PAN AMERICAN SILVER CORP
Form F-10/A
August 20, 2004

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PROSPECTUS SUPPLEMENT

to the Short Form Base Shelf Prospectus dated January 26, 2004

New Issue

PAN AMERICAN SILVER CORP.

Cdn$45,819,960

3,818,330 Common Shares

This prospectus supplement relates to the issuance and sale (the "Offering") of up to 3,818,330 common shares (the "Warrant Shares") of Pan American Silver Corp. (the "Company") to be offered from time to time upon exercise of 3,818,330 common share purchase warrants (the "Warrants") of the Company described in this prospectus supplement, and such indeterminate number of additional common shares (the "Additional Shares" and together with the Warrant Shares, the "Shares") that may be issuable by reason of the anti-dilution provisions contained in the trust indenture (the "Indenture") described in this prospectus supplement.

Each Warrant will entitle its holder to purchase one Share at a price of Cdn$12.00 at any time on or prior to 4:30 p.m. (Pacific Standard Time) on February 20, 2008 (the "Expiry Date"), after which date such Warrant will become null and void. The Indenture requires the Company to issue to the holders of Warrants upon the due exercise of the

Warrants, that number of Shares to which such holder of Warrants is entitled.

No underwriter has been involved in the preparation of, or has performed any review of, this prospectus supplement.

The outstanding common shares of the Company are quoted on the Nasdaq National Market ("Nasdaq") under the symbol "PAAS" and are listed on the Toronto Stock Exchange (the "TSX") under the symbol "PAA". The closing price of the Company's common shares on August 19, 2004 on Nasdaq was US$14.58 and on the TSX was Cdn$18.98. The TSX has approved the listing of the Warrant Shares offered under this prospectus supplement.

	Price to the Public	**Net Proceeds to the Company[(1)]**
Per Share	Cdn$12.00	Cdn$12.00
Total	Cdn$45,819,960	Cdn$45,819,960

(1)

Before deducting expenses of this Offering, estimated to be US$50,000, which will be paid from the general funds of the Company. See "Plan of Distribution".

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement and the accompanying prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. Certain of the financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of British Columbia, Canada, that some or all of its officers and directors may be residents of Canada, that some or all of the underwriters or experts named in the registration statement may be residents of Canada and that a substantial portion of the assets of the Company and said persons may be located outside the United States.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the prospectus to which it relates. Any representation to the contrary is a criminal offense.

Certificates representing the Shares will be delivered to holders who exercise all or a portion of their Warrants on or prior to 4:30 p.m. (Pacific Standard Time) on the Expiry Date in accordance with the terms of the Indenture within three business days of such exercise.

The date of this Prospectus Supplement is August 20, 2004.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the Offering and also adds to and updates information contained in the accompanying short form base shelf prospectus and the documents incorporated by reference. The second part is the accompanying short form base shelf prospectus, which gives more general information, some of which may not apply to the Offering. This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus of the Company, dated January 26, 2004 solely for the purpose of this Offering.

You should rely only on the information contained or incorporated by reference in this document. The Company has not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell the Shares. The information in this document is only accurate as of the date of this prospectus supplement, the date of the accompanying short form base shelf prospectus and the respective dates of all the documents incorporated by reference herein and therein, regardless of the time of delivery of this prospectus supplement or any sale of the Shares.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec. Copies of the documents incorporated by reference in this prospectus supplement may be obtained on request without charge from the Controller and Corporate Secretary of the Company at 1500-625 Howe Street, Vancouver, British Columbia, V6C 2T6 (telephone: (604) 684-1175). These documents are also available through the Internet on the System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.

The following documents, filed with the securities commissions or similar regulatory authorities in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec, are specifically incorporated by reference into and form an integral part of this prospectus supplement and the accompanying short form base shelf prospectus:

(a)

the Annual Information Form of the Company, dated May 19, 2004;

(b)

the audited consolidated financial statements of the Company and the notes thereto as at and for the years ended December 31, 2003 and 2002, together with the auditors' report thereon;

(c)

management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2003 and 2002, filed on SEDAR on February 27, 2004;

(d)

the information circular of the Company, dated April 6, 2004, in connection with the Company's May 11, 2004 annual general meeting of members, other than the sections entitled "Corporate Governance", "Executive Compensation - Compensation Committee", "Executive Compensation - Report on Executive Compensation" and "Executive Compensation - Performance Graph";

(e)

the unaudited interim financial statements of the Company and the notes thereto for the six month periods ended June 30, 2004 and 2003;

(f)

management's discussion and analysis of financial condition and results of operations for the six month periods ended June 30, 2004 and 2003, filed on SEDAR August 9, 2004;

(g)

a material change report of the Company, dated January 8, 2004 relating to the filing of an unallocated preliminary base shelf prospectus by the Company;

(h)

a material change report of the Company, dated February 10, 2004, relating to the Company signing a binding agreement, subject to regulatory approval and other conditions, to purchase 92.014% of the voting shares of Compania Minera Argentum S.A. ("Argentum"), which will acquire, through a split-off process from Sociedad Minera Corona S.A., the Anticona and Manuelita mining units and related infrastructure and processing units in Peru;

(i)

a material change report of the Company, dated February 18, 2004, relating to financial and operational results for the fourth quarter and year ended December 31, 2003;

(j)

a material change report of the Company, dated February 27, 2004, relating to the offering of 3,333,333 common shares of the Company for aggregate gross proceeds of $55 million;

(k)

a material change report of the Company, dated February 27, 2004, relating to the intention of the Company to make an offer to encourage early conversion of its outstanding 5.25% convertible unsecured senior subordinated debentures maturing on July 31, 2009;

(l)

a technical report dated February 2004, prepared in accordance with NI 43-101 by Resource Evaluation Inc.;

(m)

a material change report of the Company, dated March 30, 2004, relating to the offer to encourage conversion by holders of the Company's US$86.25 million outstanding principal amount of 5.25% convertible debentures;

(n)

a material change report of the Company, dated May 11, 2004, relating to increased first quarter revenue due to higher realized silver prices and increased production from the La Colorada mine;

(o)

A material change report of the Company, dated July 23, 2004, relating to $36.7 million cash offer to purchase the voting shares of Argentum; and

(p)

a material change report of the Company, dated August 9, 2004, relating to increased second quarter revenue, increased silver production, higher realized metal prices and the sale of accumulated concentrate inventory from the first quarter of 2004.

All annual information forms, material change reports (excluding confidential reports), unaudited consolidated interim financial statements, interim management's discussion and analysis of financial condition and results of operations, and information circulars (excluding information therein permitted by applicable securities laws to be excluded) which are filed by the Company with a securities commission or similar authority in Canada after the date of this prospectus supplement and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this prospectus supplement. Any document filed by the Company with the United States Securities and Exchange Commission (the "SEC") or Report of Foreign Private Issuer on Form 6-K furnished to the SEC pursuant to the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") after the date of this prospectus supplement, and prior to the termination of this Offering, shall also be deemed to be incorporated by reference into this prospectus supplement if and to the extent provided in such document.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement shall be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained in this prospectus

supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of this prospectus supplement, except as so modified or superseded.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Some of the statements included or incorporated by reference in this prospectus supplement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. When used in this prospectus supplement, the words "anticipate", "believe", "estimate", "expect", "target", "plan", "budget", "may", "schedule" and similar words or expressions, identify forward-looking statements. These forward-looking statements relate to, among other things:

- the sufficiency of the Company's current working capital or anticipated operating cash flow;
- the Company's acquisition of Argentum;
- projected capital expenditures, production estimates, cash flow and other projections relating to Morococha;
- the sufficiency of the mineral reserves or resources at the Morococha, Huaron, La Colorada, Quiruvilca, Alamo Dorado or other properties;
- the Company's long range mine plan and development program for Morococha, including statements concerning the Company's belief that sustained mining will continue beyond the life of the current proven and probable reserves at Morococha;
- the implementation of the revised mining and processing plan at La Colorada;
- estimated production from the Huaron, La Colorada, Quiruvilca, Alamo Dorado or other properties;
- the estimated cost of or availability of funding for ongoing capital improvement programs;
- the estimated costs or estimated completion dates of the proposed development or expansion of the Morococha, Huaron and Alamo Dorado projects;
- estimated exploration expenditures to be incurred on the Company's various silver exploration properties;
- compliance with environmental standards;
- forecast capital or non-operating spending; and
- levels of silver or other metals production, production costs and metal prices.

These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements including, without limitation, the factors identified in this prospectus supplement

under the caption "Risk Factors". Investors are cautioned against attributing undue certainty to forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements to reflect changes in assumptions or changes in circumstances or any other events affecting such statements, other than as required by applicable law.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

In this prospectus supplement, the terms "measured", "indicated" and "inferred resources" are used. United States investors are advised that while such terms are recognized and required under Canadian securities rules, the SEC does not recognize them. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource will ever be upgraded to a higher category. Under Canadian securities rules, estimates of inferred resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. United States investors also are cautioned not to assume that all or any part of an inferred resource exists, or is economically or legally mineable.**

CERTAIN AVAILABLE INFORMATION

The Company has filed with the SEC a registration statement on Form F-10 (the "Registration Statement") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), with respect to the Shares. This prospectus supplement, which constitutes a part of that Registration Statement, does not contain all of the information set forth in such Registration Statement and its exhibits, to which reference is made for further information. See "Documents Filed as Part of the Registration Statement".

The Company is subject to the informational reporting requirements of the U.S. Exchange Act, and in accordance therewith files reports and other information with the SEC. Under a multijurisdictional disclosure system adopted by the United States, the Company is permitted to prepare such reports and other information in accordance with the disclosure requirements of Canada, which are different from those of the United States. As a foreign private issuer, the Company is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and its officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery rules contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, the Company is not required to publish financial statements as frequently or as promptly as U.S. companies.

The Company files annual reports with the SEC on Form 40-F, which include:

- the Company's Annual Information Form;
- management's discussion and analysis of financial condition and results of operations;
- the Company's consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and reconciled to U.S. GAAP; and
- other information specified by the Form 40-F.

The Company also furnishes the following types of information to the SEC under cover of Form 6-K.

- material information the Company otherwise makes publicly available in reports that it files with securities regulatory authorities in Canada;
- material information that the Company files with, and which is made public by, the TSX; and
- material information that the Company distributes to its shareholders in Canada.

Investors may read and copy any document the Company files with, or furnishes to, the SEC at the SEC's public reference room at Room 1024, 450 Fifth Street, N.W. Room 1024, Washington, D.C. 20549. Copies of the material can also be obtained from the SEC's public reference room in Washington, D.C. by paying a fee. Please call the SEC at 1-800 SEC 0330 for further information on the public reference room. The SEC also maintains a website (www.sec.gov) that makes available reports and other information that the Company files or furnishes electronically with it.

RECENT DEVELOPMENTS

Debt Reduction

In May 2004, Pan American prepaid the $9.5 million La Colorada construction loan from International Finance Corporation. The early repayment of this loan, combined with the $3.1 million prepayment of principal and accrued interest under the Huaron project loan in April, will effectively eliminate Pan American's bank debt and will save approximately $500,000 in annual net interest.

Morococha Acquisition

In July 2004, Pan American launched a $36.7 million cash offer to purchase the voting shares of Argentum, which owns the Morococha silver mine. Pan American also acquired 100% of Compania Minera Natividad, for $1.5 million, which holds mineral concessions adjacent to the Morococha mine.

Conversion of Debentures

In May 2004, Pan American closed a conversion offering to holders of its US$86.25 million outstanding principal amount of 5.25% of convertible unsecured senior subordinated debentures (the "Debentures"). Pursuant to the transaction, US$85,431,000 principal amount of outstanding Debentures were converted, resulting in an issuance of 9,135,043 common shares in the capital of Pan American and a cash payment of US$11.21 million to holders of Debentures. Of the total number of shares issued upon conversion of the Debentures, 208,084 common shares were issued as a reduction in the conversion price of the Debentures.

PLAN OF DISTRIBUTION

The Company will issue the Shares from time to time upon exercise of the Warrants. The Company will receive from the holders of the Warrants the exercise price of the Warrants upon exercise. See "Use of Proceeds."

USE OF PROCEEDS

The Company will realize proceeds from the exercise of the Warrants only if and to the extent any of the Warrants are exercised. If all the Warrants are exercised, the Company will realize proceeds in the amount of Cdn$45,819,960 based on an exercise price of Cdn$12.00 per share. The proceeds from the exercise of the Warrants will be used for working capital and general corporate expenses.

DESCRIPTION OF COMMON SHARES

The Company is authorized to issue 100,000,000 common shares, without par value, of which 66,658,380 are issued and outstanding as at the date of this prospectus supplement. There are options outstanding to purchase up to 1,746,010 common shares at prices ranging from $3.51 to $9.26.

There are $819,000 principal amount of Debentures outstanding. Pursuant to the terms of the Debentures, each $1,000 principal amount of Debentures is convertible into 104.4932 common shares (subject to adjustment in certain events), representing a conversion price of $9.57.

Holders of common shares are entitled to one vote per common share at all meetings of shareholders, to receive dividends as and when declared by the directors of the Company and to receive a *pro rata* share of the assets of the Company available for distribution to the shareholders in the event of the liquidation, dissolution or winding-up of the Company. There are no pre-emptive, conversion, purchase or redemption rights attached to the common shares of the Company. There are no sinking fund provisions in relation to the common shares of the Company. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment by the Company.

DESCRIPTION OF THE WARRANTS

On February 20, 2003, the Company issued 3,818,330 Warrants to shareholders of Corner Bay Silver Inc. ("Corner Bay") in connection with the Company's acquisition of Corner Bay pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act*. Of these Warrants, 3,814,663 remain outstanding as at the date of this prospectus supplement. The Warrants were issued in registered form under an Indenture dated February 20, 2003, between the Company and Computershare Trust Company of Canada, as the Warrant trustee (the "Trustee"). The Warrants were issued in reliance on exemptions from the registration and prospectus requirements under applicable Canadian securities legislation and on the exemption from registration provided by Section (3)(a)(10) of the U.S. Securities Act. However, since the common shares issuable upon exercise of the Warrants were not covered by the exemption provided by Section 3(a)(10) of the U.S. Securities Act, the Indenture provided that the Warrants could not be exercised by any U.S. person or by any person within the United States (as those terms are defined in Regulation S under the U.S. Securities Act) or for the account or benefit of any U.S. person or any person within the United States unless and until the distribution of the Shares issuable upon exercise of the Warrants was registered under the U.S. Securities Act. The Company agreed to use commercially reasonable efforts to register the distribution of the Shares upon exercise of the Warrants in the United States and file a registration statement in the required form with the U.S. Securities and Exchange Commission, of which this prospectus supplement is a part, for this purpose. The Trustee will promptly give notice to all holders of the Warrants upon the effectiveness of the registration statement.

Each Warrant entitles the holder to purchase one Share at an exercise price of Cdn$12.00 per share. The exercise price and the number of Shares issuable upon exercise are both subject to adjustment as more fully described below. The Warrants are exercisable at any time prior to 4:30 p.m. (Pacific Standard Time) on February 20, 2008, after which the Warrants will expire and become null and void. Under the Indenture, the Company is entitled to purchase in the market, by private contract or otherwise, all or any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Indenture provides for adjustment in the number of common shares issuable upon the exercise of the Warrants, including:

- the issuance of common shares or securities exchangeable for or convertible into common shares to all or substantially all the holders of the common shares as a stock dividend or other distribution (other than a dividend paid in the ordinary course, as defined in the Indenture, or a distribution of common shares upon the exercise of the Warrants or common share purchase warrants held by International Finance Corporation or Coeur d'Alene Mines Corp. or pursuant to the exercise of directors', officers' or employees' or service providers' stock options granted by the Company);
- the subdivision, redivision or change of the common shares into a greater number of shares;
- reduction, combination or consolidation of the common shares into a lesser number of shares;
- the issuance to all or substantially all of the holders of common shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase common shares, or securities exchangeable for or convertible into common shares, at a price per share to the holder (or at an exchange or conversion price per share at the date of issue of such securities to the holder in the case of securities exchangeable for or convertible into common shares) of less than 95% of the current market price, as defined in the Indenture, for the common shares on such record date; and
- the issuance or distribution to all or substantially all of the holders of the common shares of shares of any class other than the common shares, evidences of indebtedness or any property or other assets.

The Indenture also provides for adjustment in the class or number of securities issuable upon the exercise of the Warrants or exercise price per security in the event of the following additional events:

- reclassifications of the common shares;
- consolidations, amalgamations, plans of arrangement or mergers of Pan American with or into another corporation or other entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the common shares or a change of the common shares into other shares); or
- the transfer (other than to one of the Company's subsidiaries) of Pan American's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of common shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of the adjustment or adjustments would change the exercise price by at least 1% or the number of common shares purchasable upon exercise by at least one one-hundredth of a share.

The Indenture also provides that, during the period in which the Warrants are exercisable, the Company will give public notice of specified events, including events that would result in an adjustment to the exercise price for the Warrants or the number of common shares issuable upon exercise of the Warrants, at least 21 days prior to the record date or effective date, as the case may be, of the event.

No fractional common shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of common shares would have.

From time to time, the Company and the Warrant trustee, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder. Any amendment or supplement to the Indenture that adversely affects the interests of the holders of the Warrants may only be made by extraordinary resolution, which is defined in the Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of securities which may be acquired upon the exercise of all the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of securities which may be acquired upon the exercise of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution or (2) adopted by instruments in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of securities which may be acquired upon the exercise of all the then outstanding Warrants.

CERTAIN INCOME TAX CONSIDERATIONS

The following summaries are of a general nature only and are not intended to be, nor should they be construed to be, legal or tax advice to any particular holder of Warrants or Shares. Accordingly, holders should consult their own tax advisors for advice with respect to the income tax consequences to them of acquiring, holding and disposing of Shares and Warrants having regard to their own particular circumstances.

Canadian Federal Income Tax Considerations

The following discussion summarizes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "Tax Act") generally applicable to holders of the Warrants who, for purposes of the Tax Act and at all relevant times, are neither resident or deemed to be resident in Canada, who hold Warrants and common shares as capital property for purposes of the Tax Act, who deal at arm's length and are not affiliated with the Company and to whom any common shares and Warrants will not, constitute "taxable Canadian property" (as defined in the Tax Act). Warrants and common shares will generally be considered to be capital property to a shareholder unless he holds the Warrants or common shares in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying or selling securities or the shareholder acquired the Warrants or common shares in an adventure in the nature of trade.

Generally, a shareholder's shares in a corporation will not constitute taxable Canadian property to the shareholder at a particular time if, at that time, the shares are listed on a prescribed stock exchange (which currently includes the Toronto Stock Exchange), the shareholder does not use or hold, and is not deemed to use or hold, the shares in connection with carrying on a business in Canada and none of the shareholder, persons with whom the shareholder does not deal at arm's length or the shareholder and such persons together has owned (or had interest in or option in respect of), at any time during the immediately preceding 60 months, 25% or more of the issued shares of any class or series of the capital stock of the corporation. A shareholder's common shares or Warrants can be deemed to be "taxable Canadian property" in certain circumstances set out in the Tax Act.

This summary is based upon the current provisions of the Tax Act and the related regulations, all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus supplement (the "Tax Proposals") and our understanding of the current administrative

practices of the Canada Revenue Agency ("CRA"). We cannot assure you that the Tax Proposals will be enacted as proposed, if at all.

These summaries are not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals do not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices of the CRA, nor do they take into account the tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation. Special rules, which are not discussed in this summary, may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Exercise of a Warrant

In a case where a shareholder acquires a common share through the exercise of a Warrant, the shareholder will be deemed not to have disposed of any property and will be deemed to have acquired the common share at a cost equal to the aggregate of the adjusted cost base of the Warrant and the consideration paid for the common share under the terms of the Warrant.

The cost of any common shares acquired by a shareholder through the exercise of Warrants will generally be averaged with the adjusted cost base of all other common shares held by the shareholder as capital property immediately prior to the acquisition for the purpose of determining thereafter the adjusted cost base of each common share held by the shareholder.

Disposition of Common Shares

A shareholder will not be subject to tax under the Tax Act on any capital gain realized on the sale or other disposition of a common share.

Dividends on Shares of Participating Corporations

Dividends paid or deemed to be paid on common shares are subject to non-resident withholding tax under the Tax Act at the rate of 25%, although this rate may be reduced under the provisions of an applicable tax treaty. Under the Canada-United States Income Tax Convention (the "Convention"), the rate is generally reduced to 15% in respect of dividends paid to a person (an individual or a corporation that owns less than ten per cent of the voting stock of the corporation) who is the beneficial owner of the dividends and who is resident in the United States for purposes of the Convention.

United States Federal Income Tax Considerations

The following is a general summary of the principal United States federal income tax consequences applicable to holders of Warrants or common shares who are "United States persons" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") ("U.S. Holders"). The summary is applicable only to U.S. Holders who hold Warrants or common shares as "capital assets" within the meaning of the Code, and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, life insurance companies, persons holding common shares as part of a hedging, integration, conversion or constructive sale transaction or a straddle, persons owning (or who are deemed to own for United States federal income tax purposes) 10% or more of the Company's voting stock, traders who elect to mark-to-market their securities, or persons whose functional currency is not the United States dollar. This summary also does not address the tax treatment of U.S. Holders that hold Warrants or common shares through a partnership or other pass-through entity. This summary does not address aspects of U.S. taxation other than U.S. federal income taxation, nor does it address any aspects of state, local or foreign tax law. For purposes of this summary, a "United States person" is:

- a citizen or individual resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to United States income tax regardless of its source; or
- any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion is based on the Code and the related United States Treasury Regulations, and judicial and administrative interpretations of the Code and related regulations, all as of the date of this prospectus supplement and all of which are subject to change, possibly with retroactive effect. We have not requested any ruling from the United States Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in this summary. We cannot assure you that the IRS will agree with these statements and conclusions, or will not take, or a court will not adopt, a position contrary to any position taken in this summary.

Warrants

Upon the exercise of a Warrant, a U.S. Holder will not recognize gain or loss pursuant to the exercise equal to the U.S. Holder's adjusted tax basis in the exercised Warrant plus the exercise price of the Warrant. The holding period of common shares so acquired will begin on the day of the exercise of the Warrant.

The sale of a Warrant will generally result in the recognition of capital gain or loss to the U.S. Holder in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the Warrant.

If a Warrant expires unexercised, a U.S. Holder will recognize a capital loss equal to the U.S. Holder's adjusted tax basis in the Warrant.

Common Shares

Provided the Company is not a passive foreign investment company, as described below, distributions made to a U.S. Holder of common shares will be treated as taxable dividends to the extent the distributions are paid out of current or accumulated earnings and profits, as determined under United States federal income tax principles. Provided that the Company is not a passive foreign investment company, as described below, Management of the Company believes that it is a "qualified foreign corporation" within the meaning of the Code, and therefore, dividends paid by the Company will be eligible for a maximum rate of tax of 15% for dividends received before January 1, 2009, provided certain conditions are satisfied. To the extent that a distribution made to a U.S. Holder exceeds the Company's current or accumulated earnings and profits, the distribution will be treated first as a tax free return of capital up to the U.S. Holder's adjusted tax basis in the common shares with respect to which the distribution is made, and then as a gain from the sale or exchange of the common shares, with the tax consequences described below.

A U.S. Holder must include in income the U.S. dollar value (on the date of receipt based on the exchange rate on such date) of any distributions that are treated as dividends (including any Canadian taxes withheld therefrom), as described above. Dividends received from the Company generally will constitute foreign source "passive income" for purposes of the United States foreign tax credit, which could reduce the amount of foreign taxes that can be claimed by a U.S. Holder. The Code applies various limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. Because of the complexity of those limitations, U.S. Holders should consult their own tax advisors with respect to the amount of foreign taxes that can be claimed as a credit. Dividends paid by the Company will not generally be eligible for the "dividends received" deduction.

Provided the Company is not a passive foreign investment company, as described below, a U.S. Holder will generally recognize gain or loss on the sale of common shares in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the common shares sold. This gain or loss will be long term capital gain or loss if the U.S. Holder's holding period in the common shares sold is greater than one year.

Conversion of Canadian Dollars

The tax basis of Canadian dollars received by a U.S. Holder will generally equal the U.S. dollar equivalent of the Canadian dollars at the exchange rate on the date the Canadian dollars are received. Upon any subsequent exchange of Canadian dollars for U.S. dollars, a U.S. Holder will generally recognize foreign currency gain or loss, which is treated as ordinary income or loss, equal to the difference between the U.S. Holder's tax basis for the Canadian dollars and the amount of U.S. dollars received.

Passive Foreign Investment Company Status

Special United States federal income tax rules apply to United States persons owning shares of a passive foreign investment company (a "PFIC"). Management of the Company does not believe that the Company has been, or currently is, a PFIC, and Management of the Company does not anticipate the Company becoming a PFIC in the foreseeable future. However, because the determination of whether the Company will be a PFIC in the future depends on the assets, income and business operations of the Company at that time, there can be no assurance that the Company will not become a PFIC at some future time as a result of changes in assets, income or business operations.

A non-United States corporation generally will be classified as a PFIC for United States federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either at least 75% of its gross income is "passive income", or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties and gains from the disposition of passive assets. In general, "passive income" also includes the excess of gains over losses from certain commodities transactions, including transactions involving certain precious metals. However, gains and losses from commodities transactions generally are excluded from the definition of passive income if (x) such gains or losses are derived by the corporation in the active conduct of a commodity business, and (y) "substantially all" of such corporation's business is as an active producer, processor, merchant or handler of commodities of like kind.

If the Company is classified as a PFIC for any taxable year during which a U.S. Holder holds common shares, such U.S. Holder generally would be taxed at ordinary income tax rates on any gain realized on the sale or exchange of the common shares and would also be subject to a special interest charge with respect to any such gain and certain dividends received. Rather than being subject to this tax regime, a U.S. Holder of common shares may:

- make a "qualified electing fund" election, as defined in the Code, to be taxed currently on its pro rata portion of our income and gain, whether or not such income or gain is distributed in the form of dividends or otherwise, or
- make a "mark-to-market" election and thereby agree, for the year of the election and each subsequent tax year, to recognize ordinary gain or, to the extent of prior ordinary gain, ordinary loss based on the increase or decrease in market value for such taxable year. The U.S. Holder's basis in its common shares would be adjusted to reflect any such income or loss amounts.

In order for a U.S. Holder of common shares to be able to make a "qualified electing fund" election, the Company would have to provide certain information regarding such U.S. Holder's pro rata share of our ordinary earnings and net capital gain. In the event the Company becomes a PFIC, currently does not intend to provide U.S. Holders with such information.

Backup Withholding Tax

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate U.S. Holders. Information reporting generally will apply to payments of distributions on, and to proceeds from the sale or disposition of, the common shares by a payor within the United States to a U.S. Holder, unless such U.S. Holder is an exempt recipient, including a corporation, or provides an appropriate certification.

A pay or within the United States will be required to withhold tax (currently at a rate of 28%) from any payments of distributions on, or proceeds from the sale or disposition of, the common shares within the United States to a U.S. Holder (unless such U.S. Holder is an exempt recipient) that fails to furnish a correct taxpayer identification number on United States Internal Revenue Service Form W-9 or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. A U.S. Holder will be allowed a refund or a credit equal to any amounts withheld under the United States backup withholding tax rules against such U.S. Holder's United States federal income tax liability, provided the U.S. Holder furnishes the required information to the United States Internal Revenue Service.

CHANGES TO CONSOLIDATED CAPITALIZATION

Since December 31, 2003, the following changes have occurred to the share and loan capital of the Company, on a consolidated basis:

- the Company issued 3,333,333 common shares of the Company in connection with a $55 million financing that closed on March 12, 2004;
- the Company issued 623,695 common shares of the Company pursuant to the exercise of stock options;
- the Company issued 539,834 common shares of the Company pursuant to the exercise of warrants (including the warrants);
- the Company issued 16,624 common shares of the Company in connection with 2003 bonuses and additional compensation to certain officers and employees;
- the Company issued 9,135,043 common shares of the Company in connection with the conversion of $85,431,000 principal amount of Debentures;
- the Company reduced its $3,520,834 loan on the Huaron property from Banco de Credito del Peru by $3,520,834 to $NIL.
- the Company reduced its $9.5 million loan on the La Colorada property from International Finance Corporation by $9.5 million to $NIL.
- Pan American has sold forward 15,250 tonnes of zinc according to the following schedule:

Month	Total Quantity (tonnes)	Contract Price (US$/tonne)
August, 2004	1,055	$1,013.65
September, 2004	1,055	$1,013.65

October, 2004	1,035	$1,013.14
November, 2004	970	$1,010.55
December, 2004	935	$1,009.48
January, 2005	4,100	$1,061.10
February, 2005	500	$1,050.00
March, 2005	500	$1,050.00
April, 2005	4,100	$1,083.60
May, 2005	500	$1,050.00
June, 2005	500	$1,050.00
TOTAL:	15,250	$1,049.49

These sales were designated as a hedge. The difference between the average monthly London zinc cash settlement price and the forward sales price will be credited or charged to Pan American's revenue during the August 2004 through June 2005 period.

- Pan American has sold forward 7,365 tonnes of lead according to the following schedule:

Month	Total Quantity (tonnes)	Contract Price (US$/tonne)
August, 2004	680	$725.00
September, 2004	365	$565.96
October, 2004	640	$725.00
November, 2004	355	$558.38
December, 2004	325	$419.50
January, 2005	2,500	$734.80
April, 2005	2,500	$761.25
TOTAL:	7,365	$711.24

These sales were designated as a hedge. The difference between the average monthly London lead cash settlement price and the forward sales price will be credited or charged to Pan American's revenue during the August 2004 through April 2005 period.

- The Company currently has no outstanding forward sales contracts in respect of its silver production other than short term (less than 60 days) price fixings relating to silver that has been produced but has yet to be priced under concentrate agreements. The Company does not intend to commit any of its future silver production into any forward sales or option contracts.

RISK FACTORS

Prospective investors should carefully consider the following risks, as well as the other information contained in this prospectus supplement and the documents incorporated by reference herein before investing in the Shares. If any of the following risks actually occurs, the Company's business could be harmed. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware or that the Company deems immaterial, may also adversely affect the Company's business.

Risks Relating to the Acquisition of Argentum and the Morococha Property

There are a number of specific risks associated with the Company's acquisition of Argentum and the Morococha property.

The current proven and probable reserves on the Morococha property only provide for a three year mine life. The estimated cash flow over this three year mine life does not provide a payback for the Company's costs to acquire Argentum. For Pan American to recover these costs, inferred resources on the Morococha property must be converted to mineable reserves. Although Pan American expects the Morococha mine to continue operations for at least 15 years as reserve definition programs are carried out, there is no certainty that inferred resources will be converted to mineable reserves or that the Company's investment costs for the Morococha property will ever be paid back.

The Morococha mine is currently dependent on the Manuelita zone for 50% of its monthly production. This zone will be exhausted in two to three years and in order to maintain the mine's operating cost profile, a replacement for the Manuelita's zone must be found. While Pan American expects to find a replacement for the Manuelita's zone over the course of upgrading the inferred mineral resources to proven and probable mineral reserves in accordance with its long range mine plan and development program, there can be no assurance that such a replacement zone will be found or that Pan American's production estimates will be met after the third year of the mine plan.

The equipment on site at the Morococha property, particularly the Amistad plant, is old and may require higher capital investment than Pan American has estimated.

Argentum does not own, and the Company will not acquire, any surface lands in the areas that overlie its mining concessions. These surface lands belong to Centromin. Although the use by SMC and its predecessors of Centromin's surface lands for mining and processing operations has been exercised for decades with Centromin's acknowledgement, there is no assurance that Centromin will continue to allow unimpeded use of these surface lands by the Morococha operations. In particular, the development of the adjacent Toromocha disseminated copper system

into a mine may interfere with operations on Morococha property. In such an event, Pan American could be required to incur potentially significant costs and expense to acquire surface rights for its Morococha operations and could be required to cease certain Morococha operations altogether if such surface rights cannot be obtained for reasonable consideration.

There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. At the Morococha property, Pan American has observed several inconsistent or inappropriate pre-laboratory sample preparation procedures. In addition, no QA/QC program was ever established for the analysis of mine samples at either of SMC's laboratories on the Morococha property. These flaws in sample preparation procedures and lack of QA/QC data makes it difficult to assess the performance and reliability of either laboratory, the data from which is critical in calculating mineral reserves and mineral resources and corresponding grades. Accordingly, there may be a greater degree of uncertainty associated with the calculation of mineral reserves and mineral resources and the grades thereof at the Morococha property than would be the case if North American standards of pre-laboratory sample preparation and QA/QC were observed.

Responsibility for construction of a water treatment plant for the Kingsmill Tunnel and tailings mitigation program at Huascacocha Lake has been apportioned by WMC in environmental studies among the Morococha mine and mining companies operating neighbouring projects, including Centromin, Soc. Minera Austria Duvaz, Soc. Minera Buquiococha and Minera Centrominas. In the event that one or more of these companies defaults on its funding obligation for the Kingsmill water treatment plant or the Huascacocha Lake tailings mitigation program, Pan American's proportionate share of the costs of such environmental projects could increase and reduce cash flow from Morococha operations.

The Company's acquisition of an interest in Argentum is subject to Pan American successfully undertaking an OPA for not less than 92.014% of the voting shares of Argentum through the Lima Stock Exchange. Although the Company has signed a binding agreement with a number of individuals to purchase 92.014% of the voting shares of Argentum, there is no assurance that the Company will close the acquisition until the end of the OPA, which is open until late August 2004.

Risks Relating to the Company's Business

Metal Price Fluctuations

The majority of the Company's revenue is derived from the sale of silver, zinc, lead and copper and therefore fluctuations in the price of these commodities represent one of the most significant factors affecting its operations and profitability. The price of silver and other metals are affected by numerous factors beyond the Company's control, including:

- levels of supply and demand;
- global or regional consumptive patterns;
- sales by government holders;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments and improved mining and production methods;
- speculative activities;
- inventory carrying costs;
- availability and costs of metal substitutes;
- international economic and political conditions.
- interest rates;
- currency values; and
- inflation.

Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Foreign Operations

The majority of the Company's current operations are conducted by its subsidiaries outside of Canada in Peru, Mexico, Bolivia and Argentina, and all of the Company's current production and revenue is derived from its operations in Peru and Mexico. As Pan American's business is carried on in a number of foreign countries it is exposed to a number of risks and uncertainties, including:

- terrorism and hostage taking;
- military repression;
- expropriation or nationalization without adequate compensation;
- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions;
- labor unrest;
- high rates of inflation;
- extreme fluctuations in currency exchange rates; and
- volatile local political and economic developments.

Local opposition to mine development projects has arisen in Peru in the past, and such opposition has at times been violent. In particular, in February of 2001, the exploration premises of a Canadian mineral exploration company, Manhattan Minerals Inc., at Tambo Grande in Northern Peru, were stormed by approximately 5,000 people, who burned machinery and injured approximately 30 people. Although Pan American's operations in Peru are located in communities that have been supportive of mining for decades and no discernable local opposition has arisen to the Company's projects, there can be no assurance that such local opposition will not arise in the future. If the Company were to experience resistance or unrest in connection with its foreign operations, an adverse effect on the Company's operations or profitability could result.

Governmental Regulation

Pan American's operations and exploration and development activities are subject to extensive Canadian, United States, Peruvian, Mexican, Bolivian, Argentinian and other foreign federal, state, provincial, territorial and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development of mines, production, and post-closure reclamation;
- exports;
- price controls;
- taxation;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of Pan American's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of our past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

Renewal of Government Permits

In the ordinary course of business, Pan American is required to obtain and renew governmental permits for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on Pan American's part. The duration and success of Pan American's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. Pan American may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what it expects. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely affect Pan American's operations and profitability.

Compliance With Local Laws and Standards

In some of the countries in which Pan American operates, failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a materially adverse effect on Pan American's operations or business.

Operating Hazards and Risks

The operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental hazards;
- industrial accidents and explosions;
- the encountering of unusual or unexpected geological formations;
- ground fall and cave-ins;
- flooding;
- earthquakes; and
- periodic interruptions due to inclement or hazardous weather conditions.

These occurrences could result in:

- environmental damage and liabilities;
- work stoppages and delayed production;
- increased production costs;
- damage to, or destruction of, mineral properties or production facilities;
- personal injury or death;
- asset write downs;
- monetary losses; and
- other liabilities.

Liabilities that Pan American incurs may exceed the policy limits of its insurance coverage or may not be insurable, in which event Pan American could incur significant costs that could adversely affect its business, operations or profitability.

Exploration and Development Risks

The long-term operation of Pan American's business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Mineral exploration and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that Pan American's mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that a mineral property will be brought into commercial production. Development of Pan American's mineral properties will

follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the control of Pan American. As a result, there can be no assurance that Pan American's acquisition, exploration and development programs will yield new reserves to replace or expand current reserves. Unsuccessful exploration or development programs could have a material adverse impact on Pan American's operations and profitability.

Uncertainty in the Calculation of Mineral Reserves, Resources and Silver and Base Metal Recovery

There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed the quantity of mineral and reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of Pan American's properties. In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Pan American's operations and profitability.

Smelter Supply Arrangements

The zinc, lead and copper concentrates produced by Pan American are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, Pan American may be forced to sell its concentrates in the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely affected.

Environmental Hazards

All phases of Pan American's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation in all of the jurisdictions in which Pan American operates is evolving in a manner which will require stricter standards and will be subject to increased enforcement, fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely affect Pan American's operations and profitability. In addition, environmental hazards may exist on Pan American's properties which are currently unknown to Pan American. Pan American may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanuplapse; " borderColor=#000000 cellSpacing=0 cellPadding=3 width="100%" b o r d e r = 1 > **C u t o f f (o p t) T o n s A u (o p t) C u (%) A u (o z) C u (lbs)**0.0054,367,0000.0590.0432257,8393,774,0000.0103,321,0000.0750.0465250,2363,087,0000.0152,647,0000.0910.04762

Interpretation and Conclusions of Report

The Pine Grove district hosts several gold bearing quartz-vein stockwork style deposits emplaced in Mesozoic granitic host rocks. Exploration by Teck Resources in the early 1990 s outlined a bulk tonnage low grade gold resource of roughly 2.5 million tons grading 0.06 opt containing 150,000 ounces. These resources are the un-mined remnants from mining carried out in the district in the late 1800 s.

The author of the Pine Grove Report has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, and Lincoln Gold is not treating the historical estimate as current mineral resources or mineral reserves as defined in Section 1.2 and 1.3 of NI43-101, hence the historical estimate should not be relied upon.

A re-evaluation of the Teck data by MineFill produced similar results for the Wilson deposit, however, at Wheeler the MineFill estimate was considerably higher in both tons and grade. A detailed review of the drill assays superimposed on the Teck polygons revealed large zones of mineralized material that were not included in the Teck estimate.

There appears to be sufficient resources to justify further exploration at Pine Grove, and recommendations are provided herein. The Wheeler deposit shows the best immediate potential since it contains the bulk of the resources, and hosts a higher grade. A ground reconnaissance of the area surrounding the Wheeler and Wilson mines suggests that there may be additional resources which could be added with additional exploration. During the site visit the author noted a number of caved adits and mine dumps in an adjacent drainage to the north of Wilson.

Recommendations of the Pine Grove Report

Based on the information compiled to date, the Pine Grove Report concluded that the Pine Grove project appears to offer significant potential for re-activating a historical mining district. The Technical Report further concluded and recommended that, before a decision can be made, additional data collection and verification is warranted, as follows:

Phase 1 Additional Exploration

- Lands additional claims - $30,000
- Photogrammetry stereo orthophotos and digital topography - $30,000
- Reverse circulation drilling - $450,000
- 48 vertical holes at Wheeler 14,000 ft.
- 33 vertical holes at Wilson 9,000 ft.
- Total = 65 holes for 23,000 ft. at an all-in cost of $19.68/ft.
- Assaying 4600 samples - $90,000
- Contract geologist - $150,000
- Drill pads and reclamation work - $65,000
- GIS work - $10,000
- Resource update - $25,000

Phase 1 Total Budget - $850,000

Objective for Phase 1 to confirm the grades and continuity of mineralization per the Teck drilling and resource estimate, and to test the lateral margins of the deposits at Wilson and Wheeler. Should the results prove positive, then the project should be advanced to Phase 2.

Phase 2 Metallurgical Assessment

- Core drilling - $75,000
    - 4 large diameter core drillholes 900 ft.
    - All-in costs of $83.30/ft. includes consumables

Total Phase 2 Budget - $180,000
Total Budget - $1,030,000

There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on this mineral property. Lincoln anticipates that it will require additional financing in order to pursue full property exploration. Lincoln does not have sufficient financing to

undertake full exploration of these mineral claims at present and there is no assurance that we will be able to obtain the necessary financing.

La Bufa Property, Chihuahua, Mexico

The La Bufa Project is located in the far southwest corner of the state of Chihuahua, Mexico near the town of Guadalupe y Calvo about 300 kilometers from the city of Chihuahua and 200 kilometers from the town of Hidalgo de Parral. The project is within the Guadalupe y Calvo Mining District and lies within the Sierra Madre Occidental physiographic province. The La Bufa project is comprised of three contiguous mineral concessions totaling approximately 2,291.26 hectares and is held by Lincoln Gold through letters of intent to joint venture and joint venture agreements with Almaden Minerals and their wholly owned Mexican subsidiary Minera Gavilan, S.A. de C.V. The La Bufa Property surrounds mineral concessions of approximately 439.24 hectares held by Gammon Gold where the Rosario Vein was discovered in 1836 and where nearly all of the historic production from the district was derived.

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.

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 5, 2005, we executed a letter of intent to joint venture the property with Almaden whereby we could earn a 51% interest in the property by undertaking exploration expenditures in the minimum amount of $2.0 million over 4 years.

On April 12, 2007, we entered into an option agreement (the Option Agreement) with Almaden to acquire a 60% interest in the La Bufa Property. The Option Agreement supersedes and replaces the August 5, 2005 letter of intent to joint venture the property with Almaden. Under the Option Agreement, we will be entitled to earn a 60% interest in the La Bufa Property by (a) undertaking a work program on the Bufa Property aggregating $3,500,000 in expenditures for mining work, and (b) issuing an aggregate of 1,550,000 shares of our Common Shares to Almaden pursuant to the terms of the Option Agreement.

The $3,500,000 of expenditures for mining work must be incurred in accordance with the following schedule:

- we must spend $500,000 in expenditures (which must include drilling) on the La Bufa Property by the first anniversary of the effective date of the Option Agreement (the Effective Date). This obligation is a firm commitment;
- we must spend an additional $750,000 on the La Bufa Property by the second anniversary of the Effective Date;
- we must spend an additional $1,000,000 on the La Bufa Property by the third anniversary of the Effective Date; and
- we must spend an additional $1,250,000 on the La Bufa Property by the fourth anniversary of the Effective Date.

The 1,550,000 shares must be issued in accordance with the following schedule:

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

During the term of the Option Agreement, we will be obligated to maintain the La Bufa Property in good standing by completing and filing, or making payment in lieu thereof, of all necessary assessment work on the La Bufa Property and by paying all taxes.

Upon the completion of the expenditure requirements and the share issue requirements as set forth in Option Agreement, we shall be deemed to have earned an undivided 60% interest in the La Bufa Property. Upon our earning an interest in the La Bufa property, all operations shall be conducted by us and Almaden on a joint venture basis. The basic terms of the joint venture are prescribed in the Option Agreement.

We have the right to terminate the Option Agreement at any time by giving 30 days notice of termination to Almaden. Upon termination by us, we will have no further obligation to issue any shares or incur any further expenditures for mining work on the La Bufa Property, other than in respect of obligations that had accrued to the date of termination. We have completed the issuance of the initial 150,000 shares to Almaden.

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.

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 silver. 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.

Exploration Programs at La Bufa

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, we 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 1st quarter of 2007.

The La Bufa Report includes a recommendation that we acquire the El Chapito concession as soon as possible and preferably before any drilling is conducted.

Recommendations of the La Bufa Report

Based on the scope and the results of exploration activities completed to date on the Property, a two-phase exploration program is recommended. Because the southern La Bufa concession is at a more advanced stage of exploration and drill targets have been identified, phase-1 would consist of a core drilling program that could be initiated as soon as drill contracts can be made, necessary permits obtained and logistical support are in place. A core drilling program of 15 holes averaging 400 meters each is recommended as phase-1 and is considered the minimum required to give a reasonable chance for success. Proposed sites have been plotted on a plan map (below) and two or more holes drilled at different angles of inclination could be completed at selected sites in order to test down-dip continuity of the structures. Surface owners in Guadalupe y Calvo include private landowners and the city government and initial contact with these surface owners has been made in order to secure access permission.

Preliminary metallurgical studies should be included as part of the drilling program and would include bottle roll tests along with thin section and polished section investigations to determine basic mineralogy. Phase-1 of the recommended work program would also consist of continued reconnaissance throughout the concessions, including mapping and sampling in the northern concessions of La Bufa 1 and La Bufa 2. A district-wide structural study using satellite imagery, air photos and verification by ground checks should also be part of this program. In addition, follow-up work by mapping and rock sampling in areas of soil anomalies related to quartz veinlets in altered Upper Volcanic Group rocks at the northern limit of the soil grid is needed. The district-wide reconnaissance, sampling and structural interpretation studies that are recommended should be completed and are not dependent on results of the drilling recommended in the southern portion of the La Bufa concession. The additional reconnaissance and related work could be carried out consecutively during the phase-1 drilling and if drill targets are identified they could be tested during the phase-2 drilling program.

It is recommended that Phase-2 consist of a greatly expanded core drilling program that would provide a geologic, assay and preliminary metallurgical database of sufficient size and quality to be the basis for initial resource modeling. This phase-2 program would require the drilling of 40-50 holes on approximately 25-meter centers. Initial site planning and land use issues would also be addressed during this phase. The initiation of phase-2 program will be dependent on successful results of phase-1 drilling. Successful drilling results for phase-1 would be defined as the discovery of gold-silver mineralization, along the Santo Niño Vein or parallel structures in the footwall and hanging wall, with potentially economic grades and widths that would justify continued expenditures on the Property.

Proposed Phase 1 Drill Site Locations

The anticipated budget for the work program recommended by the Geological Report on the La Bufa property is set out below:

Activity	Amount/Persons	Time Required		Amount ($US)
Phase-1: Drilling				
Drilling	6,000 meters (15 holes at 400m)	90 days		480,000
Drilling Support	2 geologist, helpers, includes travel and field expenses	90 days		100,000
Site Facilities	Equipment, Storage and Consumables	120		50,000
Analytical	1,500 samples	90 days		40,000
Metallurgical	20 samples	90 days		15,000
Data Workup	1 geologist, 1 GIS	60 days		40,000
Drilling Total				***725,000***
Phase-1: District				
Reconnaissance	1 geologist, 1 helper	60		45,000
Analytical	400 samples			10,000

Data Workup	1 geologist, 1 GIS	30		25,000

Activity	Amount/Persons	Time Required		Amount ($US)
District Total				***80,000***
Phase-1 Total				***$805,000***
Phase-2: Drilling	16,000 meters (40 holes at 400m)			**4,000,000**
	Amount includes all expenses, metallurgical, preliminary resource			
Total Phase- 1 & 2				***4,805,000***

We plan plans to complete Phase 1 of the exploration program outlined above over the next 12 to 18 months, subject to it achieving the necessary financing.

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

- delays in the permit approval process for drilling;
- limited availability of core rigs in Mexico;
- lack of funding.

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

- caving ground;
- lost circulation;
- artesian water;
- stuck drill steel;
- drilling in near proximity to the town (special compensation, noise, etc.).

The exploration program is being managed on site by Filiberto Lopez who has extensive experience in Mexico. Our vice-president of exploration, Jeffrey L. Wilson, P. Geol. State of Utah, will oversee the project.

JDS Property, Nevada, USA

Lincoln is the owner of the seventy-seven (77) unpatented lode claims comprising the JDS project which covers approximately 1,540 acres (2.04 sq miles). Lincoln staked and recorded the mineral claims, which are located in Sections 14, 15, 22, 23 26 & 27 T25N R50E of Eureka County, Nevada. These mineral claims are registered in Lincoln s 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.

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:

Ownership Interest

Lincoln is the owner of the seventy-seven (77) unpatented lode claims comprising the JDS project which covers approximately 1,540 acres (2.04 sq miles). Lincoln staked and recorded the mineral claims. These mineral claims are registered in Lincoln s 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. Lincoln 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, Lincoln entered into a letter agreement on the JDS property for an Exploration Agreement with Option to Form Joint Venture with Golden Odyssey Exploration (TSX: GOE). Work in 2006 consisted largely of farm-out efforts by us which were consummated in May 2006 when we entered into the letter agreement with Golden Odyssey. Golden Odyssey drilled a part of one hole before quitting the hole and started looking for a bigger drill rig. Because Golden Odyssey had not started drilling again by the end of 2007 Lincoln terminated the agreement. We are now looking for another partner to JV the property

History of Operations

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

Present Condition of the Property and Current State of Exploration

In 2005, Lincoln 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.

Lincoln presently has 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. Lincoln has all raw data and maps for the mercury soil gas survey and for the detail gravity survey line in the same general area. Lincoln also has various summary maps and property diagrams.

Lincoln is looking for a JV partner to drill this property.

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.

HANNAH PROPERTY, CHURCHILL COUNTY, NEVADA, USA

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.

Lincoln has 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, as amended January 7, 2007 and January 10, 2008, between us and Larry and Susan McIntosh of Gardnerville, Nevada. Lincoln has the option to acquire a 100% interest in the Hannah property by making aggregate payments to the McIntosh s in the amount of $210,000. Lincoln may exercise this option at any time prior to the ten year anniversary of the effective date of the agreement, being December 24, 2013. To date $40,000 has been paid into this option agreement.

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:

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.

Lincoln has 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. Lincoln has the option to acquire a 100% interest in the Hannah property by making aggregate payments to the optionors in the amount of $210,000. Lincoln may exercise this option at any time prior to the ten year anniversary of the effective date of the agreement, being December 24, 2013. Lincoln is 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)

Date of Payment	Amount of Option Payment
January 10, 2006	$10,000 (paid)
January 10, 2007	$15,000 (in quarterly payments)
January 10, 2008	$20,000 (in quarterly payments
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

Lincoln will be deemed to have exercised the option upon completion of the above option payments at which time Lincoln 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 Lincoln exercises the option, Lincoln 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 Lincoln completes 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, Lincoln 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.

Lincoln has the exclusive right to conduct exploration on the Hannah property during the term of the option agreement, provided that Lincoln makes the required option payments. Lincoln is 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 Lincoln does not make any required option payment, then the optionors will be entitled to terminate the agreement and Lincoln will lose our interest in the property. However, Lincoln will not have any obligation to make further option payments in the event of termination due our inability to make any required option payment. Lincoln may surrender its interest in the property and terminate the agreement at its election upon written notice to the optionors. In this event, the optionors will retain all option payments paid pursuant to the agreement.

Lincoln has paid $3,075 for BLM and County annual claim maintenance fees that were required to be paid by October 1, 2006. Lincoln will be required pay approximately $3,075 for BLM and County

annual claim maintenance fees by September 1, 2008. Lincoln is not obligated to complete any minimum exploration expenditures or other work commitment in order to maintain it s option on the Hannah property.

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.

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. Lincoln s 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.

Lincoln has no formal reports on the Hannah Property. However, Lincoln does 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, Lincoln 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, Lincoln would like to conduct offset drilling from the two holes that encountered ore-grade gold-silver mineralization. However, Lincoln is also showing the property to multiple juniors who have expressed potential interest in participating in a joint venture on the Hannah Property. To date, Lincoln has 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 Lincoln continue to make the payments required under the option agreement.

Lincoln s plan of exploration for the Hannah Property is as follows:

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

Description of Phase of Exploration	Description of Exploration Work Required
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	Estimated Cost of Completion
Acquire Joint Venture Partner	$3,000
Exploration Trenching	$0 (Partner s Cost)
Phase 2 Drilling	$0 (Partner s Cost)
Bottle-Roll Metallurgical Tests	$0 (Partner s Cost)
Data Evaluation	$2,000

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

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 (-45º) encountered 35 ft @ 0.016 opt gold from 40 to 75 ft and angle hole H-2 (-60º) 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.

Other Properties

Over the last four years the Company has explored and has joint ventured a number of properties which it has subsequently returned to their original owners or dropped.

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following should be read in conjunction with our financial statements, forming a part of , including note 15 to the annual financial statements, which provides reconciliations of material measurement differences between US GAAP and Canadian GAAP, as well as Item 4 Description of Business of .

Unless otherwise indicated, all dollar figures ($) in this Item 5 (as well as the rest of) are presented in United States dollars.

Overview

We are an exploration stage company that has not earned revenues from our core business to date. We are currently undertaking the plan of operations described under Item 4 Information on the Company . We will require additional financing to fund this plan of operations.

Going Concern

Our financial statements are prepared on the basis that we will continue operations as a going concern. Given that we have no source of significant revenue, this assumption is subject to the further assumption that there will continue to be investment interest in equity funding to explore our mineral projects. We can give no assurance that we will continue to be able to raise sufficient funds. Should we be unable to continue to do so, we may be unable to realize on the carrying value of our projects and the net realizable value could be materially less than our liabilities, with a potential for total loss to our shareholders.

Critical Accounting Policies

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements and the amounts of revenue and expenses reported during the period. A significant area requiring the use of management estimates involved the determination of stock based compensation.

We evaluate our estimates on an ongoing basis and base them on various assumptions that are believed to be reasonable under the circumstances. Our estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our accounting policies are set out in the notes to the accompanying financial statements.

Mineral property interests

We charge to operations all exploration and development expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

We capitalize direct mineral property acquisition costs and those exploration and development expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares and warrants issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. An exploration property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Stock-Based Compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation over the vesting period of the stock options.

A. Operating Results

Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements included in Item 17 of this Annual Report. Our results of operations are summarized below.

Years ended December 31	2007	2006	2005
Exploration Expenses (Note 4)	$ 319,375	$ 102,030	$ 558,904
Administrative Expenses			
Advertising and promotion	-	428	13,307
Administrative support	22,403	-	-
Amortization	4,309	2,888	1,978
Consulting fees	29,864	2,293	8,663
Foreign exchange loss	4,645	2,043	2,115
Investor relations	151,419	128,590	419,900
Management fees	25,850	62,795	102,838
Office	31,651	28,467	69,153
Professional fees	190,420	48,924	79,923
Property investigation and due diligence	5,145	3,822	25,113
Regulatory and shareholder services	28,026	5,068	12,130
Stock-based compensation (Note 7)	244,304	-	-
Travel and entertainment	13,721	18,091	24,519
Loss before other items	(1,071,132)	(405,439)	(1,318,543)
Other items			
Accounts payable written off	-	-	33,564
Interest income	4,213	2,591	8,414
Interest expense (Note 5)	(11,811)	(10,693)	(17,981)
Loss and Comprehensive Loss for the year	(1,078,730)	(413,541)	(1,294,546)
Deficit, beginning of year	(3,537,109)	(3,123,568)	(1,829,022)
Deficit, end of year	$ (4,615,839)	$ (3,537,109)	$ (3,123,568)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	47,172,000	42,366,000	41,079,000

Year Ended December 31, 2007 versus Year Ended December 31, 2006

We had no revenues during the year ended December 31, 2007 or the year ended December 31, 2006. We have not generated any revenue from our operations to date.

General and administrative expenses of $751,757 for 2007 were approximately twice as high as the 2006 expenses of $303,409. Exploration expenditures of $319,375 for 2007 were more than twice as high as the 2006 expenditures of $102,030 which reflects on the increased exploration and property

acquisition activities as a result of the acquisition and exploration of both the Pine Grove and La Bufa properties. There was a marked change in all the expenditure categories and three categories were up significantly from 2006 and included stock based compensation, consulting fees and professional fees. The increases in consulting fees reflect on the amount of professional help needed for exploration. While more exploration was performed travel expenses were down which reflects in the location of the exploration activities. The increase in salaries and office expenses reflect the yearly increases due to inflation. Regulatory and shareholder service costs were up reflecting the increased activity in dealing with the regulatory bodies which includes the changing of the Company s domicile and exchange dealings in general. These activities included filing a registration statement with the United States Securities and Exchange Commission in connection with our continuation from Nevada to the Canada Business Corporations Act.

Year Ended December 31, 2006 versus Year Ended December 31, 2005

We had no revenues during the year ended December 31, 2006 or the year ended December 31, 2005. 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.

B. Liquidity and Capital Resources

Historically, our operations have been financed by advances from related parties and proceeds from issuance of common shares and equity. We anticipate continuing to rely on equity financings to continue our plan of operations.

Cash and Working Capital

Our cash position at December 31, 2007 was $123,201 compared to $21,961 as of December 31, 2006. We had a working capital deficit of $71,665 at December 31, 2007, compared to a working capital deficit of $130,363 as of December 31, 2006.

Plan of Operations

We estimate that our total expenditures over the next twelve months will be approximately $1,935,000 as outlined above under the heading Plan of Operations . Based on our planned expenditures and our working capital, we will require a minimum of approximately $2,500,000 to proceed with our plan of operations over the next twelve months, including the pay down of a short term debt. 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.

Financings

On January 21, 2008 we completed a private placement of 2,067,000 units, at a price of $0.20 per unit for total proceeds of $413,400. Each unit consists of one share and one-half of one share purchase warrant. Each whole purchase warrant entitles the purchaser to acquire one additional share at a price of $0.25 per share for a for a two year period from the date of the issuance of the warrants. The securities issued in the private placement are subject to a four month hold period under Canadian Securities law expiring May 22, 2008. Cash finder's fees of $35,375 in cash were paid in connection with this offering.

During the year ended December 31, 2007, we completed two private placement financings, as follows:

- On May 29, 2007, we issued 3,275,000 units at $0.10 per unit for proceeds of $327,500. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to acquire one common share at $0.15 per share for a term of two years. We incurred share issuance costs of $19,425 in connection with this private placement.

- On August 23, 2007, we issued 4,250,000 units at $0.10 per unit for gross proceeds of 425,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to acquire one common share at $0.15 per share for a term of two years. We incurred share issuance costs of $15,000 in connection with this private placement.

During the year ended December 31, 2006, 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, 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 (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 (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 applied the proceeds from this financing for general corporate purposes.

The Class A warrants term was extended in 2007 from its original expiration date of July 27, 2007 to January 27, 2008, all of which have subsequently expired unexercised. The Class B warrants term of four years remained unchanged.

Outstanding Payable

We arranged for a $200,000 convertible note during the fiscal year ended December 31, 2004. On September 15, 2005 we completed an agreement whereby we repaid $100,000 of the convertible note along with $35,000 accrued interest and agreed to repay the remaining $100,000 within sixty days. With the completion of the first payment the conversion feature of the debt to common stock and share purchase warrants was cancelled. The $100,000 note is currently in default and we accrued interest expense of $11,811 during the fiscal year ended December 31, 2007.

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 shares 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.

C. Research and Development

Not applicable to our business.

D. Trend Information

We consider that our ability to raise additional financing in order to complete our exploration programs and the plan of operations for our mineral properties during our fiscal year 2007 and beyond will be impacted by a number of factors, including the price of gold or other minerals, applicable laws and regulations, political conditions, currency fluctuations, the hiring of qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors could change at any time and negatively affect the Company's operations and business.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table outlines our current contractual obligations as at December 31, 2007:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term Debt Obligations	$-	$-	$-	$-	$-
Capital (Finance) Lease Obligations	$-	$-	$-	$-	$-
Operating Lease Obligations	$-	$-	$-	$-	$-
Purchase Obligations	$-	$-	$-	$-	$-
Other Long-term Liabilities	$-	$-	$-	$-	$-
Total	$-	$-	$-	$-	$-

G. Safe Harbor

This document may contain forward-looking statements. We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing ourselves of the protections of the safe harbor with respect to all forward-looking statements. Several important factors, in addition to the specific factors discussed in connection with such forward-looking statements individually, could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements contained herein.

We estimated or anticipated future results or other non-historical facts are forward-looking and reflect our current perspective of existing trends and information. These statements involve risks and uncertainties that cannot be predicted or quantified, and consequently actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the success of our exploration and development activities, environmental and other regulatory requirements, foreign exchange issues, mineral deposit estimates and mineral prices, competition by other mining companies, financing risks, mineral title issues, insider conflicts of interest, political stability issues, and other risks and uncertainties detailed in this report and from time to time in our other Securities and Exchange Commission filings.

Therefore, we wish to caution each reader of this document to consider carefully these factors as well as the specific factors that may be discussed with each forward-looking statement in this document or disclosed in our filings with the SEC as such factors, in some cases, could affect our ability to implement our business strategy and may cause actual results to differ materially from those contemplated by the statements expressed therein. Forward-looking statements are subject to a variety of risks and uncertainties in addition to the risks referred to in "Risk Factors" under Item 3.D above.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information relating to our directors and senior management as at the date of :

Name	Position	Age	Position Held Since
Andrew F. B. Milligan (1)	Director and Chairman of the Board	84	April 12, 2004
Paul F. Saxton	President, Chief Executive Officer, Chief Operating Officer, Treasurer and Director	61	April 12, 2004
James Chapman	Director	54	April 12, 2004
Andrew Bowering (1)	Director	47	
Marc LeBlanc (1)	Director	45	February 28, 2008
Nathalie Pilon	Chief Financial Officer	40	March 20, 2008
Jeffrey L. Wilson	Vice-President - Exploration	59	May 12, 2005
Mary Morvai	Corporate Secretary	51	February 1, 2008

Notes:

(1) Member of Audit Committee and Compensation Committee.

The following is biographical information on each of the persons listed above:

Paul F. Saxton, President, Chief Executive Officer, Chief Operating Officer, Treasurer 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 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.

Marc LeBlanc, Director

Mr. Marc LeBlanc was appointed as a director on March 26, 2008. Mr. LeBlanc has been the VP Corporate Development Mercator Minerals Ltd. since May 2007 and their Corporate Secretary since January 2005. Mr. LeBlanc is currently a member in good standing with the Canadian Society of Corporate Secretaries and the British Columbia Paralegal Association and a member of the Prospectors and Developers Association of Canada. Mr. LeBlanc holds a Bachelor of Arts Degree from Simon Fraser University and an Associates Degree in Legal Studies from Capilano College. Prior to joining

the Corporation, Mr. LeBlanc provided consulting services to a number of public mining companies in the areas of corporate finance and regulatory affairs in the review and preparation of offering materials and continuous disclosure filings pursuant to Canadian and US securities legislation and regulation. From 2000 to May 2004, Mr. LeBlanc was employed with a number of Vancouver law firms and was responsible for the preparation and review of all continuous disclosure documents for publicly traded companies listed in North America and Europe and ensuring the maintenance of these companies of the requirements of Canadian and US securities legislation and regulations. Mr. LeBlanc was formerly the Assistant Corporate Secretary of Miramar Mining Corporation and Northern Orion Explorations Ltd. responsible for all corporate and securities filings, disclosure requirements and exchange maintenance with the Toronto Stock Exchange and the NASDAQ Stock Market. Mr. LeBlanc is and has been a director or officer of a number of public mining and industrial companies.

Nathalie Pilon, Chief Financial Officer

Ms. Pilon was appointed as our Chief Financial Officer on March 20, 2008. Ms. Pilon holds a CMA designation and obtained her bachelor s degree in Business Administration from Sherbrooke University in 1990. Ms. Pilon is a financial reporting consultant for a number of listed companies on both Canadian and US exchanges. She focuses on complementing the existing financial teams by providing expertise in various accounting and financial reporting areas.

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.

Mary Morvai, Corporate Secretary

Ms. Morvai is an Office Administrator who has over 25 years of experience. From 2004 to 2006, she was a Contract Administrator for MacDonald Dettwiler in Richmond, BC. From 2006 to 2007, she was at Mundoro Mining Inc. and was appointed Corporate Secretary. She is currently Office Manager and Corporate Secretary of Lincoln Gold Corporation.

Certain of Lincoln's directors and officers are part-time and serve as officers and/or directors of other resource exploration companies and, as such, are engaged in, and will continue to be engaged in, the search for additional resource opportunities on behalf of such other companies. In particular, the success of Lincoln and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain directors and officers of the Company.

B. Compensation

Executive Compensation

The Corporation has three (3) executive officers. During the Corporation s financial year ended December 31, 2007 the aggregate direct remuneration paid or payable to the Corporation s executive officers by the Corporation and its subsidiaries, all of whose financial statements are consolidated with those of the Corporation, was $54,300.

Named Executive Officer includes Mr. Paul Saxton acted as our Chief Executive Officer and Chief Financial Officer during the financial year ended December 31, 2007. None of our executive officers

received salary and bonus exceeding $150,000. The compensation paid to our Named Executive Officer during the three most recently completed financial years of December 31 is as set out below:

Summary Compensation Table

NAMED EXECUTIVE OFFICERS Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compen-sation ($)
					Awards		Payouts	
		Salary ($)	Bonus ($)	Other Annual Compen -sation ($)	Securities Under Options/SA RsGranted (#)	Shares or Units Subject to Resale Restrictions ($)	LTIP Payouts ($)	
Paul F. Saxton	2007	$22,500	Nil	Nil	600,000	Nil	Nil	Nil
President,	2006	$20,545	Nil	Nil	Nil	Nil	Nil	Nil
Chief	2005	$32,240	Nil	Nil	Nil	Nil	Nil	Nil
Executive Officer, Chief Financial Officer and Chief Operating Officer								

Notes:

(1) Nathalie Pilon was appointed as Chief Financial Officer of the Corporation on March 20, 2008.

Long-Term Incentive Plan Awards

Long term incentive plan awards (LTIP) means a plan providing compensation intended to motivate performance over a period greater than one financial year. LTIPs do not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale. The Corporation did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

Options

The share options granted to the Named Executive Officers during the financial year ended December 31, 2007 were as follows:

Option Grants During the Most Recently Completed Financial Year

NAMED EXECUTIVE OFFICERS	Securities Under Options/ Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date

Paul F. Saxton President, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer	600,000	24.5%	$0.25 per share	$0.18 per share	September 25, 2010

No options were exercised by the Named Executive Officers during the financial year ended December 31, 2007. The values of outstanding options at December 31, 2007 were as follows:

Aggregate Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

NAMED EXECUTIVE OFFICERS Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options/SARs at FY-End ($) Exercisable/ Unexercisable
Paul F. Saxton President, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer	Nil	Not Applicable	600,000/Nil	$Nil/$N/A

No share options were repriced on behalf of the Named Executive Officers during the financial year ended December 31, 2007.

Termination of Employment, Change in Responsibilities and Employment Contracts

There is no written employment contract between the Corporation and any Named Executive Officer.

There are no compensatory plan(s) or arrangement(s), with respect to any Named Executive Officer resulting from the resignation, retirement or any other termination of employment of the officer s employment or from a change of any Named Executive Officer s responsibilities following a change in control.

Compensation of Directors

There are no arrangements under which directors were compensated by the Corporation and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants.

The following directors received options under the share option plan in their capacity as a director during the financial year ended December 31, 2007:

Option Grants During the Most Recently Completed Financial Year

Name of Director	Securities Under Options Granted (#)	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
James Chapman, Director	300,000	$0.25 per Share	$0.18 per share	September 25, 2010
Andrew	300,000	$0.25 per Share	$0.18 per share	September 25, 2010

Bowering, Director				
Andrew F. Milligan, Director	300,000	$0.25 per Share	$0.18 per share	September 25, 2010

Securities Authorized For Issuance Under Equity Compensation Plans

The Corporation has in place a share option plan initially adopted in 2005 (the Plan). The Plan was amended on September 25, 2007 adjusting the maximum number of Common Shares available to be granted from 2,000,000 Common Shares to 2,500,000 Common Shares. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. The Plan is administered by the directors of the Corporation. The Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation. All options expire on a date not later than 10 years after the issuance of such option. There are currently options outstanding to purchase an aggregate of 2,450,000 Common Shares.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2007.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Plan Category	**(a)**	**(b)**	**(c)**
Equity compensation plans approved by securityholders -	Nil	N/A	Nil
Equity compensation plans not approved by securityholders (the Plan)	2,450,000	$0.25	50,000
Total	**2,450,000**	**$0.25**	**50,000**

Indebtedness Of Directors And Executive Officers

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Corporation were indebted to the Corporation as of the end of the most recently completed financial year or as at the date hereof.

Long-Term Incentive Plan Awards

Long term incentive plan awards (LTIP) means a plan providing compensation intended to motivate performance over a period greater than one financial year. LTIPs do not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale. The Corporation did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

Pension, Retirement or Similar Benefits

We do not have any amounts set aside or accrued to provide for pension, retirement or similar benefits.

C. Board Practices

All of our directors are elected annually by the shareholders and hold office until the next annual

meeting of shareholders or until their successors are duly elected and qualified, unless they sooner resign or cease to be directors in accordance with our By-Laws. Our last annual meeting was held on June 26, 2008. Our officers are appointed by the Board of Directors.

Directors Service Contracts

None of the service contracts of any of Lincoln's directors contain provisions for benefits upon termination of such director's service.

Committees of the Board of Directors

The Board has appointed an Audit Committee and a Compensation Committee to date.

Audit Committee

The Board has a charter for the Audit Committee to follow in carrying out its audit and financial review functions. The Audit Committee reviews all financial statements of the Corporation prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with Multilateral Instrument MI 52-110 and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Corporation s auditors to discuss the various aspects of the Corporation s financial statements and the independent audit.

Composition of the Audit Committee

The following are the members of the Committee:

Andrew Bowering	Independent[1]	Financially literate[1]
Marc LeBlanc	Independent[1]	Financially literate[1]
Andrew Milligan	Not Independent[1][2]	Financially literate[1]

(1) As defined by Multilateral Instrument 52-110 (MI 52-110).
(2) Andrew Milligan is not considered independent under MI 52-110 as he is the Chairman of Lincoln.

Compensation Committee

The Board has adopted a charter for the Compensation Committee. The members of the compensation committee are Andrew F.B. Milligan, Andrew Bowering and Marc LeBlanc. A majority of the members of the compensation committee are independent members of the board of directors of the Corporation.

The function of the Compensation Committee is to review, on an annual basis, the compensation paid to the Corporation s executive officers and to the Directors, to review the performance and compensation paid to the Corporation s executive officers and to make recommendations on compensation to the Board. In addition, the Committee will review annually the compensation plans for the Corporation s non-executive staff.

Other Board Committees

The Board has no other committees other than the audit committee and the compensation committee.

D. Employees

At the date of filing of , we had no full-time employees or part-time employees. We have no labor unions at this time. Our officers provide their services as consultants.

E. Share Ownership

Shares

The shareholdings of our officers and directors are set forth below as at June 24, 2008.

Name of Nominee; Current Position with the Corporation and Province and Country of Residence	**Number of Common Shares**	**Percentage of Outstanding Common Shares Owned [(1)(2)]**
Paul F. Saxton President, Chief Executive Officer, Chief Operating Officer, Treasurer and Director British Columbia, Canada	4,500,000	8.3%
Andrew F. B. Milligan Chairman and Director British Columbia, Canada	2,065,000	3.8%
James Chapman Director British Columbia, Canada	700,000	1.3%
Andrew Bowering Director British Columbia, Canada	1,000,000	1.8%
Marc LeBlanc[(7)] Director British Columbia, Canada	Nil	Nil
Nathalie Pilon[(8)] Chief Financial Officer British Columbia, Canada	Nil	Nil
Jeffrey Wilson VP-Exploration Nevada, USA	750,000	1.4%
Mary Morvai Corporate Secretary British Columbia, Canada	Nil	Nil

Notes

1. The information as to Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees.

2. Based on 54,258,666 common shares issued and outstanding as of June 24, 2008.

Options

Details of the stock options held by our officers and directors are set forth below as at June 24, 2008.

Name and Position	Grant Date	Expiry Date	Exercise Price	Total
Paul F. Saxton President, Chief Executive Officer, Chief Operating Officer, Treasurer and Director British Columbia, Canada	September 25, 2007	September 25, 2010	$0.25	600,000
Andrew F. B. Milligan Chairman and Director British Columbia, Canada	September 25, 2007	September 25, 2010	$0.25	300,000
James Chapman Director British Columbia, Canada	September 25, 2007	September 25, 2010	$0.25	300,000
Andrew Bowering Director British Columbia, Canada	September 25, 2007	September 25, 2010	$0.25	300,000
Jeffrey Wilson VP-Exploration Nevada, USA	September 25, 2007	September 25, 2010	$0.25	500,000
Mary Morvai Corporate Secretary British Columbia, Canada	September 25, 2007	September 25, 2010	$0.25	50,000
Total:				**2,050,000**

Each option may be exercised to purchase one of our common shares at the exercise price.

Warrants

Details of the share purchase warrants held by our officers and directors are set forth below as at June 24, 2008.

Name and Position	Grant Date	Expiry Date	Exercise Price	Total
Andrew Milligan Chairman and Director	May 14, 2007	May 14, 2009	$0.15	450,000

Total:				**450,000**

Each warrant may be exercised to purchase one of our common shares at the exercise price.

Stock Option Plan

On May 28, 2008, our board of directors adopted a new 10% rolling stock option plan (the Option Plan) to replace our 2005 stock option plan, as amended. The New Stock Option Plan was ratified and approved by the shareholders at Lincoln s annual general meeting held on June 26, 2008.

Under the Option Plan, a maximum of 10% of the issued and outstanding common shares of the Corporation at the time an option is granted, less Common Shares reserved for issuance under share compensation arrangements of the Corporation other than the Option Plan, will be reserved for options to be granted at the discretion of the Corporation s board of directors to eligible optionees (the Optionees). This type of Option Plan is called a rolling plan. During the Corporation's financial year ended December 31, 2007, and to the date of the mailing of this Information Circular, options to purchase an aggregate of 2,450,000 Common Shares have been granted by the Corporation, representing approximately 3.2% of Common Shares outstanding. The Option Plan will be subject to restrictions that provide that insiders may not be, as a group, issued in excess of 10% of the issued Common Shares within any 12 month period. The number of common shares issuable to insiders as a group under the option plan, when combined with common shares issuable to insiders under all of the Corporation s other security based compensation plans, may not exceed 10% of the Corporation s issued common shares and no exercise price of an option granted to an insider may be reduced nor an extension to the term of an option granted to an insider extended without further shareholders approval.

The material terms of the Option Plan include the following provisions:

- the participants in the Option Plan are the directors, executive officers, employees and other service providers of the Corporation;
- the Option Plan is administered by the directors of the Corporation;
- the exercise price of stock options granted under the Option Plan, as determined by the Board in its sole discretion, shall not be less than the "market price" of the shares (as defined by the policies of the TSX Venture) or, if the shares are not listed for trading on the TSX Venture, then such other exchange or quotation system on which the shares are listed or quoted for trading;
- all options granted under the Option Plan expire on a date not later than 5 years after the issuance of such options by the Board;
- upon expiry of an option, or in the event an option is otherwise terminated for any reason, without having been exercised in full, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Option Plan;
- if the option holder ceases to be a director of Corporation or its subsidiaries or ceases to be employed by the Corporation or its subsidiaries (other than by reason of death or cause), as the case may be, then the option granted shall expire no later than the (i) the original expiry date of the option, or (ii) the 90th day following the date that the option holder ceases to be a director or ceases to be employed by the Corporation or its subsidiaries, subject to the terms and conditions set out in the Option Plan, and in the event of dismissal of the option holder from employment or service for cause, all options held by the option holder, whether or not vested at the date of dismissal, will immediately terminate without any right of the option holder to exercise any of the options;
- In the case of the death of an option holder, any vested option held by him at the date of death will become exercisable by the optionee s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of the optionholder and the date of expiration of the term otherwise applicable to such option.
- options granted pursuant to the Option Plan will be non-assignable and may be subject to vesting provisions determined by the Board;
- the Corporation does not offer financial assistance in respect of the exercise of options.

ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Major Shareholders

We are a publicly-held corporation, with our shares held by residents of the United States, Canada and other countries. To the best of our knowledge, no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of our common shares, except as follows:

Title of Class	Name and residential jurisdiction of Beneficial Owner	Number of Common Shares	Percentage of Common Shares[1]
Common	Paul F. Saxton[2] British Columbia, Canada	5,100,000[2]	9.3%
Common	Joe Eberhard Birmensdorf, Switzerland	3,000,000	5.5%
Common	Michael Baybak[3], California, U.S.A.	3,166,666[3]	5.8%
Common	Sprott Asset Management Inc.[4] Toronto, Canada	3,400,000[4]	6.3%

(1) Based on 54,285,666 of our common shares issued and outstanding as of June 24, 2008. Based on beneficial share ownership data as of December 31, 2007. For these purposes, beneficial ownership means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. Unless otherwise indicated, each shareholder listed has sole voting or dispositive power with respect to such common shares. Each of our common shares entitles the holder thereof to one vote.

(2) Consists of 4,500,000 shares held by Mr. Saxton and 600,000 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. Mr. Saxton is a director and an officer of the Company.

(3) 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.

(4) 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.

U.S. Shareholders

As of March 2008, approximately 33% of our common shares were held by approximately 1,215 holders of record in the United States .

Transfer Agent

Our securities are recorded in registered form on the books of our transfer agent, Pacific Corporate Trust Company, located at Suite 200 510 Burrard Street, Vancouver, British Columbia, V6C 3B9. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their

respective brokerage clients). We do not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries.

Control

To the best of our knowledge, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

Insider Reports under the British Columbia Securities Act

Under the British Columbia Securities Act, insiders (generally officers, directors and holders of 10% or more of our shares) were required to file insider reports of changes in their ownership in the first ten days of the month following a trade in our securities. Copies of such reports are available for public inspection at the offices of the British Columbia Securities Commission, 9th Floor, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2 (telephone (604) 899-6500) or at the British Columbia Securities Commission website (www.bcsc.bc.ca). Since 2002, in British Columbia all insider reports must be filed electronically ten days following the date of the trade at www.sedi.ca. The public is able to access these reports at www.sedi.ca.

B. Related Party Transactions

No director or senior officer, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors during each of the year ended December 31, 2007 except as follows:

- During the year ended December 31, 2007, we paid management fees and consulting fees of $13,800 (2006 $42,250; 2005 - $49,098) and rent, included in office, of $2,700 (2006 - $3,300; 2005 - $3,000) to the Vice President of the Company and management fees of $22,500 (2006 - $20,545; 2005 - $26,750) to company owned by the President of the Company.
- We also paid $18,000 (2006 - $1,400; 2005 2,550) consulting fees to Stephen Chi, a former director of the Company.
- As at December 31, 2007, we owed $1,155 (2006 - $6,760) to various directors and officers of the Company which is included in accounts payable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

The financial statements required as part of this Annual Report are filed under Item 17 of this Annual Report.

Legal Proceedings

We are not a party to any legal or arbitration proceedings nor, to our knowledge, are any such proceedings contemplated.

Dividends

We have not paid any dividends on our common shares since incorporation. Our management anticipates that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at our board of directors discretion after taking into account many factors including our operating results, financial condition and current and anticipated cash needs.

B. Significant Changes

We have not experienced any significant changes since the date of the financial statements included herein except as disclosed in Annual Report.

ITEM 9 THE OFFER AND LISTING

A. Offer and Listing Details

This Form 20-F is filed as an annual report under the Exchange Act and does not relate to a new offer of securities and accordingly the information called for is not required, other than the price history information below.

The our common shares are quoted on the Over The Counter Bulletin Board (OTCBB) in the United States of America. Over the counter quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions. Our common shares are quoted under the symbol LGCPF .

B. Plan of Distribution

This Form 20-F is filed as an annual report under the Exchange Act and does not relate to a new offer of securities and accordingly, the information called for is not required.

C. Markets

Our common shares are traded in United States on the OTCBB.

D. Selling Shareholders

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 9.D is not required.

E. Dilution

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 9.E is not required.

F. Expenses of the Issue

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 9.F is not required.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 10.A is not required.

B. Memorandum and Articles of Incorporation

We incorporated on February 17, 1999 as Braden Technologies, Inc. under the laws of the State of Nevada, USA. We changed our name to Lincoln Gold Corporation following the completion of our acquisition of and merger with Lincoln Gold Corp., a Nevada corporation, on March 26,2004 under Chapter 92A of the Nevadas Revised Statutes. On November 20, 2007, we changed our jurisdiction of incorporation from Nevada to the Canadian federal jurisdiction under the *Canada Business Corporation Act.* Our corporate constituting documents are comprised of our Articles of Association ("Articles") and our By-Laws (By-Laws). A copy of the Articles and By-laws are filed with this Initial Registration Statement on Form 20-F as exhibits (See Item 19).

The following is a summary of certain material provisions of our Articles:

1. Objects and Purposes

Our Articles do not specify objects or purposes. We are entitled under the CBCA to carry on all lawful businesses which can be carried on by a natural person.

2. Directors

Director's power to vote on a proposal, arrangement or contract in which the director is interested.

According to the CBCA, a director or an officer of a corporation shall disclose to the corporation, in writing or by requesting to have it entered in the minutes of meetings of directors or of meetings of committees of directors, the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, with the corporation, if the director or officer

(a) is a party to the contract or transaction;

(b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or

(c) has a material interest in a party to the contract or transaction.

The CBCA requires that the above disclosure shall be made, in the case of a director,

(a) at the meeting at which a proposed contract or transaction is first considered;

(b) if the director was not, at the time of the meeting, interested in a proposed contract or transaction, at the first meeting after he or she becomes so interested;

(c) if the director becomes interested after a contract or transaction is made, at the first meeting after he or she becomes so interested; or

(d) if an individual who is interested in a contract or transaction later becomes a director, at the first meeting after he or she becomes a director.

Under the CBCA, if a material contract or transaction is one that, in the ordinary course of our business, would not require approval by the directors or shareholders, a director or officer shall disclose, in writing to us or request to have it entered into the minutes of meetings of directors or of meetings of committees of directors, the nature and extent of his interest immediately after he or she becomes aware of the interest.

Under the CBCA, a general notice to the directors declaring that a director or officer is to be regarded as interested, for any of the following, is a sufficient declaration of interest:

(a) the director or officer is a director or officer, or acting in a similar capacity, of a party to the contract or transaction, or has a material interest in a party to the contract or transaction;

(b) the director or officer has a material interest in the party; or

(c) there has been a material change in the nature of the director s or the officer s interest in the party.

The CBCA further provides that a director required to make the above disclosure shall not vote on any resolution to approve the contract or transaction unless the contract or transaction:

1. relates primarily to his or her remuneration as a director, officer, employee or agent of the corporation or an affiliate;

2. is for indemnity or insurance, as provided for in the CBCA; or

3. is with an affiliate.

The CBCA provides that if a director or an officer fails to comply with the provisions of the CBCA related to disclosure of interests, a court may set aside the contract or transaction on any terms that it thinks fit, or may require the director or officer to account to the corporation for any profit or gain realized on it.

Under the CBCA, a contract or transaction, for which disclosure is required, is not invalid, and the director or officer is not accountable for any profit realized, if the disclosure requirements of the CBCA are met, the directors approved the transaction and the contract or transaction was reasonable and fair to the corporation. Even if these requirements are not met the contract or transaction is not invalid, and the director or officer is not accountable for any profit realized, if the director or officer acted in good faith, the contract or transaction was reasonable and fair to the corporation, and after sufficient disclosure to the shareholders, the contract or transaction is approved or confirmed by special resolution at a meeting **of the shareholders.**

Directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body.

Our By-Laws provide that, subject to any unanimous shareholder agreements, the directors shall be paid such remuneration for their services as the board may determine from time to time. The CBCA provides that directors of a corporation may fix the remuneration of the directors, officers and employees of the corporation.

Borrowing powers exercisable by the directors.

Under our By-Laws, our board may, from time to time:

1. borrow money upon our credit;

2. issue, reissue, sell, pledge or hypothecate bonds, debentures, notes or other evidence of indebtedness or guarantee of ours, whether secured or unsecured;

3. give a guarantee on our behalf to secure performance of an obligation of any person; and

4. mortgage, hypothecate, pledge or otherwise create a security interest in or charge upon all or any of our real or personal property, owned or subsequently acquired by way of mortgage, hypothec, pledge or otherwise, to secure payment of any such evidence of indebtedness or guarantee whether present or future of ours.

Retirement and non-retirement of directors under an age limit requirement.

There are no such provisions applicable to us under our Articles or the CBCA.

Number of shares required for a director's qualification.

Directors need not own any of our shares in order to qualify as directors.

3. Rights, Preferences and Restrictions Attaching to Each Class of Shares

Dividends

Dividends may be declared by our Board and paid to our shareholders according to their respective rights and interests in us. The CBCA provides that no dividend may be declared or paid if we are, or would after the payment , be unable to pay our liabilities as they become due; or if the realizable value of our assets would thereby be less than the aggregate of our liabilities and stated capital of all classes.

Voting Rights

Each of our shares is entitled to one vote on matters to which common shares ordinarily vote including the annual election of directors, the appointment of auditors and the approval of corporate changes. Our directors are elected yearly to hold office until the close of the next annual meeting of shareholders. Where directors fail to be elected at any such meeting then the incumbent directors will continue in office until there successors are elected. We do not permit cumulative voting rights.

Rights to Profits and Liquidation Rights

All of our common shares participate rateably in any of our net profit or loss and shares participate rateably in any of our available assets in the event of a winding up or other liquidation.

Redemption

We currently have no redeemable securities authorized or issued.

Sinking Fund Provisions

We have no sinking fund provisions or similar obligations.

Shares Fully Paid

All of our shares must, by applicable law, be issued as fully paid for cash, property or services. They are therefore non-assessable and not subject to further calls for payment.

Pre-emptive Rights

We do not have any pre-emptive rights which provide a right to any person to participate in any equity or other securities offering.

With respect to the rights, preferences and restrictions attaching to our common shares, there are generally no significant differences between Canadian and United States law as the shareholders, or the applicable corporate statute, will determine the rights, preferences and restrictions attaching to each class of our shares.

4. Changes to Rights and Restrictions to Shares

The CBCA provides that we may by a special resolution amend our articles to:

(a) change any maximum number of shares that we are authorized to issue;

(b) create new classes of shares;

(c) reduce or increase our stated capital, if our stated capital is set out in our Articles;

(d) change the designation of all or any of our shares, and add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of our shares, whether issued or unissued;

(e) change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series or into the same or a different number of shares of other classes or series;

(f) divide a class of shares, whether issued or unissued, into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;

(g) authorize the directors to divide any class of unissued shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;

(h) authorize the directors to change the rights, privileges, restrictions and conditions attached to unissued shares of any series.

The CBCA also provides that we may, with respect to any of our issued shares which remain outstanding and are held by more than one person, by special resolution, amend our articles to constrain:

(a) the issue or transfer of shares of any class or series to persons who are not resident Canadians;

(b) the issue or transfer of shares of any class or series to enable us or any of our affiliates or associates to qualify under any prescribed law of Canada or a province:

(i) to obtain a licence to carry on any business,

(ii) to become a publisher of a Canadian newspaper or periodical, or

(iii) to acquire shares of a financial intermediary as defined in the regulations;

(c) the issue, transfer or ownership of shares of any class or series in order to assist us any of our affiliates or associates to qualify under any prescribed law of Canada or a province to receive licences, permits, grants, payments or other benefits by reason of attaining or maintaining a specified level of Canadian ownership or control;

(d) the issue, transfer or ownership of shares of any class or series in order to assist us to comply with any prescribed law; or

(e) the issue, transfer or ownership of shares of any class or series to enable us to be a registered labour-sponsored venture capital corporation to meet certain requirements of the Income Tax Act.

The CBCA provides that the holder of shares of a class or series are entitled to vote separately as a class or series on a proposal to amend the articles to increase or decrease the number of authorized shares of such class or a class having equal or superior privileges; reclassify or cancel all or part of such class; add, change, or remove the rights, privileges, restrictions of such class; increase the rights or privileges of a superior class of shares; create a new class of shares equal to or superior to such class; effect and exchange or create a right of exchange of all or part of the shares of another class into the shares of such class; or, constrain the issue, transfer or ownership of such class or remove such a constraint.

A special resolution is a resolution passed by not less than two thirds of the votes cast by the shareholders who voted in respect of that resolution or signed by all the shareholders who were entitled to vote on that resolution.

Generally, there are no significant differences between Canadian and United States law with respect to changing the rights of shareholders as most state corporation statutes require shareholder approval (usually a majority) for any such changes that affect the rights of shareholders.

5. Meetings of Shareholders

Our By-Laws provide that we must hold our annual general meeting not more than 15 months from our last annual general meeting, but not later than six months after the end of our preceding financial year. Our Board also has the power to call special meetings. Our By-Laws provide that meetings shall be held at our registered office, or elsewhere in Canada as our Board may, from time to time, determine. Meetings may also be held at a location outside Canada, if specified in the Articles or if all of the shareholders entitled to vote thereat agree that the meeting is to be held at that place. Shareholder meetings are governed by our Articles and our By-Laws but many important shareholder protections are also contained in provincial securities legislation and the CBCA. Our By-Laws provide that, if we are not a distributing corporation, we will provide at least 10 days notice of a shareholder meeting. If we are a distributing corporation the CBCA requires not less than 21 days and not more than 60 days notice of a shareholder meeting. Our directors may fix in advance a date, which is no fewer than 21 days prior to the date of the meeting for the purpose of determining shareholders entitled to receive notice of and to attend and vote at a general meeting.

The provincial securities legislation and the CBCA superimpose requirements that generally provide that shareholder meetings require not less than a 60 day notice period from initial public notice and that we make a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting proxy and information materials can be sent via the brokerages to unregistered but beneficial shareholders. The form and content of information circulars, proxies and like matters are governed by provincial securities legislation and the CBCA. This legislation specifies the disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party

transactions. We must hold an annual shareholders meeting open to all shareholders for personal attendance or by proxy at each shareholder's determination.

Most state corporation statutes in the United States require a public company to hold an annual meeting for the election of directors and for the consideration of other appropriate matters. The state statutes also include general provisions relating to shareholder voting and meetings. Apart from the timing of when an annual meeting must be held and the percentage of shareholders required to call an annual meeting, or an extraordinary meeting, there are generally no material differences between Canadian and United States law respecting annual meetings and extraordinary meetings.

6. Rights to Own Securities

There are no limitations under our Articles or in the CBCA that address the right of persons who are not citizens of Canada to hold or vote common shares.

7. Restrictions on Changes in Control, Mergers, Acquisitions or Corporate Restructuring of the Company

Neither our Articles nor our By-Laws contain any provision that would have the effect of delaying, deferring or preventing a change of control. We have not implemented any shareholders' rights or other "poison pill" protections against possible take-overs and we do not have any agreements which are triggered by a take-over or other change of control. There are no provisions in our Articles triggered by or affected by a change in outstanding shares which gives rise to a change in control. There are no provisions in our material agreements giving special rights to any person on a change in control.

The CBCA does not contain any provision that would have the effect of delaying, deferring or preventing a change of control of a company.

Generally, there are no significant differences between Canadian and United States law in this regard, as many state corporation statutes also do not contain such provisions and only empower a company's board of directors to adopt such provisions.

8. Ownership Threshold Requiring Public Disclosure

Neither our Articles nor our By-Laws require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to our shareholders. There are no requirements under Canadian corporate law to report ownership of shares but the provincial securities legislation requires disclosure of trading by insiders (generally officers, directors and holders of 10% of voting shares) within 10 days of a trade. Controlling shareholders (generally those in excess of 20% of outstanding shares) must provide seven days advance notice of share sales. All insider trading reports filed by our insiders pursuant to Canadian securities legislation are available on the Internet at www.sedi.ca.

Most state corporation statutes do not contain provisions governing the threshold above which shareholder ownership must be disclosed. United States federal securities laws require a company that is subject to the reporting requirements of the Securities Exchange Act of 1934 to disclose, in its annual reports filed with the Securities and Exchange Commission those shareholders who own more than 5% of a corporation's issued and outstanding shares.

9. Differences in Law between the US and Ontario

Differences in the law between the United States and Canada, where applicable, have been explained above within each category.

10. Changes in the Capital of the Company

There are no conditions imposed by our Articles which are more stringent than those required by the CBCA.

Shareholder Rights Plan

The Board adopted a shareholder rights plan agreement (the Rights Plan) effective May 28, 2008 (the Effective Date). The Rights Plan was ratified by the shareholders of the Company effective June 26, 2008. The objective of the Board in adopting the Rights Plan was to ensure the fair treatment of Shareholders in connection with any take-over bid for the Common Shares of the Company. The Rights Plan was not adopted in response to any proposal to acquire control of the Company. The specific terms of the Rights Plan will be reflected in an agreement to be finalized between the Company and Pacific Corporate Trust Company, as Rights Agent, and expected to be dated effective as of the Effective Date. The principal terms of the Rights Plan are summarized below. The full text of the Rights Plan is attached to this Annual Report as an exhibit.

The primary objective of the Rights Plan is to ensure that all Shareholders of the Company are treated fairly in connection with any take-over bid for the Company by (a) providing shareholders with adequate time to properly assess a take-over bid without undue pressure and (b) providing the Board with more time to fully consider an unsolicited take-over bid, and, if applicable, to explore other alternatives to maximize shareholder value.

The following summary of the Rights Plan does not purport to be complete and is qualified in its entirety by reference to the Rights Plan.

Issue of Rights

The Company will issue one right (a Right) in respect of each Common Share outstanding at the Effective Date (the Record Time). The Company will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

The Rights

Each Right will entitle the holder, subject to the terms and conditions of the Rights Plan, to purchase additional Common Shares of the Company after the Separation Time.

Rights Certificates and Transferability

Before the Separation Time, the Rights will be evidenced by certificates for the Common Shares, and are not transferable separately from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates, which will be transferable separately from and independent of the Common Shares.

Exercise of Rights

The Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one Common Share for the exercise price of $5.00 per share (subject to certain anti-dilution adjustments). This exercise price is expected to be in excess of the estimated maximum value of the Common Shares during the term of the Rights Plan. Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time (defined below), each Right (other than any Right held by an Acquiring Person , which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of Common Shares which have an aggregate market price equal to twice the exercise price of the Rights for a price equal to the exercise price (subject to adjustment). Effectively, this means a Shareholder of the Company (other than the Acquiring Person) can acquire additional Common Shares from treasury at half their market price.

Definition of Acquiring Person

Subject to certain exceptions, an Acquiring Person is a person who becomes the Beneficial Owner (defined below) of 20% or more of the Company s outstanding Common Shares.

Definition of Beneficial Ownership

A person is a Beneficial Owner of securities if such person or its affiliates or associates or any other person acting jointly or in concert with such person, owns the securities in law or equity, and has the right to acquire (immediately or within 60 days) the securities upon the exercise of any convertible securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner under the Rights Plan where:

(a) the securities have been deposited or tendered pursuant to a tender or exchange offer or take-over bid, unless those securities have been taken up or paid for;

(b) such person has agreed to deposit or tender the securities to a take-over bid pursuant to a permitted lock-up agreement;

(c) such person (including a fund manager, trust company, pension fund administrator, trustee or non-discretionary client accounts of registered brokers or dealers) is engaged in the management of mutual funds, investment funds or public assets for others, as long as that person:

(i) holds those Common Shares in the ordinary course of its business for the account of others;

(ii) is not making a take-over bid or acting jointly or in concert with a person who is making a take-over bid; or

(iii) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of Separation Time

Separation Time occurs on the tenth trading day after the earlier of:

(a) the first date of public announcement that a person has become an Acquiring Person;

(b) the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid); and

(c) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such;

or such later date as determined by the Board.

Definition of Expiration Time

Expiration Time occurs on the date being the earlier of:

(a) the time at which the right to exercise Rights is terminated under the terms of the Rights Plan;

(b) immediately after the Company s annual meeting of Shareholders to be held in 2011 unless at such meeting the duration of the Rights Plan is extended.

Definition of a Flip-In Event

A Flip-In Event occurs when a person becomes an Acquiring Person, provided the Flip-In Event is deemed to occur at the close of business on the 10th day after the first date of a public announcement of facts indicating that an Acquiring Person has become such. Upon the occurrence of a Flip-In Event, any Rights that are beneficially owned by an Acquiring Person, or any of its related parties to whom the Acquiring Person has transferred its Rights, will become null and void and, as a result, the Acquiring

Person s investment in the Company will be greatly diluted if a substantial portion of the Rights are exercised after a Flip-In Event occurs.

Definition of Permitted Bid

A Permitted Bid is a take-over bid made by a person (the Offeror) pursuant to a take-over bid circular that complies with the following conditions:

(a) the bid is made to all registered holders of Common Shares (other than the Offeror);

(b) the Offeror agrees that no Common Shares will be taken up or paid for under the bid for at least 60 days following the commencement of the bid and that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the bid and not withdrawn;

(c) the Offeror agrees that the Common Shares may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and

(d) if, on the date specified for take-up and payment, the condition in paragraph (b) above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining Shareholders to tender their Common Shares.

Definition of Competing Permitted Bid

A Competing Permitted Bid is a take-over bid that:

(a) is made while another Permitted Bid or Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid;

(b) satisfies all the requirements of a Permitted Bid other than the requirement that no Common Shares will be taken up or paid for under the bid for at least 60 days following the commencement of the bid and that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the bid and not withdrawn; and

(c) contains the conditions that no Common Shares be taken up or paid for pursuant to the Competing Permitted Bid prior to the close of business on a date that is not earlier than the later of 35 days after the date of the Competing Permitted Bid and the earliest date on which the Common Shares may be taken up or paid for under any prior bid in existence at the date of such Competing Permitted Bid; and then only if, at the time that such Common Shares are first taken up or paid for, more than 50% of then outstanding Common Shares held by Shareholders, other than the Offeror and certain related parties, have been deposited pursuant to the Competing Permitted Bid and not withdrawn.

Redemption of Rights

All (but not less than all) of the Rights may be redeemed by the Board with the prior approval of the Shareholders at any time before a Flip-In Event occurs at a redemption price of $0.0001 per Right (subject to adjustment). In addition, in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived the operation of the Rights Plan, the Company will immediately upon such acquisition and without further formality, redeem the Rights at the redemption price. If the Rights are redeemed pursuant to the Rights Plan, the right to exercise the Rights will, without further action and without notice, terminate and the only right thereafter of the Rights holders is to receive the redemption price.

Waiver

Before a Flip-In Event occurs, the Board may waive the application of the Flip-In provisions of the Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. The Board may also waive the Flip-In provisions of the Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

Term of the Rights Plan

Unless otherwise terminated, the Rights Plan will expire at the Expiration Time (defined above).

Amending Power

Except for amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of applicable legislation or applicable rules or policies of securities regulatory authorities, Shareholder (other than the Offeror and certain related parties) or Rights holder majority approval is required for supplements or amendments to the Rights Plan. In addition, any supplement or amendment to the Rights Plan will require the written concurrence of the Rights Agent.

Rights Agent

The Rights Agent under the Rights Plan will be Pacific Corporate Trust Company.

C. Material Contracts

For the two years immediately preceding December 31, 2007, there were no material contracts entered into, other than contracts entered into in the ordinary course of business, to which we were a party. For a description of those contracts entered into in the ordinary course of business refer to Item 4B Business Overview.

D. Exchange Controls

We are incorporated pursuant to the laws of the *Canada Business Corporations Act*. There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of our securities, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax; however, no such remittances are likely in the foreseeable future. See Taxation , below.

There is no limitation imposed by the laws of Canada or by our Articles on the right of a non-resident to hold or vote his or its common shares, other than as provided in the *Investment Canada Act* (Canada) (the Investment Act). The following discussion summarizes the material features of the Investment Act for a non-resident who proposes to acquire a controlling number of our common shares. It is general only, it is not a substitute for independent advice from an investor s own advisor, and it does not anticipate statutory or regulatory amendments. We do not believe the Investment Act will have any affect on us or on our non-Canadian shareholders due to a number of factors including the nature of our operations and our relatively small capitalization.

The Investment Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an entity) that is not a Canadian as defined in the

Investment Act (i.e. a non-Canadian), unless after review the

Director of Investments (the Director) appointed by the Minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. The size and nature of a proposed transaction may give rise to an obligation to notify the Director to seek approval for the transaction. An investment in our securities by a non-Canadian (other than a WTO Investor as that term is defined in the Investment Act and which term includes entities which are nationals of, or are controlled by nationals of, member states of the World Trade Organization) when we were not controlled by a WTO Investor, would be reviewable under the Investment Act if it was an investment to acquire control of us and the value of our assets, as determined in accordance with the regulations promulgated under the Investment Act, was over CDN$5 million, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada s cultural heritage or national identity, regardless of the value of our assets. An investment in our securities by a WTO Investor, or by a non-Canadian when we were controlled by a WTO Investor, would be reviewable under the Investment Act if it was an investment to acquire control of us and the value of our assets, as determined in accordance with the regulations promulgated under the Investment Act, was not less than a specified amount, which for 2007 was CDN$281 million. A non-Canadian would acquire control of us for the purposes of the Investment Act if the non-Canadian acquired a majority of our common shares. The acquisition of less than a majority but one-third or more of our common shares would be presumed to be an acquisition of control of us unless it could be established that, on the acquisition, we were not controlled in fact by the acquirer through the ownership of the common shares.

Certain transactions relating to our common shares would be exempt from the Investment Act, including:

(a) an acquisition of our common shares by a person in the ordinary course of that person s business as a trader or dealer in securities;

(b) an acquisition of control of us in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Act; and

(c) an acquisition of control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of us, through the ownership of our common shares, remained unchanged.

E. Taxation

Material Canadian Federal Income Tax Consequences for United States Residents

The following summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of our shares by a holder (in this summary, a U.S. Holder) who, (a) for the purposes of the Income Tax Act (Canada) (the Tax Act) and at all relevant times, is not resident in Canada, deals at arm s length with us, holds our shares as capital property and does not use or hold our shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980 (the Treaty) and at all relevant times, is a resident solely of the United States, has never been a resident of Canada, and has not held or used (and does not hold or use) our shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other holder in special circumstances.

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and our understanding of the current administrative practice of the Canada Revenue Agency. It has been assumed that all currently proposed amendments

will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. The summary does not take into account Canadian provincial, U.S. federal (which follows further below), state or other foreign income tax law or practice. **The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder s particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. Holder. All U.S. Holders are advised to consult with their own tax advisors regarding their particular circumstances. The discussion below is qualified accordingly.**

Dividends

Dividends paid or deemed to be paid to a U.S. Holder by us will be subject to Canadian withholding tax. The Tax Act requires a 25% withholding unless reduced under a tax treaty. Under the Treaty, provided that a holder can demonstrate that it is a qualifying U.S. Holder, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a corporation and beneficially owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the U.S. Holder s account.

Disposition

For purposes of the following discussion, we have assumed that our shares will remain listed on the TSX. A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of our shares in the open market unless the shares are taxable Canadian property to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. Our shares will be taxable Canadian property to a U.S. Holder (a) if, at any time during the 60 months preceding the disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm s length alone or together owned 25% or more of our issued shares of any class or series, or (b) in other specific circumstances, including where shares were acquired for other securities in a tax-deferred transaction. If our shares constitute taxable Canadian property to the holder, the holder will (unless relieved under the Treaty) be subject to Canadian income tax on any gain. The taxpayer s capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base and reasonable expenses of disposition. One-half of the capital gain is included in income and one-half of the capital loss is deductible from capital gains realized in the same year. Unused capital losses may be carried back three taxation years or forward indefinitely and applied to reduce capital gains realized in those years.

A U.S. Holder whose shares do constitute taxable Canadian property, and who would therefore be liable for Canadian income tax under the Tax Act, may be relieved from such liability under the Treaty if the value of such shares at the time of disposition is not derived principally from real property situated in Canada. However, as the application of this potential Treaty relief is quite uncertain, a U.S. Holder to whom Treaty relief may be relevant should consult in this regard with their own tax advisors at the relevant time.

United States Tax Consequences

United States Federal Income Tax Consequences

The following is a discussion of all material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of our common shares. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those

described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See Taxation - Canadian Federal Income Tax Consequences above). Accordingly, we urge holders and prospective holders of our common shares to consult their own tax advisors about the specific federal, state, local and foreign tax consequences to them of purchasing, owning and disposing of our common shares, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

U.S. Holders

As used herein, a U.S. Holder means a holder of our common shares who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, an entity created or organized in or under the laws of the United States or of any political subdivision thereof which has elected to be treated as a corporation for United States federal income tax purposes (under Treasury Regulation Section 301.7701 -3), an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described in Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a functional currency other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own our common shares as capital assets and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of our total outstanding stock. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to United States persons (as defined in Section 7701(a)(30) of the Code) holding common shares through a foreign partnership or to foreign persons holding common shares through a domestic partnership.

Distribution on Our Common Shares

In general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to our common shares are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that we have current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder s federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder s federal taxable income by those who itemize deductions. (See more detailed discussion at Foreign Tax Credit below). To the extent that distributions exceed our current or accumulated earnings and profits, they will be treated first as a return of capital up to the U.S. Holder s adjusted basis

in the common shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed $200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on our common shares generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of our voting power and value may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of our voting power and value) deduction of the United States source portion of dividends received from us (unless we qualify as a passive foreign investment company, as defined below). We do not anticipate that we will earn any United States income, however, and therefore we do not anticipate that any U.S. Holder will be eligible for the dividends received deduction.

Under current Treasury Regulations, dividends paid on our common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of our common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 28% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder s U.S. federal income tax liability, provided the required information is furnished to the IRS.

Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer s income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder s United States income tax liability that the U.S. Holder s foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Dividends distributed by us will generally constitute passive income or, in the case of certain U.S. Holders, financial services income for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of our common shares should consult their own tax advisors regarding their individual circumstances.

Disposition of Our Common Shares

In general, U.S. Holders will recognize gain or loss upon the sale of our common shares equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder s tax basis in our common shares. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. In general, gain or loss on the sale of our common shares will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

Set forth below are certain material exceptions to the above-described general rules describing the United States federal income tax consequences resulting from the holding and disposition of common shares:

Foreign Investment Company

If 50% or more of the combined voting power or total value of our outstanding shares is held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and we are found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that we may be treated as a foreign investment company as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain. We do not believe that we currently qualify as a foreign investment company. However, there can be no assurance that we will not be considered a foreign investment company for the current or any future taxable year.

Passive Foreign Investment Company

United States income tax law contains rules governing passive foreign investment companies (PFIC) which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either (i) 70% or more of its gross income is passive income, which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of passive income is 50% or more. We appear to have been a PFIC for the fiscal year ended August 31, 2006, and at least certain prior fiscal years. In addition, we expect to qualify as a PFIC for the fiscal year ending August 31, 2007 and we may also qualify as a PFIC in future fiscal years. Each of our U.S. Holders is urged to consult a tax advisor with respect to how the PFIC rules affect such U.S. Holder s tax situation.

Each of our U.S. Holders who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. Holder. The following is a discussion of such alternative tax regimes applied to such U.S. Holders of our stock. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a controlled foreign corporation (as defined below) and a U.S. Holder owns, actually or constructively, 10% or more of the total combined voting power of

all classes of stock entitled to vote of such foreign corporation (See more detailed discussion at Controlled Foreign Corporation below).

A U.S. Holder who elects to treat us as a qualified electing fund (QEF) will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which we qualify as a PFIC on his pro rata share of our (i) net capital gain (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) ordinary earnings (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder s taxable year in which (or with which) our taxable year ends, regardless of whether such amounts are actually distributed. A U.S. Holder s tax basis in the common shares will be increased by any such amount that is included in income but not distributed.

The procedure a U.S. Holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. Holder s holding period in which we are a PFIC. If the U.S. Holder makes a QEF election in such first year, i.e., a timely QEF election, then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, we qualified as a PFIC in a prior year during the U.S. Holder s holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. Holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein) (i) any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date or (ii) if we are a controlled foreign corporation, the U.S. Holder s pro rata share of our post-1986 earnings and profits as of the qualification date. The qualification date is the first day of our first tax year in which we qualified as a QEF with respect to such U.S. Holder. For purposes of this discussion, a U.S. Holder who makes (i) a timely QEF election or (ii) an untimely QEF election and either of the above-described gain-recognition elections under Section 1291 is referred to herein as an Electing U.S. Holder. A U.S. Holder who holds common shares at any time during a year in which we are a PFIC and who is not an Electing U.S. Holder (including a U.S. Holder who makes an untimely QEF election and makes neither of the above-described gain-recognition elections) is referred to herein as a Non-Electing U.S. Holder. An Electing U.S. Holder (i) generally treats any gain realized on the disposition of his common shares as capital gain and (ii) may either avoid interest charges resulting from PFIC status altogether or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of our annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the U.S. Holder is not a corporation, any interest charge imposed under the PFIC regime would be treated as personal interest that is not deductible.

In order for a U.S. Holder to make (or maintain) a valid QEF election, we must provide certain information regarding our net capital gains and ordinary earnings and permit our books and records to be examined to verify such information. We intend to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to us. We urge each U.S. Holder to consult a tax advisor regarding the availability of, and procedure for making, the QEF election.

A QEF election, once made with respect to us, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a QEF election is made by a U.S. Holder and we cease to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which we do not qualify as a PFIC. Therefore, if we again qualify as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. Holder will be subject to the rules described above for Electing U.S. Holders in such tax year and any subsequent tax years in which we qualify as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. Holder even after such U.S. Holder disposes of all of his or its direct and indirect interest in our shares. Therefore, if such U.S. Holder reacquires an interest in us, that U.S. Holder will be

subject to the rules described above for Electing U.S. Holders for each tax year in which we qualify as a PFIC.

In the case of a Non-Electing U.S. Holder, special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his common shares and (ii) certain excess distributions, as defined in Section 1291(b), by us.

A Non-Electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his common shares and all excess distributions on his common shares over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (excluding any portion of the holder s period prior to the first day of the first year (i) which began after December 31, 1986, and (ii) for which we were a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing U.S. Holder that is not a corporation must treat this interest charge as personal interest which, as discussed above, is wholly non-deductible. The balance, if any, of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. Holder.

If we are a PFIC for any taxable year during which a Non-Electing U.S. Holder holds our common shares, then we will continue to be treated as a PFIC with respect to such common shares, even if we are no longer definitionally a PFIC. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which we were a PFIC.

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually (a mark-to-market election). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. Holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to our common shares. A U.S. Holder who makes the mark-to-market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of our common shares as of the close of such tax year over such U.S. Holder s adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder s adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for our common shares included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder s adjusted tax basis in our common shares will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable year, unless our common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. Because the IRS has not established procedures for making a mark-to-market election, U.S. Holders should consult their tax advisor regarding the manner of making such an election. No view is expressed regarding whether our common shares are marketable for these purposes or whether the election will be available.

Under Section 1291(f) of the Code, the IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of our common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee s basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. Holder upon death, for example, the transferee s basis is generally equal to the fair market value of the Electing U.S. Holder s common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder of our shares is urged to consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.

Whether or not a U.S. Holder makes a timely QEF election with respect to our common shares, certain adverse rules may apply in the event that we are a PFIC and any foreign corporation in which we directly or indirectly hold shares is a PFIC (a lower-tier PFIC). Pursuant to certain Proposed Treasury Regulations, a U.S. Holder would be treated as owning his or its proportionate amount of any lower-tier PFIC shares, and generally would be subject to the PFIC rules with respect to such indirectly-held PFIC shares unless such U.S. Holder makes a timely QEF election with respect thereto. We do not currently have any subsidiaries. If we obtain any subsidiaries, we intend to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to each subsidiary of ours that is a PFIC.

Under the Proposed Treasury Regulations, a U.S. Holder who does not make a timely QEF election with respect to a lower-tier PFIC generally would be subject to tax (and the PFIC interest charge) on (i) any excess distribution deemed to have been received with respect to his or its lower-tier PFIC shares and (ii) any gain deemed to arise from a so-called indirect disposition of such shares. For this purpose, an indirect disposition of lower-tier PFIC shares would generally include (i) a disposition by us (or an intermediate entity) of lower-tier PFIC shares, and (ii) any other transaction resulting in a diminution of the U.S. Holder s proportionate ownership of the lower-tier PFIC, including an issuance of additional common shares by us (or an intermediate entity). Accordingly, each prospective U.S. Holder should be aware that he or it could be subject to tax even if such U.S. Holder receives no distributions from us and does not dispose of its common shares. We strongly urge each prospective U.S. Holder to consult a tax advisor with respect to the adverse rules applicable, under the Proposed Treasury Regulations, to U.S. Holders of lower-tier PFIC shares.

Certain special, generally adverse, rules will apply with respect to our common shares while we are a PFIC unless the U.S. Holder makes a timely QEF election. For example under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

Controlled Foreign Corporation

If more than 50% of the total combined voting power of all our of shares entitled to vote or the total value of our shares is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power of all of our classes of shares entitled to vote (each, a United States Shareholder), we could be treated as a controlled foreign corporation (CFC) under Subpart F of the Code. This classification would effect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally

taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC s Subpart F income and are also subject to current U.S. tax on their pro rata shares of increases in the CFC s earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of our common shares which is or was a United States Shareholder at any time during the five-year period ending on the date of the sale or exchange is treated as ordinary income to the extent of earnings and profits attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. Special rules apply to United States Shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. We do not believe that we currently qualify as a CFC. However, there can be no assurance that we will not be considered a CFC for the current or any future taxable year.

F. Dividends and Paying Agents

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 10.F is not required.

G. Statement by Experts

This Form 20-F is filed as an annual report under the Exchange Act and accordingly the information called for in Item 10.G is not required.

H. Documents on Display

Exhibits attached to this Annual Report are also available for viewing at our offices, Suite 350, 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5, or you may request them by calling our office at (604) 688-7377. Copies of our financial statements and other continuous disclosure documents required under securities rules are available for viewing on the internet at www.sedar.com.

I. Subsidiary Information

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depository Shares

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our general manager and chief financial officer, our management conducted an evaluation of the effectiveness of our Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act)), as of December 31, 2007. Based on such evaluation, our general manager and chief financial officer concluded that, as of December 31, 2007, our Company s disclosure controls and procedures were not effective due to the identification of a material weakness in our internal control over financial reporting described below.

Management s Report on Internal Control over Financial Reporting; Changes in Internal Control over Financial Reporting

Under the Exchange Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed 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 ("GAAP"). Our controls include policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements-in accordance with generally accepted accounting principles, and receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual financial statements or inter financial statements.

Because of its inherent limitations, internal control over financial reporting may not be able to prevent or detect misstatements on a timely basis, which may be a product of collusion, failure to abide by controls, error or fraud. In addition, projections of any evaluation of the internal control s effectiveness to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statement will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, our management identified the following material weakness:

During the year end procedures a number of misstatements and disclosure deficiencies were identified in the draft financial statements for the year ended December 31, 2007 prepared by us. These misstatements and disclosure deficiencies were subsequently corrected by our management and such corrections are reflected in our consolidated financial statements. Our management determined that these adjustments had resulted from control deficiencies because we do not have sufficient accounting and finance personnel with adequately comprehensive accounting knowledge to properly address certain non-routine accounting and financial reporting matters and this control deficiency constitutes a material weakness.

As at December 31, 2007, other areas of control deficiencies that could result in misstatements are noted as follows:

- a lack of segregation of duties. Due to the small size of our Company there is no effective way to completely segregate tasks and as a result there is the chance of misstatement. However, management s oversight and approval of transactions and disbursements limits the scope for inappropriate transactions;
- the audit committee did not have an independent member with financial expertise. The Company has addressed this problem by appointing a director subsequent to year end with this expertise;
- we had not formalized a code of ethics;
- we had not implemented a whistleblower policy. We plan to address this weakness by implementing a whistleblower policy in 2008;
- we do not have any personnel with adequate understanding of US and Canadian tax;

During the reporting period and subsequent to the identification of the material weaknesses in internal control over financial reporting, we have made certain changes in our internal control over financial reporting. These changes include:

- we have engaged and appointed a chief financial officer with a certified management accountant designation who has extensive experience in Canadian and US GAAP in the mining exploration area;
- we have appointed an independent director with financial expertise who serves on the audit committee;
- we have adopted a code of ethics;
- we have undergone a systematic analysis of our internal controls over financial reporting based on the COSO model;
- we have documented our corporate governance policies.

Our management has worked, and will continue to work to strengthen the Company s internal controls over financial reporting. Except for the actions described above, there was no change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERTS

Effective February 28, 2008, the audit committee of our board has an audit committee financial expert, namely Mr. Marc LeBlanc. Our board of directors has determined that Mr. LeBlanc is an independent director using the definition of independent director of the American Stock Exchange. We believe that the members of our audit committee are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. Our board of directors believes that the cost of retaining a financial expert at this time would be prohibitive and that, given our limited operations, is not currently warranted.

ITEM 16B CODE OF ETHICS

We have adopted a written code of ethics. A copy of the code of ethics has been filed as an exhibit to this Annual Report.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our independent auditors, Davidson & Company LLP for our fiscal year ended December 31, 2007 and Manning Elliott LLP, for our fiscal year ended December 31, 2006.

	Years ended December 31	
	2007	**2006**
Audit Fees:	$45,720	$15,350
Audit Related Fees:	Nil	Nil
Tax Fees:	Nil	Nil
All Other Fees:	Nil	Nil
Total:	**$45,720**	**$15,350**

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.

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

The following attached financial statements are incorporated herein:

Consolidated Financial Statements of Lincoln Gold Corporation for the year ended December 31, 2007, comprised of the following:

(a) Independent Auditor s Report of Davidson & Company LLP, Chartered Accountants;

(b) Consolidated Balance Sheets as at December 31, 2007 and 2006;

(c) Consolidated Statements of Operations, Comprehensive Loss and Deficit for the years ended December 31, 2007, 2006 and 2005;

(d) Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005;

(e) Notes to Consolidated Financial Statements.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

December 31, 2007

DAVIDSON & COMPANY LLP

A Partnership of Incorporated Professionals

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lincoln Gold Corporation

We have audited the consolidated balance sheets of Lincoln Gold Corporation as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended December 31, 2007, 2006 and 2005. 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 Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years ended December 31, 2007, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Accountants

April 21, 2008
(except as to Note 15, which
is as of July 9, 2008)

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the financial statements. Our report to the shareholders dated April 21, 2008 (except as to Note 15, which is as of July 9, 2008) is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Accountants

April 21, 2008
(except as to Note 15, which
is as of July 9, 2008)

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in United States dollars)

	December 31, 2007	December 31, 2006
ASSETS		
Current		
Cash	$ 123,201	$ 21,961
Receivables	3,131	-
Loan receivable (Note 4(e)(iii))	5,000	-
Prepaids and advances	107,900	4,893
	239,232	26,854
Equipment (Note 3)	27,602	4,440
Deferred financing costs (Note 14)	19,900	-
	$ 286,734	$ 31,294
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 210,897	$ 57,217
Note payable (Note 5)	100,000	100,000
	310,897	157,217
Shareholders' deficiency		
Share capital (Note 6)		
Authorized		
Unlimited common shares without par value		
Issued and outstanding		
51,391,666 (2006 - 42,990,000)	3,120,827	2,308,790
Share subscriptions received in advance (Note 14)	197,482	-
Obligation to issue shares (Note 6)	-	73,333
Contributed surplus (Note 6)	1,273,367	1,029,063
Deficit	(4,615,839)	(3,537,109)
	(24,163)	(125,923)
	$ 286,734	$ 31,294

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)
On behalf of the Board:

Paul Saxton Director *Andrew Milligan* Director
Paul Saxton Andrew Milligan

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

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in United States dollars)

Years ended December 31	2007	2006	2005
Exploration Expenses (Note 4)	$ 319,375	$ 102,030	$ 558,904
Administrative Expenses			
Advertising and promotion	-	428	13,307
Administrative support	22,403	-	-
Amortization	4,309	2,888	1,978
Consulting fees	29,864	2,293	8,663
Foreign exchange loss	4,645	2,043	2,115
Investor relations	151,419	128,590	419,900
Management fees	25,850	62,795	102,838
Office	31,651	28,467	69,153
Professional fees	190,420	48,924	79,923
Property investigation and due diligence	5,145	3,822	25,113
Regulatory and shareholder services	28,026	5,068	12,130
Stock-based compensation (Note 7)	244,304	-	-
Travel and entertainment	13,721	18,091	24,519
Loss before other items	(1,071,132)	(405,439)	(1,318,543)
Other items			
Accounts payable written off	-	-	33,564
Interest income	4,213	2,591	8,414
Interest expense (Note 5)	(11,811)	(10,693)	(17,981)
Loss and Comprehensive Loss for the year	(1,078,730)	(413,541)	(1,294,546)
Deficit, beginning of year	(3,537,109)	(3,123,568)	(1,829,022)
Deficit, end of year	$ (4,615,839)	$ (3,537,109)	$ (3,123,568)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	47,172,000	42,366,000	41,079,000

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 United States dollars)

Years ended December 31	2007	2006	2005
Cash Flows From Operating Activities			
Loss for the year	$ (1,078,730)	$ (413,541)	$ (1,294,546)
Items not affecting cash:			
Accounts payable written off	-	-	(33,564)
Amortization	4,309	2,888	1,978
Shares issued for mineral property costs	14,250	10,000	55,000
Shares issued for services	-	-	108,000
Services in exchange for share issuance obligation	-	73,333	-
Stock-based compensation	244,304	-	-
Changes in non-cash working capital items			
Increase in receivables	(3,131)	-	-
Increase in loan receivable	(5,000)	-	-
Decrease (increase) in prepaids and advances	(103,007)	6,409	(11,302)
Decrease (increase) in accounts payable and accrued liabilities	163,280	16,566	(47,349)
Net cash used in operating activities	(763,725)	(304,345)	(1,221,783)
Cash Flows From Financing Activities			
Repayment of advances from related parties	-	-	(4,180)
Repayment of loan payable	-	-	(46,000)
Repayment of note payable	-	-	(100,000)
Shares issued for cash	752,500	215,000	1,483,500
Share subscriptions received in advance	197,482	-	-
Share issue costs	(37,646)	(21,500)	(42,210)
Deferred financing fee	(19,900)	-	-
Net cash provided by financing activities	892,436	193,500	1,291,110
Cash Flows From Investing Activities			
Acquisition of equipment	(27,471)	-	(9,306)
Mineral property expenditures	-	-	(55,000)
Net cash used in investing activities	(27,471)	-	(64,306)
Change in cash during the year	101,240	(110,845)	5,021
Cash, beginning of year	21,961	132,806	127,785
Cash, end of year	$ 123,201	$ 21,961	$ 132,806

Supplementary disclosure with respect to cash flows (Note 11)

Cash paid for interest	$ -	$ -	$ 35,000
Cash paid for income taxes	$ -	$ -	$ -

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
(Expressed in United States dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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.

On November 20, 2007, the Company completed a continuation changing its corporate jurisdiction from Nevada to Canada under the Canada Business Corporations Act (CBCA). Unlike the Nevada jurisdiction, the Company chose under the CBCA to not have par value shares and, accordingly, prior period share capital amounts have been revised to reflect this change. In addition, the Company changed its authorized share capital from 100,000,000 to unlimited.

The Company is engaged in the acquisition and exploration of mineral properties, with the primary aim of developing properties to a stage where they can be exploited for a profit. To date, the Company and its subsidiary have not earned any revenues and are considered to be in the exploration stage.

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. While the Company has a history of operating losses and has a working capital deficiency of $71,665 at December 31, 2007 (December 31, 2006 deficiency $130,363), it intends to undertake exploration programs that will require that the Company raise further funds. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The operations of the Company have been primarily funded by the issuance of share capital and debt. Continued operations of the Company is dependent on the Company's ability to complete additional equity financings or generates profitable operations in the future. Such financings may not be available or may not be available on reasonable terms.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Lincoln de Mexico, S.A. de C.V. (Lincoln Mexico), from the date of formation. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, stock-based compensation, asset retirement obligations, the useful lives estimate and valuation allowances on future income tax assets. Actual results could differ from these estimates.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation

Where applicable, comparative figures have been reclassified to conform with the presentation used in the current year.

Equipment

Equipment is recorded at cost and amortization is provided at a straight line bases over the following periods: Office equipment five years; computer software two years; computer equipment three years; and vehicles three years.

Mineral property interests

The Company charges to operations all exploration and development expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

The Company capitalizes direct mineral property acquisition costs and those exploration and development expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares and warrants issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. An exploration property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company does not have any significant asset retirement obligations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive. At December 31, 2007, 2006 and 2005 the total number of potentially dilutive shares excluded from loss per share was 11,587,500, 7,147,500 and 7,835,000, respectively.

Loss per share is calculated using the weighted average number of shares outstanding during the period.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The operations of the Company's subsidiary, which is considered to be an integrated foreign operation, are translated into United States dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses on translation are included in operating results.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation over the vesting period of the stock options.

Income taxes

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Deferred financing costs consist primarily of corporate finance fees.

Adoption of new accounting policies:

Financial instruments

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530 Comprehensive Income (Section 1530) Section 3251 Equity , Section 3855 Financial Instruments Recognition and Measurement (Section 3855 Section 3861 Financial Instruments Disclosure and Presentation and Section 3865 Hedges . These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and

measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to- maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for- trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities as well as note payable are classified as other financial liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

There was no adjustment to opening balances as a result of the adoption of these standards.

Accounting Changes

The AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard was effective for fiscal years beginning on or after January 1, 2007.

Recent accounting pronouncements

Assessing Going Concern

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments - Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement, Section 3863, Financial Instruments - Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The AcSB issued CICA Handbook Section 3863, *Financial Instruments - Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non- financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on its consolidated financial statements.

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time

3. EQUIPMENT

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 7,610	$ 4,181	$ 3,429	$ 4,676	$ 2,461	$ 2,215
Computer software	1,345	1,345	-	1,345	1,289	56
Office equipment	4,225	1,868	2,357	3,285	1,116	2,169

Vehicle	23,597	1,781	21,816	-	-	-
	$ 36,777	$ 9,175	$ 27,602	$ 9,306	$ 4,866	$ 4,440

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

4. MINERAL PROPERTY INTERESTS

The Company s mineral property interests are comprised of properties located in the United States and in Mexico. The Company incurred exploration expenditures as follows in 2007:

	United States					Mexico	
	Hannah	JDS	Jenny Hill	Pine Grove	General	La Bufa	Total
Exploration and related expenditures							
Option, lease and advance royalty payments	$ 15,000	$ -	$ -	$ 32,000	$ -	$ 14,250	$ 61,250
Geochemistry	-	-	-	-	-	8,034	8,034
Contractors	4,625	134	400	8,841	-	61,929	75,929
General administration	33	-	12	459	5,988	27,042	33,534
Maintenance	3,075	-	-	44,539	-	14,110	61,724
Field supplies	-	-	-	32	-	404	436
Resource estimation	-	-	-	50,074	-	-	50,074
Imagery	-	-	-	47	-	20,160	20,207
Shipping	-	-	-	35	-	-	35
Travel and accommodation	109	-	148	1,456	-	6,439	8,152
Total mineral property expenditures 2007	$ 22,842	$ 134	$ 560	$ 137,483	$ 5,988	$ 152,368	$ 319,375

The Company incurred exploration expenditures as follows in 2006:

	United States					Mexico	
	Hannah	JDS	Jenny Hill	Pine Grove	General	La Bufa	Total
Exploration and related expenditures							
Option, lease and advance royalty payments	$ -	$ -	$ -	$ -	$ -	$ 19,600	$ 19,600
Geochemistry	-	4,365	-	-	-	27,847	32,212
Contractors	2,258	492	-	2,200	257	11,219	16,426
General administration	32	42	-	50	65	123	312
Geophysics	1,000	-	-	-	-	-	1,000
Maintenance	13,078	-	-	-	-	2,310	15,388
Field supplies	5	-	-	-	-	-	5

Imagery	-	-	-	-	-	15,410	15,410
Travel and accommodation	418	-	-	343	-	916	1,677
Total mineral property expenditures 2006	$ 16,791	$ 4,899	$ -	$ 2,593	$ 322	$ 77,425	$ 102,030

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

4. MINERAL PROPERTY INTERESTS (continued)

The Company incurred exploration expenditures as follows in 2005:

	United States						Mexico	
	Hannah	JDS	Jenny Hill	Buffalo Valley	Lincoln Flat	Hercules	La Bufa	Total
Exploration and related expenditures								
Geochemistry	$ 3,699	$ (1,091)	9,628	$ -	$ 11,522	$ -	$ 524	$ 24,282
Drilling and metallurgical	112,749	-	-	-	107,270	200	-	220,219
Contractors	31,492	6,168	41,475	4,212	34,657	2,095	681	120,780
General administration	-	175	336	430	213	-	-	1,154
Geologic mapping	794	794	751	-	-	-	793	3,132
Maintenance	10,363	11,526	62,957	20,092	8,511	2,070	-	115,519
Field supplies	1,109	-	1,237	-	498	78	-	2,922
Geophysics	-	5,775	28,489	-	-	-	-	34,264
Imagery	-	-	-	-	-	-	67	67
Reclamation	1,729	-	-	-	9,564	(2,247)	-	9,046
Travel and accommodation	8,014	646	7,473	1,202	7,237	275	2,672	27,519
Total mineral property expenditures 2005	$ 169,949	$ 23,993	152,346	$ 25,936	$ 179,472	$ 2,471	$ 4,737	$ 558,904

United States

a) Hannah Property

On December 24, 2003, the Company entered into an option agreement to acquire a 100% interest in certain 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 (paid; see below);
- $25,000 on January 10th of each year from 2008 to 2012; and (see below)
- $50,000 on January 10, 2013.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in United States dollars)

4. MINERAL PROPERTY INTERESTS (continued)

b) JDS Property

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

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 of $50,000 ($30,000 paid) over three years to the lessor.

On July 26, 2005, the Company entered into an option agreement whereby it granted the right to earn up to a 75% interest in the property to an optionee. To earn a 60% interest, the optionee had a work commitment of $3,000,000 over a five-year period. Since exploration results were considered poor, the option agreement was terminated. On May 24, 2006, the Company terminated its lease agreement with Nevada North.

d) Jenny Hill Property

On September 28, 2004, the Company entered into a mining lease and option to purchase agreement comprising certain mineral claims situated in Mineral and Nye Counties, Nevada for a term of seven years. The agreement called for the Company to make option payments $1,500,000 ($45,000 paid) over a seven year period and 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 was completed. The agreement was subject to a net smelter return of 2%.

During fiscal 2007, the Company decided not to pursue exploration on this property and terminated the option agreement.

e) Pine Grove Property

During fiscal 2007 the Company entered into three separate agreements with Wheeler Mining Company (Wheeler), Lyon Grove, LLC (Lyon Grove) and Harold Votipka (Votipka) which collectively comprise the Pine Grove Property.

i) On July 13, 2007 the Company entered into an agreement with Wheeler to lease Wheeler s 100% owned mining claims in Lyon County, Nevada from July 13, 2007 to December 31, 2022 with an exclusive option to renew the lease by written notice to December 31, 2023. If the property is and remains in commercial production by November 1 of each year after 2022, the Company may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year.

The Company must produce a bankable feasibility study on the properties by July 1, 2009 and obtain all necessary funding to place the properties into commercial production. The Company must pay a net smelter royalty of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% net smelter royalty on metals or minerals other than gold produced and sold from the properties.

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
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4. MINERAL PROPERTY INTERESTS (continued)

The following non-refundable advance net smelter royalty payments must be made by the Company:

- $10,000 upon signing the agreement (paid); and
- $30,000 prior to each one year anniversary of the lease.

ii) On July 30, 2007 the Company entered into an agreement with Votipka to acquire three claims located within the Pine Grove Mining District in Lyon County, Nevada in return for a payment of $12,000 (paid). Upon commencement of commercial production, the Company will pay a 5% net smelter royalty to Votipka.

iii) On August 1, 2007 the Company entered into an agreement with Lyon Grove to lease the Wilson Mining Claim Group located in Lyon County, Nevada from August 1, 2007 to July 31, 2022, with an option to purchase. The Company can extend the term of the lease for up to ten additional one year terms providing the Company is conducting exploration mining activities at the expiration of the term immediately preceding the proposed extension term.

The following lease payments must be made by the Company:

- $10,000 upon signing the agreement (paid) and
- $25,000 prior to each one year anniversary of the lease.

f) Lincoln Flat Property

During fiscal 2005, the Company determined not to proceed with further exploration and terminated the option agreement.

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4. MINERAL PROPERTY INTERESTS (continued)

Mexico
La Bufa Property

On August 5, 2005, the Company entered into a Letter of Intent with Almaden Minerals Ltd. (Almaden) 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 value of $10,000 on March 15, 2006). The Company issued 60,000 shares, valued at $9,600 on April 16, 2007, which was recorded as a payable during the year ended December 31, 2006.

On April 12, 2007, the Company entered into an option agreement with Almaden to acquire a 60% interest in the La Bufa property located in Chihuahua, Mexico. This agreement replaces the prior Letter of Intent. The agreement calls for the Company to undertake a work program on the property aggregating $3,500,000 and issuing an aggregate of 1,550,000 shares as follows:

Work Program:

- By April 12, 2008 $ 500,000 which must include drilling
- By April 12, 2009 $ 750,000
- By April 12, 2010 $1,000,000
- By April 12, 2011 $1,250,000

Share issuances:

- By April 19, 2007 150,000 shares (issued April 16, 2007)
- By April 12, 2008 200,000 shares (issued April 8, 2008)
- By April 12, 2009 200,000 shares
- By April 12, 2011 1,000,000 shares

At December 31, 2007 $101,150 has been advanced to a drilling company which is included in prepaids and advances.

5. NOTE PAYABLE

On January 28, 2004, the Company issued a $200,000 convertible note with 5,000,000 warrants to purchase common stock of the Company at $0.04 per share which expired on January 28, 2006. The note carried an interest rate of 10% compounded monthly and was due on January 28, 2006. The interest was payable annually with the second year interest payment due with the principal amount. The holder could convert any portion of the debt to common stock at the value of $0.04 per share until January 28, 2006. Warrants could be exercised in minimum amounts of 1,000 shares at a conversion price of $0.04 per share.

On September 15, 2005 the Company completed an agreement whereby the Company repaid $100,000 of the convertible note along with $35,000 accrued interest and agreed to repay the remaining $100,000 within sixty

days - (outstanding). With the completion of the first payment, both the conversion feature of debt to common stock and the share purchase warrants were cancelled. The note is currently in default and the Company has accrued interest expense of $11,811 (2006 - $10,693; 2005 - $17,981) during the year.

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Balance, December 31, 2004	38,400,000	$ 1,075,400	$ 1,037,663
Private placement	3,145,000	943,500	-
Exercise of options	20,000	20,600	(8,600)
Shares issued for services	300,000	108,000	-
Share issue costs	-	(42,210)	-
Balance, December 31, 2005	41,865,000	2,105,290	1,029,063
Shares issued for mineral property	50,000	10,000	-
Private placement	1,075,000	215,000	-
Share issue costs	-	(21,500)	-
Balance, December 31, 2006	42,990,000	2,308,790	1,029,063
Shares issued for obligation	666,666	73,333	-
Shares issued for mineral property	210,000	23,850	-
Private placement	7,525,000	752,500	-
Share issue costs	-	(37,646)	-
Stock-based compensation	-	-	244,304
Balance, December 31, 2007	51,391,666	$ 3,120,827	$ 1,273,367

Share issuances

a) During fiscal 2006, the Company entered into a one year consulting agreement for investor relations services whereby the Company paid a monthly fee of $2,000 and was required to issue 1,250,000 shares. As of December 31, 2006, the Company recorded a share issuance obligation of $73,333 pursuant to the agreement. In fiscal 2007, the Company issued 666,666 shares to settle this obligation. The Company and consultant subsequently agreed to amend the terms of the agreement whereby the Company was released from the remaining share issuance obligations in exchange for a cash payment of $87,500 that has been recorded in accounts payable at December 31, 2007.

b) On April 16, 2007 the Company issued 210,000 shares of common stock at a value of $23,850 pursuant to a mineral option agreement of which 60,000 shares with a value of $9,600 relate to a mineral property payable recorded at December 31, 2006.

c) On May 29, 2007 the Company completed a private placement and issued 3,275,000 units at $0.10 per unit for proceeds of $327,500. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to acquire one common share at $0.15 per share for a term of two years. The Company incurred share issuance costs of $19,425 in connection with this private placement.

d)

On August 23, 2007 the Company completed a private placement and issued 4,250,000 units at $0.10 per unit for gross proceeds of $425,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to acquire one common share at $0.15 per share for a term of two years. The Company incurred share issuance costs of $15,000 in connection with this private placement.

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

e) On July 27, 2006, the Company completed the first tranche of a private placement and issued 1,075,000 units at $0.20 per unit for proceeds of $193,500, net of issuance costs of $21,500. Each unit consisted of one common share and one-half of one Series A warrant and one whole Series B warrant. Each whole Series A warrant was exercisable to acquire one common share at $0.35 per share for a term of one year from the issuance date. Each whole Series B warrant will be exercisable to acquire one common share at $1.35 per share for a term of four years from the issuance date. During the 2007 fiscal year, the expiry date of these warrants was extended from July 27, 2007 to January 27, 2008. These warrants have since expired unexercised.

f) On March 15, 2006, the Company issued 50,000 shares at a value of $10,000 pursuant to a mineral property option agreement.

g) On August 15, 2005, the Company issued 300,000 shares of common stock at a value of $108,000 as consideration for investor relations and shareholder communication services.

h) On March 31, 2005, the Company issued 20,000 common shares at $0.60 per share for total cash proceeds of $12,000 pursuant to the exercise of stock options.

i) On March 10, 2005, the Company issued 3,145,000 units at $0.30 per unit for total cash proceeds of $943,500 pursuant to a private placement. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at $0.40 during the first year and at $0.50 per share during the second year. The Company paid commissions of $42,210 in connection with this offering which were deducted from the proceeds.

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7. STOCK OPTIONS (continued)

The change in stock options outstanding is as follows:

	2007		2006		2005	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
At January 1	2,390,000	$ 0.60	2,390,000	$ 0.60	2,410,000	$ 0.60
Granted	2,450,000	0.25	-	-	-	-
Excercised	-	-	-	-	(20,000)	0.60
Expired or forfeited	(2,390,000)	(0.60)	-	-	-	-
At December 31	2,450,000	$ 0.25	2,390,000	0.60	2,390,000	0.60

As at December 31, 2007 the following options are outstanding:

Number Of Options	Exercise Price	Expiry Date
2,450,000	$ 0.25	September 25, 2010

Stock-based compensation

During 2007, the Company granted 2,450,000 fully vested stock options, 2,000,000 to officers and directors and 450,000 to contractors, with a fair value of $244,304 that has been recorded as contributed surplus and stock-based compensation in the results of operations. The fair value of the stock options was estimated using the Black-Scholes option pricing model assuming a dividend yield of 0%, expected volatility of 97%, risk free interest rate of 3.99% and weighted average expected life of 3 years. The weighted average grant date fair value of the stock options was $0.10 per option.

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8. WARRANTS

As at December 31, 2007 the following warrants are outstanding:

Number Of Warrants	Exercise Price	Expiry Date
537,500*	$ 0.35	January 27, 2008
1,075,000	$ 1.35	July 27, 2010
3,275,000	$ 0.15	May 28, 2009
4,250,000	$ 0.15	August 23, 2009
9,137,500		

* During the 2007 fiscal year, the expiry date of these warrants was extended from July 27, 2007 to January 27, 2008. These warrants have since expired unexercised.

Share purchase warrant transactions are summarized as follows:

	Number Of Shares	Weighted Average Exercise Price
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
Issued	7,525,000	0.15
Expired	(3,145,000)	0.50
Balance, December 31, 2007	9,137,500	$ 0.30

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9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2007, the Company paid management fees and consulting fees of $13,800 (2006 $42,250; 2005 - $49,098) and rent, included in office, of $2,700 (2006 - $3,300; 2005 - $3,000) to the Vice President of the Company and management fees of $22,500 (2006 - $20,545; 2005 - $26,750) to company owned by the President of the Company. The Company also paid $18,000 (2006 - $1,400; 2005 - $2,550) consulting fees to a former director of the Company

As at December 31, 2007, the Company owed $1,155 (2006 - $6,760) to various directors and officers of the Company which is included in accounts payable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. INCOME TAX

A reconciliation of income tax recovery at statutory rates with the reported income tax recovery is as follows:

	2007	2006	2005
Loss for the year	$ (1,078,730)	$ (413,541)	$ (1,294,546)
Income tax recovery at statutory rates	$ (371,000)	$ (145,000)	$ (453,000)
Amortization for tax purposes	(43,000)	(39,000)	(24,000)
Non-deductible items	178,000	34,000	224,000
Unrecognized benefit of non-capital losses	236,000	150,000	253,000
Total income tax recovery	$ -	$ -	$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	2007	2006	2005
Future income tax assets:			
Mineral property interests and deferred exploration costs	$ 227,000	$ 215,000	$ 220,000
Non-capital losses carried forward	58,000	415,000	344,000
	285,000	690,000	564,000
Valuation allowance	(285,000)	(690,000)	(564,000)
Net future income tax assets	$ -	$ -	$ -

The Company has Canadian non-capital losses of approximately $170,000 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2026. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $840,000 available to reduce taxable income of future years. The future income tax benefits of these losses, resource deductions and other tax assets have not been reflected in these financial statements and have been offset by a valuation allowance.

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11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash financing or investing transactions are as follows:

	2007	2006	2005
Shares issued for mineral property costs	$ 14,250	$ 10,000	$ -
Shares issued for services	-	-	108,000
Services in exchange for share issuance obligation	-	73,333	-
Shares used to settle share issuance obligation	73,333	-	-
Shares to settle accounts payable	9,600	-	-

There were no significant non-cash financing or investing transactions for the period ended December 31, 2007.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and note payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

13. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information is as follows:

	December 31, 2007	December 31, 2006
Identifiable assets:		
Mexico	$ 21,816	$ -
Canada	5,786	4,440
	$ 27,602	$ 4,440

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14. SUBSEQUENT EVENTS

a) On March 3, 2008 the Company borrowed $75,000 with the ability to increase this amount to $175,000 if needed. In return, the Company agreed to pay the lender interest at a rate of 8% per annum, compounded weekly for the first two weeks and thereafter at the rate of 24% per annum compounded weekly to be paid following the repayment of the principal. The Company also entered into a general security agreement (GSA) whereby the loan is secured by way of general charge over the Company s present and after acquired personal property. The Company agreed to repay the principal and interest upon completing a financing of more than $500,000. The Company also agreed to deliver to the lender 37,500 common share purchase warrants entitling the holder to purchase common shares of the Company at $0.25 per share for a period of two years. At any time, the lender can convert any portion of the outstanding principal and interest into common shares at the rate of $0.20 per share.

b) During February 2008, the CEO and director loaned the Company $110,000 at a rate of 5% per annum with the condition of being able to convert to shares if so desired. Another director loaned the company $25,000 at a rate of 5% per annum which will increase to 10% per annum after December 31, 2008. The director can, at any time, convert the loan to shares using the average price of the stock over the last five days trading days prior to conversion..

c) On February 29, 2008 the Company entered into an option agreement with certain individuals whereby the Company has the option to purchase 10 claims located in the Pine Grove Mining District in Lyon County, Nevada by paying $1,000,000 as follows:

- $100,000 upon signing the agreement;
- $225,000 by January 1, 2009;
- $225,000 by January 1, 2010;
- $225,000 by January 1, 2011;
- $225,000 by January 1, 2012

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued…)

Adoption of new accounting policies

In June 2006, the FASB issued Interpretation No.48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109" ("FIN 48"). This interpretation clarifies the recognition threshold and measurement of a tax position taken or expected to be taken on a tax return, and requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Company adopted the provisions of FIN 48 on January 1, 2007 and the adoption of this policy does not result in an adjustment to the Company's financial statements.

Recent accounting pronouncement

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements." Among other requirements, SFAS 157 defines fair value and establishes a framework for measuring fair value and also expands disclosure about the use of fair value to measure assets and liabilities. SFAS 157 is effective for fiscal years beginning after November 15, 2007.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," including an amendment of FASB Statement No. 115. This pronouncement permits entities to choose to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS 159 is effective for fiscal years beginning November 15, 2007, and early application is allowed under certain circumstances.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" which changes how business acquisitions are accounted. SFAS 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent considerations); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets and tax benefits. SFAS No. 141R is effective for business combinations and adjustments to an acquired entity's deferred tax asset and liability balances occurring after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No. 51," which establishes new standards governing the accounting for and reporting of noncontrolling interests (NCI) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability; that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also requires changes to certain presentation and disclosure requirements. SFAS No. 160 is effective beginning January 1, 2009. The provisions of the standard are to be applied to all NCI's prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively to all periods presented.

The adoption of these new pronouncements is not expected to have a material effect on the Company's financial position or results of operations.

ITEM 18 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 17.

ITEM 19 EXHIBITS

Exhibit Number	Description of Exhibit
1.01	Articles of Conversion (4)
1.02	Articles of Continuance of Lincoln Gold Corporation, a Canadian federal corporation (4)
1.03	Bylaws of Lincoln Gold Corporation, a Canadian federal corporation (4)
2.01	Shareholder Rights Plan (5)
4.01	2005 Stock Option Plan, as amended (6)
4.02	Option Agreement between the Corporation and Almaden dated April 12, 2007 (1)
4.03	Form of Regulation S Subscription Agreement for May 2007 Unit Offering (2)
4.04	Lease agreement dated July 13, 2007 between Lincoln Gold Corporation and Wheeler Mining Company (6)
4.05	Lease agreement dated August 1, 2007 between Lincoln Gold Corporation and Lyon Grove, PLC (6)
4.06	Form of Regulation D Subscription Agreement for August 2007 Unit Offering (3)
4.07	Form of Regulation S Subscription Agreement for August 2007 Unit Offering (3)
11.01	Code of Ethics (6)
12.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (6)
12.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (6)
13.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (6)
13.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (6)

(1) Previously filed as an exhibit to our Current Report on Form 8-K filed on April 18, 2007.
(2) Previously filed as an exhibit to our Current Report on Form 8-K filed on May 18, 2007.
(3) Previously filed as an exhibit to our Current Report on Form 8-K filed on August 28, 2007.
(4) Previously filed as an exhibit to our Current report on Form 8-K on November 23, 2007.
(5) Previously filed as an exhibit to our Current report on Form 6-K on July 9, 2008.
(6) Filed as an Exhibit to this Annual Report on Form 20-F.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign on its behalf.

LINCOLN GOLD CORP.

Per: */s/ Paul Saxton*
Name: Paul Saxton
Title: President and Chief Executive Officer

Date: July 14, 2008