

LINCOLN GOLD CORP  
Form 10QSB  
May 15, 2006

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

**FORM 10-QSB**

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

For the quarterly period ended **March 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, BC**

(Address of principal executive offices)

**V6C 1N5**

(Zip Code)

**604-688-7377**

Issuer's telephone number

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **41,915,000 shares of Common Stock as of May 12, 2006**

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

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

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**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

Our unaudited financial statements for the three months ended March 31, 2006, as set forth below, are included with this Quarterly Report on Form 10-QSB:

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| <u>Consolidated Balance Sheets as at March 31, 2006</u>  | <u>F-1</u>  |
| <u>Consolidated Statements of Operations for the period from September 25, 2003 (Date of Inception) to March 31, 2006 and for the three months ended March 31, 2006 and 2005</u> | <u>F-2</u>  |
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Lincoln Gold Corporation  
(An Exploration Stage Company)  
Consolidated Balance Sheets  
(Expressed in U.S. dollars)

|  | March 31,<br>2006<br>\$<br>(unaudited) | December 31,<br>2005<br>\$ |
|--|--|----------------------------|
| <b>ASSETS</b>  |  |                            |
| <b>Current Assets</b>  |  |                            |
| Cash   | 63,686                                 | 132,806                    |
| Prepaid expenses and deposits  | 7,626                                  | 11,302                     |
| <b>Total Current Assets</b>  | <b>71,312</b>                          | <b>144,108</b>             |
| Property and Equipment (Note 3)  | 6,606                                  | 7,328                      |
| <b>Total Assets</b>  | <b>77,918</b>                          | <b>151,436</b>             |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>   |  |                            |
| <b>Current Liabilities</b>   |  |                            |
| Accounts payable   | 24,038                                 | 20,474                     |
| Accrued liabilities  | 9,662                                  | 12,097                     |
| Due to related parties (Note 5)  | 8,650                                  | 8,080                      |
| Note payable (Note 6)  | 100,000                                | 100,000                    |
| <b>Total Liabilities</b>   | <b>142,350</b>                         | <b>140,651</b>             |
| Commitments and Contingencies (Note 1 and 4)   |  |                            |
| Stockholders Equity (Deficit)  |  |                            |
| Common Stock, 100,000,000 shares authorized, \$0.001 par value,<br>41,915,000 and 41,865,000 shares issued and outstanding, respectively | 41,915                                 | 41,865                     |
| Additional Paid-in Capital   | 3,102,438                              | 3,092,488                  |
| Deficit Accumulated During the Exploration Stage   | (3,208,785)                            | (3,123,568)                |
| <b>Total Stockholders Equity (Deficit)</b>   | <b>(64,432)</b>                        | <b>10,785</b>              |
| <b>Total Liabilities and Stockholders Equity (Deficit)</b>   | <b>77,918</b>                          | <b>151,436</b>             |

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

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

|  | Accumulated<br>From<br>September 25,<br>2003<br>(Date of<br>Inception)<br>To March 31,<br>2006<br>\$ | For the Three<br>Months Ended<br>March 31,<br>2006<br>\$ | For the Three<br>Months Ended<br>March 31,<br>2005<br>\$ |
|--|--|--|--|
| Revenue                                      | -  | -  | -  |
| Expenses                                     |  |  |  |
| Depreciation                                 | 2,700  | 722  | 146  |
| Foreign exchange loss                        | 4,566  | 776  | 95   |
| General and administrative (Note 5(a))       | 2,201,824  | 59,078   | 210,637  |
| Impairment of mineral properties (Note 2(h)) | 65,000   | 10,000   | -  |
| Mineral exploration                          | 816,384  | 12,732   | 62,925   |
| Total Expenses                               | 3,090,474  | 83,308   | 273,803  |
| Loss From Operations                         | (3,090,474)  | (83,308)   | (273,803)  |
| Other Income (Expense)                       |  |  |  |
| Accounts payable written off                 | 33,564   | -  | -  |
| Interest income                              | 9,070  | 656  | -  |
| Interest expense                             | (39,593)   | (2,565)  | (6,176)  |
| Net Loss                                     | (3,087,433)  | (85,217)   | (279,979)  |
| Net Loss Per Share Basic and Diluted         |  | -  | (0.01)   |
| Weighted Average Shares Outstanding          |  | 41,869,000   | 38,645,000   |

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

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

|  | For the Three<br>Months<br>Ended<br>March 31,<br>2006<br>\$ | For the Three<br>Months<br>Ended<br>March 31,<br>2005<br>\$ |
|--|---|---|
| <b>Operating Activities</b>  |   |   |
| Net loss   | (85,217)  | (279,979)   |
| Adjustments to reconcile net loss to net cash used<br>in operating activities: |   |   |
| Depreciation   | 722   | 146   |
| Impairment of mineral properties   | 10,000  | -   |
| Changes in operating assets and liabilities:                                   |   |   |
| Prepaid expenses and deposits  | 3,676   | -   |
| Account payable and accrued liabilities  | 1,129   | 85,137  |
| Due to related parties   | 570   | (281)   |
| Net Cash Used in Operating Activities  | (69,120)  | (194,977)   |
| <b>Investing Activities</b>  |   |   |
| Purchase of property and equipment   | -   | (2,911)   |
| Net Cash Flows Used in Investing Activities                                    | -   | (2,911)   |
| <b>Financing Activities</b>  |   |   |
| Repayment of loan payable  | -   | (46,000)  |
| Proceeds from issuance of common stock   | -   | 889,290   |
| Net Cash Flows Provided by Financing Activities                                | -   | 843,290   |
| Increase (Decrease) in Cash  | (69,120)  | 645,402   |
| Cash Beginning of Period   | 132,806   | 127,785   |
| Cash End of Period   | 63,686  | 773,187   |
| <b>Non-cash Investing and Financing Activities</b>                             |   |   |
| Shares issued for mineral property costs                                       | 10,000  | -   |
| <b>Supplemental Disclosures</b>  |   |   |
| Interest paid  | -   | -   |
| 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)  
Notes to the Consolidated Financial Statements  
March 31, 2006  
(Expressed in U.S. dollars)  
(unaudited)

1. Nature of Operations and Continuance of Business

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

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

These unaudited 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 March 31, 2006, the Company has never generated any revenues and has accumulated losses of \$3,087,433 since inception of the development stage. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company s ability to continue as a going concern.

As at March 31, 2006, the Company has a working capital deficiency of \$71,038. Management plans to complete private placement sales of the Company s shares in order to raise the funds necessary to pursue its plan of operation and fund working capital.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

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

b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2006  
(Expressed in U.S. dollars)  
(unaudited)

2. Summary of Significant Accounting Policies (continued)

d) Comprehensive Loss

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at March 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 financial statements.

e) Cash and Cash Equivalents

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

f) Property and Equipment

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

g) Long-lived Assets

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

h) Mineral Property Costs

The Company has been in the exploration stage since its formation on September 25, 2003 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. The Company assesses the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations. During the three month period ended March 31, 2006, mineral property costs totaling \$10,000 were impaired as there are no proven or probable reserves on this property.

i) Financial Instruments

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

j) Income Taxes

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

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2006  
(Expressed in U.S. dollars)  
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2. Summary of Significant Accounting Policies (continued)

k) Foreign Currency Translation

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

l) Stock-based Compensation

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

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

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

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

discretion of the Board of Directors.

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

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

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Lincoln Gold Corporation  
 (An Exploration Stage Company)  
 Notes to the Consolidated Financial Statements  
 March 31, 2006  
 (Expressed in U.S. dollars)  
 (unaudited)

2. Summary of Significant Accounting Policies (continued)

l) Stock based compensation (continued)

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

|                | Outstanding and Exercisable |   |                                 |
|----------------|-----------------------------|---|---------------------------------|
| Exercise price | Number of shares            | Weighted average remaining contractual life | Weighted average exercise price |
| \$0.60         | 2,390,000                   | 1.15 years                                  | \$0.60                          |

m) Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting*

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

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

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

its impact for each on the Company's operations and financial position have not been disclosed.

n) Reclassifications

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

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Lincoln Gold Corporation  
 (An Exploration Stage Company)  
 Notes to the Consolidated Financial Statements  
 March 31, 2006  
 (Expressed in U.S. dollars)  
 (unaudited)

### 3. Property and Equipment

|                               |       | Accumulated  | March 31,<br>2006<br>Net<br>Carrying<br>Value | December<br>31,<br>2005<br>Net<br>Carrying<br>Value |
|-------------------------------|-------|--------------|---|---|
|                               | Cost  | Depreciation |   |   |
|                               | \$    | \$           | \$  | \$  |
| Computer hardware             | 4,676 | 1,291        | 3,385   | 3,774   |
| Computer software             | 1,345 | 785          | 560   | 729   |
| Office equipment and fixtures | 3,285 | 624          | 2,661   | 2,825   |
|                               | 9,306 | 2,700        | 6,606   | 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:

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

#### b) JDS Property

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

#### c) Buffalo Valley Property

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

- i. \$10,000 upon exercise of the lease (paid);
- ii. \$20,000 by July 9, 2005 (paid);
- iii. \$20,000 by July 9, 2006;

- iv. \$40,000 by July 9, 2007;
- v. \$40,000 by July 9, 2008;
- vi. \$50,000 by July 9, 2009;
- vii. \$50,000 by July 9, 2010;
- viii. \$60,000 by July 9, 2011;
- ix. \$60,000 by July 9, 2012;
- x. \$70,000 by July 9, 2013;
- xi. \$70,000 by July 9, 2014; and
- xii. \$80,000 plus inflation by July 9 of each year from 2015 to 2024.

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

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2006  
(Expressed in U.S. dollars)  
(unaudited)

4. Mineral Property Interests (continued)

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

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

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

d) Jenny Hill Property

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

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

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

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

d) La Bufa Property

On August 5, 2005, the Company entered into a Letter of Intent to form a joint venture for the exploration and development of the La Bufa property, located in Chihuahua, Mexico. Under the Letter of Intent, the Company may acquire a 51% interest in the La Bufa property by spending \$2,000,000 on the property over four years and by issuing

350,000 shares of the Company to Almaden over a five year period (50,000 shares issued at a fair value of \$10,000). In addition, the Company may acquire another 9% of the property by spending an additional \$1,000,000 on the property. If production is achieved, the Company will pay a bonus by issuing 100,000 of its shares. The Company is committed to spend \$100,000 in the first year.

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Lincoln Gold Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2006  
(Expressed in U.S. dollars)  
(unaudited)

5. Related Party Transactions

- a) During the three months ended March 31, 2006, the Company paid management fees of \$19,500 and rent of \$900 to the Vice President of the Company and management fees of \$5,618 to a company owned by the President of the Company. Management fees and rent are included in general and administrative expenses.
- b) As at March 31, 2006, the Company owed \$8,650 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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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS****FORWARD-LOOKING STATEMENTS**

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

**OVERVIEW**

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

We hold interests in five groups of mineral properties in Nevada and one in northern Mexico, as described below:

| <b>Name of Property</b> | <b>Location</b>                              |
|-------------------------|--|
| Buffalo Valley Property | Humboldt, Lander & Pershing Counties, Nevada |
| Hannah Property         | Churchill County, Nevada                     |
| JDS Property            | Eureka County, Nevada                        |
| Jenny Hill Property     | Mineral & Nye Counties, Nevada               |
| La Bufa                 | State of Chihuahua, Mexico                   |

Our plan of operations is to carry out exploration of our mineral properties. Our specific exploration plan for each of our mineral properties, together with information regarding the location and access, history of operations, present condition and geology of each of our properties, is presented in Item 2 of our Annual Report on Form 10-KSB for the year ended December 31, 2005 under the heading Description of Properties. All of our exploration programs are early stage 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. Jeffrey 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 Item 2 of our Annual Report on Form 10-KSB for the year ended December 31, 2005 under the heading Description of Properties. These explorations plans will vary based on the results of exploration programs that we complete and based on decisions of our management regarding the prioritization of exploration programs based on funds available to us. 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 are an exploration stage company. All of our projects are at the exploration stage and there is no assurance that any of our mining properties 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 property exploration. 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.

#### PLAN OF OPERATIONS

Our planned exploration expenditures for the next twelve months on our Nevada and Mexican mineral properties, 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 Buffalo Valley Property, Nevada | \$Nil (1)                               | \$Nil (1)                                | \$Nil (1)                             | \$Nil (1)    |
| Exploration of Hannah Property, Nevada         | \$159,000                               | \$3,075                                  | \$15,000                              | \$177,075    |
| Exploration of JDS Property, Nevada            | \$157,000                               | \$12,500                                 | \$Nil                                 | \$169,500    |
| Exploration of Jenny Hill Property, Nevada     | \$Nil (2)                               | \$Nil (2)                                | \$Nil (2)                             | \$Nil (2)    |
| Exploration of La Bufa Property, Mexico        | \$423,500                               | (3)                                      | \$Nil                                 | \$423,500    |
| Administration Nevada                          | \$195,000                               | -  | -                                     | \$195,000    |
| Administration - Vancouver                     | \$300,000                               | -  | -                                     | \$300,000    |



|              |                    |                 |                 |                    |
|--------------|--------------------|-----------------|-----------------|--------------------|
| <b>Total</b> | <b>\$1,234,500</b> | <b>\$15,575</b> | <b>\$15,000</b> | <b>\$1,265,075</b> |
|--------------|--------------------|-----------------|-----------------|--------------------|

- (1) Agnico Eagle anticipates undertaking exploration expenditures in the amount of \$251,500 on the Buffalo Valley property. Further, Agnico Eagle will be required to pay \$35,887 to the BLM and local counties and \$20,000 to the property owner. These exploration expenditures are to be undertaken and paid for by Agnico Eagle pursuant to our letter of intent to our letter of intent to joint venture the property with Agnico Eagle. However, if Agnico Eagle determines to return the property to us prior to the time when the property payments and/ or maintenance payments are due, then we will be obligated to make the annual claim maintenance payments to the BLM and local counties and the property payments required to maintain the property in good standing.
- (2) Kinross anticipates undertaking exploration expenditures in the amount of \$200,000 on the Jenny Hill property. Further, Kinross will be required to pay \$12,983 to the BLM and local counties and \$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.

Our general and administrative expenses referred 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 \$63,686 as of March 31, 2006 and a working capital deficit in the amount of \$71,038 as of March 31, 2006. An amount of \$100,000 is included as a short term payable, which is a debt payable to a shareholder who loaned \$200,000 to the Company on startup. Half of the amount plus interest has been repaid. Based on our planned expenditures and our working capital deficit, we will require a minimum of approximately \$1,350,000 to proceed with our plan of operations over the next twelve months. We anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above. If we achieve less than the full amount of financing that we require, we will scale back our exploration programs on our mineral properties and will proceed with scaled back exploration plans based on our available financial resources.

During the twelve month period following the date of this quarterly report, 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.

## PLANNED EXPLORATION ACTIVITIES

### Hannah Property

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

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

| Description of Phase of Exploration | Description of Exploration Work Required   |
|-------------------------------------|--|
| Pediment Electromagnetic Survey     | Conduct geophysical survey in pediment covered area west of mineralized breccia to identify the trace of target zone.                                    |
| Phase 2 Exploration Drilling        | Drill ten shallow reverse-circulation drill holes to test the breccia zone and possible extensions under pediment gravels. Estimate 4000 ft of drilling. |
| Bottle-Roll Metallurgical Tests     | Conduct several bottle-roll metallurgical tests conducted on as received drill cuttings from mineralized zones.  |
| Data Evaluation                     | Evaluate drilling and metallurgical results.   |

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

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

**Jenny Hill Property**

We executed a letter of intent to joint venture the Jenny Hill property with Kinross Gold Corporation on December 9, 2005. Under the terms of the letter agreement, Kinross is obligated to keep the property in good standing with the BLM and local counties and will make the underlying payments to the owner. Upon completing \$3.0 million in work expenditures on the property, Kinross will have earned a 60% interest in the property and a joint venture will be formed between us and Kinross. At Kinross' discretion, Kinross may earn an additional 10% interest by producing a feasibility study on the project. Upon the joint venture reaching a positive construction decision for a mine, Kinross will have the option to earn an additional 5% interest by arranging financing instruments on our behalf. Kinross may earn a total interest of 75% in the Property, in which event we would hold a 25% interest. If Kinross elects to drop the property before July 1 in any given year, the lease payment obligations and government claim holding costs shall revert back to us.

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

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

**Buffalo Valley Property**

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

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

| <b>Stage of Exploration</b>    | <b>Anticipated Timetable for Completion</b>              | <b>Estimated Cost of Completion</b> |
|--------------------------------|--|-------------------------------------|
| Possible geophysical programs. | First quarter of 2006 through the second quarter of 2006 | \$1,500                             |



| Stage of Exploration   | Anticipated Timetable for Completion                     | Estimated Cost of Completion |
|--|--|------------------------------|
| Phase one exploration drilling on structural intersections with magnetic lows and evaluation of exploration data | First quarter of 2006 through the fourth quarter of 2006 | \$250,000                    |

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

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

### JDS Property

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

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

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

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

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

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

### La Bufa Property

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

| <b>Stage of Exploration</b> | <b>Anticipated Timetable for Completion</b> | <b>Estimated Cost of Completion</b> |
|-----------------------------|---|-------------------------------------|
| Construct Base Map          | 2 <sup>nd</sup> Qtr                         | \$25,000                            |
| Property Acquisition        | 2 <sup>nd</sup> Qtr                         | \$30,000                            |
| Data Base Management        | 2 <sup>nd</sup> Qtr                         | \$10,000                            |
| Geologic Mapping            | 2 <sup>nd</sup> Qtr                         | \$45,000                            |
| Soil Survey                 | 2 <sup>nd</sup> Qtr                         | \$45,000                            |
| Phase 1 Drilling            | 3 <sup>rd</sup> Qtr                         | \$225,000                           |
| Metallurgy                  | 4 <sup>th</sup> Qtr                         | \$5,000                             |
| Data Evaluation             | 4 <sup>th</sup> Qtr                         | \$15,000                            |
|                             |   | <b>TOTAL: \$ 400,000</b>            |

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

### **New Opportunities**

We reviewed several prospective gold properties in Nevada and Mexico during the first quarter of 2006. We are also planning more site visits to evaluate prospective properties during the current quarter.

### **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 three months ended March 31, 2006 are summarized below:

|                                  | Accumulated<br>From<br>September 25,<br>2003<br>(Date of<br>Inception)<br>To March 31,<br>2006<br>\$ | For the Three<br>Months Ended<br>March 31,<br>2006<br>\$ | For the Three<br>Months Ended<br>March 31,<br>2005<br>\$ |
|----------------------------------|--|--|--|
| Revenue                          | -  | -  | -  |
| Expenses                         |  |  |  |
| Depreciation                     | 2,700  | 722  | 146  |
| Foreign exchange loss            | 4,566  | 776  | 95   |
| General and administrative       | 2,201,824  | 59,078   | 210,637  |
| Impairment of mineral properties | 65,000   | 10,000   | -  |
| Mineral exploration              | 816,384  | 12,732   | 62,925   |
| Total Expenses                   | 3,090,474  | 83,308   | 273,803  |
| Net Loss From Operations         | (3,090,474)  | (83,308)   | (273,803)  |
| Other Income (Expense)           |  |  |  |
| Accounts payable written off     | 33,564   | -  | -  |
| Interest income                  | 9,070  | 656  | -  |
| Interest expense                 | (39,593)   | (2,565)  | (6,176)  |
| Net Loss                         | (3,087,433)  | (85,217)   | (279,979)  |

Both our net loss and exploration expenditures decreased substantially for three month period ended March 31, 2006 over the corresponding periods in 2005. This decrease is attributable to reduced exploration activities and investor relations expenses during the first three months of 2006. We anticipate that, if we are able to obtain additional financing, our expenses and net loss will increase throughout the current fiscal year in comparison with 2005 as a result of our planned exploration activities and as a result of payments required to maintain our interests in our mineral properties. In addition, we anticipate continued 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 March 31, 2006 was \$63,686 compared to \$132,806 as of December 31, 2005. We had working capital deficit \$71,038 as of March 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 \$1,275,000, 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 \$1,350,000 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.

### **Outstanding Convertible Note**

We arranged for a \$200,000 convertible note during the fiscal year ended December 31, 2004. This convertible note is 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.

On September 15, 2005 we completed an agreement whereby the Company repaid \$100,000 of the convertible note along with \$35,000 accrued interest and agreed to repay the remaining \$100,000 within sixty days. With the completion of the first payment the convertible note was deemed to be repaid in full and both the conversion of debt to common stock along with the warrants was cancelled. The remaining \$100,000 owed will be repaid when the next funding of the Company is completed.

### **Going Concern**

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

### **Future Financings**

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

### **Off-Balance Sheet Arrangements**

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

### **CRITICAL ACCOUNTING POLICIES**



**Mineral Property Costs**

We have been in the exploration stage since our formation on September 25, 2003 and we have not yet realized any revenues from our planned operations. We are primarily engaged in the acquisition and

exploration of mining properties. Mineral property exploration costs are expensed by us 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 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 three month period ended March 31, 2006, mineral property costs totaling \$10,000 were impaired as there are no proven or probable reserves on this property.

### **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 ( APB ) No. 25, *Accounting for Stock Issued to Employees* using the intrinsic value method of accounting, under which compensation expense was only recognized if the exercise price of 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 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.

### **Foreign Currency Translation**

Our functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. We have not, to the date of our March 31, 2006 financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

**ITEM 3. 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 March 31, 2006, being the date of our most recently completed fiscal quarter. 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 in timely alerting management to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

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 quarter ended March 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 II****ITEM 1. 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 2. CHANGES IN SECURITIES AND USE OF PROCEEDS**

We did not complete any sales of securities without registration under the Securities Act of 1933 during our first quarter ended March 31, 2006.

**ITEM 3. DEFAULT UPON SENIOR SECURITIES**

None

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

No matters were submitted to our security holders for a vote during our first quarter ended March 31, 2006.

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

The following exhibits are attached to this Quarterly Report on Form 10-QSB:

| <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>  |
| 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> |
| 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>  |

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>   |
|-----------------------|---|
| 10.6                  | Letter Agreement on Mining Lease Terms for Buffalo Valley Property dated July 29, 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 <sup>(7)</sup>   |
| <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 our Form 10-SB Registration Statement originally filed on April 20, 1999, as amended.
- (2) Previously filed as an exhibit to our Current Report on Form 8-K filed on March 16, 2004.
- (3) Previously Filed as an Exhibit to our Quarterly Report on Form 10-QSB filed May 24, 2004.
- (4) Previously filed as an exhibit to our 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 Quarterly Report on Form 10-QSB.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LINCOLN GOLD CORP.**

By: */s/ Paul Saxton*

Paul Saxton, President

Chief Executive Officer and Chief Financial Officer

Director

Date: May 15, 2006