay results were discouraging and the property was returned to the Company who subsequently returned the claims to Nevada North Resources (USA), Inc. This was done at the end of May 2006 and was announced in a press release.

### **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.

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.

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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, 2007. 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 term 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. These amounts are subject to change and adjustment by the Mexican authorities.

#### **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:

**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 (in quarterly payments) First payment has been made |
| 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 \$3,075 for BLM and County annual claim maintenance fees that were required to be paid by October 1, 2006. We will be required pay approximately \$3,075 for BLM and County annual claim maintenance fees by September 1, 2007. 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, soil and rock-chip sampling, a ground magnetometer survey, and 11 reverse-circulation drill holes (4,815 ft) drilled by the Company in 2005. Shallow ore-grade gold and silver mineralization is present in two adjacent drill holes.

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 reports on the Hannah Property. However, we do have all soil and rock-chip sample maps and results, a preliminary geologic map, a ground magnetometer map, and drill hole logs and assay results from 11 reverse-circulation drill holes.

During 2006, we conducted a ground magnetometer survey in the vicinity of mineralized drill holes H-1 and H-11 which were drilled in a northwest-trending, highly oxidized shear zone. Results show a magnetic high to the northwest buried under pediment gravels and a magnetic low to the southeast beneath alluvium. The abrupt transition area from low to high magnetic response offers a possible structural intersection between contrasting rocks types. Structural intersections are potential gold-silver targets.

Provided adequate funding is available, we would like to conduct offset drilling from the two holes that encountered ore-grade gold-silver mineralization. However, we are also showing the property to multiple juniors who have expressed potential interest in participating in a joint venture on the Hannah Property. To date, we have not concluded any joint venture agreement for the Hannah Property. It is important to note that there is no work obligation in the

property option agreement. Owing to this situation, the property may sit idle until a joint venture partner is acquired, provided that we continue to make the payments required under the option agreement.

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

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| Description of Phase of Exploration | Description of Exploration Work Required   |
|-------------------------------------|--|
| Acquire Joint Venture Partner       | Execute an Exploration Agreement with Option to Joint Venture with a potential joint venture partner (a JV Partner ) |
| Exploration Trenching               | JV Partner conducts trenching across target with an excavator  |
| Phase 2 Drilling                    | JV Partner drills 5 to 10 angle RC drill holes   |
| Bottle Roll Metallurgical Tests     | JV Partner conducts metallurgical tests on select drill cuttings   |
| Data Evaluation                     | Evaluate 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 |
|---------------------------------|--------------------------------------|------------------------------|
| Acquire Joint Venture Partner   | 2 <sup>nd</sup> Quarter              | \$3,000                      |
| Exploration Trenching           | 3 <sup>rd</sup> Quarter              | \$0 (Partner s Cost)         |
| Phase 2 Drilling                | 4 <sup>th</sup> Quarter              | \$0 (Partner s Cost)         |
| Bottle-Roll Metallurgical Tests | 4 <sup>th</sup> Quarter              | \$0 (Partner s Cost)         |
| Data Evaluation                 | 4 <sup>th</sup> Quarter              | \$2,000                      |

All significant work is expected to be conducted by a joint venture partner using qualified contractors.

## 5. Geology

The Hannah Property lies in exotic metamorphic terrain comprised of Triassic metavolcancis (greenstones) and various Cretaceous intrusive rocks and Tertiary lake beds (no formation names). A highly oxidized, northwest trending, gold-silver-bearing shear zone cuts the metavolcanic rocks and is exposed in an outcrop approximately 50 to 100 ft wide and 300 ft long at the edge of the pediment. Pediment and alluvial gravels cover the shear zone to the northwest and southeast. The altered shear zone consists of hydrothermally altered breccia that contains conspicuous iron-oxides and bleaching. Two drill holes cut the zone. Angle hole H-1 (-45°) encountered 35 ft @ 0.016 opt gold from 40 to 75 ft and angle hole H-2 (-60°) encountered 10 ft @ 0.094 opt gold + 5.1 opt silver from 15 to 25 ft. This mineralization is believed to continue under gravels to the northwest and southeast. Similar, although much narrower, shear zones occur on the property and extend up to 1,200 ft in strike length.

## JDS PROPERTY, EUREKA COUNTY, NEVADA

### 1. Location and Access

The JDS property is located in central Nevada within the Cortez Trend portion of the Battle Mountain-Eureka Mineral Belt, approximately 40 miles northwest of the small mining town of Eureka. 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, 2007 in order to maintain our interest in these properties.

Effective May 15, 2006, we entered into a letter agreement on the JDS property for an Exploration Agreement with Option to Form Joint Venture with Golden Odyssey Exploration (TVX: GOE). The earn-in terms are presented below:

| <b>Earn-In Period</b>           | <b>Required Expenditures</b>    | <b>Percent Earned Interest upon Completion of Required Expenditure</b> |
|---------------------------------|---------------------------------|--|
| 18 months from Letter Agreement | 6000 ft of exploration drilling | 51%  |
| To be determined                | US\$1,500,000                   | 14%  |
| To be determined                | US\$2,000,000                   | 10%  |
|                                 |                                 | Total 75%  |

Under the terms of the letter agreement, Golden Odyssey is obligated for all annual claim maintenance fees payable to the U.S. Bureau of Land Management and to Eureka County.

### 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

In 2005, we completed a mercury soil gas survey and a detail gravity survey line over the northwest portion of the claim block. This area is considered the most prospective for discovery of a Carlin-type gold deposit hosted in lower plate carbonate rocks.

There is no plant or equipment of the JDS Property. The property consists of barren land with no improvements other than a Eureka County dirt road that crosses the property and various cattle fences.

We presently have one geologic report on the JDS property that was written by Kenneth D. Cunningham, Wyoming Professional Geologist PG-1636, dated February 9, 2004. The report reviews the potential for Carlin type gold deposits on the JDS Property. We have all raw data and maps for the mercury soil gas survey and for the detail gravity survey line in the same general area. We also have various summary maps and property diagrams.

Work in 2006 consisted largely of farm-out efforts by the Company which were consummated in May 2006 when we entered into the letter agreement with Golden Odyssey. Golden Odyssey has initiated drill permitting with the U.S. Bureau of Land Management and have located an available drill rig. Golden Odyssey plans to complete this drilling during the first quarter of 2007.

Property exploration during 2007 will be conducted by Golden Odyssey Exploration.

| Description of Phase of Exploration | Description of Exploration Work Required  |
|-------------------------------------|---|
| Phase 1 Drilling                    | Golden Odyssey to drill 6,000 ft of reverse-circulation drilling in various locations |
| Data Evaluation                     | Evaluate drill data   |

The anticipated timetable and budget for the Company's share of work is listed below:

| Stage of Exploration | Anticipated Timetable for Completion            | Estimated Cost of Completion |
|----------------------|---|------------------------------|
| Phase 1 Drilling     | 1 <sup>st</sup> Quarter-2 <sup>nd</sup> Quarter | \$0 (Golden Odyssey's Cost)  |
| Data Evaluation      | 3 <sup>rd</sup> Quarter                         | \$5,000                      |

### 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 Property is comprised of 182 unpatented lode claims covering approximately 3,640 acres (5.7 sq miles) in Mineral and Nye Counties, Nevada. These mineral claims are held by the Company subject to a Lease with Option to Purchase Agreement effective September 28, 2004 between the Company and Larry and Susan McIntosh of Gardnerville, Nevada.

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:

| <b>Date of Payment</b> | <b>Amount of Advance Royalty Payment</b> |
|------------------------|--|
| September 28, 2004     | \$7,000 (paid)                           |
| September 28, 2004     | \$13,000 (paid)                          |
| September 28, 2005     | \$25,000 (paid)                          |
| September 28, 2006     | \$30,000 (paid)                          |
| 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 were obligated to do US\$50,000 in work during the first year of the agreement and are obligated to conduct US\$100,000 in work for every year thereafter. We are also obligated to pay all annual federal and county claim maintenance fees due prior to September 1 of each year. These fees total approximately US\$24,115.

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 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 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.

The Kinross Gold earn-in schedule under the letter of intent to joint venture is presented in the following table:

| <b>Earn-In Schedule</b>    | <b>Required Expenditures</b> | <b>Percent Earned Interest</b> |
|----------------------------|------------------------------|--------------------------------|
| Year 1*                    | US\$200,000                  | 0%                             |
| Years 2 thru 5             | US\$2,800,000                | 0%                             |
|                            | Total: US\$3,000,000         | 60%                            |
| Complete Feasibility Study | At Cost                      | 10%                            |
| Arrange Lincoln Financing  | At Cost                      | 5%                             |
|                            |                              | Total: 75%                     |

\*Note: The Year 1 work period was extended owing to the lack of an available drill rig.

### **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 1880 s. Minor gold production also came from the Black Hills by local prospectors in the 1960 s. 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, soil and rock-chip sampling, ground magnetometer survey, and a local gravity survey. Drill targets have been identified.

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 various dirt roads.

Jenny Hill is an early-stage exploration property. There are no formal geologic reports available at this time. However, we do have a geologic map, copies of all soil and rock-chip sample maps and assays, a ground magnetometer survey (105 line kilometres) over the entire property, and a local gravity survey (6 lines) over a northern portion of the property.

During 2006, Kinross Gold Corp. received approval for 20 drill sites on the property from the U.S. Bureau of Land Management. However, no holes were drilled during 2006 due to the lack of an available reverse-circulation drill rig. Drilling is now planned for the first quarter of 2007.

The 2007 exploration plan is presented in the following table.

| <b>Description of Phase of Exploration</b> | <b>Description of Exploration Work Required</b>        |
|--|--|
| Phase 1 Drilling                           | Kinross to drill at least 10 reverse-circulation holes |
| Data Evaluation                            | Evaluate drill data                                    |

The anticipated timetable and budget for our share of work is listed in the following table:

| Stage of Exploration | Anticipated Timetable for Completion | Estimated Cost of Completion |
|----------------------|--------------------------------------|------------------------------|
| Phase 1 Drilling     | 1 <sup>st</sup> Quarter              | \$0 (Kinross's Cost)         |
| Data Evaluation      | 2 <sup>nd</sup> Quarter              | US\$5,000                    |

## 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, Chihuahua, Mexico

### 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 2,291.26 hectares (approximately 5,661.7 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    | Expires   | 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 La Bufa Property consists of three contiguous Mexican concessions 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. We can 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 may 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.

We have entered into negotiations with Almaden in order to enter into an option agreement with Almaden (the Option Agreement ) that would replace and supercede the August 8, 2005 letter of intent. As with the letter of intent, the Option Agreement would entitle us to acquire up to a 60% interest in the Bufa Property. We would be entitle to earn this interest in the Bufa Property in consideration of us (a) undertaking a work program on the Bufa Property aggregating US\$3,500,000, and (b) issuing an aggregate of 1,550,000 shares of our common stock of the Corporation pursuant to the following schedule:

- 150,000 shares within 5 business days from the effective date of the Option Agreement;
- 200,000 shares on or before the first anniversary of the effective date of the Option Agreement
- 200,000 shares on or before the second anniversary of the effective date of the Option Agreement; and
- 1,000,000 shares on or before the fourth anniversary of the effective date of the Option Agreement.

To date, a draft of the Option Agreement has been prepared and delivered to Almaden but has not been executed.

### **3. History of Operations**

Gold was discovered in the Guadalupe y Calvo district in 1835 with extended periods of production up to 1939. The 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 concessions. Although the vein system extends beyond the area of the old workings, little exploration work has been conducted. Asarco drilled two angle core holes in the 1970 s on La Bufa ground with both holes encountering ore-grade gold and silver. 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 Current State of Exploration**

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 concessions encompass the town of Guadalupe y Calvo. Potential for gold-silver veins exists primarily along the eastern side of the town in low, forested and brush-covered hills.

In 2006, the Company conducted aerial photography over the entire district for the purpose of generating a topographic base map suitable for detail geologic mapping. A Mexican survey crew was contracted to survey control points required to produce the topographic maps. However, heavy snow delayed the survey crew from access to the survey area. Surveying is now planned for the 1<sup>st</sup> quarter of 2007.

The Company also conducted a soil sampling program over the most prospective portion of the La Bufa Property in 2006. The survey covered approximately 1600 meters (5,250 ft) of potential vein strike. Results reveal at least eight significant gold anomalies that warrant follow-up work.

The 2007 exploration plan is presented in the following table:



| <b>Description of Phase of Exploration</b> | <b>Description of Exploration Work Required</b>                   |
|--|---|
| Base map construction                      | Obtain ground control points; submit data; generate maps          |
| Detail geologic mapping                    | Map & sample quartz veins + geology onto new base map             |
| Select drill targets                       | Compile geologic mapping with soil & rock-chip geochem data       |
| Acquire drilling permit                    | Contract professional landman to acquire drill permit             |
| Construct drill pads                       | Hire local labor and construct drill pads; recondition roads      |
| Phase 1 core drilling                      | Hire drill contractor and drill 8 angle core holes for 250 m each |
| Evaluate drilling data                     | Compile drilling data with surface data                           |

The anticipated timetable and budget for the 2007 exploration plan is presented in the following table.

| <b>Stage of Exploration</b> | <b>Anticipated Timetable for Completion</b> | <b>Estimated Cost of Completion</b> |
|-----------------------------|---|-------------------------------------|
| Base map construction       | 2 <sup>nd</sup> Quarter                     | US\$14,000                          |
| Detail geologic mapping     | 2 <sup>nd</sup> Quarter                     | \$43,000                            |
| Select drill targets        | 2 <sup>nd</sup> Quarter                     | \$3,000                             |
| Acquire drilling permit     | 2 <sup>nd</sup> Quarter                     | \$10,000                            |
| Construct drill pads        | 3 <sup>rd</sup> Quarter                     | \$16,000                            |
| Phase 1 core drilling       | 3 <sup>rd</sup> Quarter                     | \$287,000                           |
| Evaluate drilling data      | 4 <sup>th</sup> Quarter                     | \$7,000                             |
|                             |   | Total: \$380,000                    |

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

- 1) Delays in the permit approval process for drilling.
- 2) Limited availability of core rigs in Mexico.
- 3) Lack of funding.

Factors that could cause exploration costs to be greater than anticipated are largely from drilling condition 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. Geo. State of Wyoming (PG-1505) with extensive experience in Latin America. Our vice-president 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 at this time.

**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 south-eastward 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.

Asarco drill holes on the La Bufa Property encountered encouraging results. Hole H-1 hit 1.4 meters grading 9.0 gram per tonne gold + 324 grams per tonne silve. Hole H-2 hit 1.4 meters grading 6.3 grams per tonne gold + 280 grams per tonne silver. Grid Capital drilled four core holes with their best intercept of 1.6 meters grading 9.0 grams per tonne gold + 447 grams per tonne silver.

**GLOSSARY OF TECHNICAL TERMS**

**Mexico Property:**

| <b>Term</b>       | <b>Definition</b>   |
|-------------------|---|
| 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.

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|                      |  |
|----------------------|--|
| 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:**

| <b>Term</b>         | <b>Definition</b>  |
|---------------------|--|
| 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.  |

| <b>Term</b>                  | <b>Definition</b>  |
|------------------------------|--|
| 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.   |
| 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.   |



| Term         | Definition   |
|--------------|--|
| 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, 2006.

**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:

| <b>QUARTER ENDED</b> | <b>HIGH BID</b> | <b>LOW BID</b> |
|----------------------|-----------------|----------------|
| December 31, 2006    | \$0.12          | \$0.07         |
| September 30, 2006   | \$0.16          | \$0.11         |
| June 30, 2006        | \$0.31          | \$0.13         |
| March 31, 2006       | \$0.35          | \$0.14         |
| 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 March 1, 2007, 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, 2006 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.

| <b>Report</b>  | <b>Date of Filing with SEC</b> |
|--|--------------------------------|
| Quarterly Report on Form 10-QSB for the nine months ended September 30, 2006 | November 14, 2006              |

In addition, we completed the following sales of securities without registration pursuant to the Securities Act of 1933 (the Act) during the fiscal year ended December 31, 2006 that were not reported on the Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K described above:

1. We have approved the issuance of 60,000 shares of our common stock to Almaden Minerals that were to be issued August 2006 in accordance with our obligations under the letter of intent entered into between us and Almaden Minerals for the La Bufa property. The issuance of the shares was completed pursuant to Rule 903 of Regulation S of the Act on the basis that the sale of the shares was completed in an offshore transaction, as defined in Rule 902(h) of Regulation S. We did not engage in any directed selling efforts, as defined in Regulation S, in the United States in connection with the sale of the shares. Almaden Minerals represented to us that it is not a U.S. person, as defined in Regulation S, and was not acquiring the shares for the account or benefit of a U.S. person. All certificates representing the shares issued were endorsed with a restrictive legend confirming that the securities had been issued pursuant to Regulation S of the Act and could not be resold without registration under the Act or an applicable exemption from the registration requirements of the Act.

2. In February 2007, we issued 666,666 common shares to a consultant pursuant to Section 4(2) of the Securities Act of 1933, as amended (the Act). The shares were issued as restricted securities, as defined under the Act, that cannot be resold without registration under the Act or an applicable exemption from the registration requirements of the Act. The consultant had access to information regarding our business, operations and financial condition by virtue of its position as a consultant, had opportunity to discuss this information with our management and is a sophisticated investor by virtue of its experience and background and is capable, by reason of such experience and background, of evaluating the merits and risks of an investment in our common shares. The consultant further represented to us that it is an accredited investor as defined in Rule 501(a) of Regulation D and acquired the securities for investment only and not with a view toward distribution. No general solicitation or general advertising was conducted in connection with the offering of the shares.

## **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:

| <b>Name of Property</b>                        | <b>Planned Exploration Expenditures</b> | <b>Amounts of Claims Maintenance Due</b> | <b>Amount of Property Payment Due</b> | <b>Total</b> |
|--|---|--|---------------------------------------|--------------|
| Exploration of Hannah Property, Nevada         | \$nil                                   | \$6,000                                  | \$15,000                              | \$21,000     |
| Exploration of JDS Property, Nevada (1)        | \$5,000                                 | \$Nil                                    | \$Nil                                 | \$5,000      |
| Exploration of Jenny Hill Property, Nevada (2) | \$5,000                                 | \$Nil                                    | \$Nil                                 | \$5,000      |
| Exploration of La Bufa Property,               | \$359,000                               | \$7,000                                  | \$10,000                              | \$376,000    |

|        |  |  |  |  |
|--------|--|--|--|--|
| Mexico |  |  |  |  |
|--------|--|--|--|--|

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|  |                  |               |               |                  |
|--|------------------|---------------|---------------|------------------|
| Exploration of Prospective Properties, including the Pine Grove properties | \$309,000        | \$20,000      | \$20,000      | \$349,000        |
| Administration Nevada  | \$165,000        | -             | -             | \$165,000        |
| Administration - Vancouver   | \$250,000        | -             | -             | \$250,000        |
| <b>Total</b>   | <b>1,093,000</b> | <b>33,000</b> | <b>45,000</b> | <b>1,171,000</b> |

- (1) Golden Odyssey has initiated drill permitting with the U.S. Bureau of Land Management and have located an available drill rig for a drill exploration program at the JDS. Drilling is planned for the first quarter of 2007. Golden Odyssey will be responsible for annual claim maintenance fees. We have allocated \$5,000 for data evaluation.
- (2) Kinross anticipates undertaking exploration expenditures in the amount of \$251,500 on the Jenny Hill property. Further, Kinross will be required to pay \$12,983 to the BLM and local counties and \$25,000 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. We have allocated \$5,000 for data evaluation.

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 \$21,961 and a working capital deficit in the amount of \$130,363 as of December 31, 2006. Based on our planned expenditures, we will require a minimum of approximately \$1,301,362 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, 2006 are as follows:

|   | Accumulated<br>From<br>September 25,<br>2003<br>(Date of<br>Inception)<br>to December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2005<br>\$ |
|---|---|---|---|
| Revenue   | -   | -   | -   |
| Expenses  |   |   |   |
| Depreciation                                    | 4,866   | 2,888                                       | 1,978                                       |
| Foreign exchange loss                           | 5,833   | 2,043                                       | 2,115                                       |
| General and administrative (Note 5(a))          | 2,437,402   | 294,656                                     | 730,433                                     |
| Impairment of mineral properties<br>(Note 2(h)) | 65,000  | 10,000                                      | 55,000                                      |
| Mineral exploration                             | 899,504   | 95,852                                      | 529,017                                     |
| Total Expenses                                  | 3,412,605   | 405,439                                     | 1,318,543                                   |
| Loss From Operations                            | (3,412,605)   | (405,439)                                   | (1,318,543)                                 |
| Other Income (Expense)                          |   |   |   |
| Accounts payable written off                    | 33,564  | -   | 33,564                                      |
| Interest income                                 | 11,005  | 2,591                                       | 8,414                                       |
| Interest expense                                | (47,721)  | (10,693)                                    | (17,981)                                    |
|   | (3,152)   | (8,102)                                     | 23,997                                      |
| Net Loss  | (3,415,757)   | (413,541)                                   | (1,294,546)                                 |
| Net Loss Per Share - Basic and Diluted          |   | (0.01)                                      | (0.03)                                      |
| Weighted Average Shares Outstanding             |   | 42,366,000                                  | 41,079,000                                  |





Both our net loss and exploration expenditures decreased substantially for fiscal 2006 compared to fiscal 2005. These decreases are attributable largely to our decreased exploration activities during fiscal 2006, 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 increase throughout the current fiscal year in comparison with 2006 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, 2006 was \$21,961 compared to \$132,806 as of December 31, 2005. We had working capital deficit of \$130,363 as of December 31, 2006 compared to working capital of \$3,457 as of December 31, 2005.

### **Plan of Operations**

We estimate that our total expenditures over the next twelve months will be approximately \$1,171,000 as outlined above under the heading **Plan of Operations** . Based on our planned expenditures and our working capital deficit, we will require a minimum of approximately \$1,301,362 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.

### **Registered Offering**

We completed the offering of 1,075,000 units (each a **Unit** ) at a price of \$0.20 per Unit for total proceeds of \$215,000 on July 27, 2006. We completed this offering pursuant to our Form SB-2 registration statement filed with the Securities and Exchange Commission pursuant to the United States Securities Act of 1933 (the **Act** ). Each Unit comprised of one share of common stock (each a **Share** and together, the **Shares** ), one-half of one Series A Warrant and one whole series B Warrant. Each whole Class A Warrant will be exercisable to acquire one share of common stock (each a **Class A Warrant Share** and together, the **Class A Warrant Shares** ) at \$0.35 per share and will expire on the date that is one year from the date of issuance. Each whole Class B Warrant will be exercisable to acquire one share of common stock (each a **Class B Warrant Share** and together, the **Class B Warrant Shares** ) at \$1.35 per share and will expire on the date that is four years from the date of issuance. Each of the Class A Warrants and the Class B Warrants are subject to accelerated exercise provisions. We have applied the proceeds from this financing for general corporate purposes.

### **Outstanding Convertible Note**

We arranged for a \$200,000 convertible note during the fiscal year ended December 31, 2004. This convertible note was convertible into shares of our common stock at a price of \$0.04 per share. If the convertible note was converted, we would be obligated to issue an additional 5,000,000 shares of our common stock. The note accrues interest at the rate of 10% per annum. The principal is repayable on January 28, 2006 and interest is payable annually. We issued 5,000,000 warrants which were exercisable at \$0.04 per share of common stock expiring on January 28, 2006.

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 conversion feature and warrants issued were cancelled. The remaining \$100,000 owed will be repaid when the next funding of the Company is completed.

**Going Concern**

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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**

### **Use of Estimates**

The preparation of consolidated 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. We regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation and deferred income tax asset valuation allowances. We base our estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

### **Mineral Property Costs**

We have been in the exploration stage since its formation on September 25, 2003 and has not yet realized any revenues from its planned operations. We are 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*. We assess the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When we have 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 fiscal year ended December 31, 2006, mineral property costs totalling \$10,000 were impaired as there are no proven or probable reserves on these properties.

### **Stock Based Compensation**

Prior to January 1, 2006, we accounted for stock-based awards under the recognition and measurement provisions of Accounting Principles Board Opinion 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 our employee stock options was less than the market price of the underlying common stock on the date of grant. Effective January 1, 2006, we 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

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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 our 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.

## ITEM 7. FINANCIAL STATEMENTS

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

|   | PAGE       |
|---|------------|
| <u>Report of Independent Registered Accounting Firm</u>   | <u>F-1</u> |
| <u>Consolidated Balance Sheets, December 31, 2006 and 2005</u>  | <u>F-2</u> |
| <u>Consolidated Statements of Operations for the years ended December 31, 2006 and 2005 and for the period from inception (September 25, 2003) to December 31, 2006</u> | <u>F-3</u> |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2006 and 2005 and for the period from inception (September 25, 2003) to December 31, 2006</u> | <u>F-4</u> |
| <u>Consolidated Statements of Stockholders' Equity for the period from inception (September 25, 2003) to December 31, 2006</u>  | <u>F-5</u> |
| <u>Notes to the Consolidated Financial Statements</u>   | <u>F-6</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 sheets of Lincoln Gold Corporation as of December 31, 2006 and 2005, and the related consolidated statements of operations, cash flows and stockholders' equity (deficit) for the years then ended and accumulated from September 25, 2003 (Date of Inception) to December 31, 2006. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 audits provide 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, 2006 and 2005, and the results of its operations and its cash flows for the years then ended and accumulated from September 25, 2003 (Date of Inception) to December 31, 2006 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, has a working capital deficiency, 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.

CHARTERED ACCOUNTANTS

Vancouver, Canada

March 22, 2007

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

|  | December 31,<br>2006<br>\$ | December 31,<br>2005<br>\$ |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| Current Assets   |                            |                            |
| Cash   | 21,961                     | 132,806                    |
| Prepaid expenses and deposits  | 4,893                      | 11,302                     |
| Total Current Assets   | 26,854                     | 144,108                    |
| Property and Equipment (Note 3)  | 4,440                      | 7,328                      |
| Total Assets   | 31,294                     | 151,436                    |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>   |                            |                            |
| Current Liabilities  |                            |                            |
| Accounts payable   | 35,467                     | 20,474                     |
| Accrued liabilities  | 14,990                     | 12,097                     |
| Due to related parties (Note 5(b))   | 6,760                      | 8,080                      |
| Note payable (Note 6)  | 100,000                    | 100,000                    |
| Total Liabilities  | 157,217                    | 140,651                    |
| Commitments and Contingencies (Note 1 and 4)   |                            |                            |
| Stockholders Equity (Deficit)  |                            |                            |
| Common Stock, 100,000,000 shares authorized, \$0.001 par value;<br>42,990,000 and 41,865,000 shares issued and outstanding, respectively |                            |                            |
|  | 42,990                     | 41,865                     |
| Additional Paid-in Capital   | 3,294,863                  | 3,092,488                  |
| Common Stock Subscribed (Note 7(a))  | 73,333                     | -                          |
| Deficit Accumulated During the Exploration Stage   | (3,537,109)                | (3,123,568)                |
| Total Stockholders Equity (Deficit)  | (125,923)                  | 10,785                     |
| Total Liabilities and Stockholders Equity (Deficit)  | 31,294                     | 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)

|  | Accumulated<br>From<br>September 25,<br>2003<br>(Date of<br>Inception)<br>to December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2005<br>\$ |
|--|---|---|---|
| Revenue                                      | -   | -   | -   |
| Expenses                                     |   |   |   |
| Depreciation                                 | 4,866   | 2,888                                       | 1,978                                       |
| Foreign exchange loss                        | 5,833   | 2,043                                       | 2,115                                       |
| General and administrative (Note 5(a))       | 2,437,402   | 294,656                                     | 730,433                                     |
| Impairment of mineral properties (Note 2(h)) | 65,000  | 10,000                                      | 55,000                                      |
| Mineral exploration                          | 899,504   | 95,852                                      | 529,017                                     |
| Total Expenses                               | 3,412,605   | 405,439                                     | 1,318,543                                   |
| Loss From Operations                         | (3,412,605)   | (405,439)                                   | (1,318,543)                                 |
| Other Income (Expense)                       |   |   |   |
| Accounts payable written off                 | 33,564  | -   | 33,564                                      |
| Interest income                              | 11,005  | 2,591                                       | 8,414                                       |
| Interest expense                             | (47,721)  | (10,693)                                    | (17,981)                                    |
|  | (3,152)   | (8,102)                                     | 23,997                                      |
| Net Loss                                     | (3,415,757)   | (413,541)                                   | (1,294,546)                                 |
| Net Loss Per Share   Basic and Diluted       |   | (0.01)                                      | (0.03)                                      |
| Weighted Average Shares Outstanding          |   | 42,366,000                                  | 41,079,000                                  |

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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)

|  | Accumulated<br>From<br>September 25,<br>2003<br>(Date of<br>Inception)<br>to December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2006<br>\$ | Year<br>Ended<br>December 31,<br>2005<br>\$ |
|--|---|---|---|
| <b>Operating Activities</b>  |   |   |   |
| Net loss   | (3,415,757)   | (413,541)                                   | (1,294,546)                                 |
| Adjustments to reconcile net loss to net cash used<br>in operating activities: |   |   |   |
| Accounts payable written off   | (33,564)  | -   | (33,564)                                    |
| Depreciation   | 4,866   | 2,888                                       | 1,978                                       |
| Impairment of mineral properties   | 65,000  | 10,000                                      | 55,000                                      |
| Stock-based compensation   | 1,218,996   | 73,333                                      | 108,000                                     |
| Changes in operating assets and liabilities:                                   |   |   |   |
| Prepaid expenses and deposits  | (4,893)   | 6,409                                       | (11,302)                                    |
| Account payable and accrued liabilities  | (18,349)  | 17,886                                      | (47,130)                                    |
| Due to related parties   | 6,760   | (1,320)                                     | (219)                                       |
| <b>Net Cash Used in Operating Activities</b>                                   | <b>(2,176,941)</b>  | <b>(304,345)</b>                            | <b>(1,221,783)</b>                          |
| <b>Investing Activities</b>  |   |   |   |
| Cash acquired on acquisition of subsidiary                                     | 68  | -   | -   |
| Mineral property acquisition costs   | (55,000)  | -   | (55,000)                                    |
| Purchase of property and equipment   | (9,306)   | -   | (9,306)                                     |
| <b>Net Cash Flows Used in Investing Activities</b>                             | <b>(64,238)</b>   | <b>-</b>                                    | <b>(64,306)</b>                             |
| <b>Financing Activities</b>  |   |   |   |
| Advances from related parties  | 4,180   | -   | -   |
| Repayment of advances from related parties                                     | (4,180)   | -   | (4,180)                                     |
| Proceeds from loan payable   | 46,000  | -   | -   |
| Repayment of loan payable  | (46,000)  | -   | (46,000)                                    |
| Issuance of note payable   | 100,000   | -   | (100,000)                                   |
| Proceeds from issuance of common stock   | 2,226,850   | 215,000                                     | 1,483,500                                   |
| Share issuance costs   | (63,710)  | (21,500)                                    | (42,210)                                    |
| <b>Net Cash Flows Provided by Financing Activities</b>                         | <b>2,263,140</b>  | <b>193,500</b>                              | <b>1,291,110</b>                            |
| Increase (Decrease) in Cash  | 21,961  | (110,845)                                   | 5,021                                       |
| Cash Beginning of Period   | -   | 132,806                                     | 127,785                                     |
| Cash End of Period   | 21,961  | 21,961                                      | 132,806                                     |
| <b>Non-cash Investing and Financing Activities</b>                             |   |   |   |
| Shares issued for mineral property costs                                       | 10,000  | 10,000                                      | -   |
| <b>Supplemental Disclosures</b>  |   |   |   |
| 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, 2006

(Expressed in U.S. dollars)

|                     | Common Stock |         | Stock         | Additional | Common     | Deficit     |          |
|---------------------|--------------|---------|---------------|------------|------------|-------------|----------|
|                     | Number of    | Amount  | Subscriptions | Paid-in    | Stock      | Accumulated | Total    |
|                     | Shares       | \$      | Receivable    | Capital    | Subscribed | During the  |          |
|                     |              |         | \$            | \$         | \$         | Exploration |          |
|                     |              |         |               |            |            | Stage       |          |
|                     |              |         |               |            |            | \$          | \$       |
| 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,            | 2,400,000    | 2,400   | -             | 13,950     | -          | (16,319)    | 31       |
| December 31,        |              |         |               |            |            |             |          |
| 2003                |              |         |               |            |            |             |          |
| 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        | 11,400,000   | 11,400  | -             | (11,400)   | -          | -           | -        |
| Inc.)               |              |         |               |            |            |             |          |
| Fair value of       |              |         |               |            |            |             |          |
| shares issued in    |              |         |               |            |            |             |          |

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|  |            |        |           |           |   |             |             |
|--|------------|--------|-----------|-----------|---|-------------|-------------|
| connection<br>with the<br>acquisition of<br>Lincoln<br>Gold Corp.                                | 24,000,000 | 24,000 | -         | (4,950)   | - | (19,050)    | -           |
| Net asset<br>deficiency of legal<br>parent<br>at date of<br>reverse take-over<br>transaction     | -          | -      | -         | -         | - | (102,302)   | (102,302)   |
| Shares issued for<br>cash at \$0.50 per<br>share   | 700,000    | 700    | -         | 349,300   | - | -           | 350,000     |
| Shares issued for<br>cash at \$0.30 per<br>share   | 2,300,000  | 2,300  | (528,000) | 687,700   | - | -           | 162,000     |
| Stock-based<br>compensation  | -          | -      | -         | 1,037,663 | - | -           | 1,037,663   |
| Net loss for the<br>year   | -          | -      | -         | -         | - | (1,691,351) | (1,691,351) |
| Balance,<br>December 31,<br>2004   | 38,400,000 | 38,400 | (528,000) | 2,074,663 | - | (1,829,022) | (243,959)   |
| Proceeds from<br>stock subscriptions<br>receivable   | -          | -      | 528,000   | -         | - | -           | 528,000     |
| Shares issued for<br>cash at \$0.30 per<br>share   | 3,145,000  | 3,145  | -         | 940,355   | - | -           | 943,500     |
| Share issuance<br>costs  | -          | -      | -         | (42,210)  | - | -           | (42,210)    |
| Shares issued for<br>cash at \$0.60 per<br>share pursuant to<br>the exercise of<br>stock options | 20,000     | 20     | -         | 11,980    | - | -           | 12,000      |
| Shares issued for<br>services at \$0.36<br>per<br>share  | 300,000    | 300    | -         | 107,700   | - | -           | 108,000     |
| Net loss for the<br>year   | -          | -      | -         | -         | - | (1,294,546) | (1,294,546) |
| Balance,<br>December 31,<br>2005   | 41,865,000 | 41,865 | -         | 3,092,488 | - | (3,123,568) | 10,785      |

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|  |            |        |   |           |        |             |           |
|--|------------|--------|---|-----------|--------|-------------|-----------|
| Shares issued for mineral property at \$0.20 per share | 50,000     | 50     | - | 9,950     | -      | -           | 10,000    |
| Shares issued for cash at \$0.20 per share             | 1,075,000  | 1,075  | - | 213,925   | -      | -           | 215,000   |
| Share issuance costs                                   | -          | -      | - | (21,500)  | -      | -           | (21,500)  |
| Shares to be issued                                    | -          | -      | - | -         | 73,333 | -           | 73,333    |
| Net loss for the year                                  | -          | -      | - | -         | -      | (413,541)   | (413,541) |
| Balance, December 31, 2006                             | 42,990,000 | 42,990 | - | 3,294,863 | 73,333 | (3,537,109) | (125,923) |

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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, 2006  
(Expressed in U.S. dollars)

1. Nature of Operations and Continuance of Business

Lincoln Gold Corporation (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 consolidated 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, 2006, the Company has never generated any revenues, has accumulated losses of \$3,415,756 since inception of the development stage, and has a working capital deficiency of \$130,363. 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, which was declared effective on July 14, 2006, to register and offer up to 2,857,143 units at a price of \$0.20 per unit. Each unit consisted of one share of common stock, one-half Class A Warrant and one Class B Warrant. The first tranche of this offering closed on July 27, 2006 and consisted of 1,075,000 units at \$0.20 per unit for net proceeds of \$193,500 after stock issuance costs of \$21,500.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These consolidated 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 consolidated 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. The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
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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 consolidated statement of operations. 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 and the weighted average number of common shares exclude all dilutive potential shares since their effect is anti dilutive. Shares underlying these securities totaled 7,147,500 as of December 31, 2006.

d) Comprehensive Loss

SFAS No. 130, Reporting Comprehensive Income , establishes standards for the reporting and display of comprehensive loss and its components in the consolidated financial statements. As at December 31, 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 consolidated 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 fiscal year ended December 31, 2006, mineral property costs totaling \$10,000 were impaired as there are no proven or probable reserves on these properties.

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Lincoln Gold Corporation  
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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 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 consolidated 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 consolidated 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 consolidated 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 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.

m) Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ( FASB) issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 . This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, Fair Value Measurements . The adoption of this statement is not expected to have a material effect on the Company's financial statements.

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
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2. Summary of Significant Accounting Policies (continued)

m) Recent Accounting Pronouncements (continued)

In September 2006, the SEC issued Staff Accounting Bulletin ( SAB ) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The adoption of this statement did not have a material effect on the Company's reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) . This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement did not have a material effect on the Company's reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the consolidated financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition,

interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

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2. Summary of Significant Accounting Policies (continued)

m) Recent Accounting Pronouncements (continued)

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

3. Property and Equipment

|                               | Cost  | Accumulated<br>Depreciation | December 31,<br>2006<br>Net Carrying<br>Value | December 31,<br>2005<br>Net Carrying<br>Value |
|-------------------------------|-------|-----------------------------|---|---|
|                               | \$    | \$                          | \$  | \$  |
| Computer hardware             | 4,676 | 2,461                       | 2,215   | 3,774   |
| Computer software             | 1,345 | 1,289                       | 56  | 729   |
| Office equipment and fixtures | 3,285 | 1,116                       | 2,169   | 2,825   |
|                               | 9,306 | 4,866                       | 4,440   | 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 10<sup>th</sup> of each year from 2008 to 2012; and
- \$50,000 on January 10, 2013.



Lincoln Gold Corporation  
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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 called 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)

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Lincoln Gold Corporation  
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5. Related Party Transactions

- a) During the year ended December 31, 2006, the Company paid management fees of \$42,250 (2005 - \$49,098) and rent of \$3,300 (2005 - \$3,000) to the Vice President of the Company and management fees of \$20,545 (2005 - \$26,750) to a company owned by the President of the Company. Management fees and rent are included in general and administrative expenses.
- b) As at December 31, 2006, the Company owed \$6,760 (December 31, 2005 - \$8,080) to various officers and directors and to a company controlled by the President of the Company. These amounts are unsecured, non-interest bearing and due on demand.

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Lincoln Gold Corporation  
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## 8. 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:

|                                     | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
|-------------------------------------|----------------------|--|
| Balance, December 31, 2004          | 2,410,000            | 0.60   |
| Exercised                           | (20,000)             | 0.60   |
| Balance, December 31, 2005 and 2006 | 2,390,000            | 0.60   |

There are no unvested stock options as at December 31, 2006.

Additional information regarding stock options outstanding as at December 31, 2006 is as follows:

| Exercise price | Outstanding and Exercisable |   |  |
|----------------|-----------------------------|---|--|
|                | Number of<br>Options        | Weighted<br>Average<br>Remaining<br>Contractual<br>Life | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
| \$0.60         | 2,390,000                   | 0.44 years  | 0.60   |

The aggregate intrinsic value of stock options outstanding and vested as at December 31, 2006 is \$262,900.

## 9. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

|                            | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
|----------------------------|-----------------------|--|
| 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             | 0.44   |
| Issued                     | 1,612,500             | 1.02   |
| Expired                    | (2,300,000)           | 0.50   |
| Balance, December 31, 2006 | 4,757,500             | 0.68   |

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Lincoln Gold Corporation  
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9. Share Purchase Warrants (continued)

As at December 31, 2006 the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price \$ | Expiry Date    |
|--------------------|-------------------|----------------|
| 3,145,000          | 0.50              | March 10, 2007 |
| 537,500            | 0.35              | July 27, 2007  |
| 1,075,000          | 1.35              | July 27, 2010  |
| 4,757,500          |                   |                |

10. 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 \$2,186,000 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, 2006 and 2005, the valuation allowance established against the deferred tax assets increased by \$144,900 and \$415,300, respectively.

The components of the net deferred tax asset as at December 31, 2006 and 2005, and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

|                        | 2006      | 2005      |
|------------------------|-----------|-----------|
|                        | \$        | \$        |
| Net Operating Losses   | 2,186,000 | 1,772,000 |
| Statutory Tax Rate     | 35%       | 35%       |
| Effective Tax Rate     |           |           |
| Deferred Tax Asset     | 765,100   | 620,200   |
| Valuation Allowance    | (765,100) | (620,200) |
| Net Deferred Tax Asset |           |           |

11. Subsequent Events

Subsequent to December 31, 2006, the Company issued 666,666 shares of common stock for consulting services rendered in fiscal 2006. See Note 7(a).

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

**Engagement of Manning Elliott LLP**

We engaged Manning Elliott LLP, 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 procedures as of December 31, 2006, 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, 2006 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:

| <b>Name</b>               | <b>Age</b> | <b>Position</b>   |
|---------------------------|------------|---|
| Andrew F. B. Milligan (1) | 84         | Director and Chairman of the Board  |
| Paul F. Saxton (1)        | 60         | Director, President, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer |
| James Chapman             | 53         | Director  |
| Andrew Bowering           | 47         | Director  |
| Steven Chi (1)            | 68         | Director  |
| Jeffrey L. Wilson         | 58         | Vice-President - Exploration  |

(1) 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.

**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.

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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, 2006 all such filing requirements applicable to our officers and directors were complied with.

## ITEM 10. EXECUTIVE COMPENSATION.

### Summary Compensation Table

The following table sets forth compensation information as to our chief executive officer, Mr. Paul Saxton, for the our fiscal year ended December 31, 2006. 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.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Non-qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|-----------------------------|------|-------------|------------|-------------------|--------------------|---|---|-----------------------------|------------|
| Paul Saxton <sup>(1)</sup>  | 2006 | \$20,545    | Nil        | Nil               | Nil                | Nil   | Nil   | -                           | \$20,545   |

(1) Mr. Saxton was appointed as a director and as our president, chief executive officer and chief financial officer on March 26, 2004.

### Option Grants

We did not grant any stock options to our officers and directors during our fiscal year ended December 31, 2006

### Outstanding Equity Awards

The following table summarizes the outstanding equity awards as of December 31, 2006 for each of our officers and directors:



## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Option Awards  |   |   |   |                            |                        | Stock Awards  |  |  |  |
|--|---|---|---|----------------------------|------------------------|---|--|--|--|
| Name   | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Paul Saxton<br>Director,<br>President,<br>Chief Executive Officer and<br>Chief Financial Officer | 430,000   | Nil   | Nil   | \$0.60                     | May 25, 2007           | N/A   | N/A  | N/A  | N/A  |
| Andrew Milligan<br>Director  | 430,000   | Nil   | Nil   | \$0.60                     | May 25, 2007           | N/A   | N/A  | N/A  | N/A  |
| James Currie<br>Director   | 200,000   | Nil   | Nil   | \$0.60                     | May 25, 2007           | N/A   | N/A  | N/A  | N/A  |
| James Chapman<br>Director  | 200,000   | Nil   | Nil   | \$0.60                     | May 25, 2007           | N/A   | N/A  | N/A  | N/A  |
| Jeffrey Wilson<br>Vice-President<br>Exploration  | 430,000   | Nil   | Nil   | \$0.60                     | May 25, 2007           | N/A   | N/A  | N/A  | N/A  |

**Compensation of Directors**

We do not currently pay our directors any fees or other compensation for acting as directors. We have not paid any fees or other compensation to any of our directors for acting as directors to date.

**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.

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**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 March 26, 2007 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.

| <b>Title of Class</b>         | <b>Name and Address of Beneficial Owner</b>   | <b>Number of Shares of Common Stock</b> | <b>Percentage of Common Stock<sup>(1)</sup></b> |
|-------------------------------|---|---|---|
| <b>Directors and Officers</b> |   |   |   |
| Common Stock                  | Paul F. Saxton, Director, President, Chief Executive Officer and Chief Financial Officer  | 5,930,000 <sup>(2)</sup>                | 14.0%   |
| Common Stock                  | Andrew F.B. Milligan, Director  | 1,930,000 <sup>(3)</sup>                | 4.6%  |
| Common Stock                  | James Chapman, Director   | 900,000 <sup>(4)</sup>                  | 2.1%  |
| Common Stock                  | Andrew Bowering, Director   | Nil                                     | Nil%  |
| Common Stock                  | Steven Chi, Director  | 750,000 <sup>(5)</sup>                  | 1.8%  |
| Common Stock                  | Jeffrey Wilson, Vice President Exploration  | 1,180,000 <sup>(6)</sup>                | 2.8%  |
| <b>Common Stock</b>           | <b>All Directors and Executive Officers as a Group (6 persons)</b>  | <b>10,690,000<sup>(7)</sup></b>         | <b>24.7%</b>                                    |
| <b>5% Stockholders</b>        |   |   |   |
| Common Stock                  | Joe Eberhard, Dorfstrasse #15, CH 8903, Birmensdorf, Switzerland  | 3,000,000 shares<br>Direct              | 7.2%  |
| Common Stock                  | Michael Baybak <sup>(8)</sup> , Suite 305, 4515 Ocean Blvd., La Canada, California 91011  | 3,166,666 shares<br>Indirect            | 6.0%  |
| Common Stock                  | Sprott Asset Management Inc. <sup>(9)</sup><br>Suite<br>2700, South Tower, Royal Bank Plaza, Toronto, Ontario M5J 2J1<br>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, 2007. As of March 24, 2007, there were 43,656,666 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.
- (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, 2006, we had two equity compensation plans under which our common shares have been authorized for issuance to our officers, directors, employees and consultants, namely our 2004 Stock Option Plan and our 2005 Stock Option Plan. Neither our 2004 Stock Option Plan nor our 2005 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 and our 2005 Stock Option Plan as of December 31, 2006.

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|  | <b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b> | <b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b> | <b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a))</b> |
|--|--|--|--|
| 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   | 2,110,000 Shares   |

**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

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.

**ITEM 13. EXHIBITS**

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

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 3.1                   | Articles of Incorporation <sup>(1)</sup>   |
| 3.2                   | Bylaws, as amended <sup>(1)</sup>  |
| 3.3                   | Articles of Merger between Braden Technologies Inc. and Lincoln Gold Corp. <sup>(3)</sup>  |
| 4.1                   | Form of Series A Warrant Certificate <sup>(7)</sup>  |
| 4.2                   | Form of Series B Warrant Certificate <sup>(7)</sup>  |
| 4.3                   | Form of Subscription Agreement <sup>(7)</sup>  |
| 10.1                  | Form of Share Purchase Agreement dated March 15, 2004 between the Company and the U.S. Shareholders of Lincoln Gold Corp. <sup>(2)</sup>     |
| 10.2                  | Form of Share Purchase Agreement dated March 15, 2004 between the Company and the Non-U.S. Shareholders of Lincoln Gold Corp. <sup>(2)</sup> |



| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 10.3                  | Convertible Note executed by Lincoln Gold Corp. in favour of Alexander Holtermann dated January 28, 2004 <sup>(3)</sup>  |
| 10.4                  | Hercules Joint Venture Agreement dated April 18, 2004 between the Company and Miranda U.S.A. Inc. and Miranda Gold Corp. <sup>(3)</sup>  |
| 10.5                  | 2004 Stock Option Plan <sup>(3)</sup>  |
| 10.6                  | Letter Agreement on Mining Lease Terms for Buffalo Valley Property dated July 9, 2004 <sup>(4)</sup>   |
| 10.7                  | Letter Agreement on Mining Lease Terms for the Jenny Hill Project dated September 28, 2004 <sup>(5)</sup>  |
| 10.8                  | Property Option Agreement for the Hannah project between Lincoln Gold Corp. and Larry McIntosh and Susan K. McIntosh dated December 24, 2003 <sup>(6)</sup>  |
| 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 <sup>(6)</sup>  |
| 10.10                 | 2005 Stock Option Plan LLP <sup>(7)</sup>  |
| <u>23.1</u>           | <u>Consent of Independent Auditors, Manning Elliott <sup>(8)</sup></u>   |
| <u>31.1</u>           | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act <sup>(8)</sup></u>  |
| <u>32.1</u>           | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(8)</sup></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) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-QSB filed November 15, 2004.
- (6) Previously filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2004 filed on April 18, 2005.
- (7) Previously filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2005 filed on March 31, 2006.
- (8) Filed as an Exhibit to this Annual Report on Form 10-KSB.

#### **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 years ended December 31, 2006 and 2005.

|                     | Years ended December 31 |          |
|---------------------|-------------------------|----------|
|                     | 2006                    | 2005     |
| Audit Fees:         | \$15,350                | \$21,037 |
| Audit Related Fees: | Nil                     | Nil      |
| Tax Fees:           | Nil                     | Nil      |
| All Other Fees:     | Nil                     | Nil      |
| Total:              | \$15,350                | \$21,037 |

#### **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 29, 2007

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 29, 2007

Per: /s/ Andrew Milligan  
Andrew Milligan  
Director  
Date: March 29, 2007

Per: /s/ Andrew Bowering  
Andrew Bowering  
Director  
Date: March 29, 2007

Per: /s/ James Chapman  
James Chapman  
Director  
Date: March 29, 2007