

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

FORM 10-KSB

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Little Squaw Gold Mining Company

(Exact Name of Registrant as specified in its charter)

ALASKA

(State or other jurisdiction of incorporation)

001-06412

(Commission File Number)

91-0742812

(IRS Employer Identification No.)

3412 S. Lincoln Drive, Spokane WA

(Address of principal executive offices)

99203-1650

(Zip Code)

Registrant's telephone number, including area code:

(509) 624-5831

Securities Registered pursuant to Section 12 (g) of the Act:

Common stock, Par Value \$0.10
(Title of Class)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ **No ☒**

State issuer's revenues for its most recent fiscal year: **\$0.00**

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. **Based upon the price at close of market on March 10, 2008 of \$0.65, the aggregate market value of the Registrant's common stock held by non-affiliates was \$22,670,472.**

State the number of shares outstanding of each of the issuer's classes of common equity: **as of March 10, 2008, 36,444,112 shares of common stock were outstanding.**

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on May 5, 2008 have been incorporated by reference into Part III, items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-KSB.

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

GLOSSARY OF TERMS

ADIT: An opening driven horizontally into the side of a mountain or hill for providing access to a mineral deposit.

AGGRADATIONAL PLACER: A placer deposit resulting from the up-building performed by a stream in order to establish or maintain uniformity of grade or slope. It involves the natural filling up of a bed of a water course at any point of weakening of the current, by deposition of detritus and valuable heavy minerals (gold). Fanlike graded plains are often formed by the continual shifting of the streams at the foot of a declivity. This can result in the deposition of an unusually thick sequence of heavy minerals of stacked streaks and disseminations throughout the entire thickness of the aggraded sedimentary section. Such placer deposits are potentially amenable to low cost bulk mining techniques.

ALLUVIUM: A general term for all detrital deposits that result from the operations of modern streams and rivers, including the sediments (gravel, sand and silt) laid down in stream and river beds, flood plains, lakes, fans at the foot of mountain slopes, and estuaries.

ALLUVIAL FAN: A cone-shaped deposit of alluvium made by a stream where it runs out onto a level plain meets a slower stream. The fans generally form where streams issue from mountains onto lowland. It is steepest near the mouth of the valley where its apex points upstream and it slopes gently and convexly outward with gradually decreasing gradient.

ALTERED ROCKS: Bedrock wherein the minerals constituting it have been wholly or partially converted to other minerals, commonly chlorite or sericite, by the action or cooking of hot gasses and water (hydrothermal fluids) rising from deep within the earth.

ASSAY: A chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained.

ASSESSMENT WORK (ANNUAL LABOR): The annual work upon an unpatented mining claim on the federal public domain necessary under the United States law, or in the case of public state land of the laws of the individual states, for the maintenance of the possessory title thereto.

AUREOLES: A zone surrounding an igneous or quartz intrusion in which the character of the surrounding rock has been altered by heat and introduced hot liquids.

AURIFEROUS: Said of a substance or mineral-bearing deposit that contains gold.

BANK MEASURE (BANK CUBIC YARD): The measurement of material in place, such as gravel in a deposit before excavation. In placer work, values are normally reported as dollars and cents per cubic yard, and unless specified otherwise, this means a cubic yard in place, or bank measure. This is usually reported by the notation of "bcy".

BRECCIA: A rock in which angular fragments are surrounded by a mass of fine-grained minerals.

BEDROCK PLACER: A generally thin section of gravels hosting a concentration or streak of heavy minerals oftentimes lying beneath less mineralized gravels and resting on solid rock (bedrock) beneath the gravel sequence. The concentrations or streaks are usually of irregular shape and tend to be discontinuously distributed. Relatively high cost selective mining techniques are generally employed.

DEVELOPMENT: Work carried out for the purpose of opening up a mineral deposit and making the actual ore extraction possible.

DISSEMINATED ORE: Ore carrying small particles of valuable minerals spread more or less uniformly through the host rock.

DRIFT: A horizontal underground opening that follows along the length of a vein or rock formation as opposed to a cross-cut which crosses the rock formation.

EXPLORATION: Work involved in searching for ore, usually by employing the science of geology and drilling or driving a drift.

EXPLORATION STAGE: A U.S. Security and Exchange Commission descriptive category applicable to public mining companies engaged in the search for mineral deposits and ore Reserves and which are not either in the mineral development or the ore production stage.

FINE GOLD: Pure gold, i.e., gold of 1000 fineness.

FINENESS: The portion of pure gold in bullion or in a natural alloy expressed in parts per thousand. Natural gold is not found in pure form; it contains varying proportions of silver, copper, and other substances. For example, a piece of natural gold containing 150 parts of silver and 50 parts of copper per thousand and the remainder pure gold would be 800 fine.

FERRICRETE: A soil zone more or less cemented by iron oxide.

FOOTWALL: The rock on the underside of a vein or ore structure.

FRACTURE: A break in the rock, the opening of which allows mineral bearing solutions to enter. A “cross-fracture” is a minor break extending at more-or-less right angles to the direction of the principal fractures.

GEOPHYSICAL SURVEY: Indirect methods of investigating the subsurface geology using the applications of physics including electric, gravimetric, magnetic, electromagnetic, seismic, and radiometric principles.

GRADE: The average assay of a ton of ore, reflecting metal content.

GRAVEL: An unconsolidated deposit of pebbles, cobbles, or boulders that has been water washed and with at least somewhat rounded particles. Sand, silt and clay are usually mixed in too.

GRAVITY SEPARATION: The treatment of mineral particles which exploits the differences between their specific gravities in the recovery process.

HANGING WALL: The rock on the over side of a vein or ore structure.

HIGH GRADE: A subjective term said of rock containing a relatively high ore-mineral content, often in reference to possible ores that are of relatively high value compared to those of medium or low value from within the same mineral deposit or body of mineralization. High grade ores are those generally requiring selective mining methods. As used herein, the term is applied to rock that contains one ounce or more of gold per ton.

HYDROTHERMAL: Said of magmatic (molten rock) emanations high in water content and the rocks, mineral deposits, alteration products and springs produced by them.

INLIER CLAIMS: Mining claims of others that lie within, or are enclosed by, a block of many claims owned by another.

LODE: A mineral deposit consisting of a zone of veins, disseminations or breccias in consolidated rock, as opposed to placer deposits.

LOOSE CUBIC YARD: All placer mining reserves and resources are reported in bank cubic yards, but production and costs are reported in loose cubic yards. Loose cubic yards are calculated as the reserve plus the swell or void spaces. This is usually reported by the notation of “lcy”.

LOW GRADE: A subjective term said of rock containing a relatively low ore-mineral content, often in reference to possible ores that are of relatively low value compared to those of medium or high value from within the same mineral deposit, or body of mineralization. Low grade ores are those often amenable to bulk mining methods. As used herein, the term is applied to rock that contains one tenth ounce or less of gold per ton.

MESOTHERMAL: Said of a mineral deposit formed at moderate to high temperatures and moderate to high pressures by deposition from hydrothermal fluids at considerable depth within the earth.

METAMORPHIC ROCKS: Rocks which have undergone a change in texture and composition as the result of heat and pressure from having been buried deep in the earth.

MILL: A processing plant that extracts and produces a concentrate of the valuable minerals or metals contained in an ore. The concentrate must then be treated in some other type of plant, such as a smelter, to affect recovery of the pure metal, recovery being the percentage of valuable metal in the ore that is recovered by metallurgical treatment.

RESERVES: Identified resources of mineral-bearing rock from which the mineral can be extracted profitably with existing technology and under present economic conditions.

MINE: An underground or surface excavation for the extraction of mineral deposits.

MINERAL: A naturally occurring inorganic element or compound having an orderly internal structure and characteristic chemical composition, crystal form, and physical properties.

MINERAL RESERVE: The economically mineable part of a measured or indicated mineral resource. Appropriate assessments, often called feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate, at the time of reporting, that extraction is reasonably justified. Mineral reserves are sub-divided, in order of increasing confidence, into probable and proven categories. A probable reserve is the economically mineable part of an indicated (and in certain circumstances, measured) resource. A proven reserve is the economically mineable part of a measured resource.

MINERAL RESOURCE: A deposit or concentration of natural, solid, inorganic or fossilized organic substance in such quantity and at such grade or quality that extraction of the material at a profit is potentially possible.

MINERALIZED MATERIAL OR DEPOSIT: A mineralized body, which has been delineated by appropriate drilling and/or underground sampling to support a sufficient tonnage and average grade of metal(s). Under SEC standards, such a deposit does not qualify as a reserve until a comprehensive evaluation, based upon unit cost, grade, recoveries, and other factors, conclude current economic feasibility to extract it.

MINERALIZATION: The presence of economic minerals in a specific area or geological formation.

NATIVE GOLD (RAW GOLD): Metallic gold found naturally in that state. See fineness.

NUGGET: A water-worn piece of native gold. The term is restricted to relatively large sizes, not mere “colors” or minute particles. Fragments and lumps of vein gold are not called nuggets because the idea of alluvial origin is implicit. For use in this report, anything larger than 150 milligrams is considered a nugget, and its weight specially treated in reporting the drill sample results so as to mitigate its skewing effects on the values reported.

ORE: Material that can be mined and processed at a positive cash flow under current economic circumstances.

PALEOCHANNEL: A remnant of a stream channel cut in older rock and filled with sediments of younger overlying rock; a buried stream channel.

PANNING: Washing gravel or other material in a miner’s pan to recover gold or other heavy minerals. Gold is eighteen times heavier than water and rapidly concentrates in the bottom of the pan when the pan is agitated.

PARTS PER MILLION (PPM): A standard unit of measure for assays. One ppm = 0.0292 Troy oz./ton.

PATENTED MINING CLAIM: A mineral claim originally staked on land owned by in the United States Government, where all its associated mineral rights have been secured by the claimant from the U.S. Government in compliance with the laws and procedures relating to such claims, and title to the surface of the claim and the minerals beneath the surface have been transferred from the U.S. Government to the claimant. Annual mining claim assessment work is not required, and the claim is taxable real estate. Mining claims located on State of Alaska lands cannot be patented.

PAY HORIZON: Placer miner vernacular for the vertical section in a placer deposit containing significant, and possibly economic values.

PLACER & PLACER DEPOSIT: A mass of gravel, sand or similar material resulting from the crumbling and erosion of solid rocks and containing particles or nuggets of gold or other heavy minerals such as platinum or tin that have been derived from the rocks or veins. A placer is an area where gold or other heavy minerals are or can be obtained by washing sand or gravel. Placer deposits are formed by attrition by river or stream action of the lighter rocks leaving the relatively inert, tough, and heavy minerals in a concentrated layer, generally along the contact of the alluvial material with the underlying bedrock. The term PLACER applies to ancient gravels as well as to recent deposits and to underground (drifts mines) as well as to surface deposits.

PLACER MINING: That form of mining in which the surficial detritus is washed for gold or other valuable heavy minerals. There are deposits of detrital material containing gold which lie too deep to be profitably extracted by surface mining and which must be worked by drifting, or tunneling, beneath the overlying barren material.

PROSPECT: An area that is a potential site of mineral deposits, based on preliminary exploration. A prospect is distinct from a mine in that it is non-producing.

PROSPECTING: The search for outcrops or other surface expressions of mineral deposits with the objective of making a valuable discovery.

RECLAMATION: The restoration of a site to acceptable regulatory standards after mining or exploration activity is completed.

RECOVERY: The percentage of valuable metal in the ore that is recovered by metallurgical treatment.

RESERVES: That part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of “Ore” when dealing with metalliferous minerals.

RESOURCE: The calculated amount of material in a mineral deposit, based on limited drill information.

SEC INDUSTRY GUIDE 7: This is the United States’ reporting standard for the mining industry for securities purposes. It is contained in a publication of the United States Security and Exchange Commission (SEC) known as Industry Guide 7, which summarizes requirements for disclosure by mining companies. It defines proven and probable Reserves using its own definitions, and prohibits the disclosure of quantitative estimates for all mineralization other than in those two Reserve categories. Similarly, it restricts disclosure of value of estimates to Reserves only, which the SEC policy generally requires to be on a historic cost accounting basis.

SHEAR OR SHEARING: The deformation of rocks by lateral movement along numerous parallel planes, known as faults, generally resulting from stress or pressure and producing such metamorphic structures as cleavage and schistosity.

STRIKE: The direction, or bearing from true north, of a vein or rock formation measured on a horizontal surface.

TAILINGS: Fine grained or ground up material rejected from a mill after more of the recoverable valuable minerals have been extracted. Can also mean the waste material resulting from placer mining.

TURBIDITE: A sedimentary rock deposited from a turbidity current, and characterized by graded bedding.

UNPATENTED MINING CLAIM: A mineral claim staked on federal, state or, in the case of severed mineral rights, private land to which a deed from the U.S. Government or other mineral title owner has not been received by the claimant. Unpatented claims give the claimant the exclusive right to explore for and to develop the underlying minerals and use the surface for such purpose. However, the claimant does not own title to either the minerals or the surface, and the claim is subject to annual assessment work requirements and the payment of annual rental fees which are established by the governing authority of the land on which the claim is located. The claim may or may not be subject to production royalties payable to that governing authority. Mining claims located on State of Alaska lands cannot be deeded to the claimant.

VEIN: A zone or belt of mineralized rock having a more or less regular constitution in length, width and depth, and lying within boundaries which clearly separates it from neighboring rock.

VEINLET: A tiny vein, stringer or filament of mineral (commonly quartz) traversing a rock mass of different material, and usually one of a number making a Lode.

LITTLE SQUAW GOLD MINING COMPANY
FORM 10-KSB
December 31, 2007

TABLE OF CONTENTS

PART I	7
ITEM 1. DESCRIPTION OF BUSINESS	7
ITEM 2. DESCRIPTION OF PROPERTIES	14
ITEM 3. LEGAL PROCEEDINGS	50
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	51
 PART II.....	 52
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	 52
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.....	53
ITEM 7. FINANCIAL STATEMENTS	63
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	 92
ITEM 8A. DISCLOSURE CONTROLS AND PROCEDURES.....	92
ITEM 8B. OTHER INFORMATION	92
 PART III	 93
ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT	 93
ITEM 10. EXECUTIVE COMPENSATION	93
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	 94
ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	95
ITEM 13. EXHIBITS.....	96
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	97

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-KSB and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements concern our anticipated results and developments in the Company’s operations in future periods, planned exploration of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to our properties being in the exploration stage;
- risks related our mineral operations being subject to government regulation;
- risks related to our ability to obtain additional capital to develop our resources, if any;
- risks related to mineral exploration activities;
- risks related to the fluctuation of prices for precious and base metals, such as gold, silver and copper;
- risks related to the competitive industry of mineral exploration;
- risks related to our title and rights in our mineral properties;
- risks related the possible dilution of our common stock from additional financing activities; and
- risks related to our shares of common stock.

This list is not exhaustive of the factors that may affect our forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

We, Little Squaw Gold Mining Company, are a minerals company in the business of acquiring and advancing mineral properties to the discovery point, where we believe maximum shareholder returns can be realized. Little Squaw is an exploration-stage company as defined by the U.S. Securities and Exchange Commission (“SEC”). We are primarily an exploration stage company because management considers that most of a company’s value is created during the discovery phase. That is, based on capital returns, we believe that the payback to stakeholders for successful exploration is normally greatest during the discovery phase of an exploration program.

Incorporated in Alaska on March 26, 1959 and publicly traded since October 9, 1970, Little Squaw controls the Chandalar gold mining district in Alaska. In August of 2006, its on-going search for properties resulted in the acquisition of the Broken Hills West gold property in Nevada. Then in March 2007, we acquired the Pedra de Fogo property in Goias Province in Brazil and in November of 2007, we acquired the Marisol gold exploration property in northern Sonora State, Mexico. Management intends to grow the company through mineral property acquisitions, and

although we are focusing our quest for such properties in the Americas, we may act on targets of opportunity any place in the world where we deem the risk/reward ratio acceptable. Our executive offices are located at 3412 S. Lincoln Dr., Spokane, WA 99203, and our phone number there is (509) 624-5831.

We are an Exploration Stage company. None of the properties that we own or control contain any known probable (indicated) or proven (measured) ore reserves under the definition of ore reserves within SEC Industry Guide 7. Although there is a history of past lode and placer production on our Chandalar property, the property is at an early stage of exploration. The probability that ore reserves that meet SEC guidelines will be discovered on an individual hard rock prospect at Chandalar is slight; however, our 2007 drilling program on an alluvial gold has indicated the presence of a mineralized or gold-bearing body of gravel that may be economical for mining in the near term, based on the price of gold at this writing. While sufficient data has not yet been obtained to produce SEC Industry Form 7 compliant resource, we believe that sufficient data has been collected to complete a Canadian National Instrument 43-101 or similar report on this alluvial deposit. A great deal of further work is required on our properties before a final determination as to the economic and legal feasibility of a mining venture on any of them can be made. There is no assurance that a commercially viable deposit will be proven through the exploration efforts by us at Chandalar. We cannot assure you that funds expended on our properties will be successful in leading to the delineation of ore reserves that meet the criteria established under SEC mining industry reporting guidelines.

Our strategic initiatives are to undertake cost efficient and effective exploration activities to discover mineralization and potentially mineral reserves, which may upgrade the value of the properties and then either joint venture or sell the properties to qualified major mining companies. Under certain circumstances, we may choose to develop a mineral deposit discovery. We intend to focus our activities only on projects that are primarily gold deposits.

As a result of our favorable drill results described below on the alluvial gold deposits on our Chandalar property, we are currently evaluating the potential of beginning an extraction program that may generate significant revenues and cash flow beginning as early as summer of 2011. We do not intend to conduct hard rock mining operations on our own account at this time.

Conducting mining operations on our own account is a secondary objective at this time. An alluvial gold mining operation could be implemented in order to finance the continuing hard rock exploration activities to locate what we believe to be a larger hard rock gold deposit higher in the terrain that is the source of the alluvial deposit. Our primary objective is to undertake cost efficient and effective exploration activities to discover mineralization and potentially mineral reserves, which may upgrade the value of our mineral properties, and then joint venture or sell those properties to qualified major mining companies. We intend to focus our activities only on projects that are primarily gold deposits.

At this time we have four exploration stage mineral properties. Our principal property is in Alaska and is referred to as the Chandalar property. A second property is in Nevada, known as the Broken Hills West property. In March of 2007, we acquired the Pedra de Fogo ("Rock of Fire") gold exploration property in Goias State, south central Brazil. In November of 2007, we acquired the Marisol gold exploration property in northern Sonora State, Mexico. Contingent on the success of a private placement, or PIPE offering currently in progress, our focus during 2008 will continue to be drilling exploration of the Chandalar and Marisol properties while surface evaluation activities involving geochemical and geophysical surveys are conducted on the Nevada and Brazil properties in preparation for possible drilling exploration in 2009 and beyond. With the acquisition of the Nevada, Brazil and Mexico properties, our exploration field activities will not be restricted to just the summer months as it is in Alaska.

We are continuing our search for gold properties elsewhere in Nevada, in other states and in other countries in the Americas. We limit our searches to places where we believe the political risk is reasonable, that have well established mining codes, and where we believe the local operating environment is conducive to sustainable development. We are not engaged in any form of greenfield exploration or regional reconnaissance programs in our quest for new gold properties. Instead, we identify available properties owned by others where the presence of gold or gold drilling targets has already been established, then proceed with detailed geologic examinations and title due diligences before entering into mining agreements on those properties. Some ten examinations were made in Nevada during 2007, as well as one in Brazil.

History

Gold was discovered in the Chandalar district in 1905, and over the years various operators have produced small amounts of gold mainly from placer deposits, but also from high-grade gold-quartz veins. We were incorporated in 1959 for the purpose of acquiring and consolidating diversely owned gold mining claims of the Chandalar mining district. Our operations during the 1960's resulted in the establishment of a mining camp, a mill, several airstrips, and exploitation of a small amount of ore reserves in underground workings, which was marginally profitable.

Total recorded production from the Chandalar mining district is about 86,000 ounces, although actual historic production was probably much greater than the recorded production. Recorded lode gold production from high-grade gold-quartz vein-shear zone deposits is 7,692 ounces from the Mikado and Little Squaw Mines combined, and 1,347 ounces from the Summit mine. A total of 76,738 ounces of gold came from placer deposits. Most of the placer production was derived from the Big Creek and Little Squaw Creek drainages, with some additional production from the Tobin Creek drainage.

In 1972 and 1976, we acquired all of the lode mining claims in the Chandalar district except for seven unpatented federal mining claims held by the Anderson Partnership. In 1978, we acquired all of the placer mining claims in the Chandalar district. In 1987 the federal government deeded all the land in the Chandalar district to the State of Alaska in partial fulfillment of a land conveyance quota established in the Alaska Statehood Act. During 1987, all of the unpatented federal mining claims were converted to State of Alaska Traditional mining claims, including the seven claims of the Anderson Partnership. During 2003, we purchased the seven Traditional mining claims from the Anderson Partnership for \$35,000. In September of 2003 we staked fifty-five 160-acre MTRSC (meridian, township, range, section, and claim location system) state mining claims, in 2004 we staked another eight 160-acre MTRSC claims, in 2005 we staked one more 160-acre MTRSC claim, and in 2006 we staked five more 160-acre MTRSC claims which were subsequently dropped after being evaluated in 2007, with two more 160-acre MTRSC claims staked in 2007, thereby increasing our Chandalar property to its present size of about 14,800 acres.

During the 1970's and early 1980's the lode and placer properties were leased to various parties for exploration and gold production. The quartz lodes were last worked from 1970 to 1983, when 9,039 ounces of gold were recovered from the milling of 11,819 tons averaging 1.02 ounces of gold per ton (oz/t Au). The material was extracted from surface and underground workings on three of four mineralized quartz structures lying mostly on our patented federal mining claims. Between 1979 and 1999, our lessees produced 15,735.5 ounces of gold from placer operations. We estimate that at least another 468 ounces of gold were produced by a lessee between 2004 and 2007 that has not yet been reported to us. All production of native (or raw) gold on the property has been previously reported as 848 fineness (1,000 fine is pure gold); however, recent analyses of ten test samples we submitted to a certified laboratory has determined the gold purity to average 88.26 fine in Little Squaw Creek where all the samples came from. This raw gold is a natural alloy containing about 88.3% gold, 6.8% silver, 0.4% iron and a mix of other metallic element impurities.

The unpatented claims are located on property that was formerly all owned by the federal government; however, as of 1991, title to all of the properties had been transferred to the State of Alaska. By that date we had converted all previously held unpatented federal mining claims into unpatented state mining claims.

In November of 1989 and May of 1990 we entered into a ten year mining lease, extendable for an additional forty years, with Gold Dust Mines, Inc. for all our placer mining interests located on the Big Creek, St. Mary's Creek, Little Squaw Creek, Big Squaw Creek, and Tobin Creek. The lease provided for annual advance rentals of \$7,500 per creek drainage mined plus a ten percent (10%) royalty of all raw placer gold production to be paid in kind. Twenty percent (20%) of the 10% royalty, two percent (2%) overall, were to be paid directly to the underlying royalty interest holders (i.e. our former management), and was to consist of the coarsest and largest particles of all gold produced. Little Squaw received the remaining eight percent (8%) of the gold royalty. During 1998 and 1999, Gold Dust's placer mining lease was limited to Big Creek and its tributary, St. Mary's Creek. There was no mining conducted in 2000, 2001, 2002 or 2003. Since 1999, however, Gold Dust failed to pay the \$7,500 annual lease fee on the creek drainage it mined and failed to make the annual rental payments on the state mining claims it was mining on, as required by the mining lease, in all a sum of \$32,380. A portion of the 1999 production royalties owed to us in the amount of eleven ounces of gold nuggets was also not paid. In February 2000, the owners of Gold Dust, Mr. and Mrs. Delmer Ackels

(guarantors of Gold Dust's obligations to us) declared a Chapter 7 bankruptcy, which the court discharged in May of 2000. We believe the Ackels' bankruptcy does not discharge Gold Dust of its obligations to pay Little Squaw. Our mining lease with Gold Dust is the sole asset of Gold Dust.

During the spring of 1990, Gold Dust Mines, Inc. (the lessee) transported about \$2.6 million in capital equipment to our Chandalar mining claims over the winter haul road from Coldfoot, located on the Alaska pipeline highway. This machinery included a large gravity-type alluvial mineral treatment plant (an IHC-Holland wash plant) together with a Bucyrus-Erie dragline, two big Caterpillar tractors, front end loaders, a churn drill and other large pieces of placer gold mining equipment. During the last part of the 1993 season, Gold Dust Mines moved its placer operations to the Big Creek and St. Mary's Creek drainages. In 1994, placer mining operations were concentrated on the St. Mary's Creek drainage. During 1995, placer mining operations were conducted on the St. Mary's Creek and Big Creek drainages. During 1996, a lease amendment was entered into between us, as lessor, and Gold Dust Mines, as lessee, wherein Little Squaw Creek, Big Squaw Creek and Tobin Creek drainages were excluded from the lease. During 1996 to 1999, these placer mining operations were conducted only on the St. Mary's Creek and Big Creek drainages.

During 1988, a consulting mining engineer was hired to compile historical information on the entire placer and lode gold district. His comprehensive report was completed in January 1990, and is available for review by interested persons. A few conclusions from his report are incorporated in this section.

In the late summer of 1997, we executed a placer mining lease with Day Creek Mining Company, Inc., an Alaskan corporation. The lease included the placer mining claims only for the Tobin Creek, Big Squaw Creek and Little Squaw Creek drainages. It did not include the Big Creek and St. Mary's Creek drainages, which were leased to Gold Dust Mines, Inc. The lessee was to have performed minimum exploratory drilling during each year of the lease. Only a minimum amount of drilling was performed the first year, with some good results downstream from the Mello Bench on Little Squaw Creek. Due to lack of financing, the lessee could not comply with the drilling requirements in 1998, and the lease was terminated by us giving a declaration of forfeiture to the lessees in February of 1999. The lessee did not contest the declaration of forfeiture.

We allowed some of our state mining claims on Big Creek and Little Squaw Creek to lapse in 2000 for lack of funds to pay the State of Alaska annual rental fees required to maintain them. That financial crisis was precipitated by the failure of Gold Dust Mines to make its 1999 annual mining lease payment to us and their failure to have paid the annual state mining claim rental on the claims covered by the mining lease. The individuals who own Gold Dust Mines, Inc. (Mr. & Mrs. Delmer Ackels) continued to do the annual assessment work on the remaining claims on behalf of us through the year 2002 on the basis of a verbal agreement between our former management and Gold Dust to extend its mining lease.

We did not accomplish any physical work on our Chandalar property during 2003 other than the location of additional state mining claims. These claims relocated most of the area previously covered by those claims dropped in 2000, and expanded our coverage of the mining district as well. All of our state mining claims were maintained in good standing by carrying forward and applying to the 2003/2004 annual state mandated assessment work requirements the value in excess of the minimum annual labor requirements built up from previous years. Any values in excess of the required annual amount can be carried forward as a credit for up to four years.

Since 2003 we have accomplished work on all of our Chandalar mining claims sufficient to meet all annual state assessment work requirements for them, and assessment work affidavits for such have been duly and timely recorded in the appropriate recording district (Fairbanks, AK).

In 2003, Little Squaw Gold Mining Company came under new control, with Richard R. Walters taking over as our President. Since then, new board members have been elected and a new management team has been assembled. We believe the makeup of the Board of Directors and management is a competitive and operational strength, with board members who cumulatively have hundreds of years combined experience in the mining industry and a management team who have great depth of experience in the technical areas in which each one serves.

Chandalar Exploration Project Background

In 2004 we contracted the services of an independent geological consulting company, Pacific Rim Geological Consultants, Inc., of Fairbanks Alaska to review and analyze previous work done on Chandalar. The report was commissioned in February and completed in May, and is titled "Gold Deposits of the Chandalar Mining District, Northern Alaska: An information Review and Recommendations". Pacific Rim concluded that the gold mineralization at Chandalar is mesothermal, which can be described as formed at moderate to high temperatures and moderate to high pressures by deposition from hydrothermal fluids. Pacific Rim recommended an initial exploration program to better assess the gold lodes and the placer gold deposits at a cost of about \$1.4 million.

A field program to follow up on the work recommended by Pacific Rim was completed during the 2004 summer field season by James C. Barker, a Certified Professional Geologist licensed to practice in Alaska and under contract to us. Mr. Barker was one of the two co-authors of the Pacific Rim report. The 2004 field work and subsequent data analyses and reporting was completed at a cost of about \$77,000. A detailed technical description of the activity and results are contained in a December 20, 2004 report by Mr. Barker titled "Summary of Field Investigations 2004".

This 2004 exploration program ended a twenty year hiatus of hard rock exploration on the property, and it involved a photo geologic lineament study, expansion of the claim block to catch outlying vein showings and reconnaissance sampling. The lineament study identified fifty-nine sites thought to be favorable for discovery of mineralization. The second phase of the 2004 season's program identified six new gold-bearing quartz veins, bringing the total number of known gold-bearing quartz veins and quartz vein swarms on the Chandalar property to more than 28.

During 2004 we staked additional claims at Chandalar and completed a two-phase summer field program, conducted by Mr. Barker on our Chandalar property. The objective of the field program was to assess the validity of historic records, refine known drilling targets and identify new drilling targets. Several prospects of previously unevaluated or unknown gold mineralization were found.

During 2005 we completed a modest prospecting and geologic mapping program on Chandalar, which was limited by our lack of funds. That work was successful in identifying additional gold prospects within our claim block, and also in developing specific drilling targets on several of the prospects.

Mr. Barker was again retained to carry out a surface exploration program during the 2005 summer field season. This program was of a more modest nature than the previous program because of lack of funds, lasting only the month of July. In all, 189 exploratory samples of stream sediments, soils and rock chips were taken, and a series of ten prospect maps were upgraded. This program was completed at a cost of approximately \$58,000.

During early 2006, we acquired sufficient funds to undertake a substantial exploration program on the Chandalar property. On January 10, 2006, we entered into a consulting contract with Mr. Barker designating him as the Project Manager for the 2006 Chandalar exploration program. During the 2006 summer field season, a geological contractor made a 1:20,000 scale geologic map of the Chandalar district, and we drilled 39 reverse circulation drill holes for 7,763 feet on nine of some thirty gold prospects within our Chandalar claim block. In the process, several miles of old roads were repaired and three miles of new road was constructed. We established a semi-permanent exploration base camp (Mello Bench camp) capable of housing 20 people, and accomplished environmental clean ups of two old camp sites. Major capital items purchased were a mid-sized excavator, a small tractor, a pick-up truck and twelve ATVs. Our project expenses, including capital equipment was about \$1.765 million.

On January 1, 2007 our Board of Directors changed Mr. Robert Pate's position with the Company from Vice President to Vice president of Operations and made him the Project Manager for the Chandalar project. A new consulting contract was signed with Mr. Barker on February 1, 2007 designating him as the Technical Manager of the Chandalar project reporting to Mr. Pate. The 2007 exploration program expanded our understanding of several hard rock gold prospects through trenching and associated sampling. In all, forty prospect areas (five new ones were discovered in 2007) were mapped in detail and 1,342 samples of rock (including trench and placer drill hole bedrock) and soil were collected and analyzed. Forty-five trenches using an excavator for 5,927 feet were accomplished, of which

4,954 feet cut into bed rock and were sampled. Some 534 trench samples were taken continuously along the lengths of all trenches. Additionally, ground magnetic surveys on fifteen of the prospects were conducted with survey lines totaling 28 miles.

The bigger success came as a result of the reverse circulation drilling program conducted on the Little Squaw Creek drainage. A total of 15,304 feet were drilled. Of 107 holes collared, 87 were completed to their targeted depths. We engaged an independent contractor, Metallogeny Inc., to conduct all sampling in our drilling program, complete all drill sample gold recovery, or valuation, and report the results of their work. Metallogeny was also charged with the drill sample security. An analysis of the results and resource calculations for a body of mineralized material that was discovered by the drilling are currently being done. These results, when completed in the near future, will be presented to the public in a full report. We believe that there is body of evidence and basis for establishing the size and gold content of an SEC Industry Form 7 compliant ore reserve within this alluvial deposit. The Chandalar project cost for 2007 totals \$2,468,475.

Competition

There is aggressive competition within the minerals industry to discover and acquire mineral properties considered to have commercial potential. We compete for the opportunity to participate in promising exploration projects with other entities, many of which have greater resources than us. In addition, we compete with others in efforts to obtain financing to acquire and explore mineral properties. Specific to our Chandalar project, we compete in mining claims staking with local miners and entrepreneurs for prospective ground. One of those miners, Mr. Delmer Ackels, a lessee of the property, has overstaked five of our Traditional state mining claims in his own name. We have filed a civil suit to clear title to those claims (see Legal Proceedings), and also take possession of 29 other claims he staked on a creek covered by his mining lease.

Employees

We have four full-time management employees at this time, being the Vice President of Operations, Vice President of Exploration, Manager of Investor Relations and Camp Manager to manage the site logistics of the Chandalar project and be a permanent caretaker of the camp and equipment on the Chandalar project. On a seasonal basis, we add additional employees or contract resources to advance our exploration plans. We rely on consulting contracts for some of our management and administrative personnel needs, including the persons who act as our President/Chief Executive Officer and Chief Financial Officer. These contracts will expire on January 31, 2009 and on December 31, 2008, respectively, unless renewed by the compensation committee of our Board of Directors.

Regulation

Our activities in the United States and in other countries are subject to various federal, state, and local laws and regulations governing prospecting, exploration, production, labor standards, occupational health and mine safety, control of toxic substances, and other matters involving environmental protection and taxation. It is possible that future changes in these laws or regulations could have a significant impact on our business, causing those activities to be economically re-evaluated at that time.

Environmental Risks

Minerals exploration and mining are subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to us (or to other companies in the minerals industry) at a reasonable price. To the extent that we become subject to environmental liabilities, the remediation of any such liabilities would reduce funds otherwise available to us and could have a material adverse effect on our financial condition. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

Our Chandalar property contains an inactive small mining mill site with tailings impoundments, last used in 1983. The mill was capable of processing 100 tons of ore per day. A grand total of 11,918 tons were put through the mill, and into two small adjacent tailings impoundments. A December 19, 1990 letter from the Alaska Department of Environmental Conservation (the "D.E.C.") to the Division of Mining of the Department of Natural Resources states: "Our samples indicate the tailings impoundments meet Alaska D.E.C. standards requirements and are acceptable for

abandonment and reclamation.” The Alaska DNR conveyed acknowledgement of receipt of this report to us in a letter dated December 24, 1990. We subsequently reclaimed the tailings impoundments, and expect that no further remedial action will be required. Vegetation has established itself on the tailings impoundments, thereby mitigating erosional forces. Concerning a related matter, the Alaska D.E.C. has identified a small area of low-level mercury contamination in a graveled staging area next to the mill and has designated it to be a medium priority assessment site in its state contaminated sites database. We have accrued a \$50,000 liability to execute a remediation plan proposed by us and approved by the Alaska D.E.C. Other than this minor mercury contamination, we know of no matters of concern to the Alaska D.E.C. regarding our and our predecessors’ exploration and production activities on the properties.

Title to Properties

A major portion of our mineral rights consist of “unpatented” lode mining claims created and maintained on federal and deeded state lands in accordance with the laws governing federal and Alaska state mining claims. We have no unpatented mining claims on federal land in the Chandalar mining district, but do maintain unpatented state mining claims there. All of our claims comprising our Broken Hills West property are unpatented federal lode mining claims. All of the mining claims we have leased from others in Brazil and Mexico are federal claims on private lands. In both Brazil and Mexico the surface and subsurface ownership rights are severed to the extent that the underlying minerals belong to the peoples of those countries and are administered by the appropriate federal agencies. They are effectively unpatented mining claims whereon we may extract minerals by concessions issued according to the mining laws of the country. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of complex federal and state laws and regulations. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal and state governments. In addition, there are few public records that definitively determine the issues of validity and ownership of unpatented state mining claims.

An important part of our Chandalar property is patented federal mining claims owned by us, except for a 2% mineral reservation held by our former management. Patented mining claims, which are real property interests that are owned in fee simple, are subject to less risk than unpatented mining claims. We have done a title chain search of the Company’s patented federal mining claims and believe we are the owner of the private property, and that the property is free and clear of liens and other third party claims except for the 2% mineral production royalty.

A locator of a federal mining claim in the United States may obtain a patent (fee simple title) from the federal government after proving that an economically mineable discovery exists. After a patent has been granted, the claim becomes private property. Since 1994, the U.S. Federal Bureau of Land Management has been prohibited by Acts of Congress from accepting any new mineral patent applications. It is unknown how long this moratorium will continue. The locator of a mining claim on land belonging to the State of Alaska does not have an option to patent the claim. Rights to deposits of minerals on Alaska state land that is open to claim staking may be acquired by discovery, location and recording as prescribed in Alaska state statutes (AS 38.05.185 – 38.05.275). The locator has the exclusive right of possession and extraction of the minerals in or on the claim, subject to state statutes governing mining claims.

The State of Alaska requires locators and holders of unpatented state mining claims to complete annual assessment work and to pay an annual cash rental on the claims in order to keep the claimant’s title to the mining rights in good standing. We are not in default of any annual assessment work filing or annual claim rental payment.

State of Alaska unpatented mining claims are subject to a title reservation of 3% net profits royalty for all mineral production on net mining income of \$100,000 or more.

We have attempted to acquire and maintain satisfactory title to our Chandalar mining property, but we do not normally obtain title opinions on our properties in the ordinary course of business, with the attendant risk that title to some or all segments our properties, particularly title to the State of Alaska unpatented mining claims, may be defective.

On February 16, 2007, we filed a civil complaint against Gold Dust Mines, Inc., and its sole owners, Delmer M. Ackels and Gail E. Ackels, seeking, among other things, injunctive relief and eviction of Mr. Ackels from four of our claims. The mining claims in contest are a small portion of our Chandalar property. As such and based on our

technical evaluation of them, we believe they are not material to the property's exploration and ore body discovery potential. We are aware of small placer gold deposits on those claims that may have incited Mr. Ackels to challenge their validity. Our local base of operations is sited on one of those claims, and attempted development of that claim by Mr. Ackels could significantly disrupt our exploration program. A complete discussion of the complaint we filed against Mr. Ackels and his company, Gold Dust Mines, Inc., appears in the Legal Proceedings section of this document.

Taxes Pertaining to Mining

Alaska and Nevada have tax and regulatory policies that are widely viewed by the mining industry as offering the most favorable environments for establishing new mines in the United States. The mining taxation regimes in Alaska and Nevada have been stable for many years. There is always discussion of taxation issues in the legislatures but no changes have been proposed that would significantly alter their current state mining taxation structures. Although management has no reason to believe that new mining taxation laws which could adversely impact our Chandalar and Broken Hills properties will materialize, such event could and may happen in the future.

There is, however, movement in the U.S. Congress to enact legislation that would impose some form of a gross revenue tax or income tax on mines on federal lands. Our Chandalar project does not involve any federal land, but our Broken Hills West property is entirely on federal land. We cannot predict if or when such proposed legislation would be enacted.

There is a 3% gross sales state mining tax royalty for gold produced in Brazil. Mexico does not impose a mineral royalty or collect an economic rent from mining properties. Alternatively, Mexico does impose an annual tax on capital as a form of minimum tax. We are not aware of any legislative efforts to change the mining taxation structures in Brazil or Mexico.

ITEM 2. DESCRIPTION OF PROPERTIES

Broken Hills West, Nevada

The Company's focus is on the drilling exploration of its flagship Chandalar gold property located above the Arctic Circle in Alaska. Acquisition of the Broken Hills West property is in keeping with our goal to acquire additional gold exploration properties elsewhere in the Americas that will allow us to conduct field operations year round.

The Broken Hills West gold exploration property is located in the Walker Lane Belt of west-central Nevada in Mineral County 15 miles north of the town of Gabbs. A paved highway, State Route 361, runs through the property. The mineral rights are secured by 22 unpatented federal lode mining claims located on U.S. Bureau of Land Management ground. A private prospector known as "the David C. and Debra J. Knight Living Trust" (the "Trust") is the original locator of the claims, and is the current owner. We lease 28 unpatented federal lode mining claims covering 560 acres from a private prospector. The property is in a prolific gold producing area. We acquired it on the basis of favorable geology and surface geochemistry. Tertiary felsic volcanic, high angle structures and widespread hydrothermal alteration and associated iron-oxide impregnations are thought to be associated with hidden high-grade epithermal vein mineralization.

On August 25, 2006 we entered into a Binding Letter Agreement with the Trust for the property that outlined terms for a final agreement. On October 16, 2006, the Letter Agreement was replaced by a 40-year Mining Lease. The effective date of the Mining lease, however, is September 14, 2006, on which date the first lease payment was made. The terms of the Mining Lease give us the right to terminate it at any time subject to due notice, and calls for us to make annual lease payments of \$12,500 for the next five years, increasing to \$17,500 annually thereafter. We have the option to purchase the mineral rights for \$220,000 at any time, subject to a 2.5% net Smelter Return Royalty ("NSR") to be retained by the Trust. We also have the right to buy down the NSR to 1% by paying the owner a sum of between \$1.5 million and \$5 million, depending on the price of gold.

The Mining Lease and the federal lode claims are in good standing. We made the second year's lease payment of \$12,500 to the Trust on September 14, 2007. We spent a total of approximately \$37,000 on the Broken Hills West

property during 2007, including the leasehold payment, compared with approximately \$36,000 for similar expenditures in 2006.

The Broken Hills West mining claims were acquired in 2006 on the recommendations of two independent consulting geologists retained by us. The consultants spent two weeks examining the property, taking 166 outcrop and float samples for trace element analyses and making a detailed 1:2,400 scale geologic map. Geologically, the property is underlain by Tertiary age rhyodacite, dacitic tuffs, and andesite. Mineralization is centered near a major west-trending fault where a series of quartz veins cross silicified rhyodacite on its south side and hematitic tuff and breccia on its north side. The zone of hematitic tuff is 500 feet wide and 3,000 feet long, and includes a 200-foot wide tectonic breccia exposed intermittently for some 2,000 feet. A 500-foot wide zone of strong hydrothermal alteration (argillic phase) borders the hematitic tuff on the north.

Thirty four of the samples taken show more than 0.1 parts per million (ppm) gold, of which 11 have more than 0.5 ppm gold including 4 with more than 1.0 ppm gold, with a high of 3.21 ppm gold. These are also geochemically anomalous in silver, arsenic and mercury. The strongly anomalous samples are largely of microcrystalline quartz veins with central fragmental cores cemented by chalcedony and later crystalline vuggy quartz that have iron oxides and local pyrite. These results define a 1,000-foot wide zone that extends for 3,500 feet along the major fault, and indicate good potential for significant gold to occur within the hydrothermal system. Chalcedonic silica in the veins and opaline veins in the strong argillic zone show that the exposed mineralization is near the paleosurface of an epithermal system.

During 2007, we continued with our surface evaluation. A detailed geologic map was finalized in conjunction with the collection and analyses of about 80 rock samples. A soil sample grid covering the entire claim block was completed with 400 samples collected and analyzed. The results of this work support but do not significantly enhance our original target concepts for finding a blind (or buried) gold vein system. We have yet to recognize a definitive drill target. The next stage of evaluation will involve a geophysical survey incorporating induced potential and ground magnetometry. We have received a \$15,125 bid from a qualified geophysical contractor to complete our designated 60 line miles of survey. We intend to undertake this work in early 2008 provided funds are available and a suitable geophysical contractor can be engaged to do it.

Chandalar, AK

The Chandalar gold property is our flagship property. It is an exploration stage property. Little Squaw's management was attracted to the Chandalar district because of its similarities to productive mining districts, its past positive exploration results, and the opportunity to control multiple attractive gold quartz-vein prospects and adjacent unexplored target areas. The gold potential of the Chandalar district is enhanced by similarities to important North American mesothermal gold deposits, a common attribute being a tendency for the mineralization to continue for up to a mile or more at depth, barring structural offset. Mesothermal ore deposits yield anywhere from less than 100,000 to over 10 million ounces of gold at 0.1 to over 1 oz/ton gold. We believe that our dominant land control eliminates the risk of finding potential ore deposits being located within competitor claims. Summarily, the scale of the Chandalar district gold quartz vein frequency and length, and the number of gold anomalies and exposures compare favorably to similar attributes of productive mining districts.

The Chandalar district has a history of prior production, but there is no current production, except for some small-scale placer operations by an independent miner, Mr. Delmer Ackels, on inlier claims to our claim block (See Legal Proceedings). We may begin gold production on a portion of the property known as the Little Squaw Creek drainage, where a gold deposit has been discovered and partially drilled out during our 2007 exploration work. This deposit is geologically characterized as an aggradational placer gold deposit. It is unusual in the sense that it is the only such known alluvial, or placer, gold deposit in Alaska, although many exist in neighboring Siberia. Our discovery contrasts to others in Alaska that are commonly known as bedrock placer gold deposits. Aggradational alluvial gold deposits contain gold particles disseminated through thick sections of stream gravels in contrast to bedrock placer deposits where thin but rich gold-bearing gravel pay streaks rest directly on bedrock surfaces. Aggradational placer gold deposits are generally more conducive to bulk mining techniques incorporating economies of scale than are bedrock placer gold deposits. The plan view of our discovery is somewhat funnel-shaped, and as such has been divided

into two distinct geomorphological zones: a Gulch, or narrower channel portion, and a Fan, or broad alluvial apron portion.

We consider Alaska to be the most favorable jurisdiction in the United States for the development of mining projects. Our Chandalar property lies within politically favorable terrain, all either being on state land or land we own. Alaska has honored its constitution's mandate to encourage natural resource development by assisting miners with grants, low-interest loans, road/plant construction, a three-year mining tax moratorium, and a bottom-line tax write-off of the first \$20 million in exploration costs for each new mine. The nation's wealthiest state has no income or sales tax and distributes annual dividends to its citizens from the burgeoning \$37 billion Permanent Fund (at December 31, 2007) established for its 604,000 eligible residents. Alaska's favorable status may become tainted as recent activities by environmental groups have been promoting an agenda which would stop all mining activities within the state. We believe that this movement will not gain traction, but such activities may point toward possible heightened scrutiny of future mining projects.



Map 1 – Location of the Chandalar, Alaska Mining District

Location, Access & Geography of Chandalar

The Chandalar mining district lies north of the Arctic Circle at a latitude of about 67°30'. The district is about 190 air miles north of Fairbanks, Alaska and 48 air miles east-northeast of Coldfoot (Map 1). The center of the district is approximately 70 miles north of the Arctic Circle.

Access to Chandalar is either by aircraft from Fairbanks, or overland during the winter season only via a 60-mile-long trail from Coldfoot to Chandalar Lake and then by unimproved road to Tobin Creek on our property. Multiengine cargo aircraft can land at the state-maintained 4,700 foot airfield at Chandalar Lake or at our 4,200 foot Squaw Lake airstrip. Coldfoot is an important road traffic service center on the Dalton Highway. The Dalton Highway, which parallels the Trans-Alaska Pipeline, is the only road to the Prudhoe Bay oil fields on Alaska's North Slope, and it is part of the state's highway network.

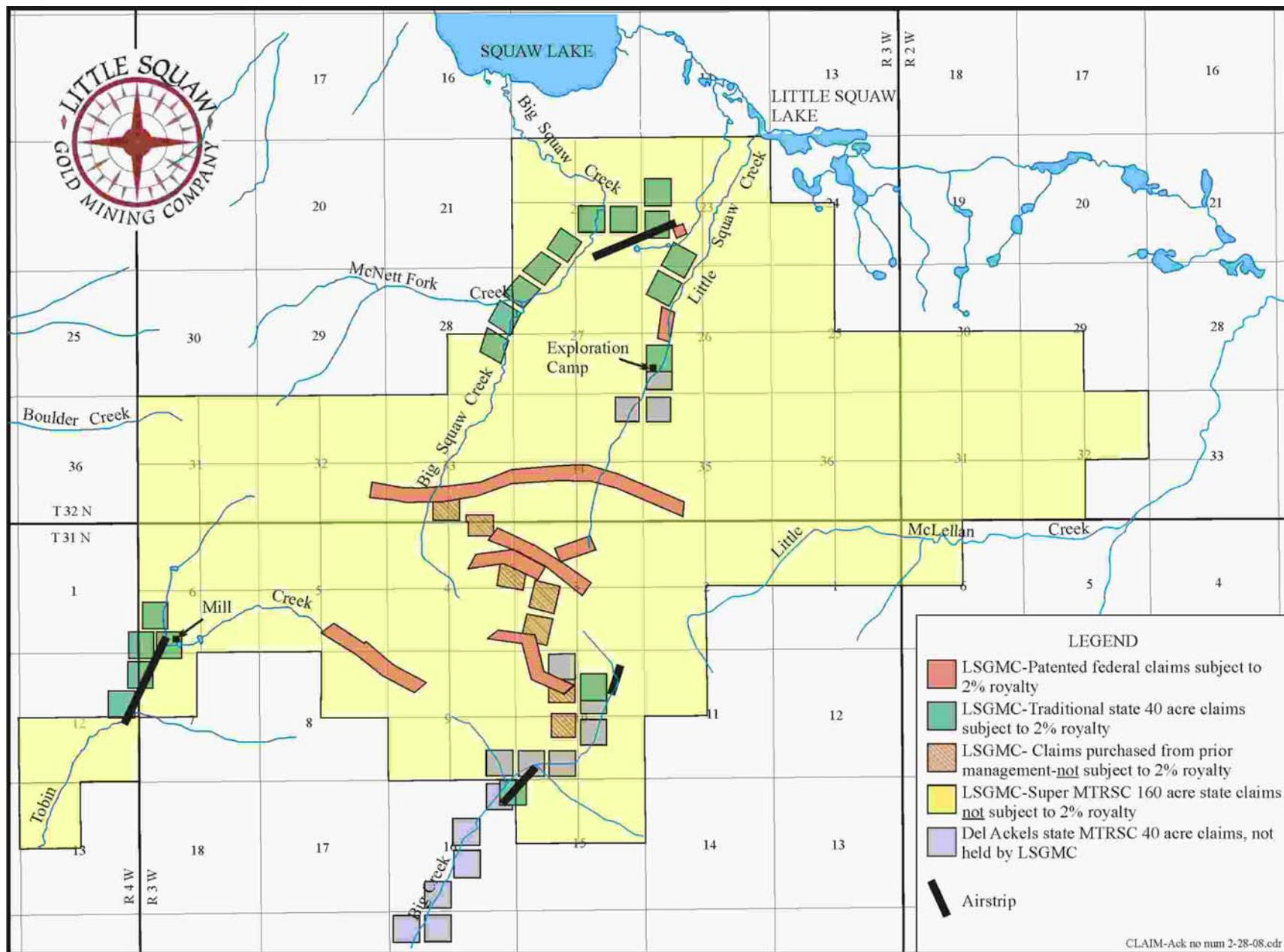
It is our assessment that all-weather road access into the Chandalar would dramatically enhance the economics of exploration for and development of gold deposits on our mining claims. The state of Alaska recently obtained a right-of-way access into the Chandalar area. On April 11, 2005 the State of Alaska (the plaintiff) filed a lawsuit against the United States and sixteen companies and individuals (the defendants) to gain quiet title to the state's rights-of-way for the Coldfoot to Chandalar Lake Trail. This historic trail was originally established by miners working their Chandalar district prospects. The State of Alaska and all defendants agreed to a pre-trial settlement of the action. The settlement was then agreed to by a U.S. District Court Judge on January 9, 2007, making it a binding final judgment. This judgment creates a permanent, sixty-foot wide public highway right-of-way for the Trail. It also gives the State of Alaska until October 1, 2008 to establish the exact location of the route using a survey-grade Global Positioning System.

We believe this judgment now opens a door of opportunity for us to promote state-sponsored road construction into our Chandalar gold property, and the two million acres of state land surrounding it.

This lawsuit represented a re-assertion of traditional access rights across federal land gained at the time of statehood, and was intended to set precedence for establishing the state's unrestricted right-of-way to more than 600 other similarly qualified historic trails within Alaska as established by Revised Federal Statute 2477. However, this settlement without trial avoided the possibility of setting such a precedent. The final judgment does not specify the Coldfoot to Chandalar Trail to be an RS 2477 route, but it does say that it is to be treated as if it were one.

A study was conducted in support of the litigation between the State of Alaska and the U.S. Department of Interior over rights-of-way on historic trails and roads originating from Section RS 2477 of the 1867 Mining Act. A report entitled History of the Caro-Coldfoot Trail (RST 262) and the Coldfoot-Chandalar Trail (RST-9) was prepared by the Alaska Department of Natural Resources (DNR), Division of Parks and Outdoor Recreation, and Office of History and Archaeology Report Number 117, by Rolfe G. Buzzell, Ph.D., Historian. The report is an in-depth history of mining and trail use in the Coldfoot-Caro-Chandalar areas from the 1890s to the present. It is not a copyrighted document, and the interested public can readily obtain a copy from the Company by sending a request to ir@littlesquawgold.com.

Geographically, the Chandalar district is situated in rugged terrain just within the south flank of the Brooks Range where elevations range from 1,900 feet in the lower valleys to just over 5,000 feet on the surrounding mountain peaks. The region has undergone glaciation due to multiple ice advances originating from the north and, while no glacial ice remains, the surficial land features of the area reflect abundant evidence of past glaciation. The district is characterized by deeply incised creek valleys that are actively down-cutting the terrain. The steep hill slopes are shingled with frost-fractured slabby slide rock, which is the product of arctic climate mass wasting and erosion. Consequently, bedrock exposure is mostly limited to ridge crests and a few locations in creek bottoms. Vegetation is limited to the peripheral areas at lower elevations where there are relatively continuous spruce forests in the larger river valleys. The higher elevations are characterized by arctic tundra.



Map 2 – Chandalar Mining Claim Block

Snow melt generally occurs toward the end of May, followed by an intensive, though short, 90-day growing season with 24 hours of daylight and daytime temperatures that range from 60-80° Fahrenheit. Freezing temperatures return in late August and freeze-up typically occurs by early October. Winter temperatures, particularly in the lower elevations, can drop to -50° F or colder for extended periods. Annual precipitation is 15 to 20 inches, coming mostly in late summer as rain and during the first half of the winter as snow. Winter snow accumulations are modest. The area is essentially an arctic desert.

Chandalar Mining Claims

We have a block of contiguous mining claims at Chandalar that cover a net area of about 14,800 acres (23.1 square miles) (Map 2), and which are maintained by us specifically for the exploration and possible exploitation of placer and lode gold deposits. The mining claims were located to cover most of the known gold bearing zones within an area approximately five miles by five miles. Within the claim block, we own in fee 426.5 acres as twenty-one approximately 20-acre patented federal lode claims, one 15.7-acre patented federal placer claim, and one 5-acre patented federal mill site. In addition, there are twenty-seven Traditional 40-acre State of Alaska claims lying largely within ninety-three 160-acre MTRSC claims, which are also State of Alaska claims. The federal patented claims cover the most important of the known gold-bearing structures. Both classes of state mining claims, totaling one hundred twenty Traditional and MTRSC claims, provide exploration and mining rights to both lode and placer mineral deposits. Unlike federal mining claims, State of Alaska mining claims cannot be patented, but the locator has the exclusive right of possession and extraction of the minerals in or on the claim.

Holders of any class of State of Alaska unpatented mining claims are required to complete a minimum amount of annual labor on each claim and to additionally pay an annual rental on them. In the case of a claim block or group where the claims are adjacent, the total amount of required annual labor is determined by multiplying the number of claims by the amount required for an individual claim, and the excess value of labor expended on any one or more of the claims can be applied to the labor requirements on the other claims within the block or grouping. The amount of required annual labor work varies with the size and class of mining claim and the amount of annual rental payable varies with the size, type and age of the claim. Labor expenses in excess of the annual requirement can be carried forward as a credit for up to four years. However, in the case of our Chandalar property, we have chosen to carry forward any excess value credit separately for each of our two classes (Traditional and MTRSC) of state mining claims. Also, the holder of a state mining claim may make a cash payment to the state equal to the value of labor required in lieu of doing the assessment work.

In the 2003/2004 assessment year, which ended on August 31, 2004, we spent \$46,970 on work that qualified for annual labor requirements. Our combined excess value credit for the two classes of claims was \$54,595, with \$14,400 expiring on September 1, 2005, \$18,425 expiring on September 1, 2006, and \$5,073 expiring on September 1, 2008.

In the 2004/2005 assessment year, which ended on August 31, 2005, we spent \$73,072 on work that qualified for annual labor requirements. Our combined excess value credit for the two classes of claims was \$88,067, with \$18,425 expiring on September 1, 2006, \$5,073 expiring on September 1, 2008, and \$64,569 expiring on September 1, 2009.

In the 2005/2006 assessment year, which ended on August 31, 2006, we spent \$1,156,621 on work that qualified for annual labor requirements. Our combined excess value credit for the two classes of claims is \$1,200,663, with \$5,073 expiring on September 1, 2007, \$38,969 expiring on September 1, 2008, and \$1,156,621 expiring on September 1, 2009.

In the 2007/2008 assessment year, which ended on August 31, 2007, we spent \$1,742,768 on work that qualified for annual labor requirements. Our combined excess value credit for the two classes of claims is \$2,905,536, with \$2,373 expiring on September 1, 2008, \$8,038 expiring on September 1, 2009, \$1,152,357 expiring on September 1, 2010, and \$1,742,768 expiring on September 1, 2011.

Our annual holding costs for the entire block of mining claims will vary according to the number, type and age of the state mining claims that we maintain in a particular year. Our claim block and is not subject to any local

taxation, including our private property (patented federal mining claims), as it does not lie within any borough or municipality.

The annual labor requirement for our Chandalar holdings is \$100 per each Traditional 40-acre claim and \$400 per each MTRSC 160-acre claim. Currently, the combined annual labor requirement for our claims is \$39,100.

The annual rental fee for our state mining claims is \$130 for each Traditional 40-acre claim and \$100 for each MTRSC 160-acre claim. The total annual rental obligation for the Chandalar property is currently \$12,605, and the rental fees are fully paid through November 30, 2008.

The total current annual combined mining claims assessment work and rental holding costs for our Chandalar property is \$51,705, which are included in mineral property maintenance expense and professional services expenses on our statement of operation. The details of our mining claims holding costs are shown in Table 1.

Table 1 – 2008 Mining Claims Holding Costs				
Number Of Claims	Type Of Claims	\$ Rate Rent/Assess	2008 \$ Rental	2008 \$ Assessment
19	Traditional	130/100	2,470	1,900
7	Traditional	130/100	910	700
1	Traditional	25/55/100	25	100
64	MTRSC	100/220/400	6,400	25,600
24	MTRSC	100/220/400	2,400	9,600
5	MTRSC	100/220/400	300	2,000
2	MTRSC	100/220/400	100	0
120			\$12,605	\$39,100
Annual Holding Costs				\$51,705

Our former management holds a mineral production royalty reservation on some mining claims within the Chandalar claim block. It is a 2% royalty defined as a gross product royalty on placer gold mining and as a net smelter return on lode mining production. The royalty on placer gold production is an “in kind” royalty to consist of the coarsest and largest particles of all gold produced. All of the patented federal mining claims are subject to this royalty, as are 19 of the 21 Traditional unpatented state mining claims. The royalty is applicable to about 1,185 acres of the 14,800 acre property. We have an option agreement to purchase the royalty for a one time cash payment of \$250,000. The option terminates on June 23, 2013, if not exercised on or before that date.

Our rights to four of our mineral claims are currently a matter of legal action against a long-term lessee, Gold Dust Mines, a private company wholly owned by Mr. & Mrs. Delmer Ackels (the Ackels) of Fairbanks, Alaska. See *Item 3 Legal Proceedings* for a full discussion of the history, nature and current status of this legal action.

We believe that the trespass of Gold Dust Mines and the Ackels on a tiny fraction of our stakeholder mineral rights (about one percent, or covering less than 170 acres in total) at Chandalar does not materially adversely affect our company as being a mineral exploration asset for Little Squaw, nor do we believe it would adversely affect our long term operations there should we find a mineable gold deposit on our claims. We also believe the four claims that are in conflict do not represent a significant portion of the overall mineral endowment of our Chandalar property. We do consider, however, that any Ackels’ placer mining activities on one of our Traditional state mining claims on upper Little Squaw Creek would interfere with our district exploration operations, as that is the location of our main camp and operations support facilities. Should a court find in favor of the Ackels and Gold Dust Mines, the ultimate affect on the Company’s exploration and development of its Chandalar property would not be material. In such case, we would incur the loss of a very small potential placer gold resource, and it could be temporarily detrimental to our ongoing exploration work in the sense that it would cause machinery congestion on the access roads, degradation of those roads, and also cost us an undetermined amount of time and expense in the relocation our exploration camp and supply facilities.

Chandalar Geology

Lode gold occurs at Chandalar as high-grade quartz veins within large northwest-trending shear zones in Paleozoic (probably Devonian age) schists. To date more than thirty-five gold-bearing quartz veins or swarms of gold-bearing quartz veins have been identified on the property. Our geologists classify the Chandalar gold-bearing quartz veins as sediment-hosted, orogenic, low-sulfide mesothermal deposits. The quartz veins are classified as being of mesothermal or metamorphic orogenic origin. Mesothermal vein systems commonly have great vertical range, and at Chandalar the vertical extent of the gold mineralization is known to be in excess of 1,500 feet. The gold-bearing quartz veins are typically one to six feet thick, with exceptional thicknesses of up to twelve feet in parts of the Mikado mine. Portions of some of the veins where they display a ribbon appearance are of particularly good gold grade, often in the multi-ounce per ton range. Some of the veins are known to be more than a thousand feet long, and occur intermittently along laterally extensive shear zones; the Mikado shear for example, has been identified over a strike length of six miles. The main area of economic concern is demonstration of good continuity of the quartz lodes and of the high-grade gold occurrences within those quartz lodes. A thick blanket of frozen soil, rock scree and talus and landslides covers an estimated 80 to 90 percent of the property, largely concealing the gold-quartz veins, making their exploration and discovery challenging.

Our patented lode mining claims contain the most important gold-bearing structures in the district, as far as is now known. Although high-grade gold showings in the Chandalar district have long been recognized in published literature, exploration necessary to establish the extent of mineralization has never been accomplished. The principal evaluation work done in the past on the lode deposits was done on the Mikado, Summit, Little Squaw, and Eneveloe-Bonanza mines by lessees in the late 1970's early 1980's. Each of these mines has been minimally worked by means of several hundred feet of underground workings aggregating almost 2,000 feet in all. Limited surface work in the past within the district established the existence of gold-bearing zones on other prospects similar to the veins found at these mines. Sufficient work has never been accomplished on any of the veins and gold-bearing zones to define the presence of ore reserves that meet the criteria of SEC Industry Guide 7.

Drilling of the veins by previous operators is either extremely limited or, in most cases, non-existent. A low-grade gold aureole may occur around some of the high-grade gold-quartz veins where chloritically and sericitically altered rocks contain stockworks and sections of thin sheeted quartz veinlets. These aureoles, which extend outwards as much as 100 feet at the Mikado mine, have never been tested for low-grade bulk tonnage mining potential. The Mikado mine is one site that may host high-grade gold-quartz vein deposits within low-grade bulk tonnage deposit. Substantial drilling and engineering work will be required to determine if such a potential deposit exists in a commercially viable quantity.

2004 and 2005 Chandalar Field Programs

During the 2004 summer field season we conducted a two-phase reconnaissance surface and underground sampling program on the Chandalar property. A deep soil sampling technique developed by us was employed to identify gold anomalies that may reflect hidden gold-quartz veins. The highlight of the first phase was the re-discovery of the historic Pioneer prospect. The Pioneer quartz vein is partially exposed in some old trenches and prospect pits. The Pioneer prospect, which is associated with a major shear zone at least three miles long, contains high-grade gold values of unknown extent. A channel sample across the vein assayed 2.30 ounces of gold per ton over a width of 2.5 feet.

The 2004 summer field program was augmented by a structural geology study of the Chandalar district using existing high altitude aerial photography. The study was done by BlueMap Geomatics Ltd. located in Vancouver, British Columbia. The gold bearing quartz veins on the property occur within large shear zones or faults that form lineaments, and major structural intersections may be a controlling factor in the emplacement of the gold mineralization. BlueMap Geomatics identified numerous pronounced linears that they interpreted to represent deep-seated faults. This work was useful in defining sites for follow up exploration in 2005 that resulted in new prospects (Rock Glacier and Prospector East.)

Similar surface prospecting work and mineralization site appraisals continued during the summer of 2005, although at a lower level of activity for lack of sufficient funding. A summary description of the principal mines and prospects examined during the 2004 and 2005 summer field seasons was prepared, and drilling targets were selected from that information which is available in a Prospectus filed on August 28, 2006 with the SEC.

Our Chandalar mining claims cover all or major portions of three main drainages and lesser parts of a fourth drainage that radiate from the areas in which the gold-bearing quartz veins and associated shear zones are located. They include most of the areas where placer gold mining operations occurred in the past, as well as substantial portions of these drainages that have never been mined. The placer gold deposits in the Chandalar district are characterized by high-grade concentrations of native gold that occur in multiple horizons in second and third order streams in the vicinity of auriferous quartz lodes. At least 76,700 ounces of gold are known to have been produced from four placer deposits at Chandalar, with recovery of some nuggets, the largest of which was 10.6 ounces, according to records in our possession. The placer gold deposits were exploited by both open-cut and underground drift mining methods limited to unconsolidated but frozen gravels. Limited drilling by previous operators indicates that certain areas on the property, especially along Little Squaw Creek and Big Squaw Creek have potential for the discovery of significant quantities of placer gold. Substantial drilling and engineering work will be required to determine if such potential deposits exist in commercially viable quantities.

Progress was made during the 2004 and 2005 Chandalar project summer field seasons in defining geological features helpful in planning future drilling campaigns. The primary focus of the 2005 geological field program was to technically assess a suite of the prospects defined by the 2004 program. These programs methodically built a suite of substantive drilling targets through prospect scale geologic mapping and intensive prospect site sampling at some 35 sites. We believe that this work was successful in effectively advancing ten quartz lode gold prospects to the drilling stage for initial drilling in 2006. Drill targets include both high-grade quartz vein underground deposits and targets for lower-grade deposits of disseminated gold within hydrothermally altered wall rocks of quartz veins, which may be amenable to surface bulk mining methods. The Project Manager at the time, Mr. Barker, advanced a proposal to make an initial test of the ten targets with 10,000 feet of drilling in 2006, which, following appraisal of the results, was to have lead to an intensified drilling proposal on selected hardrock sites in 2007. The aim of the 2007 drilling would be to begin establishing a mineral resource on some sites where good drill intercepts were obtained. Unfortunately, we were unable to obtain a diamond core drill in 2007 to test those sites.

2006 Chandalar Program Overview

The planned 2006 technical program was based on geological field work completed during 2004 and 2005, and the recommendations of our Chandalar Project Manager and registered professional geologist, James C. Barker. Mr. Barker's recommendations are contained in a report dated January 2, 2006, which is available on our website at www.littlesquawgold.com.

The main goals of the 2006 Chandalar field season were:

- Renovation and expansion of the Chandalar infrastructure, including roads, airstrip and camp facilities.
- A district geologic map at 1:20,000 scale.
- Geologic examination (mapping, sampling, trenching) of the as many of the 35 gold prospects as possible.
- Thirty or more reverse circulation drill holes for 10,000 feet on ten targets.
- An initial examination of the major placer gold deposit on Little Squaw Creek to produce a forward going evaluation plan.

All of the 2006 geological field and drilling data, together with assay results tables, has been compiled and the Project Manager, Mr. Barker, completed a written report detailing the findings that the program. His report, Annual Report of Findings for 2006, dated March 15, 2007, is available on our website at www.littlesquawgold.com.

We began our 2006 Chandalar exploration program late in the first quarter of 2006 by mobilizing heavy machinery, camp construction materials and supplies by "cat train" over the Coldfoot to Chandalar winter haulage trail to a site within our Chandalar mining claim block. The field program was supported throughout the summer by aircraft, and the program was also demobilized by aircraft late in the third quarter. A 20-man exploration and drilling

camp was set up. We reconditioned and upgraded the Squaw Lake airfield to accommodate multi-engine aircraft and established an adjacent bulk fuel offloading and temporary storage depot.

An Anchorage, Alaska based drilling service company was contracted to perform the drilling at Chandalar using a reverse circulation (RC) drilling unit. RC drilling produces chips of rock called cuttings. Ultimately, at 7,763 feet, the drilling fell short of its 10,000-foot goal because of a combination of difficult factors.

Mr. Barker directed the drilling as well as the Company's survey crews, which conducted detailed geological mapping and sampling of many gold-quartz vein prospects occurring across the Chandalar property. Approximately 950 soil and rock samples were collected during the field season and submitted for assay. In conjunction with this, four excavator trenches totaling 300 feet in length were dug for bedrock sampling. All of this work focused on proving-up the continuity of quartz veins. It also found that many of the 35 individual gold-quartz vein prospects are linked, forming sets comprising ten separate and very long quartz vein/shear zone systems.

In the spring of 2006, we entered into a geological mapping service contact with Pacific Rim Geological Consultants of Fairbanks, Alaska. By October, their geological team had completed a 1:20,000 scale geological map of the Chandalar mining district, encompassing about fifty square miles. This work has resulted in a technical report to us dated January 23, 2007 and titled "Geology of the Chandalar Mining District, East Central Brooks Range, Northern Alaska". One objective of this work has been to identify any linkage between gold mineralization and specific geological features that may be helpful in further exploring the gold deposits of the district. The report contains twelve enumerated observations and recommendations that bear on the mineral endowment of our property, and the Chandalar district as a whole. The report singles out calcium carbonate stratigraphic units within turbidite stratigraphic units as being an important ore forming control where the fault feeder zones cross cut them.

2006 Chandalar Sampling and Assaying Parameters

In 2006, we took about 2,100 various types of samples for assay, including 1,128 drill samples. All of the 2006 assay results for rock, soil, stream sediment and drill samples reported in this document were collected by us or independent contractors working for us. All of these samples are preliminary and strictly of a reconnaissance nature. In many cases the samples were not taken across the full width of the quartz veins, and therefore the samples do not represent a quantitative measurement of the gold content of the veins, nor should they be interpreted to indicate that mineralization is present in a quantity and grade that would represent an economically viable ore deposit. The soil samples are also strictly of a reconnaissance nature, taken to define zones of gold mineralization concealed by soil and vegetation cover. Geochemical analysis using atomic adsorption methods were applied to the soil and stream sediment samples. Our drilling was done using a reverse circulation percussion drill. We collected a continuous progression of five-foot sample intervals of the drill cuttings for the entire length of each hole.

All of our rock and drill chip samples were assayed by ALS Chemex USA Inc. in Sparks, Nevada using fire assays with a gravimetric or Atomic Adsorption finish for gold. (ALS Chemex operates under ISO certification and is a global provider of assays to mineral exploration and mining companies.) Of the 1,128 samples of drill cuttings, metallic screen assaying procedures were applied to 130 of the samples. Metallic screen assaying is an industry accepted assaying procedure that is used to mitigate possible gold nugget effects on the assay results.

Approximately eight percent (8%) of the drill cuttings samples and two and one-half percent (2.5%) of the surface rock and soil samples were involved in a check assay program we conducted. A series of coarse rejects and pulps from samples assayed by our primary assayer, ALS Chemex, were submitted to Alaska Assay Laboratory in Fairbanks, Alaska for re-assay and statistical comparisons to the original assay received from Chemex, and previously publicly reported by us. A scatter gram showed most of the re-assays to be slightly higher, a factor we have attributed to employment of slightly different sample preparation techniques. We are satisfied the check assay program confirms the quality of the original assays.

None of the assays we report in this document are to be interpreted to imply the presence of ore reserves, including those of the drill cuttings. Substantial additional sampling, drilling and geological and engineering work would have to be completed to confirm the presence of proven and probable reserves that meet SEC Industry Guide 7 criteria, and no assurance can be given that any such reserves will eventually be defined on our Chandalar property.

On July 22, 2006 we initiated a drilling program intended to provide an initial, or reconnaissance, test of some ten of thirty targets developed by previous geological field work. In all, 7,763 feet of RC drilling was accomplished in thirty-nine drill holes on nine separate prospects. Ten of those holes were abandoned or lost prior to reaching their targets due to poor ground conditions, and the planned drilling of the Pallasgeen prospect was not accomplished. All of the drill holes were drilled at angles designed to intercept their targeted quartz veins or mineralized structures at right angles in order to obtain their approximate true widths. The prospect sites and the targeted mineralized structures where the 2006 drilling took place and detailed drilling data are detailed in Mr. Barker's March 15, 2007 report which is available on our web site.

2006 Chandalar Prospects Drilling Conclusions

The 2006 drilling program was basically successful in meeting its objective. It was a scout program using percussion RC drilling to make initial tests on as many prospects as possible in order to determine which of them may be worthy of continued, more detailed drilling. Diamond core drilling is now necessary to define resources in ore shoots. An analysis of the drilling sample assay results for each of the nine prospects concludes that follow-up diamond core drilling should be accomplished on four of them as soon as sufficient financing is obtained and an appropriate drill rig can be contracted. These are the Little Squaw, Summit, Eneveloe and Ratchet Ridge. Extensive trenching (using our excavator) with attendant geologic mapping and rock chip sampling is warranted on the Jupiter and the Kiska. No further work was planned on the Crystal or Uranus, and those drill sites have been reclaimed. Complete reports of the 2006 drilling and trenching results are included in our 2006 Form 10-KSB.

Due to the demand for core drilling machines for 2007, we were unable in securing a suitable rig to complete the planned diamond core drilling on the four prospects listed above. Our tentative exploration plan for 2008 calls for drilling these prospects, contingent on having sufficient funds to do so.

Little Squaw Prospect

First explored in 1909, a small reserve of 2,000 tons grading 53.08 g/t (1.55 oz/ton) gold was estimated in a high-grade shoot of auriferous vein quartz containing visible gold (Note: This is not an SEC Industry Guide 7 compliant resource). Our records indicate at least 625 ounces of gold have been produced. Old exploratory mine workings include two adit levels, each about 300 ft long, connected by a winze, and a 76 foot-raise to the discovery outcrop. In 2006 we drilled seven reverse-circulation holes totaling 1,608 feet to explore the known and suspected auxiliary, or side veins.

Quartz vein mineralization is localized along a south-dipping fault, and on the 100 Level, gold is confined to the footwall zone of a composite vein. A 9 to 12 inch banded ribbon gold-quartz zone contains disseminated and thin seams of arsenopyrite, mica, scorodite, pyrite, and trace galena. The vein can be traced westerly about 1,800 feet from the 100 Level, and is open to extension beyond that. Aerial imagery and float mapping tentatively extends the Little Squaw shear zones along a 110° strike eastward to the Crystal prospect, about one mile east.

Two, possibly three or more veins, are present at the Little Squaw mine; the principal veins are the 100 Level vein on the north, and a south vein about 125 feet south of the 100 Level vein.

We drilled seven holes from four sites spaced at 150-foot intervals for 600 feet along the Little Squaw structure to test the known quartz vein system at depth. Drill hole LS 2 cut the best intercept: 20 feet of 4.21 g/t (0.123 oz/ton) gold, including 5 feet of 10.75 g/t (0.314 oz/ton) gold. A re-assay of the sample pulp by the check laboratory found 16.15 g/t (0.472 oz/t) gold. Hole LS 4 cut the vein but reported only a single 5-foot interval of 0.64 g/t (0.019 oz/ton) gold; water and lost circulation were encountered in the vein and gold loss is suspected. The 1982 hole LS3 reportedly cut the south vein with 6.16 g/t (0.18 oz/ton) gold over 70 feet. Hole LS 5 also cut the south vein with a 5-foot interval of 3.38 g/t (0.099 oz/ton) gold; hole LS 35 only entered the vein with the last few feet of the available drill rod, unable to return a reliable sample. Hole LS 36 was targeted on the vein but also failed to reach it. It is apparent from the combined 1982 and 2006 drill data that the vein on the 100 Level may be mineralized over a longer strike length and depth than previously known.

Summit Prospect

Exploration of the Summit mine area was first reported prior to 1913 and by 1982 a shaft, multiple trenches, several drill holes, and three adits had been driven during several episodes of prospecting. There are Company reports that 1,400 tons were produced at a grade of 44.14 g/t (1.289 oz/ton) gold and 142 tons at a grade of 165.07 g/t (4.820 oz/ton). A previously reported high-grade ore shoot on the 100 Level was re-opened in 2006 and it is estimated that about 800 tons had been mined from a stope into this shoot, which remains open to depth.

Summit prospect is a large fault or shear zone 100 or more feet wide that contains multiple veins and lenses of gold-bearing quartz. In 2006, we drilled seven reverse-circulation holes totaling 1,555 feet along a 1,200-foot segment of the mineralized system. Drilling near the old mine workings indicates very good discovery potential. There, good exploration potential is indicated by results in SUM 7, 8, 9, and 10, which returned values from 3.24 to 9.05 g/t (0.095 to 0.264 oz/t) gold including a 5-foot intercept of 16.15 g/t (0.457 oz/ton) gold in SUM 8, signaling the presence of a high grade ore shoot (>1 oz/ton). Definition and step out drilling are required to delineate the continuity of the higher grade drill intercepts. SUM 12 is an intriguing hole that bottomed in a 95-foot section of low grade (0.28 g/t, or 0.008 oz/ton) gold mineralization, the last 35 feet averaging 0.44 g/t (0.013 oz Au/ton); the hole bottomed in mineralized rock. The 2006 drilling did show that lower grade gold values are present in wider zones within the carbonaceous schist, as in hole SUM 12, and not associated with large quartz veins.

The results of the 2006 drilling, trenching, and soil samples indicate potential for discovery of a large tonnage, low-grade deposit on the Summit prospect. The multi-veined, sheared and hydrothermally altered structure has been traced for 4,500 feet of strike length, and is open in both directions and to depth. Wide spaced orientation holes have probed less than a quarter of its identified strike length.

Kiska Prospect

A 1945 Company report mentions a stibnite-quartz showing referred to as the Little Kiska on a hillside between the Mikado and the Star claim groups, but no specific location is given. In 2006 we found that gold could be readily panned from soil along a projected strike of a buried quartz structure in the general vicinity of the old reports. We accomplished a soil sample grid that was successful in outlining a geochemical anomaly averaging 1.03 g/t (0.030 oz/t) gold over at least 75 feet by more than 1,700 feet. We cut one trench, where rock chip sample assays ranged from 1.25 to 422.00 g/t (0.037 to 12.322 oz/ton) gold over scattered narrow intervals. It indicates the gold in soil anomaly is caused by of a wide zone of many small irregular and intermittent quartz veins and lenses and zones of fault gouge with gold.

Seven scout drill holes were drilled from five sites totaling 1,435 feet were subsequently drilled along the length of the Kiska soil geochemical anomaly, including five holes that ended in gold mineralization. Of the seven holes, four did not reach their intended depth. Anomalous gold values were present in most of the drill holes, but assays were quite low. The two best drill hole intervals are 10 feet in KIS 17 with 1.10 g/t (0.032 oz/t) gold and 20 feet in KIS 18 with 0.70 g/t (0.021) gold.

We believe the Kiska prospect deserves continued examination by an extensive trenching program with emphasize on identifying bulk tonnage potential in future programs.

Eneveloe Prospect

Eneveloe is a large gold-bearing quartz vein that has been traced for several thousand feet by geological mapping. We are in possession of reports dating back to 1911 of samples assaying 11.30 to 29.80 g/t (0.330 to 0.870 oz /ton) gold taken from the 15 to 20-foot wide quartz vein outcrop that is the present site of an old tunnel. In 1981 a former lessee of the property calculated a small inferred resource of 5,356 ounces at 31.10 g/t (1.000 oz /ton) gold based on drilling they did (Note: This is not an SEC Industry Guide 7 compliant resource). In 2006, we drilled five holes totaling 910 feet from two sites about 300 feet apart.

We drilled reverse circulation drill holes ENV 20, 21, & 22 in 2006. In drill hole ENV 20 the interval between 60 feet to 85 feet averages 5.85 g/t (0.171 oz/ton) gold within which the interval 60 to 65 feet assayed 25.41 g/t (0.742 oz /ton) gold. Hole ENV 21, angled to the east of the others, also reported the quartz vein zone, albeit thinner and lower grade, which averaged 2.60 g/t (0.076 oz /ton) gold over 15 feet. Hole ENV 22 had a weak intercept of 5 feet of 0.78 g/t (0.023 oz/ton) gold, but the hole was stopped short of its target. Based on the combined data, mineralization

on the vein system appears to extend west farther than previously thought. Stream sediment from Robbins Gulch, 1,800 feet west of the drill site, assayed a very high 0.60 g/t gold.

Holes ENV 26 and 27 were drilled to search for an eastward extension of the aforementioned “ore” shoot. Neither hole showed any significant intercepts, suggesting either it dissipates to the east, or the zone of quartz veining has been offset to the north, as suggested by the geochemically anomalous gold in soil values in that area.

Continued drilling of the Eneveloe prospect is warranted in the future, particularly to chase the down dip extension of the mineralization in hole ENV 20, and to scout the vein to the west of the drilled area.

Jupiter Prospect

Jupiter is another large gold-bearing quartz vein close to and sub-parallel to the Eneveloe vein. Rock chip sampling shows it contains about 3 g/t (0.088 oz/t) gold. Three holes were drilled in 2006 to target the talus-covered projection of the vein. Only drill hole JUP 25 was successfully completed. The Jupiter vein remains open to exploration to the east and west, where geological mapping indicates it extends for hundreds of feet. Continued exploration by trenching is warranted.

Ratchet Ridge Prospect

The 2006 drilling found the first occurrence of hydrothermally altered greenstone intrusive rock that has been recorded on the Chandalar property. Drill hole RR 33 encountered what appears to be a geochemically gold enriched rock suspected to be listwanite. Listwanite is named after the mafic rock in the Mother Lode gold mining districts of northern California where its silicate minerals have been replaced by carbonate minerals during gold mineralizing episodes. There, it usually occurs near gold ore shoots within quartz veins where they approach mafic intrusives. Although this drilling discovered only geochemically anomalous gold mineralization, Ratchet Ridge remains an intriguing prospect deserving of additional drilling.

Crystal Prospect

Early day prospectors discovered the Crystal prospect, and by 1908 a four-ton bulk sample had been mined from quartz veins and packed to an improvised stamp mill at nearby Spring Creek. According to reports in the Company’s records, the shipped ore mill recovery averaged 1,464.19 g/t (42.574 oz /ton) gold, with total production of 188.32 ounces of gold. A 2004 chip sample from a 0.67 ft-wide banded zone at the Crystal assayed 113.20 g/t (3.305 oz/ton) gold. There are several quartz veins present at the Crystal, however, bedrock of gray micaceous schist and black carbonaceous phyllite to schist is complexly faulted and individual veins cannot be traced more than a few tens of feet. In 2006, we attempted two reverse-circulation drill holes; hole CRY 30 was to undercut the old workings and hole CRY 31 was targeted to undercut a quartz vein we exposed by trenching about 200 feet to the east of CRY 30. Neither drill hole intercepted their intended targets, probably because they are off set by faults. The last 35 feet of drill hole CRY 30 intersected geochemically gold anomalous altered carbonaceous schist with minor mixed quartz and hematitic alteration. This rock is similar to what was drilled in Summit drill hole SUM 12, and could have touched on a large zone of low grade gold mineralization. Additional trenching and structural mapping and sampling of the veins to the west are planned.

East Little Squaw Prospect

Five holes were drilled in search of the eastern extension of the Little Squaw vein system. The first, LS 35, was positioned to intersect the projection of the main vein about 100 feet east of, and 120 feet deeper than the hit in LS 2, which intersected 70 feet of 1.30 g/t gold (0.038 oz/t gold) including 5 feet of 10.75 g/t gold (0.314 oz/t gold). The last 5 feet of LS 35 started into the quartz vein zone, but it did not penetrate the vein as the limits of the drill tooling had been reached. LS 36 was drilled from the same drill pad, but at a much different azimuth to test for outlying (hanging wall) veins. None were found. The last three holes were drilled about 700 feet east of LS 2 along the projection of the vein system within an area covered by landslide debris. Two of the holes were lost to difficult drilling conditions in the landslide debris, and a third was completed to depth without hitting any gold veins. The 2006 does not adequately test the prospective zone. Additional drilling is recommended for the East Little Squaw prospect on a low priority basis.

Uranus Prospect

The two holes drilled on the Uranus were designed to probe for downward extensions of two sub-parallel gold-bearing quartz veins exposed in old prospecting pits. The holes did not show gold values of interest and no further drilling is justified on this prospect.

Un-drilled Chandalar Prospects

In addition to the 2006 field season drilling, field examination work continued on a suite of more than 27 other gold showings scatter over the Chandalar claim block. Detailed geological prospecting and evaluation was accomplished on some 18 of those having the following names: Pallasgreen-Drumlummon, Aurora Gulch, Big Creek Bowl, Big Squaw Creek, Bonanza, Boulder Creek, Chandalar, Indicate-Tonapah, Kelty-Caribou, Mellow Bench, Mikado-Big Tobin, Mikado Pedro, Northern Lights, Pioneer, Prospector East, Rock Glacier, St. Marys, and Woodchuck. Our examination work determined that no further work should be done on five of these prospects, which are the St. Marys, Mikado-Pedro, Boulder Creek, Big Squaw and Woodchuck. Evaluation work, including some geophysics, will continue on thirteen of the prospects in the future. The Pallasgreen-Drumlummon and Aurora Gulch show exceptional merit at this time, and are worthy of expanded comments as follows:

Pallasgreen-Drumlummon

The Pallasgreen-Drumlummon was on the docket to be drilled in 2006. However exceptionally muddy access roads prevented access to its drill sites. The Pallasgreen site shows a prominent outcrop of iron-stained quartz, first prospected in the early 1900s by a couple of small pits; the nearby Drumlummon does not outcrop. The two prospects are geologically similar and in close proximity, apparently displaced by a fault zone, and traceable for about one mile.

Typical of other district gold-quartz veins, the Pallasgreen-Drumlummon prospects are controlled by, and are aligned to, northwesterly altered shear zones striking 105° to 115°. Quartz veins follow hydrothermal alteration zones 75 to 100 feet wide that exhibit magnetic low fields also striking northwest. Sampling of the Drumlummon included a soil grid in 2006, but only a few sporadic gold-arsenic anomalies were found. Samples of vein material found in float contained 0.03 to 1.16 g/t (0.001 to 0.034 oz/t) gold. .

The principal quartz vein at the Pallasgreen is about 25 feet-wide and strikes 100° to 105° with a steep south dip. The best assay of the vein is 3.93 g/t (0.126 oz/t) gold from a 1.0 foot-channel sample of the vein's footwall. A close-by, parallel, 6 foot-thick vein contains clots of galena and arsenopyrite. This vein strikes east to an exposure where a random chip assay reported 10.87 g/t (0.317 oz /t) gold. Water in Nugget Creek draining the prospect area is highly discolored from mineral content; two water samples contain anomalous zinc.

Aurora Gulch

We first identified this unique prospect in the 2006. There is no record or evidence of previous work having been done. The Aurora Gulch prospect represents a type of gold-arsenic mineralization that differs from the classical mesothermal quartz veins typical of the Chandalar district. At the Aurora, geochemical gold-arsenic values with a distal antimony halo are concentrated in carbonaceous schist and dolomite below an altered structural contact with overlying gently folded greenstone sills. The underlying metasediments are cut by one, probably two deep-seated west-northwesterly shear zones that are intersected by both northwest and northeast prominent faults. Geochemically anomalous gold values have been found in soil, stream sediment, and rock samples. Stream sediment values are up to 0.45 g/t (0.014 oz/t) gold, and soil values range up to 2.78g/t (0.089 oz/t) gold. An area approximately 1,200 feet square of geochemically anomalous gold and arsenic is enveloped by a zone of variable sericite-silicic-hematite-carbonate hydrothermally altered schist, mostly underlying the lowermost greenstone sill. Highly geochemically anomalous antimony occurs on the perimeter of the gold geochemical anomaly. Gold mineralization observed to date occurs as pods and lenses of sulfide quartz distributed within sheared and isoclinally folded black schist. A quartz veinlet stockwork in unfoliated dolomite seen only in float assayed 38.80 g/t (1.248 oz/t) gold.

Aurora Gulch shows good potential for developing a target for a large disseminated type gold deposit that is not controlled by quartz veins, as is currently seen to be typical of the Chandalar district. Very little bedrock is exposed for examination. Most of the map area is talus or tundra covered; consequently, extensive trenching is the next logical step.

2006 Chandalar Placer Gold Deposit Evaluation

In conjunction with the end of the first seasonal lode gold exploratory drilling program on our Chandalar property, we retained the services of Mr. Jeffrey O. Keener to conduct a preliminary field examination of the placer (or alluvial) gold deposits on Little Squaw Creek and Big Squaw Creek. Mr. Keener is a well recognized consulting geologist and placer mining specialist in Alaska who has evaluated 38 Alaskan and western U.S. placer gold deposits, of which ten have been brought into production on his advice. Mr. Keener's report to us comes under the letterhead of NordWand Enterprize, his private mineral exploration company, and is titled *Letter of Recommendation: Chandalar Placers, October 1, 2006*.

Placers are secondary gold deposits derived by erosion of weathered outcrops of large lodes (gold-quartz veins) located up-stream. Placer gold consists of gold particles found as dust, flakes and nuggets in the gravel deposits of stream channels and creek beds. A number of placer gold deposits have been previously identified around the Chandalar property, where four creeks have seen historic placer gold production, mainly by "old timers" using hand mining methods. The recorded placer gold mining production at Chandalar exceeds 76,700 ounces, of which 29,000 ounces is documented to have come from small open-cut and underground (drift or tunnel) mining on Little Squaw Creek. Placer mining gold grades are measured in ounces per cubic yard (opy) of gravel, with results usually in the hundredths (0.01's) of an ounce range being of potential economic range at current gold prices. The historic underground mining on Little Squaw Creek averaged 0.96 opy. In the last decade, independent miners, who had leased creeks on the Chandalar property and used mechanized placer mining equipment, reported their "break-even" gold grade was between 0.02 and 0.03 opy.

During his field examination, Mr. Keener mapped and sampled old miners' workings, and excavated sampling pits on Little Squaw Creek to depths of 20 feet. He used an analytical gold panning technique to sample and measure the gold contents of various sites, finding gold grades of between 0.017 opy and 0.157 opy in various strata within the gravel beds. His immediate aim was to investigate the recovery of gold from a reconnaissance drilling program performed in 1997 by a former lessee, Daglow Exploration, Inc. (now a defunct Australian company). A November 11, 1997 report authored by Mr. Gary Fitch, Economic Geologist, and titled *Placer Gold Drilling and Evaluation, Little Squaw Creek and Big Squaw Creek, Chandalar Mining District, Alaska*, provides the Daglow drilling results. Daglow supplied the report to us under terms of their mining lease. It remains as an internal Company document. Mr. Fitch estimated that a possible deposit (i.e. mineralized material) of 194,000 ounces of gold contained in 2.3 million cubic yards of placer gravel (an average grade of 0.084 opy) may remain unmined in Little Squaw Creek. (We note that this reference is not an SEC Industry Guide 7 compliant resource.)

Mr. Keener reported that a mine model is a pre-requisite in weighing economic criteria against the any potentially drilled resource. He noted that in 2002, the U.S. Bureau of Land Management conducted a pre-feasibility study of mining in the Koyukuk Mining District, just west of the Chandalar region (Coldwell, J.R., BLM Tech. Rpt. 38). They estimated that for a large placer mine supported by a 100-mile long winter trail, a paygrade of \$3.26 per loose cubic yard for all material moved would be required to break-even. Applying the average gold price of \$310 per ounce for 2002, the cut-off grade is 0.011 ounces per cubic yard. We estimate that average grades of 0.010 opy could be profitable at Chandalar given current gold price (~\$900/oz) and using bulk mining methods.

The basic conclusion of Mr. Keener's report is summed up in the following quotes taken from his report: *"The presence of high-grade placer gold deposits on Little Squaw Creek is well-established and clearly has the potential to provide a significant gold resource for the Company If proven, these deposits can be brought into production within a relatively short time. Furthermore, additional placer resources that may occur on nearby gold-bearing creeks controlled by the Company will substantially enhance the value of the Chandalar mineral properties."*

Mr. Keener recommended in his report that a drilling program be conducted in 2007 to define our placer gold resources with the goal of developing probable and proven reserves on the Little Squaw Creek stream. He also advised reconnaissance drilling should commence on Big Squaw Creek to explore for "pay streaks" in the deeper gravels downstream of the old workings. He noted that additional placer exploration targets on the Company's properties have also been identified and should be drilled in the future.

Completion of the 2007 Exploration Program

Mr. Barker, Project Technical Manager, has provided us with a series of short geologic prospect evaluation reports from which much of the information below is drawn. He is currently preparing a Canadian National Instrument 43-101 formatted report in collaboration with J. O. Kenner and R. B. Murray that covers the 2007 hardrock and placer, (or alluvial) gold programs at Chandalar. That report will present the status of the Chandalar project and provide recommendations and budgets for moving the project forward. It will be posted on our web site when completed.

Prior to the 2007 exploration season, despite our best efforts, we were unable to secure a diamond core drill contract to execute the previously identified drill plan on the hard rock prospects. In order to advance the hardrock exploration in both a time and cost effective manner, management revised the 2007 hardrock exploration plan to focus on other activities which could be concluded with the equipment available to us by ownership or by contract. That work has enhanced the hard-rock exploration targets, and diamond core drilling will be accomplished in the future, provided funds are available and a drilling service company can be retained.

We were able to execute the placer gold drilling program as intended using a contracted reverse circulation rotary drill, as reported below.

Our 2007 accomplishments fall into three key categories: 1) discovery and drilling delineation of a large placer gold deposit in Little Squaw Creek, 2) development of hard-rock gold prospects by excavator trenching at a number of promising sites along major geologic faults crossing the property, and 3) completion of a geophysical program related to enhancing the hard-rock gold exploration program.

Additionally, we completed considerable upgrading of the local infrastructure, including new roads, an upgraded 25-man exploration base camp and extension of the Squaw Lake airfield to over 4,200 in length. The Squaw Lake airstrip can now accommodate large, multiengine aircraft, which will allow for air transportation of larger pieces and volumes of cargo, substantially reducing our air freight costs and dependency on transportation of supplies and equipment over the winter ice road, which is available generally only from December 1 to April 15 of each year, depending on spring ice breakup.

Hard-Rock Exploration

Historical workings and records clearly indicate that gold deposits of economic significance have been mined in the past on the Chandalar property. These workings were limited to exposed surface veins of quartz. The veins sporadically occur within large deep-seated fault structures often miles in length that cut across the property. Over the last four field seasons we have undertaken exhaustive geological mapping and rock and soils geochemical surveys involving taking some 3,285 surface samples for assay to establish where these interesting veins may be reflecting a substantial gold deposit, perhaps with large associated zones of disseminated gold mineralization either in their enclosing rock formation or in underlying metasedimentary formations.

During the 2007 exploration season, we executed on our planned trenching program on sixteen of the now forty (five more were discovered in 2007) hard-rock gold prospects on the Company's 23-square-mile claim block. All forty prospect areas were mapped in detail and 1,342 samples of rock (including trench and placer drill hole bedrock) and soil were collected and analyzed. Forty-five trenches were dug using our excavator. Frozen soil (permafrost) prevented penetration to bedrock in seven trenches that are being allowed to stand open for a year until they thaw and can be sampled in a follow-up program. Three other trenches did not encounter bedrock because the soil cover was too thick. In all, 5,927 feet were accomplished, of which 4,954 feet cut into bedrock and were sampled. A total of 534 trench samples were taken continuously along the lengths of all bedrock trenches. Ten of those trenches were subsequently reclaimed. Trenching was largely designed to explore for disseminated, bulk-tonnage-style mineralization that may be associated with the big fault structures. Indeed, the assay results from the hardrock trenching showed significant widespread gold mineralization within multiple geologic structures. These findings confirm that we are dealing with a large, strong and substantially underexplored system of gold mineralization at Chandalar.

Additionally, ground magnetic surveys on fifteen of the prospects were conducted with survey lines totaling 28 miles. The major mineralized structures all show distinct magnetic lows. We have been successful in tracing mineralized structures under covered areas applying this simple geophysical technique.

Several of the hardrock prospects are the source of the gold in the promising placer gold deposit we drilled on Little Squaw Creek.

A summary of some of the main hardrock prospects follows:

Pallasgreen Prospect

We exposed important gold mineralization during an excavator trenching program on the Pallasgreen prospect. The trench cut a 30-foot-wide structure that assays 11.43 parts per million (ppm) gold, or 0.333 ounces gold per short ton (oz Au/st).

Thirty feet represents the approximate true width of the Pallasgreen structure. Continuous five-foot-long rock-chip samples were taken across the structure at a depth of about ten feet by an independent professional geologist. The 11.43 ppm gold represents the weighted average of the sample results, which is skewed by one five-foot sample assaying 59.2 ppm (1.727 oz Au/st). The structure is composed of a strong fault zone in schist containing clay fault gouge, several sulfide-bearing quartz veins, and breccia composed of quartz shards embayed in limonite, or iron oxide cement.

Geologic mapping with magnetic and soil sample surveys show the mineralization to be at least 400 feet long within a structure potentially a mile or more in length. This discovery lies within a large grassy meadow underlain by permafrost. Two additional trenches were attempted to cut strike extensions of the structure, which we anticipate will be completed in the 2008 field once the permafrost in the open trenches thaws. Subsequent diamond core drilling is planned to explore the mineralized zones within the Pallasgreen structure provided funding is available and we can secure a drill contractor for the project.

Pioneer Prospect

Excavator trenching on the Pioneer prospect cut a 25-foot-wide structure that assays 10.33 ppm gold, (0.302 oz Au/st).

The Pioneer structure is a west-trending fault zone traced for six miles across the northern sector of the Company's mining claims. Gold mineralization occurs intermittently along the structure. The erosion of this mineralization feeds gold particles into the Little Squaw Creek placer gold deposit. Trenching targeted a 2,000-foot-long gold-in-soil geochemical anomaly. A series of four trenches have tested the geochemical anomaly over 540 feet of strike length, exposing gold mineralization over 320 feet. Gold values are hosted in irregular pinching and swelling quartz lenses and stringers that impregnate a thick fault zone, or shear zone, cutting schist bedrock.

In trench PN-31, two sets of samples that crosscut the shear zone show a weighted average of 25 feet true thickness at 6.49 ppm (0.190 oz Au/st). One set runs 10.33 ppm gold (0.302 oz Au/st), as reported above. The second set across the same shear zone assays 25 feet at 2.62 ppm gold (0.077 oz Au/st). This variability reflects the presence of free gold particles irregularly dispersed in the sheared and crushed rock.

Samples of quartz veins exposed in a shallow trench 45 feet and 90 feet to the west of trench PN-31 assay 25.50 ppm gold (0.745 oz Au/st) over a width of 3 feet, and 71.40 ppm gold (2.085 oz Au/st) over a width of 2.5 feet, respectively. Trench PN-30 is 230 feet east of PN-31 and again cuts the shear zone-hosted vein system, showing a true thickness of 7 feet at 5.58 ppm gold (0.163 oz Au/st). Adjacent rocks in the footwall of this intercept show strongly anomalous gold at 0.20 ppm over 45 feet true thickness. Trench PN-29 cut the shear zone 540 feet to the east of trench PN-31, but only traces of gold were detected. This trench also exposed a greenstone (or diorite) intrusion that invades the schist, which may have some bearing on the presence (or lack) of gold mineralization.

The strong gold mineralization found thus far in the Pioneer shear zone extends for at least 320 feet and is open-ended to the west. We believe that, with these dimensions and its proximity to our Pallasgreen discovery, the Pioneer prospect is an excellent drilling target where we could potentially discover a significant deposit of gold in the

coming year. We plan to drill a series diamond drill core holes in the gold-bearing Pioneer shear zone during the 2008 field season provided funds are available and a drilling contractor can be secured to do the job.

Summit Prospect

Excavator trenching on the Summit prospect cut a 20-foot-wide structure that assays 10.58 ppm gold, or 0.309 oz Au/st. (This equates to 10.58 grams per metric ton or 0.340 ounces gold per metric ton.)

The Summit structure is a west-trending shear zone traced for over a mile across the central sector of the Company's Chandalar mining claims, where prospecting has identified gold mineralization occurring over at least 1,800 feet of its strike length. Gold values are hosted in irregular pinching and swelling quartz lenses and stringers that impregnate a thick fault zone, or shear zone, cutting schist bedrock. Company records show that former mining lessees extracted 2,043 tons averaging 1.54 oz Au/st from two short tunnels driven into the structure.

Trench SUM-10 cut the Summit structure about 300 feet beyond the western limits of old tunnels and revealed 20 feet (true thickness) at 10.58 ppm (0.309 oz Au/st). This is a sample length to grade-weighted average and includes a five-foot zone that assays 41.80 ppm gold (1.221 oz Au/st). A small exposure 45 feet east of the trench (towards the tunnels) assays 16.25 ppm gold (0.475 oz Au/st) over one foot. Additionally, an exposure about 100 feet west of Trench SUM-10 assays 1.94 ppm gold (0.057 oz Au/st) over 4.5 feet. Trench SUM-10 is the only trench that cut the main Summit structure during the recent exploration campaign. Trench SUM-8 was dug in the footwall of the Summit structure near the old tunnels and was not extended to cross the main structure. It intersected 40 feet of 0.58 ppm gold (0.017 oz Au/st) associated with a zone of thin, sheeted, quartz veins.

Trench SUM-10 was dug to follow up on and check the results of drill hole SUM-10, a reconnaissance reverse-circulation percussion (or hammer) hole drilled in 2006. Hole SUM-10 hit 45 feet of 0.69 ppm gold (0.020 oz Au/st), including 5 feet of 3.24 ppm gold (0.095 oz Au/st), at a point approximately 50 feet below where the trench was later dug. This hole also intersected a parallel hanging wall zone of 10 feet of 0.97 ppm gold (0.028 oz Au/st), which Trench SUM-10 did not extend to. The variability between trench and drill hole sample assay results likely reflects a nugget effect caused by the presence of free gold particles irregularly dispersed in the sheared and crushed rock. It may also show that the reconnaissance percussion drilling was not an effective tool in gaining quantitative information.

To summarize for the Summit, combined reconnaissance-level drill and excavator trenching data, together with historic mill recovery records, indicate auriferous quartz veins occur within wider aureoles of lower-grade, sheeted veins and disseminated gold values. Exploration results thus far indicate mineralized widths of 10 to 60 feet containing average grades of 0.5 to 10 ppm gold (0.015 to 0.292 oz Au/st). The 1,800-foot-long Summit mineralized system, controlled by the Summit structure, is open in both directions. Soil sampling and ground magnetic surveys indicate that gold mineralization extends another 1,500 feet to the east, where further trenching is planned. We intend to commence diamond core drilling of the Summit structure in the summer of 2008 provided funds are available and a drilling contractor can be secured to do the job.

We believe that there is a reasonable expectation that a large, bulk-tonnage, low-grade gold deposit may exist at the Summit prospect.

Mikado Prospect

Trenching at the Mikado prospect yielded the most interesting results. A small mine on this prospect is known to have produced about 6,800 tons of ore averaging about 1.5 ounces gold per short ton (46.65 grams gold per tonne) from an open-ended ore shoot. The controlling structure is a major, 8-mile-long fault that contains quartz veins. An extensive vein system that is largely enveloped in, or marginal to, wider zones of low-grade gold values was traced for 4,000 feet by a series of seven new and eight old trenches, soil sampling, and a ground magnetic survey. The system occurs over an elevation rise of about 800 feet and is composed of several sub-parallel zones. Three hundred seventeen of the 534 trench samples taken in 2007 came from the Mikado. The average mineralized trench intercept is 24 feet at 0.023 ounces gold per short ton (7.3 meters at 0.79 grams gold per tonne).

Rock alteration within the Mikado vein system is most argillic, with common clay-filled seams and cavities in punky schist bedrock. Minor secondary white mica was also noted. Intense shear zones up to 10 feet thick or more are generally present and bleached, foliated wall rock is variably argillized to either side of the shears. Farther outboard of

the shear zones epidote and pervasive hematite on foliation is seen in the schist host rock. The more intense shear zones also contain small lenses of pulverized quartz and clay, and are commonly associated with iron- and arsenic-oxide staining. Mineralized stockwork, sheeted veining, and fracture-controlled dissemination zones are typically outboard of the more intense shear zones.

The enveloping and marginal low-grade auriferous zones occur over widths 20 to 80 feet wide, and locally up to 150 feet wide generally with an average grade of 0.2 to 1.2 ppm gold. Within these zones disseminated gold values and auriferous planar or sheeted veinlets can contain 0.15 to 2 ppm gold over individual sampling intervals. In addition to the lower grade mineralization, they will host one or several larger quartz veins that can average an ounce of gold across several feet. The larger veins are mostly pulverized quartz variably stained with iron and arsenic oxides and crudely banded seams of gouge and clay. Arsenic values of 500 to >10,000 ppm and elevated antimony of 6 to 30 ppm are generally present in these zones

The persistent gold mineralization with association of hydrothermal alteration and the magnitude of its controlling structure make the Mikado prospect a prime target for drill testing. In summary, the Mikado vein system was found in 2007 to be a large body of continuous and pronounced alteration with at least low-grade but also continuous mineralization. A large tonnage potential exists given the sheer size and likelihood that the system continues along strike and extends to depth.

Summary of Trenching Results

We believe we have identified promising gold showings within a favorable geologic setting at Chandalar. Continued systematic exploration of this system of gold mineralization could result in the discovery of a commercial gold deposit.

Summary assay results for the 2007 trenches dug on various Chandalar prospects are shown in Table 2. These represent continuous rock-chip channel samples taken along the walls of the trenches cut into bedrock.

Table 2 - CHANDALAR 2007 TRENCH ASSAYS

(Note: Trenches that did not reach bedrock or had no significant gold values are not shown)

TRENCH #	Prospect	Interval Feet	Footage	Gold oz/st	Gold ppm
1	Chandalar	0 - 10	10	0.028	0.95
3	Bonanza	0 - 7	7	0.009	0.32
6	Bonanza	0 - 17	17	0.056	1.93
8	Summit	25 - 27 167 - 207	2 40	0.053 0.017	1.83 0.58
9	Summit	0 - 2	2	0.008	0.28
10	Summit	8 - 28	20	0.309	10.58
15	Chiga	25 - 49	24	0.032	1.11
16	Kiska	7.5 - 22.5	15	0.008	0.26
17	Kiska	52 - 60	8	0.022	0.77
18	Kiska	5.5 - 42	36.5	0.015	0.51
19	Mikado	108 - 118 167 - 205	10 38	0.057 0.017	1.95 0.58
20	Mikado	53 - 133 161 - 214 300 - 310 435 - 470	80 53 10 35	0.010 0.015 0.034 0.036	0.35 0.52 1.18 1.22
21	Mikado	81.5 - 146	64.5	0.011	0.36
22	Mikado	2 - 52	50	0.013	0.45
23	Mikado	0 - 58 68 - 78 143 - 155 175 - 190	58 10 12 15	0.011 0.006 0.023 0.006	0.36 0.21 0.78 0.20
2E	Mikado	10 - 40 70 - 110 130 - 150	30 40 20	0.006 0.039 0.018	0.22 1.35 0.63
4E	Mikado	0 - 8.3	8.3	0.040	1.36
24	Big Cr Bowl	0 - 48	48	0.009	0.31
26	Pallasgreen	33.5 - 68.5	35	0.287	9.82
30	Pioneer	22 - 70 100 - 130	48 30	0.047	1.62 0.23
31	Pioneer	28 - 53 NW 28 - 53 SE	25 25	0.301 0.077	10.32 2.62
40	Mikado	140 - 180 200 - 230	40 30	0.013 0.008	0.43 0.26
41	Mikado	86 - 112 155 - 170 333 - 377 402 - 422 467 - 487 497 - 527 557 - 567	26 15 44 20 20 30 10	0.016 0.006 0.006 0.010 0.010 0.008 0.043	0.55 0.21 0.22 0.34 0.35 0.26 1.46
42	Big Cr Bowl	150 - 210	60	0.006	0.21

2007 Exploration of the Little Squaw Creek Alluvial Deposit

During 2006, independent placer mining consultant Mr. Keener identified three targets in the vicinity of our exploration camp that may contain significant resources of placer gold: Little Squaw Bench, Spring Creek, and Big Squaw Creek. The most significant is the Little Squaw Creek, where early day drift-miners produced 29,237 ounces of gold, according to our records. A reconnaissance drilling program by a former lessee in 1997 outlined what they called an inferred resource of 194,000 ounces of placer gold. (We note that this reference is not an SEC Industry Guide 7 compliant resource.) This drilling basically found that the mineralization mined in the Bench extends from the Bench for a long distance down Little Squaw Creek. To the west of the Bench lies Spring Creek on which no previous prospecting is known to have occurred, but appears to be an old channel of Big Squaw Creek. The third target is the Big Squaw Creek drainage where early day placer gold hand-mining occurred on its upper parts, but is not known to have been productive on its downstream reaches.

Mr. Keener proposed to make seven lines of rotary reverse circulation drill holes at 500-foot intervals across Little Squaw Creek starting on the Little Squaw Bench and extending almost a mile downstream. The proposed drill holes were spaced about 50 feet apart along each line, for a total of 70 holes. The gravel, or alluvial, depth to bedrock is known to be 46 to 164 feet. The drill program goal for Little Squaw Creek was proposed at 10,000 feet. Mr. Keener considered the magnitude of this proposed program with its density of drill holes to be sufficient for discovery of any significant placer, or alluvial, gold deposit that may exist in the drainage.

Mr. Keener also proposed scout drilling for placer gold deposits on Spring Creek and Big Squaw Creek. He recommended making two widely spaced drill lines of five holes each on each of these targets. This scout drilling is intended to expose the subsurface characteristics of the stream channels, investigate their glacial gravels and silt/clay strata for placer gold, and the presence of any potential resource for more detailed exploration. The drill lines on both target areas would be spaced 2,000 to 4,000 feet apart and each line's drill holes are placed 100 to 200 feet apart. The depth to bedrock on both drainages was known. The scout drilling program on Spring Creek and Big Squaw Creek was to be for 3,000 feet of drilling in 20 holes.

We are unaware of any independently certified laboratory that performs the type artesian service required of placer gold assaying. We contracted Metallogeny, Inc., Mr. Keener's privately owned company, to independently perform the drill site sample collection and analyses of the 2007 placer gold drilling program. Security of samples and quality control of the assaying work were addressed in the contract and strictly maintained.

Drill hole sampling and assaying of placer (alluvial) drill cuttings of gravels requires a meticulous procedure that differs substantially from normal fire and chemical assaying procedures used for rock and drill core samples. In our case, all of the drill cuttings for each five feet drilled are collected in five gallon buckets. It takes about three of these buckets (partially filled) to contain one five foot sample, which amounts to 0.97 cubic foot for a five and seven eighths (5 7/8") diameter drill hole. The samples are then transported to a location where their volumes and mass are carefully measured, after which they are concentrated with a small, hydraulic screening/slucing plant. The volume of oversize tails off the screen is measured in a graduated bucket and discarded. The reduced samples amount to less than two gallons, which are then carefully hand panned to a high-grade concentrate when colors of gold can be counted and their mass estimated. The pan concentrates, approximately one to two hundred grams, are then transferred into a labeled ziplock bag for further detailed analysis in a laboratory. In the analysis, measured sample volumes are compared to theoretical volumes based on the drill tooling specifications. A correction factor is then derived for each sample. The recovery factor is used to adjust the gold grade for excessive or deficient amounts of sample material. This factor is also used to judge the integrity of the hole (i.e. collapse or blow-out) and overall recovery performance of the drilling system. The pan concentrates are then double-panned in a controlled environment or laboratory. All visible colors of gold are extracted, dried, counted, and weighed to the nearest milligram. A digital image of the sample is collected and labeled. The sample of gold is then placed in individual sample vials or combined with other samples for the same drill hole. Reject pan concentrates are saved for later amalgamation to test for lost values and to analyze for the heavy mineral suite. Empirical data are entered onto a spreadsheet, where formulas are created to calculate volume recovery, correction for swell and recovery, oregrade, and paygrade. Stratigraphic notes and other data about the drill hole are also entered onto the spreadsheet to create a complete log of the hole.

For our 2007 exploration season, because we were unable to secure a core drill to advance our drilling program of hard rock prospects, we refocused our efforts on moving forward with the placer drilling plan for the Little Squaw Creek alluvial gold deposit. We implemented a rotary reverse circulation placer drilling program with the following objectives:

- First, to establish SEC Industry Form 7 compliant reserves in Little Squaw Creek,
- Second, to set the stage for expanded placer gold resource drilling in adjacent drainages, and
- Third, to complete the proposed 90-hole 13,000 foot program all according to recommendations of independent placer mining consultant Mr. Keener.

The rotary drill was mobilized to Chandalar over the winter trail in March 2007. Drilling started on June 18th on the Spring Creek site after being delayed by some mechanical problems with the drill. The Spring Creek site quickly thawed and became too muddy to operate in. Four holes were attempted in Spring Creek, but all flooded out. The drill was then moved to Little Squaw Creek where 107 holes were drilled throughout the summer. The drill was moved to the lower reaches of Big Squaw Creek on September 14th and drilled two scout holes. The drilling season ended on September 16th, and the drill was de-mobilized to Fairbanks on September 23rd using a Hercules C-130 cargo aircraft.

Due to generally favorable seasonal drill conditions, we exceeded our goal of 90 drilled holes and a total of 13,000 feet. We drilled 113 holes for a total of 15,535 feet of drill samples on the property during the 2007 summer field season (see table 3 below).

Table 3 - CHANDALAR 2007 Drilling Statistics Summary

Exploration Targets	Planned Number of Drill Lines	Planned Number of Holes	Planned Total Footage (feet)	Number of Holes Collared Holes	Completed Footage	Number of Abandoned Holes
Little Squaw Creek (Bench)	7	70	10,000	107	14,985	20
Spring Creek	2	10	1,500	4	168	4
Big Squaw Creek	2	10	1,500	2	382	1
Total	11	90	13,000	113	15,535	25

Twenty-five drill holes did not reach bedrock and were abandoned due to caving or ground swelling or were terminated at the full extent (210 feet) of the available drill rod. None of the four Spring Creek holes that were attempted penetrated sufficiently to test the exploration target. A few traces of gold were found in the drill samples. The two scout holes drilled on Big Squaw Creek found non-economic levels of gold scattered through the fluvial gravel, and it appears to be concentrated in greater amounts at depth. The Big Squaw Creek drill holes did not reach bedrock, and it is questionable whether any in Spring Creek did either.

On Little Squaw Creek, seventy-three drill holes intersected the “Pay Horizon” (the mineralized stratum of gravel from which significant or potentially economic quantities of gold can be recovered). Some of those holes did not completely penetrate it. The Pay Horizon thickness-weighted average recoverable gold grade for the 73 drill holes is 0.0247 ounces per bank cubic yard. This equates to \$22.27 per cubic yard (yd³) over a thickness of 83 feet (28 yards) using the current gold price of about \$900/oz (see table 4 and Maps 3, 4 and 5 below). We believe the order of magnitude of drilled mineralized material is in the many millions of cubic yards, and that the drill sample results confirm our opinion that we have discovered an industrial-scale placer gold deposit of potential commercial significance. Spatial limits and overall grade of the gold-bearing gravels containing the potentially economic Pay Horizon have not yet been determined. The placer gold deposit remains open for expansion in three directions

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results

2007 Placer Drilling Program
 Little Squaw Creek Summary of Drill Hole Cut Pay Grades
 As of February 15, 2008

Reverse Circulation Drilling

Pay Grade = \$ value per bcy of extractable gold

bcy = bank cubic yards (in situ)

All nuggets > 150 mg cut to 150 mg

Valuations use gold recovered @ 850 fine

Table at Gold Price = \$900/oz

Drill Line Mineralized Material Summary

Line	Number Of Drill Holes With Pay Grade	Bedrock Or Hole Depth (ft) Average	Glacial or Gravel Overburden Thickness (ft) Average	Fluvial (Stream) Gravel Thickness (ft) Average	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Comments
1.2	5	111.0	50.0	58.0	0.0135	\$ 12.15	800' gap in center of line
2	4	175.0	65.5	110.5	0.0173	\$ 15.59	570' gap in center of line
3	11	154.4	70.6	84.0	0.0347	\$ 31.25	
4	16	150.5	71.3	79.1	0.0249	\$ 22.41	
4.4	1	118.0	55.0	105.0	0.0165	\$ 14.88	
4.6	1	165.0	45.0	120.0	0.0259	\$ 23.27	West limit defined. Lines 4.7 & 4.8 only traces gold
5	4	126.3	37.5	88.8	0.0156	\$ 14.05	200' gap in center of line. West limit defined. Hit cavities - old mine workings?
6	2	83.3	15.0	68.3	0.0107	\$ 9.63	
7	4	109.3	16.3	96.3	0.0307	\$ 27.59	West limit defined
8	7	154.0	44.3	104.1	0.0263	\$ 23.65	
8.6	3	97.3	45.0	34.0	0.0214	\$ 19.26	Hit cavities - old mine workings
9	4	125.0	45.0	82.0	0.0349	\$ 31.42	
9.9	1	118.0	5.0	115.0	0.0089	\$ 8.01	
10	10	143.6	59.3	72.9	0.0226	\$ 20.37	Hit cavities - old mine workings
Weighted Avg. =	73	139.4	54.8	82.6	0.0247	\$ 22.27	
Yards =		46.5	18.3	27.5			

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 1.2 (1,345 feet long)**

Line	Number Of Drill Holes With Pay Grade	Bedrock Or Hole Depth (ft) Average	Glacial or Gravel Overburden Thickness (ft) Average	Fluvial (Stream) Gravel Thickness (ft) Average	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Comments
9 East	85.0	70.0	15.0	0.0028	\$ 2.52		
7 East	85.0	50.0	35.0	0.0110	\$ 9.89		
5 East	100.0	40.0	60.0	0.0238	\$ 21.39	10' @ \$82.36	
3 East	130.0	50.0	65.0	0.0049	\$ 4.43		
1 East	115.0	55.0	55.0	0.0068	\$ 6.08		
1	125.0	55.0	75.0	0.0189	\$ 16.98	10' @ \$73.85	Includes 5' of bedrock
5 Hole Average =	111.0	50.0	58.0	0.0135	\$ 12.15		800' separates hole 1 from hole 18
Yards =	37.0	16.7	19.3				
18	95.0	55.0	40.0	0.0031	\$ 2.82		No bedrock

Drill Line 2 (1,225 feet long)

Line	Number Of Drill Holes With Pay Grade	Bedrock Or Hole Depth (ft) Average	Glacial or Gravel Overburden Thickness (ft) Average	Fluvial (Stream) Gravel Thickness (ft) Average	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Comments
6 East	70.0	64.0	16.0	0.0052	\$ 4.67		
4 East	97.0	56.0	42.0	0.0070	\$ 6.32		
2 East	105.0	49.0	57.0	0.0184	\$ 16.53		
8	189.5	68.0	122.5	0.0179	\$ 16.11	10' @ \$118.81	
10	195.5	72.0	124.5	0.0155	\$ 13.97	5' @ \$87.93	
12	210.0	73.0	138.0	0.0180	\$ 16.22	15' @ \$67.61	Also 5' @ \$75.96; No bedrock
4 Hole Average =	175.0	65.5	110.5	0.0173	\$ 15.59		570' separates hole 2E from hole 8
Yards =	58.3	21.8	36.8				
15	200.0	75.0	126.0	0.0066	\$ 5.96		
19	200.0	75.0	126.0	0.0066	\$ 5.97		No bedrock

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 3 (1,400 feet long)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/(bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
12 East	97.5	70.0	30.0	0.1057	\$ 95.13	10' @ \$233.14	Secondary channel?
9 East	114.0	89.0	25.0	0.0555	\$ 49.94	5' @ \$221.97	Only pay interval in hole.
7 East	128.0	74.0	54.0	0.1613	\$ 145.17	5' @ \$1,366.06	No nugget effect
5 East	138.0	64.0	74.0	0.0385	\$ 34.65	15' @ \$82.94	
3 East	147.0	49.0	98.0	0.0219	\$ 19.67	5' @ \$94.36	
1	159.0	48.0	111.0	0.0219	\$ 19.74	10' @ \$88.60	
3	174.0	63.0	111.0	0.0308	\$ 27.75	5' @ \$85.20	Also 5' @ \$71.66
5	165.0	64.0	101.0	0.0195	\$ 17.52	5' @ \$77.32	Also 5' @ \$72.82
7	173.0	82.0	91.0	0.0171	\$ 15.35	10' @ \$74.22	
9	193.0	88.0	105.0	0.0167	\$ 15.03	5' @ \$86.65	
12	210.0	86.0	124.0	0.0218	\$ 19.61	15' @ \$96.02	No bedrock
11 Hole Average =	154.4	70.6	84.0	0.0347	\$ 31.25		
Yards =	51.5	23.5	28.0				
15.5	210.0	110.0	100.0	0.0023	\$ 2.07		Last interval = 5' @ \$34.64; No bedrock

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 4 (1,070 feet long)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy	Comments
5 East	75.0	60.0	15.0	0.0874	\$ 78.68		Incl. 5' bedrock; Secondary channel?
1 East	85.0	45.0	40.0	0.0827	\$ 74.39	25' @ \$94.32	
1	115.0	63.0	52.0	0.0233	\$ 20.97		
2	136.0	65.0	71.0	0.0300	\$ 27.03		
3B	149.0	60.0	89.0	0.0432	\$ 38.90	20' @ \$80.45	Also 5' @ \$135.14
4	150.0	75.0	75.0	0.0221	\$ 19.88		
5	157.0	72.0	85.0	0.0075	\$ 6.71		
6	172.0	65.0	107.0	0.0347	\$ 31.26	10' @ \$89.82	Uncut = 10' @ \$602.58; Also 5' @ \$104.28
7	188.0	83.0	105.0	0.0245	\$ 22.08	10' @ \$128.17	Uncut = 10' @ \$228.03; Also 5' @ \$104.20
8	193.0	75.0	118.0	0.0024	\$ 2.13		
9	186.0	75.0	111.0	0.0134	\$ 12.08	5' @ \$90.53	
10	168.0	70.0	96.0	0.0082	\$ 7.41		
11	149.0	85.0	64.0	0.0186	\$ 16.77	10' @ \$67.68	
12	155.0	83.0	72.0	0.0168	\$ 15.09	10' @ \$70.18	
13	162.0	85.0	77.0	0.0686	\$ 61.71	10' @ \$346.70	Uncut = 10' @ \$707.52
14	168.0	80.0	88.0	0.0099	\$ 8.88		
16 Hole Average =	150.5	71.3	79.1	0.0249	\$ 22.41		
Yards =	50.2	23.8	26.4				
15	158.0	80.0	78.0	0.0052	\$ 4.71		

Drill Line 4.4 (Single hole)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$/bcy)	Comments
3	118.0	55.0	105.0	0.0165	\$ 14.88		

Drill Line 4.6 (330 feet long)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$/bcy)	Comments
3	165.0	45.0	120.0	0.0259	\$ 23.27	25' @ \$212.15	
Yards =	55.0	15.0	40.0				
5	110.0	50.0	60.0	0.0015	\$ 1.37		
7	85.0	70.0	15.0	0.0095	\$ 8.57		
9	70.0	55.0	15.0	0.0046	\$ 4.10		

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 4.7 (Single hole)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
3	150.0	15.0	135.0	0.0031	\$ 2.81		Includes 5' of bedrock

Drill Line 4.8 (Single hole)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
3	145.0	20.0	105.0	0.0028	\$ 2.51		Does not include bottom 15' of gravel

Drill Line 5 (600 feet long)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy	Comments
5 East	110.0	50.0	60.0	0.0134	\$ 12.05		
3 East	145.0	40.0	105.0	0.0311	\$ 27.96	15' @ \$88.44	Includes 5' of bedrock
1B	135.0	35.0	100.0	0.0067	\$ 6.06		No bedrock. Hit cavities - old mine work
2B	115.0	25.0	90.0	0.0089	\$ 8.04		
4 Hole Average =	126.3	37.5	88.8	0.0156	\$ 14.05		200' separates hole 3E from hole 11B
Yards =	42.1	12.5	29.6				
1	43.0	0.0	43.0	0.0048	\$ 4.28		Incomplete hole
2	55.0	40.0	15.0	0.0021	\$ 1.91		Incomplete hole
3	67.0	30.0	37.0	0.0104	\$ 9.38		Incomplete hole
3B	105.0	40.0	65.0	0.0029	\$ 2.57		
4	68.0	0.0	68.0	0.0000	\$ -		Incomplete hole. Traces Au
4B	95.0	0.0	95.0	0.0000	\$ -		Traces Au
5	85.0	0.0	85.0	0.0000	\$ -		Traces Au. Clayey sediments
6	60.0	0.0	60.0	0.0000	\$ -		Clayey sediments
7	65.0	0.0	65.0	0.0000	\$ -		Clayey sediments

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 6 (50 feet long)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	135.0	20.0	115.0	0.0130	\$ 11.73	5' @ \$146.81	Includes 5' bedrock
2	115.0	25.0	90.0	0.0077	\$ 6.95	5' @ \$67.42	
2 Hole Average =	83.3	15.0	68.3	0.0107	\$ 9.63		
Yards =	27.8	5.0	22.8				

Drill Line 7 (400 feet long)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy	Comments
3 East	111.0	25.0	88.0	0.0177	\$ 15.93	10' @ \$85.57	Includes some bed rock
2 East	107.0	30.0	80.0	0.0478	\$ 43.02	20' @ \$82.53	Includes some bed rock
1 East	125.0	5.0	126.0	0.0381	\$ 34.29	30' @ \$73.12	Includes some bed rock
1	94.0	5.0	91.0	0.0178	\$ 16.02	5' @ \$142.89	Includes some bed rock
4 Hole Average =	109.3	16.3	96.3	0.0307	\$ 27.59		
Yards =	36.4	5.4	32.1				
2	92.0	0.0	90.0	0.0002	\$ 0.20		
3	105.0	15.0	90.0	0.0019	\$ 1.70		
4	96.0	5.0	85.0	0.0007	\$ 0.59		

Drill Line 8 (350 feet long)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel (oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	150.0	30.0	120.0	0.0111	\$ 9.99		No bedrock
2	128.0	20.0	110.0	0.0794	\$ 71.46	20' @ \$162.21	Also 10' @ \$112.66; Includes some bed rock;
3	176.0	65.0	113.0	0.0269	\$ 24.21	15' @ \$78.01	Also 5' @ \$55.18; Includes some bed rock
4B	194.0	60.0	136.0	0.0206	\$ 18.54	10' @ \$68.00	Also 5' @ \$65.46; Includes some bed rock
5	155.0	65.0	90.0	0.0090	\$ 8.10		No bedrock
6B	155.0	20.0	95.0	0.0128	\$ 11.52		Includes some bed rock
7	120.0	50.0	65.0	0.0188	\$ 16.92	5' @ \$94.38	Includes some bed rock
7 Hole Average =	154.0	44.3	104.1	0.0263	\$ 23.65		
Yards =	51.3	14.8	34.7				

Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 8.6 (150 feet long)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	97.0	45.0	5.0	0.0163	\$ 14.67		Hit cavity - old mine workings
2	95.0	40.0	45.0	0.0229	\$ 20.61	10' @ \$67.14	
3	100.0	50.0	52.0	0.0206	\$ 18.54	5' @ \$98.02	Includes some bed rock
3 Hole Average =	97.3	45.0	34.0	0.0214	\$ 19.26		
Yards =	32.4	15.0	11.3				

Drill Line 9 (200 feet long)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	104.0	35.0	71.0	0.0178	\$ 16.02	5' @ \$167.52	Includes some bed rock
2	118.0	40.0	80.0	0.0926	\$ 83.36	10' @ \$579.92	Also 5' @ \$162.06; Includes some bed rock
3	139.0	55.0	86.0	0.0124	\$ 11.16		
4	139.0	50.0	91.0	0.0188	\$ 16.92		Includes some bed rock
4 Hole Average =	125.0	45.0	82.0	0.0349	\$ 31.42		
Yards =	31.3	11.3	20.5				

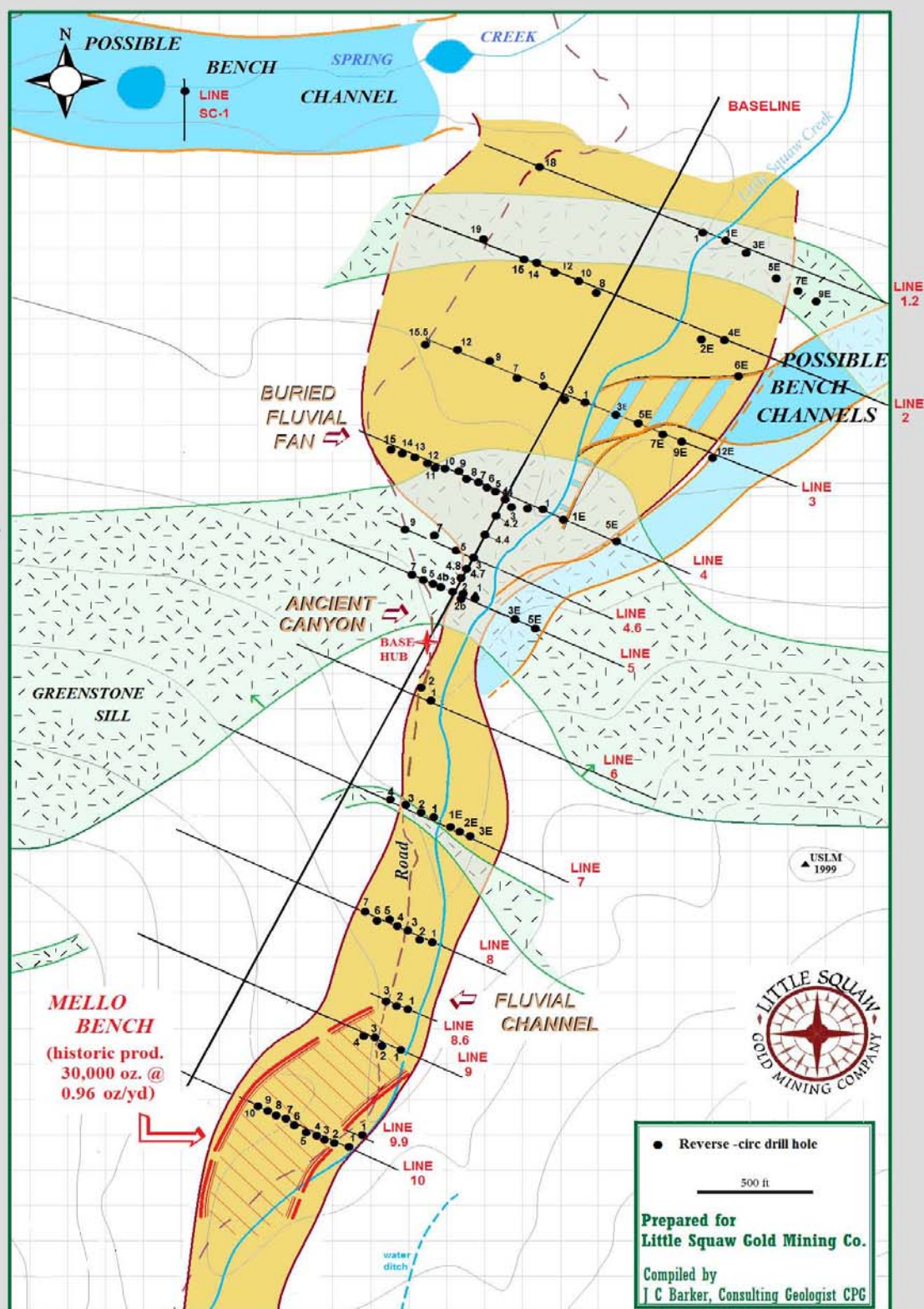
Drill Line 9.9 (Single hole)

Drill Hole Number	Bedrock Or Hole Depth (ft)	Gravel Overburden Thickness (ft) Channel	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	118.0	5.0	115.0	0.0089	\$ 8.01		

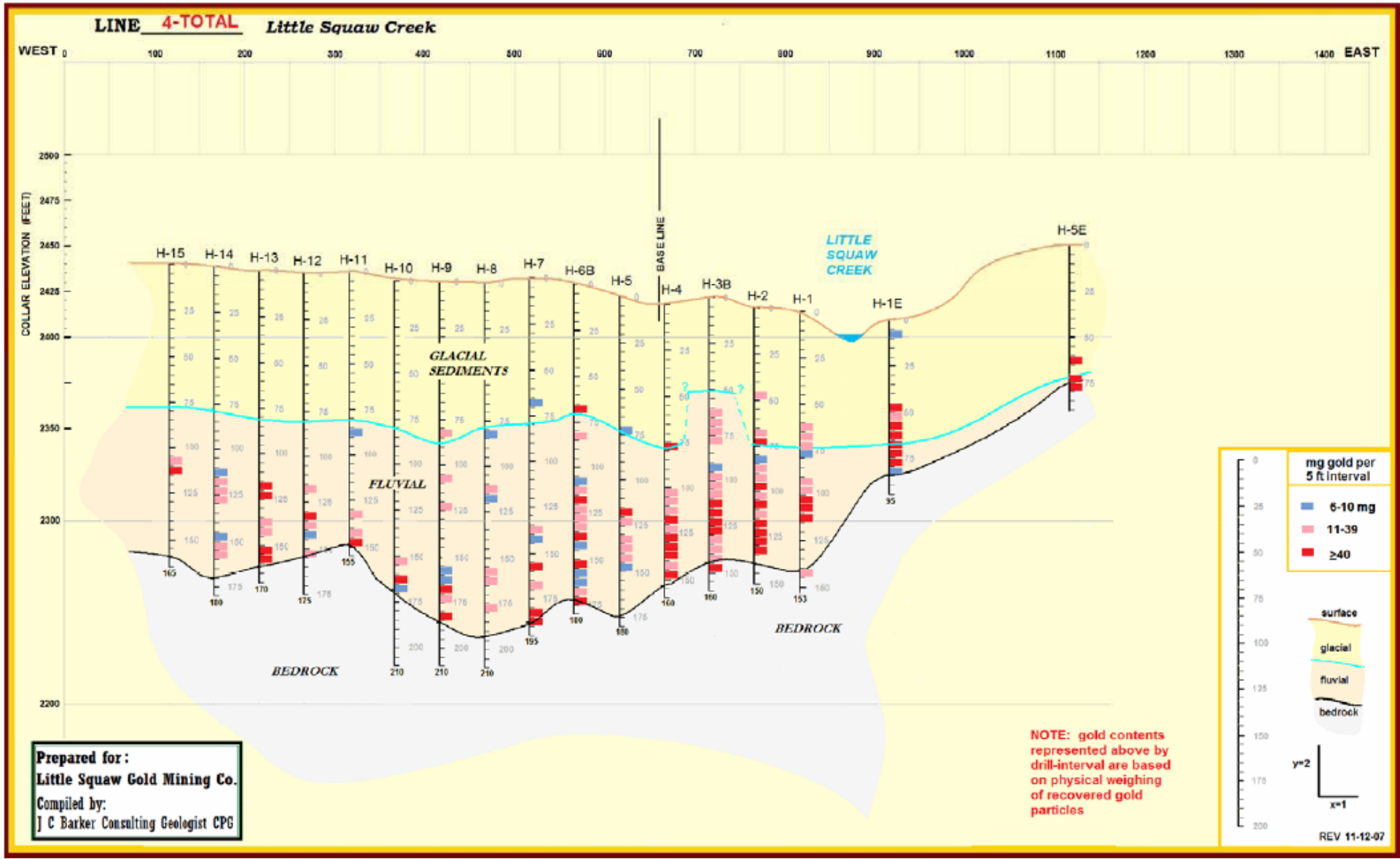
Table 4 – Chandalar, Little Squaw Creek 2007 Drill Hole Sample Results, Continued:**Drill Line 10 (500 feet long)**

Drill Hole Number	Bedrock Or Hole Depth (ft)	Glacial Overburden Thickness (ft)	Fluvial (Stream) Gravel Thickness (ft)	Pay Grade For Fluvial Gravel oz gold/(bcy) CUT	Pay Grade For Fluvial Gravel (\$/bcy) CUT	Pay Grade Includes Best Intercept Over \$50.00/bcy (\$bcy)	Comments
1	79	50.0	81.0	0.0027	\$ 2.43		Includes some bed rock
2	120.0	45.0	77.0	0.0097	\$ 8.73		Includes some bed rock
3	148.0	55.0	70.0	0.0192	\$ 17.28		Includes some bed rock
4	161.0	65.0	90.0	0.1061	\$ 95.49	30' @ \$182.01	Also 5' @ \$151.10; Includes some bedrock
5	161.0	80.0	83.0	0.0111	\$ 9.99		Includes some bed rock
6	167.0	88.0	73.0	0.0122	\$ 10.98		No bedrock; hit caves - old mine workings
7	200.0	70.0	105.0	0.0107	\$ 9.63		No bedrock
8	175.0	75.0	50.0	0.0128	\$ 11.52		Includes some bed rock
9	90.0	40.0	50.0	0.0011	\$ 0.99		No bedrock; hole abandoned
10	135.0	25.0	50.0	0.0202	\$ 18.18		No bedrock
10 Hole Average =	143.6	59.3	72.9	0.0226	\$ 20.37		
Yards =	47.9	19.8	24.3				

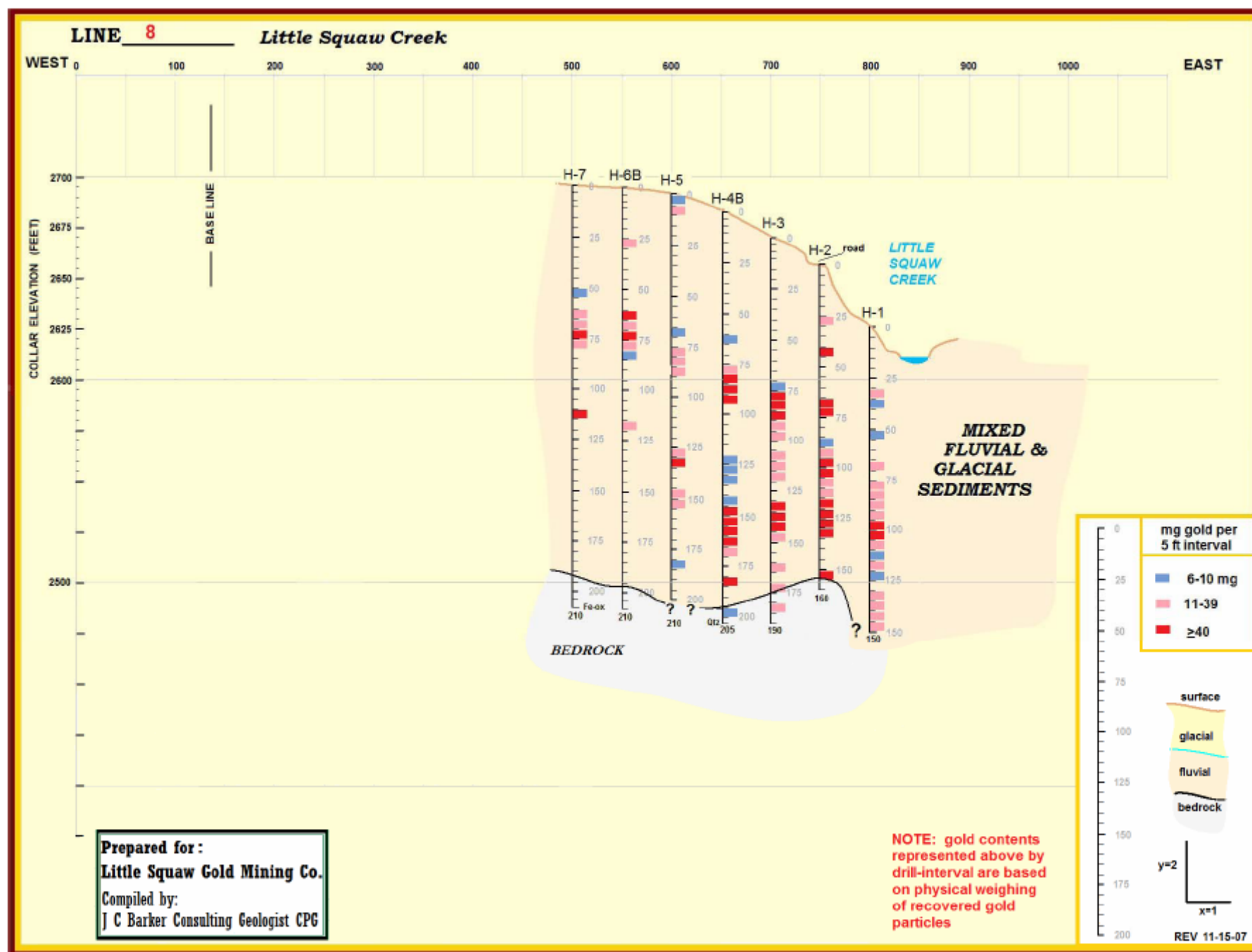
Map 3 – 2007 Drill Hole Pattern in Little Squaw Creek Channel and Alluvial Fan



Map 4 – Example of Little Squaw Creek Drill hole and Gold Recovery Cross Section across the Alluvial Fan



Map 5 – Example of Little Squaw Creek Drill Hole and Gold Recovery Cross Section across the Channel (Gulch Portion)



All the drill lines are perpendicular to the water channel flow and linear direction of the gently northward sloping gravel deposits. The borehole pattern involved ten lines spaced 500 feet apart that cross the gravel Pay Horizon at right angles, with the holes drilled at 50- to 100-foot intervals along the lines. Substrate borehole samples were collected continuously every five feet and processed via a sophisticated sample-reduction process that recovers the native gold contained in the drill cuttings. A total of 3,110 drill samples were collected and processed as described above with the drill hole sample summary results presented in Table 4.

Based on a publicly available February 2002 government study, we believe the value of the placer gold gravels at Chandalar falls within potentially economically extractable limits. U.S. Bureau of Land Management (BLM) Alaska Technical Report 38 is titled, "Economic Prefeasibility Studies of Mining in the Koyukuk Mining District, Northern Alaska." The Koyukuk mining district lies immediately west of the Chandalar mining district within the same mountain range. According to economic modeling in the report, placer mines having access and geology similar to the Little Squaw Creek deposit, required a recoverable metal value of \$4.62/yd³ to be economic, based on a Discounted Cash-Flow Rate-of-Return calculation using a 15% discount rate. The BLM report states dollar values in loose cubic yards (mined), whereas the Company states the recoverable gold value in bank cubic yards (in ground). If a normal expansion factor of 30% is applied to convert bank to loose cubic yards, then an estimated recoverable metal value of about \$6.01 would be required to yield a 15% return on investment. The inflation-adjusted amount is \$8.27 yd³ in today's dollars (Bureau of Labor Standards Indices — Producer Price Index Industry Data for Construction, Sand, and Gravel Mining). The size of the Little Squaw Creek deposit and the scale of a potential mining operation there would exceed any of those in the BLM study, and would gain economies of scale not reflected in the BLM study.

We believe our Little Squaw Creek alluvial gold deposit discovery is the first of its kind in Alaska. Our geologists characterize it as an aggradational placer gold deposit. Although unique in Alaska, many similar deposits exist in neighboring Siberia in what is known as the Central Kolyma Area where cumulative past production is said to be on the order of 77 million ounces. All other alluvial gold deposits in Alaska are commonly referred to as bedrock placer gold deposits. Aggradational alluvial gold deposits contain gold particles disseminated through thick sections of stream gravels in contrast to bedrock placer deposits where thin but rich gold-bearing gravel pay streaks rest directly on bedrock surfaces (see maps 4 and 5). Aggradational placer gold deposits are generally more conducive to bulk mining techniques incorporating economies of scale than are bedrock placer gold deposits.

The plan view of the Little Squaw Creek gold deposit (see map 3) shows it to be somewhat funnel-shaped. The deposit has been divided into two distinct geomorphological zones: a Channel (aka Gulch), or narrower portion, and a Fan, or apron portion. A thick paleo-Channel (Gulch) deposit of mineralized gravel is defined by drill lines 5 through 10 in the upper reaches of Little Squaw Creek. It is dammed by a subterranean band, or ledge, of erosionally resistant greenstone that it breached sometime in the past, disgorging itself northward to become a broad alluvial Fan (similar to a fossilized delta). This wide, thick fan of gold-bearing stream gravels is defined by drill lines 1.2 through 4, where it is buried under gold-barren glacial sediments. The Fan portion of the deposit averages 83 feet thick (28 yards) and it is overlain by glacial overburden (mud, sand and cobbles) containing sparse gold values that average 58 feet (19 yards) thick. The drilling results from lines 3, 4 and 5 also indicate that a younger gold-bearing stream channel possibly overlies the Fan along its east side. All these unconsolidated sedimentary strata lay on schist bedrock. The drilling does not define the limits of the Fan, nor of the overlying more recent channel deposits. The system of gold-bearing fan gravels is open to expansion to the north, east and west.

Scoping Study on Chandalar Alluvial Deposit

We have commissioned a scoping study to determine if the value of our alluvial gold deposit on Little Squaw Creek falls within economically extractable limits. This scoping study is being done by Metallogeny, Inc. in cooperation a consulting state licensed and registered mining engineer with Alaska placer gold mining expertise. They are to create and cost-out a preliminary mine design and produce cash flow and sensitivity analyses for a quantity of mineralized material they will calculate for the deposit. The ultimate objective of this combined effort is to establish an SEC Industry Guide 7 compliant mineral reserve. We expect the results of the scoping study to set the course for our future activities at Chandalar. Any future work program recommendations await the final results of the scoping study. If economic viability is indicated, we expect that about 60,000 feet more of reverse circulation drilling will be need to prove up resources and explore for extensions of the mineralized gravels.

Subsequent to the end of the year, in March of 2008, we received draft results of that independent economic scoping study. The study's preliminary conclusion says that gold-bearing gravels on Little Squaw Creek contain 231,000 ounces of recoverable gold that could be extracted at a cash cost of \$442 per ounce and a full cost, including capital amortization, of \$711 per ounce. Once we receive a final version of this draft study, we will make it publicly available on our web site. We believe the deposit can be substantially expanded through additional drilling and that an increase in its size would significantly increase profitable mine life while decreasing unit costs.

The draft scoping study examines an open-pit mine plan that would begin with production at 30,000 ounces of gold per year and yield an average of 21,000 ounces of gold per year over an 11-year mine life. Required start-up capital is estimated at \$17.9 million dollars with life-of-mine capital costs at \$30.6 million. Cash flow analyses run at \$900-per-ounce gold show a 33 percent internal rate of return on capital investment with a 3.6-year payback. Cumulative net revenues are projected to total \$204 million (after transport cost deduction and refining losses), net cash flow projection totals \$44 million and the net present value of cash flow projection totals \$12 million using a 15% discount rate. The team responsible for the scoping study is lead by a consulting licensed mining engineer experienced in the operation of alluvial gold mines.

It is management's opinion that we have discovered a commercially viable, industrial-scale alluvial gold deposit that is geologically unique to Alaska but similar to the big alluvial gold deposits being mined in neighboring Siberia. We have defined more than 8 million cubic yards of near-surface pay gravels where we believe we can gain the economies of scale in a surface bulk-mining operation. This amount could double as drilling progresses. We believe that this alluvial gold deposit can be streamlined into production because it does not require the use and permitting of milling, chemicals and tailings ponds in the gold recovery process.

In making this announcement, we do not purport to have a U.S. Securities and Exchange Industry Guide 7 compliant mineral resource. We do, however, believe that the quantity of mineralized material as defined in the scoping study falls within the definition of resource classifications by the Canadian Institute of Mining.

We are proceeding with more in-depth engineering studies as we prepare for an aggressive summer drilling program which will be financed by a private placement offering. Should we be unsuccessful in this financing effort the drilling program will of necessity be deferred until sufficient funds can be raised to fund those drilling operations.

Livengood Bench, Alaska

On December 28, 2007, we entered into an Exclusivity Agreement ("the Agreement") on the Livengood Bench placer gold mine in Alaska. The Livengood Bench property is located 75 miles north of Fairbanks, Alaska and has paved-road access. The mine has produced over 400,000 ounces of placer gold, but was placed on care and maintenance in 2000 due to low gold prices. The existing database indicates the presence of 12.8 million cubic yards of gold-bearing alluvium (gravel) believed to contain about 355,000 ounces gold. The exclusivity fee under the Agreement was \$100,000. The Agreement afforded us the exclusive right to conduct a comprehensive analysis of the property, make commercial viability studies and possibly enter into a definitive agreement for the purchase of the property. On February 15, 2008, our Board of Directors heard a report by a due diligence and commercial scoping committee organized for the purpose of evaluating the Livengood Bench property. The Board of Directors concluded the property was not a suitable investment for Little Squaw. We then canceled the Exclusivity Agreement and released our potential interest in the property.

Marisol Property, Sonora State, Mexico

On November 27, 2007 we acquired the Marisol gold property located near the U.S. border south of Tucson in Sonora State, Mexico.

The favorable geological environments in Mexico, and Sonora State, in particular, provide many precious-metals exploration opportunities. Marisol lies in the Cucurpe Mining District where some 2 million ounces of gold have been produced primarily from epithermal-type deposits. Current gold resources for the district are thought to be on the order of 3 million ounces.

Management believes that acquisition of this drill-ready property is another example of our commitment to building value for our investors by focusing on highly prospective gold exploration assets concurrently with our diversification across politically supportive jurisdictions in the Americas. Specifically, Mexico combines favorable geology with stable political, social, and economic factors. Mexico has a thirty-four percent (34%) National Income Tax rate, but imposes no State Mining Tax Royalties and allows comparatively liberal depreciation of mining assets for the purposes of calculating the net tax due. The ability to work year-round in Mexico will counterbalance the seasonal campaigns on our Alaska property.

We have formed and registered a wholly owned subsidiary, Minera LSG, S.A. de C.V. ("Minera LSG"), to hold our assets in Mexico. Minera LSG has an option to acquire 100 percent of the Marisol property mineral rights by making staged semi-annual payments totaling \$2,500,000 over five years ending on October 22, 2012. A residual 1.25 percent net smelter return royalty may be purchased for \$1,500,000. A second agreement requires annual payments to surface owners for access, water usage, and rights to explore and develop the property. Payments made under these agreements during 2007 totaled \$51,750. In addition, a finder's fee of \$10,000 was paid in the form of common stock to an independent party.

The 1,411-acre Marisol property is in northern Sonora State, 130 miles south of Tucson, Arizona, and 8 miles from the principal highway between Nogales and Hermosillo, Sonora. Marisol exhibits good potential to host bulk-tonnage gold-silver deposits that may be amenable to low-cost open-pit and heap leaching mining methods. The property exhibits two subparallel, northeast-trending, gold-silver mineralized structures separated at the surface by 230 feet of argillic/sericite-altered Jura-Cretaceous age siltstone, limy siltstone and clastic sediments. These sediments are similar in texture and composition to some of those hosting the epithermal Carlin Trend (Nevada) gold deposits. They are also similar to those at the Santa Gertrudis mine, 30 miles northeast of Marisol, which produced more than 300,000 ounces of gold from similar northeast-trending structures between 1991 and 1997.

The Marisol deposit occurs adjacent to a major southeast-trending structure termed the "Mojave-Sonora Megashear." The megashear is believed to be a left-lateral transform fault system that stretches from central Sonora to south-central California. A number of gold mines are located along this structure, including La Herradura, the largest producing gold mine in Mexico with reserves of more than 5 million ounces, and the San Francisco mine, which is 12 miles west of Marisol with more than a million ounces of combined gold production and resources.

Surface rock samples collected by us confirmed good gold values from the mineralized zones. Two samples from the walls of small-scale mining operations conducted in the 1940's returned values of 2.3 and 4.6 ppm gold (0.067 and 0.134 oz Au/st). Chip-channel samples from the surface zone to the southeast returned gold values up to 8.8 ppm gold (0.257 oz Au/st) over 6.5 feet. Old drilling records indicate this mineralization continues to depth. The mineralized structures can be traced by intermittent historic small-scale mine excavations along a distance exceeding 1.5 miles. Geologic mapping and geochemical sampling have disclosed additional areas of hydrothermal alteration and potential mineralization that may be related to mineralized structures not previously recognized.

In February 2008, we organized and began implementation of a 5,000-foot drilling campaign as 10 diamond core drill holes. This drilling is designed to verify depth extensions of mineralization under and around the old mining area, and is in progress as of the date on this report. Our geologists' initial examination found indications that the zone of gold mineralization may extend far beyond the old mining area. An exploration program that includes geological mapping and rock and soil geochemical sample surveys to define the limits of mineralization is also in progress.

Pedra de Fogo, Brazil

In March of 2007, we acquired the Pedra de Fogo gold exploration property in Goias State, south central Brazil. The property covers about 45 square miles of prospective Precambrian age greenstone geologic terrain within a prolific mining region between two large producing gold mines: Chapada, 30 miles to the east, and Crixas, 20 miles to the south. Past production and current resources for both mines total 8.7 million ounces of gold. Our property is located near the town of Reisopolis and road access is excellent. This acquisition is consistent with our philosophy to geographically diversify our gold exploration activities into prospective and politically friendly areas and to extend our capabilities to conduct field work year-round.

We acquired the property under a 20-year mining lease agreement with private prospectors. The prospectors, both of whom are geologists, also provided us with a significant technical data package, including geologic, stream-sediment, and soil-geochemical maps. The property covers strong and continuous geochemical gold anomalies in stream sediments that we confirmed through due diligence sampling. The mine rights consist of a series of federal claims, or concessions that underlie private property, mainly small cattle ranches. We have arranged for access permission with the affected ranch owners in order to carry out our explorations.

Shortly after acquisition, we initiated an aggressive exploration program to identify the source(s) of the geochemical gold anomalies. Our initial exploration activities included surface soil and rock samples being taken broadly across the property. In October, we announced that the completed orientation soil geochemical survey identified four substantial gold-anomalous areas. A total of 470 soil samples and 28 rock samples were collected for this survey along a series of east-west and north-south sample lines. These lines crossed over areas previously identified by stream sediment sampling as having gold source areas within several large drainages

Bedrock in this region is largely concealed by thick, subtropical, lateritic soil. The largest gold-anomalous area recognized so far is about 1,500 feet wide and extends north-south over three miles across several drainage basins on the east side of the property. Consulting geologists working the program believe this target is associated with a stratum of banded iron formation.

All four target zones found by the soil sampling are open-ended and appear to identify source areas for the gold recognized in the earlier stream sediment sampling. The soil anomalies are all linear, trending northward, and range from 1,500 to 3,000 feet in width by one to three miles in length. One possible source area was identified by rock chip sampling of small isolated outcrop of quartzite that yielded 0.544 ppm gold (0.016 oz Au/st) near where a series soil samples assay 0.131 to 1.44 ppm gold (0.004 to 0.042 oz Au/st).

Each of the gold-in-soil anomalies is also coincident with geochemical anomalies for the gold mineralization pathfinder elements of copper, zinc, arsenic and barium. Although the geochemically anomalous values are subdued, they are typically an order of magnitude above background for all five of these elements. The level of the anomalous values may be due in part to the shallow (hand) sampling method used. It is expected that mechanical auger sampling will generate stronger anomalous results.

We are encouraged by the consistency, continuity and size of the gold anomalies we've found in the soil mantle. The coincidence of gold occurring with not only four pathfinder elements, but also with key stratigraphic layers in the greenstone sequence is also promising.

Mechanized follow-up soil sampling and trenching are planned in the coming months to better examine the cause and extent of the gold anomalies we have identified, provided adequate funds are available. Additional areas with similar gold signatures in previous stream-sediment samples will also be sampled.

ITEM 3. LEGAL PROCEEDINGS

On February 16, 2007, we filed a civil complaint in the Superior Court for the State of Alaska, Fourth Judicial District, at Fairbanks (Case No. 4FA-07-1131 Civil) against defendant Gold Dust Mines, Inc., and its sole owners, Delmer M. Ackels and Gail E. Ackels, alleging breach of contract, breach of fiduciary duty, trespass, and conversion of gold, information and personal property, and seeking quiet title, ejectment, return of property, and damages, all in relation to a dispute over claims on our Chandalar property. The complaint involves four state mining claims owned by us, covering approximately 160 acres in the Chandalar Mining District of Alaska, hereinafter referred to as the Contested Mining Claims, such Contested Mining Claims consisting of less than 1% of our current total claims at Chandalar.

On October 1, 1989, we entered into a ten-year lease with Gold Dust Mines, Inc. ("Gold Dust Mines"), for certain of our placer mining properties, including some of the Contested Mining Claims. A provision in the lease allowed for its extension for up to forty years more. The lease permitted Gold Dust Mines to use the properties for gold placer mining purposes and to stake claims in the name of Little Squaw in exchange for lease and royalty payments. Pursuant to the lease, Gold Dust Mines conducted activities from 1990 into 2003 on the leased placer mining

properties, including routinely performing the annual assessment work on all of our Chandalar Traditional state mining claims, as required by the terms of the mining lease. In 1996, pursuant to notice from Gold Dust Mines that it was abandoning placer mining operations on certain properties, the lease was amended to limit Gold Dust Mines' lease to properties along Big Creek and St. Mary's Creek.

We allowed some of our claims to lapse in 2000 for lack of funds to maintain them because for a series of years Gold Dust did not make its annual leasehold payments to us, nor pay to us the annual state rental fees on the claims it had leased from us, as required by the lease. The Ackels did continue doing the mandatory annual assessment work on our remaining claims on our behalf, as required by the lease, through the year 2002 by a verbal understanding with former management effectively extending the lease. In July of 2003, the Ackels located twenty-one 40-acre MTRSC state mining claims on their own behalf in some of the areas previously vacated by us. The area of the claims we had to relinquish in 2000 was largely recovered September of 2003 when we re-staked it with 160-acre MTRSC state mining claims. Some of the Ackels'/Gold Dust's claims are now inliers to our Chandalar mining claim block, and some of those as well are located partially or wholly over four Traditional 40-acre state mining claims continually held by us or our predecessors since 1987. The Ackels conducted seasonal placer gold mining operations on Big Creek during 2005 and 2006 on one of those claims that is now in conflict. The Ackels also conducted placer mining operations on Big Creek in 2007 that may have extracted gold from a second claim in conflict, to be determined by a claim boundary survey yet to be conducted. We maintain that we are the senior locator of all the mining claims where Ackels has overstaked us, and we believe our claims were and continue to be in good legal standing. We intend to maintain and defend our claimholder rights.

We allege that from 1999 through 2002, Gold Dust Mines failed to make its annual lease payments and annual mining claim rental fees to us. As a result, we allege that we were forced to abandon many of our state mining claims, because we did not have enough cash on hand to pay the required rental payment to the State of Alaska. We allege that Gold Dust Mines failed to terminate its agency relationship with us before undertaking the re-staking activities and therefore such activities should have been done in the name of Little Squaw pursuant to the lease agreement. Further, we allege that some of the re-staked lands were not available for location because we had previously recorded state claims in that area. Therefore, we allege that these re-stake claims were improper, illegal, and wrongfully made.

We allege that Gold Dust Mines has no interest in those areas of the Contested Mining Claims that Gold Dust improperly, illegally, and wrongfully overstaked. We seek to quiet the title to the Contested Mining Claims and to eject Gold Dust Mines from the Contested Mining Claims. Additionally, we seek compensatory and exemplary damages for Gold Dust Mines' trespass on the Contested Mining Claims, conversion of gold, conversion of information, conversion of personal property, breach of the amended lease agreement, and breach of fiduciary duty arising from the agency relationship created by the amended lease agreement.

Gold Dust Mines has filed a response with the Court denying most of our claims. This legal action is ongoing. The court has set a jury trial date of November 24, 2008. While we expect the court to rule favorably in our behalf, we do not expect a quick resolution to this action. Should an eventual ruling be not in our favor, our ability to execute our exploration plans would not be materially affected; however, we are committed to vigorously defending our title to claims at all of our properties.

Other than routine litigation incidental to our business, there are no pending legal proceedings in which the Company is a party or any of their respective properties is subject. There are no pending legal proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficiary of more than 5% of the common stock of the Company, or any security holder of the Company is a party adverse to the Company or has a material interest adverse to the Company.

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

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the Over the Counter (OTC) Bulletin Board which is sponsored by the National Association of Securities Dealers (NASD). The OTC Bulletin Board is a network of security dealers who buy and sell stock. The dealers are connected by a computer network which provides information on current "bids" and "asks" as well as volume information. The OTC Bulletin Board is not considered a "national exchange."

Our Common stock is traded on the NASD OTC Bulletin Board under the symbol "LITS". The following table shows the high and low bid information for the Common stock for each quarter of the fiscal years 2006 and 2007.

<u>Fiscal Year</u>	<u>High Closing</u>	<u>Low Closing</u>
2006		
First Quarter	\$0.80	\$0.25
Second Quarter	\$1.37	\$0.65
Third Quarter	\$1.70	\$1.10
Fourth Quarter	\$1.60	\$1.15
2007		
First Quarter	\$1.46	\$1.04
Second Quarter	\$1.21	\$0.92
Third Quarter	\$1.20	\$0.72
Fourth Quarter	\$0.84	\$0.77

The above quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Holders of Record

As of December 31, 2007 there were 2,957 shareholders of record of our common stock and approximately 1,169 additional shareholders whose shares are held through brokerage firms or other institutions.

Dividends

We have not paid any dividends and do not anticipate the payment of dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

During 2007, we issued 60,000 shares and 100,000 options to purchase shares of our Company's common stock under our Restated 2003 Share Incentive Plan. Subsequent to 2006 issues, at December 31, 2007, we have the following options outstanding and available for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	515,000	\$0.51	210,000
Equity compensation plans not approved by security holders	0	0	0
Total	515,000	\$0.51	210,000

Issuer Purchase of Equity Securities

During 2007, neither the Company nor any of its affiliates repurchased common shares of the Company registered under Section R of the Exchange Act.

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

General

Results of the 2007 Summer Exploration Season

Broken Hills West, Nevada

During 2007, we continued with our surface evaluation. A detailed geologic map was finalized in conjunction with the collection and analyses of about 80 rock samples. A soil sample grid covering the entire claim block was completed with 400 samples collected and analyzed. The results of this work support but do not significantly enhance our original target concepts for finding a blind (or buried) gold vein system. We have yet to recognize a definitive drill target. The next stage of evaluation will involve a geophysical survey incorporating induced potential and ground magnetometry.

Chandalar, Alaska

The 2007 seasonal exploration program for our Chandalar property built on the foundational work performed in 2004 through 2006. With our inability to secure a diamond core drill for the summer exploration season, we refocused our exploratory efforts toward trenching and sampling on hard rock prospects, and reverse circulation drilling on the alluvial deposit identified by Jeff Keener of Metallogeny, Inc. during the analysis of 2006 exploration activities.

In February 2008, we received the final drill results from our placer gold project of 113 drill holes for a total of 15,535 feet on the Little Squaw Creek, Spring Creek and Big Squaw Creek drainages. The complete results confirm our opinion that we have discovered an industrial-scale placer gold deposit of potential commercial significance (see our November 10, 2007 and February 14, 2008 press releases) on the Little Squaw Creek. The scout drilling results on Spring Creek were insufficient to assess its potential to host a gold deposit. The scout drilling results on Big Squaw Creek were encouraging. Additional drilling is required to fully assess all three drainages.

The placer gold drilling project has outlined a large body in the many millions of cubic yards of mineralized material as gold-bearing gravels on the Little Squaw Creek drainage. This discovery is thought to be unique in the history of Alaska mineral deposits because it is an unusual type of placer gold deposit called an aggradational placer, in contrast to the bedrock placer gold deposits so well known in Alaska. Spatial limits and overall gold grade of the alluvium containing the potentially economic "Pay Horizon" have not yet been determined, and will require a couple of hundred more drill holes. The length-weighted average grade of the drill holes that penetrated the Pay Horizon is 0.0247 ounces of gold per cubic yard (yd³). We believe the volume of mineralized material, the indicated grade of it and the disseminated nature of the gold in the aggradational type of gold deposit it is should make our discovery amenable to bulk mining and processing methods. We further believe that in acquiring such economies of scale together with the simple gold recovery gravity methods that would be employed constitute a potentially viable industrial-scale gold mining opportunity for us. Accordingly, we have commissioned a scoping study to determine if the value of our alluvial gold deposit falls within economically extractable limits. This scoping study is being done by a professional service contractor, Metallogeny, Inc. in cooperation a consulting state licensed and registered mining engineer with Alaska placer gold mining expertise. The ultimate objective of this combined effort is to establish an SEC Industry Guide 7 compliant gold reserve. We expect the results of the scoping study to set the course for our future activities at Chandalar. Any future work program recommendations await the results of the scoping study. If economic viability is indicated, we expect that about 60,000 feet more of reverse circulation drilling will be need to fully evaluate the deposit. We currently do not have sufficient funds to execute such a program.

Marisol, Sonora State, Mexico

This property was acquired late in 2007 and no exploration work was completed on it beyond the preliminary work performed during the due diligence period prior to acquisition. Surface rock samples collected by us earlier in 2007 confirmed good gold values from the mineralized zones. Two samples from the walls of small-scale mining

operations conducted in the 1940's returned values of 2.3 ppm and 4.6 ppm gold. Chip-channel samples from the surface zone to the southeast returned gold values up to 8.8 ppm gold over 6.5 feet. Old drilling records indicate this mineralization continues to depth. The mineralized structures can be traced by intermittent historic small-scale mine excavations along a distance exceeding 1.5 miles. Geologic mapping and geochemical sampling have disclosed additional areas of hydrothermal alteration and potential mineralization that may be related to mineralized structures not previously recognized. Two contacted diamond drill core rigs have been mobilized to the property and are currently performing the planned 10 hole 5,000-foot drill program. The drilling progress has been slow because of mechanical problems with both drills. Both drills belong to a Mexican drilling company based in Hermosillo, Mexico.

Pedra de Fogo, Brazil

Shortly after acquisition in March of 2007, we initiated an aggressive exploration program to identify the source(s) of stream sediment geochemical gold anomalies. These anomalies had found and reported by previous workers in the 1980's. Our initial exploration activities included surface soil and rock samples being taken broadly across the property. A completed orientation soil geochemical survey identified four substantial gold-anomalous areas within several large drainages. All four target zones found by the soil sampling are open-ended and appear to identify source areas for the gold. The soil anomalies are all linear and range from 1,500 to 3,000 feet in width by 1 to 3 miles in length. One possible source area was identified by rock chip sampling of small isolated outcrop of quartzite that yielded 0.544 ppm gold near where a series soil samples assay 0.131 to 1.44 ppm gold. Each of the gold-in-soil anomalies is also coincident with geochemical anomalies for the gold mineralization pathfinder elements of copper, zinc, arsenic and barium.

We are encouraged by the consistency, continuity and size of the gold anomalies we've found in the soil mantle. The coincidence of gold occurring with not only four pathfinder elements, but also with key stratigraphic layers in the greenstone sequence is also promising. We anticipate the next phase of our exploration will be to involve a substantial motorized soil auguring sample campaign and to engage in trenching using an excavator as well, provided sufficient funding is available.

2008 Exploration Plans

At the date of this writing, we have yet to secure sufficient financing to accomplish our planned 2008 drilling activities. We estimate that it would take about five million dollars to complete our 2008 exploration plans for all of our properties in Alaska, Nevada, Mexico and Brazil, and to sustaining our corporation at current levels. While we believe that we will be successful in obtaining the necessary financing for 2008, we can not assure that financing may be obtained on terms acceptable to us. Should we be unable to secure financing, we would take the necessary measures to secure, maintain and protect our corporation and its assets until our financing efforts bear fruit.

Broken Hills West, Nevada

In times of limited cash, exploration priorities must be established. As a result, no significant exploration activities are currently planned for 2008 on this property. The results of the exploration work performed in 2007 will be further analyzed to determine future exploration activities when sufficient funds become available. The next stage of evaluation would involve a geophysical survey incorporating induced potential and ground magnetometry. We would intend to undertake this work in early 2008 provided funds are available and a suitable geophysical contractor can be engaged to do it.

Chandalar, Alaska

We believe that we accumulated sufficient data during the 2007 placer drilling to establish that we have a significant and potentially commercial gold deposit discovery. We also think that additional drilling of this placer gold deposit will be need to set ore reserves and to expand the size of body of mineralization. (This would take about 300 drill holes over two years, accumulating to about 60,000 feet of drilling.) Additionally, we have laid the ground work to secure a diamond core drill to execute the hard rock drill plan formulated during the 2006 drilling season but deferred in 2007. All exploration activities in Chandalar are contingent upon successful financing during March and April of 2008. If financing is not obtained by in the Spring of 2008, the window of opportunity to organize a significant exploration program in Alaska for 2008 will close.

Marisol, Sonora State, Mexico

We have contracted and paid for diamond core drilling currently being performed on the Marisol property. We will likely complete the 5,000-foot drilling campaign in 10 diamond core drill holes, designed to verify depth extensions of mineralization under and around the old mining area. Our exploration work has found indications that the zone of gold mineralization may extend far beyond the old mining area. A planned near-term exploration program includes geological mapping and rock and soil geochemical sample surveys to define the limits of mineralization. If we are unsuccessful in securing adequate financing, we may be required to suspend the surface exploration program until sufficient financing can be obtained. If sufficient funds are not forthcoming during the first half of 2008, we would take measures to retrench activities at Marisol including finding a joint venture partner or terminating the mining lease agreement.

Pedra de Fogo

By contract, we are required to perform a minimum of \$100,000 in 2008 on exploration activities on this property to preserve our interest in it. We are committed to dedicate sufficient resources to accomplish that. If we are successful in obtaining financing we may re-energize our exploration plans to include the outlined mechanized follow-up soil sampling and trenching to better examine the cause and extent of the gold anomalies we have identified. Additional areas with similar gold signatures in previous stream-sediment samples may also be sampled.

Report on Chandalar Alluvial Deposit

Subsequent to the end of the year, in March of 2008, we received draft results of an independent economic scoping study on our alluvial gold deposit discovery in the Little Squaw Creek drainage located on our wholly owned Chandalar, Alaska, mining property. The study concludes gold-bearing gravels contain 231,000 ounces of recoverable gold that could be extracted at a cash cost of \$442 per ounce and a full cost, including amortization of capital expenses, of \$711 per ounce. We believe the deposit can be substantially expanded through additional drilling and that an increase in its size would significantly increase profitable mine life while decreasing unit costs.

The scoping study examines an open-pit mine plan that would begin with production at 30,000 ounces of gold per year and yield an average of 21,000 ounces of gold per year over an 11-year mine life. Required start-up capital is estimated at \$17.9 million dollars with life-of-mine capital costs at \$30.6 million. Cash flow analyses run at \$900-per-ounce gold show a 33 percent internal rate of return on capital investment with a 3.6-year payback. Cumulative net revenues are projected to total \$204 million (after transport cost deduction and refining losses), net cash flow projection totals \$44 million and the net present value of cash flow projection totals \$12 million using a 15% discount rate. The scoping study was done by a consulting licensed mining engineer experienced in the operation of alluvial gold mines.

It is management's opinion that we have discovered a commercially viable, industrial-scale alluvial gold deposit that is geologically unique to Alaska but similar to the big alluvial gold deposits being mined in neighboring Siberia. We have defined more than 8 million cubic yards of near-surface pay gravels where we believe we can gain the economies of scale in a surface bulk-mining operation. This amount could double as drilling progresses. We believe that this alluvial gold deposit can be streamlined into production because it does not require the use and permitting of milling, chemicals and tailings ponds in the gold recovery process.

In making this announcement, we do not purport to have a U.S. Securities and Exchange Industry Guide 7 compliant mineral resource. We do, however, believe that the quantity of mineralized material as defined in the scoping study falls within the definition of resource classifications by the Canadian Institute of Mining.

We are proceeding with more in-depth engineering studies as we prepare for an aggressive summer drilling program which will be financed by a private placement offering. Should we be unsuccessful in this financing effort the drilling program will of necessity be deferred until sufficient funds can be raised to fund those drilling operations.

Liquidity and Capital Resources

We are an Exploration Stage company and have incurred losses since our inception. We have no recurring source of revenue and our ability to continue as a going concern is dependant on our ability to raise capital to fund our future exploration and working capital requirements. Our plans for the long term continuation as a going concern include financing our future operations through sales of our common stock and/or debt and the eventual profitable exploitation of its mining properties. With the recent reported success in our determination of the size an alluvial ore body in the Little Squaw Creek drainage, we are exploring the economics of beginning a mining operation of our own to fund ongoing hard rock exploration activities and the needs of our corporation in general. Our plans may also, at some future point, include the formation of mining joint ventures with senior mining company partners on specific mineral properties whereby the joint venture partner would provide the necessary financing in return for equity in the property.

In December of 2006, we were successful in obtaining approximately \$3 million in financing for operations through 2007. In January and February of 2007, the exercise price of the Class B Warrants increased from \$0.35 to \$0.50 per share. As a result, early in 2007, we received \$1,215,933 cash proceeds from exercises of 3,465,194 Class B warrants as holders exercised their warrants prior to the increase in exercise price. Additionally, we received \$777,000 cash proceeds from exercises of 2,590,000 Class A warrants and cash proceeds of \$140,000 from an exercise of 400,000 2005 Private Placement warrants. Our common stock is currently not trading above the price threshold that would permit us, at our option, to call both the Class A warrants and the Class B warrants to generate additional cash.

On December 31, 2007, we had total assets of \$3,245,800 and total liabilities of \$1,296,892. This compares to total assets of \$4,933,420 and total liabilities of \$1,174,113 on December 31, 2006. The decrease in assets was due largely to decreases in cash, offset by increases in property, plant equipment and mining claims and other assets. Cash decreased in spite of the cash generated from warrant exercises, as significant cash was invested in exploration and operating activities in our sizable 2007 exploration plan, and in the purchases of large equipment required to execute the 2007 exploration activities. When compared to 2006, liabilities increased slightly for 2007 due to increases in current liabilities attributable to additional accounts payable resulting from increased spending year over year, offset by the payment of accrued commissions related to a private placement which closed near the end of 2006 and an increase in the carrying value of the Convertible Debenture due to amortization of the beneficial conversion feature.

As of December 31, 2007, our assets consisted of \$1,483,885 of cash and cash equivalents, \$31,561 of restricted cash, \$768 of interest receivable, \$185,135 of prepaid expenses, \$39,725 of unamortized deferred finance costs, \$898,898 of equipment, net of depreciation, \$502,604 of mining properties and claims and \$103,224 of other assets, represented by gold specimens from the Chandalar property purchased from a previous owner. As of December 31, 2007, our liabilities consisted of \$251,607 of outstanding accounts payable, \$19,831 in accrued liabilities, \$5,096 accrued interest payable, \$940,716 of convertible debenture and \$50,000 for accrued remediation costs. The Convertible Debenture has a face amount of \$1,000,000 and is reflected on our financial statement net of an unamortized discount of \$29,642 for the fair value of the debenture's beneficial conversion feature.

As of December 31, 2007, we had current assets of \$1,741,074, including cash and cash equivalents of \$1,483,885; current liabilities of \$1,246,892, including the Convertible Debenture, net of discounts, of \$970,716; and working capital of \$494,092. This compares to current assets of \$ 4,131,123, including cash and cash equivalents of \$4,086,897; current liabilities of \$300,015; and working capital of \$3,381,108 as of December 31, 2006. The decreases in balances for 2007 reflect the application of the cash proceeds of the successful private placements that occurred late in 2006, together with cash generated from exercise of warrants in January and February of 2007, toward increased exploration and operational activities, an increase in property, plant and equipment and mining claims, the payment in 2007 of a commission liability for the December 2006 placement, the classification of the Convertible Debenture as current liability due to its maturity with 12 months, and an increase in accounts payable for increased spending at the end of 2007 compared to 2006.

Net loss for 2007 was \$4,142,832 compared to a net loss of \$2,004,404 for the year ended December 31, 2006. The increase in net loss for 2007 was due to significant increases in exploration expense and nearly all categories of spending as we implemented a significant exploration program across multiple properties in 2007. Exploration expenses increased 129% as we executed a two-pronged exploration program at our Chandalar Alaska property;

trenching and sampling of hard rock deposits and drilling of the alluvial deposit on the Little Squaw Creek drainage. Additionally, initial exploratory programs were executed on the Broken Hills West property in Nevada and the Pedro de Fogo property in Brazil. All other expenses of the company increased to support the exploration activity. Interest income increased due to the significant balances of invested cash when compared with 2006 as a result of a large private placement which occurred at the close of 2006. Interest expense increased somewhat due to the increased undiscounted balance of the convertible debenture as it nears maturity and recognition of the remaining balance of unamortized discount related to the associated Class A Warrant due to its exercise into common stock during 2007.

Our principal source of liquidity during 2007 and 2006 has been through debt and equity financing. Financing activities provided cash of \$2,110,872 and \$4,986,074 during the years ended December 31, 2007 and 2006, respectively. We used cash in operating activities of \$3,800,496 and \$1,408,589 during the years ended December 31, 2007 and 2006, respectively, due to increased spending in exploration and nearly all categories of spending as we implemented the significant exploration program for 2007. We used cash of \$913,388 in investing activities to purchase equipment, purchase rights to additional claims in Nevada and Livengood Bench in Alaska and increasing restricted cash to secure a letter of credit for the return of a drill to contracted vendor.

Exploration costs for calendar 2007, including acquisitions of capital equipment, direct exploration costs, professional services and management overhead to support the exploration program, totaled approximately \$4.153 million compared to earlier estimates of \$3.317 million for the total of these costs, an increase of approximately \$836,033, or approximately 125% of planned spending. This is partially due to the additional reverse circulation drilling we were able to complete due to late-season favorable drilling conditions. We planned 90 drilled holes for a total of 13,000 feet, and we actually drilled 113 holes for a total of 15,550 feet of drill samples on the property during the 2007 summer field season, 99 of which were completed to targeted depths.

With the success of our private placement in December of 2006 and warrant exercises in early 2007, we were successful in attracting sufficient funds and financing to continue operations into the Spring of 2008. To meet the funding requirements of future property acquisitions and exploration activities at our properties in Alaska, Nevada, Mexico and Brazil, we will need to be successful in 2008 in raising investment funds through private placements of Company securities. In 2008 and beyond, we intend to continue to explore financing opportunities, including issuing equity or debt. As of the date of this filing, we are working with interested investors in placing Company securities in sufficient amounts to fund our operating requirements at a fully-staffed level for the next 12 months. However, without additional financing during 2008, we may not have sufficient funds to fund the 2009 drilling and other exploration activities on our properties in Alaska and Nevada. If we are unsuccessful in attracting additional financing in the Spring of 2008 sufficient to fund exploration activities for 2008, we will implement only those strategies which will maintain property and asset value until additional financing can be obtained. There can be no assurance we would be successful in completing such a securities offering on terms acceptable to us.

Private Placement Offerings

As of April 7, 2008, we are self-promoting a private placement with several of our current shareholders and have received cash remittances totaling \$583,098. Commitment of the private placement funds is represented by signed subscription agreements and transfer of the money into a segregated account owned by us. We intend to close on the \$583,098 on or about April 8, 2008 and target April 18 as a final closing date on anticipated additional funding. The private placement offering is for a maximum of \$5,000,000 with no minimum. Under the terms of a revised subscription agreement, we agree to sell an investor units at \$0.60 per unit, each unit consisting of one share of our common stock and one half of a two-year warrant to purchase a share of common stock at an exercise price of \$0.85 for each full share in the first year and \$1.25 for each full share in the second year. The warrant is callable at any time should the price exceed \$2.00 per share for five consecutive trading days.

Some placements of these units will be subject to a cash finder's fee paid to some individuals for introductions to potential buyers. Finder's fee agreements are required in advance, with each will specifying the party to whom the finder intends to recommend to us prior to our conversation with the intended party. The finder's fee is 6% cash of any sale we make to the finder's contact. There will be no Options or Warrants involved in any finder's compensation. The first million dollars of the amount mentioned above involves no finder's fees.

The potential dilution if all units are sold and all warrants exercised would be to increase our outstanding shares by 34% from approximately 36.4 million to approximately 49 million.

We believe that with significant success of this private placement, our cash requirements for the next 12 months of operation will be met.

Consulting Agreement

On November 26, 2007, we entered into a Consulting Agreement with Baron Group USA, LLC (“Baron”) of New York City. Under the terms of a Consulting Agreement, we agreed to pay Baron, as consultant, a cash finder’s fee in an amount equal to 8% of the gross proceeds received by us in a private placement. In addition, Baron would receive common share purchase warrants representing 10% of the number of warrants issued to investors in a private placement with the same terms and conditions as those of the financing investors. During the term of the agreement, Baron was the exclusive and sole representative for us. Baron had the right to engage qualified broker-dealers in connection with providing services in connection with a Private Placement, provided that such broker-dealers were properly registered and agreed to comply with the terms of the agreement. Efforts to close a private placement of our securities were unsuccessful, for reasons which in our opinion were within the control of Baron. On March 5, 2008, the agreement was terminated by mutual consent of both parties, effective immediately. Baron ceased providing any services under the agreement and we are no longer under any obligation to pay Baron any compensation of any kind under the agreement.

We believe that we will be successful in placing sufficient securities using our own contacts that will enable us to secure sufficient funds to pay for our 2008 activities with a much lower placement cost.

Placement Agent Agreement

On October 13, 2006, we entered into a Placement Agent Agreement with Strata Partners, LLC, a U.S. registered broker dealer. Under the terms of a Placement Agent Agreement, we agreed to pay Strata Partners, LLC, as agent, a selling agent compensation fee in an amount equal to four and one half percent (4.5%), as applicable, for sales effected by the agent and a lead agent fee in an amount equal to one and one half percent (1.5%) of the aggregate gross proceeds of any placement during the term of the agreement. The agent also will receive an option, as lead agent, to purchase Units equal to one and one half percent (1.5%) of the total number of Units sold by us in the placement and an option as selling agent to purchase additional Units equal to three and one half percent (3.5%) of the total number of Units, as applicable, for sales effected by the agent. The terms, conditions and exercise price of the options to be issued to the agent shall be economically equivalent to the terms, conditions and exercise price of the Units issued by us in a placement. We also agreed to grant the agent the same registration rights granted to investors in a placement, if any, and reimburse the agent for all expenses incurred by it in the performance of the agent’s obligations, including but not limited to the fees and expenses of our counsel and accountants and the cost of qualifying the placement, and the sale of the securities, in various states or obtaining an exemption from state registration requirements. We will reimburse the agent for actual expenses, including but not limited to accounting, legal and professional fees, incurred by the agent in connection with the Placement, not to exceed one-half percent (0.5%) of the gross offering proceeds. We agreed that the agent would serve as exclusive placement agent until January 11, 2006. In connection with the Placement Agent Agreement we paid Strata Partners and selling agents at total of \$180,720 in commissions, reduced by \$30,000 in finder’s fee paid to an unrelated individual, resulting in \$150,720 paid to Strata Partners.

Private Placements

On various dates in January and February 2007, we issued 90,000 shares of common stock as a result of exercise of 90,000 Class A warrants at \$0.30 per common share, resulting in \$27,000 proceeds received by us.

On various dates in January and February 2007, we issued 3,465,194 shares of common stock as a result of exercise of 3,465,194 Class B warrants at \$0.35 per common share, resulting in \$1,215,933 net proceeds received by us.

On March 8, 2007, we issued 2,500,000 shares of common stock as a result of exercise of 2,500,000 Class A warrants at \$0.30 per common share, resulting in \$750,000 proceeds received by us.

On March 8, 2007, we issued 400,000 shares of common stock as a result of exercise of 400,000 other warrants from a 2005 private placement at \$0.35 per common share, resulting in \$140,000 proceeds received by us.

On December 27, 2006, we closed a private placement of 3,012,002 Units, at a price of \$1.00 per Unit, each Unit consisting of one share of the registrant's common stock, par value \$0.10, and one half of one (1/2) share purchase warrant. Each whole warrant is exercisable to acquire one additional share of common stock at an exercise price of \$1.50 per share during the two-year period commencing on the Closing Date. The registrant received gross proceeds of \$3,012,002 in connection with the private placement. The registrant granted registration rights to the investors. The offering of units was conducted by us in a private placement to non-U.S. persons outside the United States in off shore transactions pursuant to an exemption from registration available under Rule 903 of Regulation S of the United States Securities Act of 1933, as amended, and in the United States solely to accredited investors pursuant to an exemption from registration available under Rule 506 of Regulation D of the Securities Act. Strata Partners, LLC, a registered broker dealer, acted as the lead placement agent in syndication (the "Syndication") with Olympus Securities, LLC in connection with the private placement. The Syndication received a cash fee of 6% of the gross proceeds and an option to purchase Units equal to 5% (the "Purchase Option") of the number of Units sold for one-year, purchasable on the same terms as the Units issued to investors. Strata Securities, LLC received a cash fee of 5.81% and Olympus Securities, LLC received a cash fee of 0.19% of the gross proceeds. Additionally, the Syndication received an Agent Option to purchase, within one year of closing, up to 5% of the units sold in the private placement. The 5% Agent Option is exercisable at \$1.00 per unit, each unit identical in composition in stock and Class C Warrant as the units sold in the placement. Of the 5% Agent Option, Strata Securities LLC received 4.88% and Olympus Securities, LLC received 0.12%.

On September 11, 2006, we issued to Ken Eickerman, a director of the Company, 25,000 shares of common stock as a result of exercise of 25,000 stock options, resulting in \$5,500 proceeds received by the Company.

On June 20, 2006, we issued to Ken Eickerman, a director of the Company, 25,000 shares of common stock as a result of exercise of 25,000 stock options, resulting in \$5,500 proceeds received by us.

On May 25, 2006, we issued 100,000 shares of common stock as a result of exercise of 100,000 warrants at \$0.30 per common share, resulting in \$30,000 proceeds received by us.

On May 22, 2006, we issued 200,000 shares of common stock to Wilbur G. Hallauer as a result of exercise of 200,000 warrants at \$0.30 per common share, resulting in \$60,000 proceeds received by us.

On February 24, 2006, we closed the second tranche of an additional 5,600,000 Units, at a price of \$0.25 per Unit for gross proceeds of \$1,400,000. This second closing brings the total gross proceeds received to \$2,373,750 and the total Units sold to 9,495,000, including an oversubscription of 1,495,000 Units which had been approved by our Board of Directors on February 13, 2006. Each Unit consisted of one share of our common stock and one half of one (1/2) Class B Warrant. The Units of this second closing are identical to those of the first closing on January 31, 2006. In connection with this portion of the placement, we paid an Agent's commission of 10% of the gross proceeds and issued the agent 560,000 Class B Warrants, bringing the total number of Class B Warrants issued to the Agent for both tranches to 945,500.

On November 7, 2005, our Board of Directors approved an equity financing of up to \$2,000,000 of our securities at a price equal to or greater than the terms of the November 21, 2005 Convertible Debenture. On January 31, 2006, we closed the first tranche of 3,895,000 Units, at a price of \$0.25 per Unit for gross proceeds of \$973,750. Each Unit consisted of one share of common stock and one half of one (1/2) Class B Warrant. Each whole Class B Warrant is exercisable to acquire one additional share of common stock at an exercise price of \$0.35 per share during the one-year period commencing on the Closing Date, \$0.50 per share during the second year following the Closing Date, and \$0.65 per share during the third year following the Closing Date. Additionally, each Class B Warrant contains a mandatory conversion provision which grant us, at our option, the ability to force conversion of each whole Warrant if the market price of our common shares is sustained at or above \$0.875 per share for five consecutive trading days. In connection with this portion of the placement, we paid an Agent's commission of 10% of the gross proceeds and issued the agent 389,500 Class B Warrants.

Convertible Debenture

On November 21, 2005, we closed a private placement, issuing a 6% Convertible Debenture in the principal amount of \$1,000,000 and a detached 2,500,000 Class A Warrant to one institutional investor. Cash proceeds to us, net of cash fees to the placement agent was \$900,000. The Debenture is convertible into shares of Common Stock, \$0.10 par value, at \$0.20 per share, subject to certain adjustments. The Warrant was exercised on March 8, 2007, to acquire 2,500,000 common shares at an exercise price of \$0.30 per share. The Convertible Debenture is transferable. The 6% Convertible Debenture contains a mandatory conversion provision which grants us, at our option, the ability to force conversion of the Debenture in whole or in part, subject to a 9.99% limitation of outstanding shares ownership provision, if the market price of our common stock is sustained at or above \$0.50 per share for five (5) consecutive trading days. The Class A Warrant also contained a mandatory conversion provision which granted us, at our option, the ability to force conversion of the Warrant in whole or in part, subject to a 9.99% limitation of outstanding shares ownership provision, if the market price of our common shares is sustained at or above \$0.75 per share for five consecutive trading days.

On June 1, 2007, we remitted interest to RAB Special Situations (Master) Fund Limited in the amount \$29,917 in the form of stock as allowed by terms of the 6% Convertible Debenture, resulting in 28,767 shares of common stock being issued to the holder. The stock price used as specified in the Debenture was the closing bid price five (5) business days prior to the due date of the interest payment, which was May 24, 2006. On that date Little Squaw's common stock closed at \$1.04 per share.

On December 1, 2007, we remitted interest to RAB Special Situations (Master) Fund Limited in the amount \$30,082 in the form of stock as allowed by terms of the 6% Convertible Debenture, resulting in 34,979 shares of common stock being issued to the holder. The stock price used as specified in the Debenture was the closing bid price five (5) business days prior to the due date of the interest payment, which was November 24, 2006. On that date Little Squaw's common stock closed at \$0.86 per share.

In connection with the placement, we issued to the placement agent a 500,000 Class A Warrant under the terms of a Placement Agent Agreement which is convertible into 500,000 common shares at an exercise price of \$0.30 until November 21, 2008. This Class A Warrant includes the same mandatory conversion provision as the warrant issued to the debenture holder. The fair value of this warrant was estimated using the Black-Scholes option pricing model. The warrant with a fair value of \$30,000 is included in deferred financing costs, bringing the total to \$130,000 with the cash fee paid to the agent as described above. The deferred financing costs are being amortized over the life of the convertible debenture, which resulted in amortization of \$43,332 and \$43,332 to interest expense being recorded in 2007 and 2006, respectively.

Upon the issuance of the 6% Convertible Debenture on November 21, 2005, we were required to allocate value to the warrant issued with the debenture, and to record a discount on the debenture for its conversion feature. In accordance with EIFT No. 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments" we recorded a discount in the amount of \$150,000. This discount is being amortized over the life of the convertible debenture, which resulted in accretion of \$ and \$57,276 to the convertible debenture being recorded in 2007 and 2006, respectively.

Also, in accordance with EITF 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Warrants issued in connection with the 6% Convertible Debenture were accounting for under APB 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants". Under APB 14, the proceeds received from the investor are to be allocated to the 6% Debenture and the Warrant in proportion to their respective fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model. The warrants with a fair value of \$150,000 are presented as a component of additional paid-in capital in shareholder's equity. This discount was being amortized over the life of the Convertible Debenture, with the remaining unamortized discount expensed in full when the Warrant was exercised. As a result, amortization of discounts totaling \$87,951 and \$57,276 were recognized as interest expense for the years ended December 31, 2007 and 2006, respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Contractual Obligations

We have entered into contracts with various individuals or companies which require minimum future payments or investments in exploration activities to satisfy the terms of the contract:

- In December 2007, we paid \$100,000 as part of a cancelable Exclusivity Agreement on a potential purchase of the Livengood Bench property in Alaska. In February 2008, the agreement was terminated by the Board of Directors as described elsewhere in this filing, and the non-refundable fee was forfeited. After February 2008, no further obligation exists under this agreement.
- In November 2007, we acquired the Marisol property in Northern Sonora State, Mexico under a cancelable agreement. Under terms of that agreement, we are obligated to remit a total of \$80,000 in 2008 to maintain our rights under the agreement.
- In March 2007, we acquired the Pedra de Fogo property in Goias State, Brazil under a cancelable agreement. We are obligated to invest \$100,000 in exploration expenses and remit \$14,000 in fees to the principals to the contract during 2008 to maintain our rights under the agreement.
- In November 2007, we entered into an Investor Relations contract with Coal Harbor Communications of Vancouver, British Columbia. Under terms of the agreement, we are required to remit \$6,000 per month for investor relations service fees, as well as issue 18,000 common shares and 50,000 non-qualified stock options to purchase our common shares each quarter beginning January 1, 2008 for as long as the agreement is in effect, currently one year. If shareholders fail to approve the 2008 Share Incentive Plan at our next meeting of shareholders, we are not obligated to remit the non-qualified stock options.

With the exception of management consulting contracts, the Convertible Debenture described above and the contracts listed above, we had no material contractual obligations as of December 31, 2007.

Inflation

We do not believe that inflation has had a significant impact on our consolidated results of operations or financial condition.

Critical Accounting Policies

We have identified our critical accounting policies, the application of which may materially affect the financial statements, either because of the significance of the financials statement item to which they relate, or because they require management's judgment in making estimates and assumptions in measuring, at a specific point in time, events which will be settled in the future. The critical accounting policies, judgments and estimates which management believes have the most significant effect on the financial statements are set forth below:

- Estimates of the recoverability of the carrying value of our mining and mineral property assets. Our estimate of carrying value is based partially on the valuation opinion of a qualified independent third party. However, if future results vary materially from the assumptions and estimates used by us and this third party, we may be required to recognize an impairment in the assets' carrying value.
- Expenses and disclosures associated with accounting for stock-based compensation. As of January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument on the grant-date fair value of the award. We have chosen to use the modified prospective transition method under SFAS 123(R). We used the Black-Scholes option pricing model

to estimate the fair market value of stock options issued under our stock-based compensation plan, which determines the recognition of associated compensation expense. This valuation model requires the use of judgment in applying assumptions of risk-free interest rate, stock price volatility and the expected life of the options. While we believe we have applied appropriate judgment in the assumptions and estimates, variations in judgment in applying assumptions and estimates used in this valuation could have a material effect upon the reported operating results.

- Estimates of our environmental liabilities. Our potential obligations in environmental remediations or reclamation activities are considered critical due to the assumptions and estimates inherent in accruals of such liabilities, including uncertainties relating to specific reclamation and remediation methods and costs, the application and changing of environmental laws, regulations and interpretations by regulatory authorities.
- Accounting for Convertible Securities. We used the Black-Scholes option pricing model and other valuation considerations to estimate the fair market value of the detachable warrant and beneficial conversion feature of a convertible debenture. We used APB-14, EITF No. 98-5, EITF No. 00-27 and other guidance to allocate value to the individual components of this convertible security. The associated discounts to the fair value of the convertible debenture form the basis for amortization and accretion over future periods. While we believe we have applied appropriate judgment in the assumptions and estimates, variations in judgment in applying assumptions and estimates used in the valuation or future results, could have a material effect upon the allocation of fair value of the components of the convertible securities, together with the reported operating results as discounts are recognized as interest expense over the life of the securities.

Significant Equipment Purchases and Requirements

In 2007, we paid approximately \$720,000 in cash for capital equipment to support the 2007 summer exploration season. The main capital items were a D6R Caterpillar dozer, a Caterpillar road grader and two tracked vehicles. These additional assets improved our ability to handle heavy drill apparatus and large drill samples, to maintain the roads and airstrips on the property and to operate more effectively in the inclement weather that is common to the area at Chandalar. We don't anticipate the need for similar spending on capital equipment during 2008 for the exploration program. Should we determine that an economic ore body exists at Chandalar sufficient to warrant production, additional financing efforts would be required to fund the operation, including the acquisition of any capital equipment required to mine the ore body.

ITEM 7. FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	64
Balance Sheets, December 31, 2007 and 2006	65
Statements of Operations for the years ended December 31, 2007 and 2006 and from inception (March 26, 1959) through December 31, 2006	66
Statements of Changes in Stockholders' Equity (Deficit) from inception (March 26, 1959) through December 31, 2007	67
Statements of Cash Flows for the years ended December 31, 2007 and 2006 and from inception (March 26, 1959) through December 31, 2007	75
Notes to Financial Statements	77

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Little Squaw Gold Mining Company

We have audited the accompanying balance sheets of Little Squaw Gold Mining Company, (An Exploration Stage Company) (“the Company”) as of December 31, 2007 and 2006, and the related statements of operations, changes in stockholders’ equity (deficit) and cash flows for the years then ended and from inception (March 26, 1959) through December 31, 2007. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Squaw Gold Mining Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended and from inception (March 26, 1959) through December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

DeCoria, Maichel & Teague P.S.

DeCoria, Maichel & Teague P.S.
Spokane, Washington

April 8, 2008

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Balance Sheets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,483,885	\$ 4,086,897
Restricted cash	31,561	-
Interest receivable	768	-
Prepaid expenses and other assets	185,135	64,476
Deferred financing costs	<u>39,725</u>	<u>-</u>
Total current assets	<u>1,741,074</u>	<u>4,151,373</u>
Property, plant, equipment, and mining claims:		
Equipment, net of accumulated depreciation	898,898	345,235
Mining properties and claims	<u>502,604</u>	<u>332,854</u>
Total property, plant, equipment and mining claims	<u>1,401,502</u>	<u>678,089</u>
Other assets:		
Deferred financing costs	-	83,057
Other assets	<u>103,224</u>	<u>20,901</u>
Total other assets	<u>103,224</u>	<u>103,958</u>
Total assets	<u>\$ 3,245,800</u>	<u>\$ 4,933,420</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 251,607	\$ 71,574
Accrued commissions payable	-	180,720
Accrued liabilities – other	19,831	20,564
Accrued interest payable	5,096	5,096
Capital lease payable – due within one year	-	22,061
Convertible debenture, net of discounts – due within one year	<u>970,358</u>	<u>-</u>
Total current liabilities	<u>1,246,892</u>	<u>300,015</u>
Long-term liabilities:		
Accrued remediation costs	50,000	50,000
Convertible debenture, net of discounts	<u>-</u>	<u>824,098</u>
Total long-term liabilities	<u>50,000</u>	<u>874,098</u>
Total liabilities	<u>1,296,892</u>	<u>1,174,113</u>
Stockholders' equity:		
Preferred stock; no par value, 10,000,000 shares authorized; no shares issued or outstanding		
Common stock; \$0.10 par value, 200,000,000 shares authorized; 36,444,112 and 29,864,172 issued and outstanding, respectively	3,644,411	2,986,417
Additional paid-in capital	6,847,083	5,172,644
Deficit accumulated during the exploration stage	<u>(8,542,586)</u>	<u>(4,399,754)</u>
Total stockholders' equity	<u>1,948,908</u>	<u>3,759,307</u>
Total liabilities and stockholders' equity	<u>\$ 3,245,800</u>	<u>\$ 4,933,420</u>

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Operations

	Years Ended December 31,		From Inception (March 26, 1959) Through December 31, 2007
	<u>2007</u>	<u>2006</u>	
Revenue:			
Royalties, net	\$ -	\$ -	\$ 398,752
Lease and rental	-	-	99,330
Gold sales and other	-	-	<u>31,441</u>
	<u>-</u>	<u>-</u>	<u>529,523</u>
Expenses:			
Exploration expense	2,640,987	1,152,256	3,858,720
Management fees and salaries	349,750	172,725	1,541,432
Professional services	266,158	125,251	1,207,666
Other general and administrative expense	519,880	243,477	1,042,351
Office supplies and other expense	50,575	13,315	307,911
Directors' fees – cash	20,300	27,800	144,575
Directors' fees – share based	-	44,250	187,450
Mineral property maintenance	17,157	23,462	61,173
Depreciation	162,971	51,568	220,633
Reclamation and miscellaneous	-	-	115,102
Loss on partnership venture	-	-	53,402
Equipment repairs	-	-	25,170
Other costs of operations	-	-	<u>8,030</u>
	<u>4,027,778</u>	<u>1,854,104</u>	<u>8,773,615</u>
Other (income) expense:			
Interest income	(168,302)	(69,092)	(267,841)
Interest expense	<u>283,356</u>	<u>219,392</u>	<u>566,355</u>
Total other (income) expense	<u>115,054</u>	<u>150,300</u>	<u>298,494</u>
Net loss	<u>\$ 4,142,832</u>	<u>\$ 2,004,404</u>	<u>\$ 8,542,586</u>
Net loss per common share – basic	\$ 0.12	\$ 0.08	
Weighted average common shares outstanding-basic	35,376,426	25,508,227	

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity (Deficit)
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
1959	Issuance of shares Net loss	X			441,300	\$ 44,130		\$ (428)		\$ 43,702
1960	Issuance of shares Net loss	X			433,780	43,378		(769)		42,609
1961	Issuance of shares Issuance of shares Net loss	X X			306,620 25,010	30,662 2,501	\$ 5,002	(12,642)		25,523
1962	Issuance of shares Issuance of shares Issuance of shares Net loss	X X	Mining leases	Par value of stock issued	111,239 248,870 600,000	11,124 24,887 60,000	49,773	(5,078)		140,706
1963	Issuance of shares Issuance of shares Sale of option Net loss	X X			223,061 27,000	22,306 2,700	5,400 110	(5,995)		24,521
1964	Net loss							(8,913)		(8,913)
1965	Issuance of shares Issuance of shares Net loss	X	Salaries	Price per share issued for cash during period	19,167 19,980	1,917 1,998	3,833 3,996	(9,239)		2,505
1966	Issuance of shares Issuance of shares Net loss	X X			29,970 5,200	2,997 520	520	(7,119)		(3,082)
1967	Issuance of shares Issuance of shares Issuance of shares Net loss	X	Engineering and management fees Accounting fees	Par value of stock issued	3,700 24,420 2,030	370 2,442 203	740 406	(5,577)		(1,416)
1968	Issuance of shares Issuance of shares Issuance of shares Net loss	X	Salaries Directors' fees	Price per share issued for cash during period	64,856 19,980 30,000	6,486 1,998 3,000	12,971 3,996 6,000	(7,322)		27,129

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity (Deficit)
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
1969	Issuance of shares	X			12,760	\$ 1,276	\$ 2,552			
	Issuance of shares	X			338,040	33,804	85,432			
	Issuance of shares		Salaries	Approximate price per share	24,000	2,400	4,800			
	Issuance of shares		Consideration for co-signatures	issued for cash during period	50,004	5,000	10,001			
	Net income							\$ 2,272		\$ 147,537
1970	Issuance of shares	X			1,000	100	400			
	Issuance of shares		Salaries	Price per share issued for cash in prior period	1,500	150	300			
	Issuance of shares		Salaries	Price per share issued for cash in current period	444	44	178			
	Net loss							(8,880)		(7,708)
1971	Issuance of shares	X			13,000	1,300	1,500			
	Issuance of shares		Purchase of assets of Chandalar Mining & Milling Co.	Par value of stock issued	336,003	33,600				
	Net loss							(2,270)		34,130
1972	Issuance of shares		Purchase of assets of Chandalar Mining & Milling Co.	Par value of stock issued	413,997	41,400				
	Issuance of shares		Additional exploratory costs through payment of Chandalar Mining & Milling Co. liabilities	Dollar value of liabilities paid	55,657	5,566	15,805			
	Receipt of treasury stock in satisfaction of accounts receivable and investment in Chandalar Mining & Milling Co.				(125,688)	(12,569)	(977)		\$ (13,546)	
	Issuance of shares		Mining claims	Par value of stock issued	2,240,000	224,000				
	Net loss							(65,175)	13,527	208,031
1973	Net loss							(16,161)		(16,161)
1974	Net loss							(13,365)		(13,365)

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity (Deficit)
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
1975	Net loss							\$ (15,439)		\$ (15,439)
1976	Net loss							(5,845)		(5,845)
1977	Issuance of shares		Purchase of assets of Mikado Gold Mines	Par value of stock issued	1,100,100	\$ 110,010				
	Net loss							(15,822)		94,188
1978	Issuance of shares		Mining claims	Par value of stock issued	400,000	40,000				
	Issuance of shares		Directors' fees	Approximate market price per share	40,000	4,000	\$ 3,200			
	Issuance of shares		Management fees, notes payable, and accrued interest	Approximate market price per share	109,524	10,952	8,762			
	Net loss							(39,144)		27,770
1979	Net loss							(18,388)		(18,388)
1980	Net loss							(34,025)		(34,025)
1981	Net loss							(32,107)		(32,107)
1982	Issuance of shares		Directors' fees	Approximate market price per share	40,000	4,000	20,000			
	Net loss							(70,165)		(46,165)
1983	Net loss							(10,416)		(10,416)
1984	Net loss							(63,030)		(63,030)
1985	Issuance of shares		Directors' fees	Approximate market price per share	40,000	4,000	12,000			
	Net loss							(78,829)		(62,829)
1986	Issuance of shares	X			44,444	4,444	5,556			
	Net loss							(32,681)		(22,681)
1987	Issuance of shares		Officer salary		166,000	16,600	18,500			
	Issuance of stock option		Legal fees	Approximate market price per share			12,360			
	Issuable shares		Directors' fees				4,095			
	Issuance of stock option		Equipment	Value of equipment			60,000			
	Net loss							(48,057)		63,498

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity (Deficit)
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
1988	Issuance of shares		Officer salary		194,444	\$ 19,444	\$ (1,944)			
	Issuance of stock option		Legal fees	Approximate market price per share			6,200			
	Issuable shares		Directors' fees				1,080			
	Issuance of shares		Settlement of stock option	Approximate market price when option was granted	58,860	5,886	(5,886)			
	Issuance of shares		Settlement of stock right	Approximate market price when right was granted	19,500	1,950	(1,950)			
	Net loss							\$ (46,961)		\$ (22,181)
1989	Issuance of shares		Settlement of stock option	Approximate market price when option was granted	68,888	6,889	(6,889)			
	Issuance of shares		Settlement of stock right	Approximate market price when right was granted	12,000	1,200	(1,200)			
	Net loss							(59,008)		(59,008)
1990	Net loss							(37,651)		(37,651)
1991	Issuance of shares		Directors' fees	Approximate market price per share	24,000	2,400				
	Purchase of 20,000 treasury shares	X							\$ (1,500)	
	Net loss							(42,175)		(41,275)
1992	Purchase of 32,000 treasury shares	X							(1,680)	
	Net loss							(41,705)		(43,385)
1993	Net loss							(71,011)		(71,011)
1994	Issuance of stock option		Officer compensation	Approximate market price per share			6,250			
	Net loss							(43,793)		(37,543)
1995	Issuance of shares		Officer compensation	Approximate market price per share	153,846	15,385	4,615			
	Purchase of 65,000 treasury shares	X							(4,975)	
	Net loss							(30,728)		(15,703)
1996	Net loss							(39,963)		(39,963)

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity (Deficit)
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
1997	Expiration of stock option						\$ (6,250)			\$ (6,250)
	Net loss							\$ (31,828)		(31,828)
1998	Net loss							(30,681)		(30,681)
1999	Net loss							(57,812)		(57,812)
2000	Net loss							(37,528)		(37,528)
2001	Net loss							(20,007)		(20,007)
	Balances, December 31, 2001				8,468,506	\$ 846,850	\$ 351,237	\$ (1,221,460)	\$ (8,174)	\$ (31,547)
2002	Net loss							(12,691)		(12,691)
	Balances, December 31, 2002				8,468,506	846,850	351,237	(1,234,151)	(8,174)	(44,238)
2003	Issuance of shares and warrants		Conversion of related party debts	Fair value of shares issued	1,930,130	193,013	19,323			212,336
	Issuance of shares and warrants		To reimburse payment of professional service fees	Fair value of shares issued	150,000	15,000				15,000
	Issuance of shares and warrants	X			1,100,000	110,000	80,310			190,310
	Issuance of treasury shares (50,000)		Officer signing bonus	Fair value of shares issued			4,010		3,490	7,500
	Issuance of shares and warrants		Mining claims	Fair value of shares issued	350,000	35,000				35,000
	Net loss							(221,772)		(221,772)
	Balances, December 31, 2003				11,998,636	1,199,863	454,880	(1,455,923)	(4,684)	194,136
2004	Issuance of shares and warrants		Conversion of related party debts	Fair value of shares issued	824,370	82,437				82,437
	Issuance of shares and warrants		Success award	Fair value of shares issued	887,500	88,750				88,750
	Issuance of shares through warrant exercise (\$0.20)	X			1,090,000	109,000	109,000			218,000

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity
From Inception (March 26, 1959) Through December 31, 2007

Year	Transaction	Shares Issued for		Basis of Assignment of Amount for Non-cash Consideration	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Treasury Stock	Total
		Cash	Non-cash Consideration		Shares	Par Value				
	Issuance of shares through warrant exercise of (\$0.40)	X			173,611	\$ 17,361	\$ 52,952			\$ 70,313
	Issuance of treasury shares (67,103)		Officer promotion	Fair value of shares issued			2,026		\$ 4,684	6,710
	Issuance of stock options		Directors compensation	Intrinsic method			59,200			59,200
	Issuance of shares		Directors compensation	Fair value of shares issued	300,000	30,000	54,000			84,000
	Issuance of shares		Professional services	Fair value of shares issued	90,000	9,000	20,400			29,400
	Net loss							(553,178)		(553,178)
	Balance, December 31, 2004				15,364,117	\$ 1,536,411	\$ 752,458	\$ (2,009,101)	\$ 0	\$ 279,768
2005	Issuance of shares		Professional services	Fair value of shares issued	50,000	5,000	9,000			14,000
	Issuance of shares		Professional services	Fair value of shares issued	112,903	11,291	14,678			25,969
	Issuance of shares through warrant exercise	X			75,000	7,500	9,375			16,875
	Issuance of shares		Professional services	Fair value of shares issued	31,400	3,140	2,197			5,337
	Issuance of shares and warrants by private placement	X			500,000	50,000	75,000			125,000
	Issuance of shares and warrants by private placement	X			700,000	70,000	105,000			175,000
	Discount of convertible debenture for value of detached warrant issued		Discount	Fair value of warrant issued			150,000			150,000
	Discount of convertible debenture for beneficial conversion feature		Discount	Intrinsic method			150,000			150,000
	Issuance of warrant for deferred finance costs		Financing costs	Fair value of warrant issued			30,000			30,000

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity
From Inception (March 26, 1959) Through December 31, 2007

<u>Year</u>	<u>Transaction</u>	<u>Shares Issued for</u>		<u>Basis of Assignment of Amount for Non-cash Consideration</u>	<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Deficit Accumulated During the Exploration Stage</u>	<u>Treasury Stock</u>	<u>Total</u>
		<u>Cash</u>	<u>Non-cash Consideration</u>		<u>Shares</u>	<u>Par Value</u>				
	Net loss							(386,249)		(386,249)
	Balance, December 31, 2005				16,833,420	\$ 1,683,342	\$ 1,297,708	\$ (2,395,350)	\$ 0	\$ 585,700
2006	Issuance of shares and warrants by private placement, net	X			3,895,000	389,500	466,244			855,744
	Issuance of shares and warrants by private placement, net	X			5,600,000	560,000	670,337			1,230,337
	Issuance of shares		Professional services	Fair value of shares issued	25,000	2,500	10,000			12,500
	Issuance of shares		Corporate management exp	Fair value of shares issued	25,000	2,500	7,500			10,000
	Issuance of shares		Investor expense	Fair value of shares issued	25,000	2,500	13,250			15,750
	Issuance of shares		Director's fees	Fair value of shares issued	50,000	5,000	27,500			32,500
	SFAS 123R stock option expense		Compensation expense	Fair value of options issued			58,715			58,715
	Issuance of shares		Interest expense	Fair value of shares issued	48,750	4,875	56,605			61,480
	Issuance of shares through warrant exercise	X			300,000	30,000	60,000			90,000
	Issuance of shares through option exercise	X			50,000	5,000	6,000			11,000
	Issuance of shares and warrants by private placement, net	X			3,012,002	301,200	2,498,785			2,799,985
	Net loss							(2,004,404)		(2,004,404)
	Balance, December 31, 2006				29,864,172	\$ 2,986,417	\$ 5,172,644	\$ (4,399,754)	\$ 0	\$ 3,759,307

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Changes in Stockholders' Equity
From Inception (March 26, 1959) Through December 31, 2007

<u>Year</u>	<u>Transaction</u>	<u>Shares Issued for</u>		<u>Basis of Assignment of Amount for Non-cash Consideration</u>	<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Deficit Accumulated During the Exploration Stage</u>	<u>Treasury Stock</u>	<u>Total</u>
		<u>Cash</u>	<u>Non-cash Consideration</u>		<u>Shares</u>	<u>Par Value</u>				
2007	Issuance of shares by exercise of Class A Warrants, net	X			2,590,000	\$ 259,000	\$ 518,000			\$ 777,000
	Issuance of shares by exercise of Class B Warrants, net	X			3,465,194	346,519	869,414			1,215,933
	Issuance of shares by exercise of 2005 Private Placement Warrants, net	X			400,000	40,000	100,000			140,000
	Issuance of shares		Adjustments - other		1,000	100	(100)			-
	Issuance of shares		Corporate Management	Fair value of shares issued	50,000	5,000	48,500			53,500
	Issuance of shares		Interest expense	Fair value of shares issued	63,746	6,374	53,626			60,000
	SFAS 123R stock option expense		Compensation expense	Fair value of options issued			78,000			78,000
	Issuance of shares		Mineral properties and claims	Fair value of shares issued	10,000	1,000	7,000			8,000
	Net loss							\$ (4,142,832)		(4,142,832)
	Balance, December 31, 2007				<u>36,444,112</u>	<u>\$ 3,644,410</u>	<u>\$ 6,847,084</u>	<u>\$ (8,542,586)</u>	<u>\$ 0</u>	<u>\$ 1,948,908</u>

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Cash Flows

	Year Ended December 31,		From Inception (March 26, 1959) Through December 31,
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Cash flows from operating activities:			
Net loss	\$ (4,142,832)	\$ (2,004,404)	\$ (8,542,586)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	162,971	51,568	221,126
Loss on sale of equipment	3,443	-	3,443
Common stock, warrants, and options issued for salaries and fees	53,500	70,750	556,150
Common stock issued for interest	60,000	61,480	121,480
Compensation expense under SFAS 123R for stock option grants	78,000	58,715	136,715
Amortization of discount on convertible debenture for value of warrant	87,951	57,276	150,000
Amortization of discount on convertible debenture for beneficial conversion feature	58,309	57,276	120,358
Amortization of deferred financing costs	43,332	43,332	90,275
Change in:			
Interest receivable	(768)	2,386	(768)
Prepaid expenses and other current assets	(120,659)	(53,748)	(202,385)
Other assets	(82,323)	(14,790)	(103,224)
Accounts payable	180,033	61,765	251,607
Accounts payable, related party	-	-	20,000
Other accrued liabilities	(733)	20,564	19,830
Accrued interest payable	-	(1,479)	5,096
Accrued compensation, related party	-	-	255,450
Accrued commissions payable	(180,720)	180,720	19,323
Convertible success award, Walters LITS	-	-	88,750
Accrued remediation costs	-	-	50,000
Net cash used by operating activities	<u>(3,800,496)</u>	<u>(1,408,589)</u>	<u>(6,739,360)</u>
Cash flows from investing activities:			
Receipts attributable to unrecovered promotional and exploratory costs	-	-	626,942
Proceeds from the sale of equipment	324	-	60,324
Purchases of equipment, and unrecovered promotional and exploratory costs	(720,401)	(370,155)	(1,139,857)
Additions to mining properties and claims - direct costs for claim staking and acquisition	(161,750)	(11,813)	(477,354)
Change in restricted cash	<u>(31,561)</u>	<u>-</u>	<u>(31,561)</u>
Net cash used by investing activities	<u>(913,388)</u>	<u>(381,968)</u>	<u>(961,506)</u>

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Statements of Cash Flows

	Year Ended December 31,		From Inception (March 26, 1959) Through December 31,
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Cash flows from financing activities:			
Proceeds from related party debt	-	-	100,000
Payments on related party debt	-	-	(100,000)
Proceeds from issuing convertible debenture	-	-	700,000
Proceeds from issuance of warrants in connection with issuance of convertible debenture	-	-	150,000
Proceeds allocated to beneficial conversion feature of convertible debenture	-	-	150,000
Payment of financing costs from cash proceeds of convertible debenture	-	-	(100,000)
Proceeds from issuance of common stock in connection with exercise of options and warrants, net of offering costs	2,132,933	101,000	2,233,933
Proceeds from issuance of common stock, net of offering costs	-	4,886,066	6,082,045
Payments on capital lease payable	(22,061)	(992)	(23,053)
Acquisitions of treasury stock	-	-	(8,174)
Net cash provided by financing activities	<u>2,110,872</u>	<u>4,986,074</u>	<u>9,184,751</u>
Net increase (decrease) in cash and cash equivalents	(2,603,012)	3,195,517	1,483,885
Cash and cash equivalents, beginning of year	<u>4,086,897</u>	<u>891,380</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,483,885</u>	<u>\$ 4,086,897</u>	<u>\$ 1,483,885</u>
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ -	\$ 1,597	\$ 45,453
Non-cash investing and financing activities:			
Mining claims purchased - common stock	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 43,000</u>
Additions to property, plant and equipment Acquired through capital lease	<u>\$ -</u>	<u>\$ 23,053</u>	<u>\$ 23,053</u>
Related party liability converted to common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,086</u>
Issuance of warrants for deferred financing costs of convertible debenture	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>

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

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Little Squaw Gold Mining Company (“Company”), was incorporated under the laws of the State of Alaska on March 26, 1959. The Company is engaged in the business of acquiring and exploring mineral properties throughout the Americas, primarily those containing gold and associated base and precious metals. The Company’s common stock trades on the NASD OTCBB exchange under the ticker symbol LITS.

The Company is an exploration stage company and has incurred losses since its inception. The Company has no recurring source of revenue and its ability to continue as a going concern is dependent on the Company’s ability to raise capital to fund its future exploration and working capital requirements. The Company’s plans for the long-term continuation as a going concern include financing the Company’s future operations through sales of its common stock and/or debt and the eventual profitable exploitation of its mining properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Exploration Stage Enterprise

The Company’s financial statements are prepared in according with the provisions of Statement of Financial Accounting Standards No. 7, “Accounting for Development Stage Enterprises,” as it devotes substantially all of its efforts to acquiring and exploring mining interests that should eventually provide sufficient net profits to sustain the Company’s existence. Until such interests are engaged in commercial production, the Company will continue to prepare its financial statements and related disclosures in accordance with entities in the exploration stage.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in estimating the recoverability of the cost of mining claims, accrued remediation costs, beneficial conversion features of convertible debt, deferred financing costs and deferred tax assets and related valuation allowances. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

For the purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments purchased, with an original maturity of three months or less, to be a cash equivalent. At December 31, 2007 and 2006, the Company’s cash deposits, held in bank certificates of deposit and money market accounts, exceeded the Federal Deposit Insurance Corporation (“FDIC”) limits. At December 31, 2007, included in Cash and cash equivalents were \$600,000 of certificates of deposits with original maturities of 90 days or less. The Restricted cash of \$31,561 secures a letter of credit issued to guarantee the return of drilling equipment to the vender. The equipment was returned at the conclusion of the 2007 drilling season. The letter of credit expires June 30, 2008, or earlier when canceled due to satisfaction of terms of the return of equipment, at which time the restriction will be removed.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Plant, Equipment, and Accumulated Depreciation

Plant and equipment are stated at cost, which is determined by cash paid or shares of the Company's common stock issued. The Company's mill buildings and equipment are located on the Company's unpatented state mining claims located in the Chandalar mining district of Alaska. All mill buildings and equipment purchased prior to 2006 are fully depreciated. The Company's equipment is located at the Chandalar property in Alaska, with a small amount of office equipment located at Company offices in Spokane, Washington. Assets are depreciated on a straight line basis. Of the Company's assets, \$691,245 are being depreciated over lives of five years and \$421,872 are being depreciated over seven years, resulting in total depreciation expense of \$162,971 and \$51,568 being recognized for 2007 and 2006, respectively.

Income Taxes

Income taxes are recognized in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," whereby deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of these deferred tax assets will not be realized.

On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 ("FIN No. 48") "Accounting for Uncertainty in Income Taxes". FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes," prescribing a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. In the course of our assessment, we have determined that we are subject to examination of our income tax filings in the United States and state jurisdictions for the 2003 through 2006 tax years. In the event that the Company is assessed penalties and or interest; penalties will be charged to other operating expense and interest will be charged to interest expense.

Net Loss Per Share

Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. The dilutive effect of convertible and exercisable securities would be:

<u>For years ended December 31,</u>	<u>2007</u>	<u>2006</u>
Stock options	515,000	415,000
Selling agent options	225,900	225,900
Warrants	4,647,807	11,103,001
Convertible debenture	<u>5,000,000</u>	<u>5,000,000</u>
Total possible dilution	<u>10,388,707</u>	<u>16,743,901</u>

At December 31, 2007 and 2006, the effect of the Company's outstanding options and common stock equivalents would have been anti-dilutive. Accordingly, only basic EPS is presented.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Mining Properties and Claims

The Company capitalizes costs for mining properties and claims in accordance with EIFT 04-02, which when applied to the Company, generally requires capitalization of costs of acquiring mineral properties, while costs to maintain mineral rights and leases are expensed as incurred. Exploration costs are expensed in the period in which they occur. Should a property reach the production stage, these capitalized costs would be amortized using the units-of-production method on the basis of periodic estimates of ore reserves. Mineral properties are periodically assessed for impairment of value, and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations.

Fair Values of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, restricted cash, interest receivable, accounts payable and interest payable approximated their fair values as of December 31, 2007 and 2006. The convertible debenture approximated its fair value after consideration of the fair value of the related embedded beneficial conversion feature of \$29,642 and \$87,951 and detached warrants of \$29,642 and \$87,951 for the years ended December 31, 2007 and 2006, respectively.

Deferred Financing Costs

Financing costs incurred in connection with the Company's financing activities are amortized using the effective interest method over the three year life of the financing. For the year ended December 31, 2005, the Company incurred deferred financing costs in the form of \$100,000 cash paid and \$30,000 of warrants issued to a placement agent in connection with the Company's issue of a convertible debenture. The fair value of the warrants was estimated using the Black-Scholes option pricing model. There was \$43,332 of amortization of deferred financing costs included in interest expense for each of the years ended December 31, 2007 and 2006, respectively. The convertible debenture and associated warrants are discussed in Note 5 "Convertible Debenture" of these financial statements.

Reclamation and Remediation

The Company's operations have been, and are subject to, standards for mine reclamation that have been established by various governmental agencies. The Company records the fair value of an asset retirement obligation as a liability in the period in which the Company incurs a legal obligation for the retirement of tangible long-lived assets. A corresponding asset is also recorded and depreciated over the life of the asset. After the initial measurement of the asset retirement obligation, the liability will be adjusted at the end of each reporting period to reflect changes in the estimated future cash flows underlying the obligation. Determination of any amounts recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rates.

For non-operating properties, the Company accrues costs associated with environmental remediation obligations when it is probable that such costs will be incurred and they are reasonably estimable. Such costs are based on management's estimate of amounts expected to be incurred when the remediation work is performed.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Derivatives

From time to time, the Company enters into transactions which contain conversion privileges, the settlement of which may entitle the holder or the Company to settle obligations by issuance of Company securities. These transactions, the value of which may be derived from the fair value of Company securities, are accounted for in accordance with EITF No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments". Additionally, the Company applies EITF No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," and APB 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants". Fair value considerations required by these pronouncements is estimated using the Black-Scholes option pricing model. Note 5 "Convertible Debenture" of these financial statements contains details of application of these pronouncements to a Convertible Debenture issued by the Company in 2005. No transactions in 2007 meet the definition of a derivative.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), "Share-Based Payment," using the modified-prospective transition method. Under this transition method, the Company recognized stock-based compensation expense for stock-based awards granted subsequent to the year ended December 31, 2005 in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of December 31, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123.

At December 31, 2007 and 2006, the Company had a stock plan for key employees, non-employee directors and management consultants which, is more fully described in Note 6. Management's adoption of SFAS No. 123R resulted in \$78,000 and \$58,715 of stock-based compensation expense recorded in 2007 and 2006, respectively.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS 157 is effective for the Company's fiscal year 2008. The Company is currently evaluating the impact of adopting SFAS 157.

On January 1, 2007, the Company adopted SFAS No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The adoption of this Statement had no material impact on the Company's financial position or result of operations.

On January 1, 2007, the Company adopted SFAS No. 155 "Accounting for Certain Hybrid Financial Instruments," which amends SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 155 resolves issues addressed in Statement 133 Implementation Issue No. D1 "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," and:

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

- Permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;
- Clarifies which interest-only strips are not subject to the requirements of SFAS No. 133;
- Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and
- Amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

The Company adopted SFAS No. 155 using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2007. There was no impact on the financial statements as a result of the adoption of SFAS No. 155. In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 155.

On January 1, 2007, the Company adopted SFAS No. 156, "Accounting for Servicing of Financial Assets – an Amendment of FASB Statement No. 140". This Statement amended SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," with respect to the accounting for separately recognized servicing assets and servicing liabilities. The adoption of this Statement had no material impact on the Company's financial position or results of operations.

The Company adopted FIN No. 48 using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2007. There was no impact on the financial statements as of and for the three months ended March 31, 2007 as a result of the adoption of FIN No. 48. In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of FIN No. 48.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS No. 159 to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations," and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements". SFAS No. 141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141 (R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company has determined that there will be little or no effect on its consolidated financial statements, upon adoption of SFAS No. 141 (R) or SFAS No. 160, due to the absence of noncontrolling interests being held by the Company.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

3. PROPERTY, PLANT, EQUIPMENT AND MINING CLAIMS

Plant and Equipment

Located on the Company's unpatented state mining claims in the Chandalar District are certain buildings, including milling buildings and other mining equipment that are fully depreciated and have no book value. Accordingly, the Company has removed its cost basis and the associated accumulated depreciation from its financial statements.

Equipment

At December 31, 2007 and 2006, the Company's equipment was as follows:

	<u>2007</u>	<u>2006</u>
Exploration equipment	\$ 737,313	\$ 255,094
Vehicles and rolling stock	337,806	121,952
Office and other equipment	<u>37,998</u>	<u>21,096</u>
Total	\$ 1,113,117	\$ 398,142
Accumulated depreciation and amortization	<u>(214,219)</u>	<u>(52,907)</u>
Equipment, net of depreciation and amortization	<u>\$ 898,898</u>	<u>\$ 345,235</u>

Mining Properties and Claims

At December 31, 2007 and 2006, the Company's mining properties and claims were as follows:

	<u>2007</u>	<u>2006</u>
Chandalar property and claims	\$ 264,000	\$ 264,000
2003 purchased claims	35,000	35,000
Unpatented state claims staked	33,854	33,854
Marisol claims	69,750	-
Livengood claims, exclusivity agreement	<u>100,000</u>	<u>-</u>
Total	<u>\$ 502,604</u>	<u>\$ 332,854</u>

Subsequent to the end of 2007, the Company's Board of Directors completed its consideration of the Livengood property and determined that its economics was not a compatible investment for the Company. In accordance with that decision, in February 2008, the Company surrendered its exclusivity rights to the Livengood claims and wrote-off the \$100,000.

4. RELATED PARTY TRANSACTIONS

During 2007, the Company engaged a consulting firm owned by its Chief Financial Officer to assist the Company in its compliance with Section 404 of the Sarbanes-Oxley Act of 2002, incurring a total expense of \$20,662 to this related party. During 2007 and 2006, Company securities were issued to certain of its officers and a director in connection with the appointment of each person to their respective positions. Full disclosure of issuance of these securities is contained in Note 6.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

5. CONVERTIBLE DEBENTURE

On November 21, 2005, the Company closed a private placement, issuing a 6% Convertible Debenture in the principal amount of \$1,000,000 and a detached 2,500,000 Class A Warrant to one institutional investor. The Debenture is convertible at any time at the option of the holder into shares of Common Stock, \$0.10 par value, at \$0.20 per share, subject to certain adjustments. The Warrant was exercised on March 8, 2007 to acquire 2,500,000 common shares at an exercise price of \$0.30 per share. The Convertible Debenture matures on November 21, 2008. The Convertible Debenture is transferable. The Convertible Debenture contains a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of the Debenture in whole or in part, subject to a 9.99% limitation of outstanding shares ownership provision, if the market price of the Company's common shares is sustained at or above \$0.50 per share for five consecutive trading days. The Class A Warrant also contained a mandatory conversion provision which granted the Company, at the Company's option, the ability to force conversion of the Warrant in whole or in part, subject to a 9.99% limitation of outstanding shares ownership provision, if the market price of the Company's common shares was sustained at or above \$0.75 per share for five consecutive trading days.

In connection with the placement, the Company issued to the placement agent a 500,000 Class A Warrant under the terms of a Placement Agent Agreement which is convertible into 500,000 common shares at an exercise price of \$0.30 until November 21, 2008. This Class A Warrant includes the same mandatory conversion provision as the warrant issued to the debenture holder. Valuation of the Warrant and the associated amortization of deferred financing costs are described in Note 2 of these financial statements.

Upon the issuance of the 6% Convertible Debenture on November 21, 2005, the Company was required to allocate value to the Warrant issued with the Debenture, and to record a discount on the Debenture for the fair value of its beneficial conversion feature. In accordance with EITF No. 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments" the Company recorded a discount in the amount of \$150,000. This discount is being amortized over the life of the Convertible Debenture, which resulted in accretion of \$58,309 and \$57,276 to the Convertible Debenture being recorded as interest expense for the years ended December 31, 2007 and 2006, respectively.

Also, in accordance with EITF No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Warrants issued in connection with the Convertible Debenture were accounted for under APB 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants". Under APB 14, the proceeds received from the investor are to be allocated to the Debenture and the Warrant in proportion to their respective fair values. The fair value of the Warrants was estimated using the Black-Scholes option pricing model. The Warrants with a fair value of \$150,000 were presented as a component of additional paid-in capital in shareholders' equity. This discount was being amortized over the life of the Convertible Debenture, with the remaining unamortized discount expensed in full when the Warrant was exercised. As a result, amortization of discounts totaling \$87,951 and \$57,276 were recognized as interest expense for the years ended December 31, 2007 and 2006, respectively.

At December 31, 2007 and 2006 the effect of the Convertible Debenture would have been anti-dilutive. Accordingly, only basic EPS is presented.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY

At December 31, 2003, the Company had one class of \$0.10 par value common stock outstanding with 12,000,000 shares available for issue. At a special meeting of shareholders originally convened December 19, 2003, then adjourned to January 23, 2004, (due to the absence of a voting majority necessary to ratify certain proposals), the shareholders voted to increase the Company's authorized shares of common stock to 200,000,000 and to create a class of preferred stock with 10,000,000 shares authorized for issue.

For the year ended December 31, 2007, the Company issued a total of 6,579,940 shares of common stock, including 2,590,000 shares issued for Class A Warrants exercised, for net cash proceeds of \$777,000, 3,465,194 issued for Class B Warrants exercised, for net cash proceeds of \$1,215,922, 400,000 shares of other warrants exercised, for net cash proceeds of \$140,000, 50,000 shares issued to Rodney Blakestad as part of his employment as Vice President of Exploration, 63,746 shares issued for satisfaction of interest on the convertible debenture, 10,000 shares issued to an individual for a finder's fee on acquisition of the Marisol property, and 1,000 shares issued to an existing shareholder to correct Company records related that individual's holdings of our common stock.

Common Stock Issued to Directors, Officers and Management

On February 13, 2006, the Board of Directors of the Company elected Mr. William Schara as a director to fill a director vacancy created by the September 13, 2005 resignation of Mr. Jackie Stephens. In connection with Mr. Schara's election, the Company issued 50,000 shares of Common Stock and 50,000 Stock Options under the Restated 2003 Share Incentive Plan. As a result, the Company recognized \$32,500 of share based expense in 2006 estimated by the fair value of the shares issued, and \$20,150 of share based expense estimated by the fair value of the options issued.

On March 1, 2006, the Board of Directors appointed Ted R. Sharp as Chief Financial Officer, Secretary, and Treasurer of the Company. The Company entered into a management consulting contract with Mr. Sharp, engaging him on a part-time basis. In connection with Mr. Sharp's appointment, the Company issued 25,000 shares of Common Stock and 50,000 Stock Options under the Restated 2003 Share Incentive Plan. As a result, the Company recognized management fees in 2006 of \$10,000 of share based expense estimated by the fair value of the shares issued, and \$7,600 of share based expense estimated by the fair value of the options issued.

Also on March 1, 2006, the Board of Directors approved the appointment of Mr. Bob Pate as Vice President. The Company entered into a management consulting contract with Mr. Pate, engaging him on a part-time basis. In connection with Mr. Pate's appointment, the Company issued 25,000 shares of Common Stock and 50,000 Stock Options under the Restated 2003 Share Incentive Plan. As a result, the Company recognized professional service expenses in 2006 of \$12,500 of share based expense estimated by the fair value of the shares issued, and \$11,750 of share based expense estimated by the fair value of the options issued.

On March 6, 2006, the Company contracted with Ms. Susan Schenk as Manager of Investor Relations to assist in improving awareness of Little Squaw in equity markets. The Company entered into a management consulting contract with Ms. Schenk, engaging her on a part-time basis. In connection with Ms. Schenk's appointment, the Company issued 25,000 shares of Common Stock and 50,000 Stock Options under the Restated 2003 Share Incentive Plan. As a result the Company recognized in 2006 other general and administrative expenses of \$15,750 of share based expense estimated by the fair value of the shares issued, and \$19,215 of share based expense estimated by the fair value of the options issued.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY, CONTINUED:

On May 1, 2007 the Board of Directors of the Company appointed Rodney A. Blakestad Vice President of Exploration. In connection with Mr. Blakestad's appointment the Company granted 50,000 shares of Common Stock and 100,000 Stock Options under the Restated 2003 Share Incentive Plan on May 7th, 2007 as part of his employment agreement. As a result the Company recognized \$78,000 of share based expense for 2007 using the fair value of the options issued at the date of grant estimated by the fair value of the options issued. .

Common Stock Issued for Property

On November 27, 2007, the Company issued 10,000 common shares under the Revised 2003 Share Incentive Plan to Mr. Steve Hubbard as a finders fee payment related to the acquisition of a mineral exploration property as provided for in a Finder's Agreement dated October 20, 2007. The services were provided in relation to the acquisition of the Marisol mineral exploration property in Sonora State, Mexico. An amount of \$8,000 was capitalized to Mining properties and claims in connection with the issuance based on the market price of the shares at the date of issuance.

Common Stock Issued for Interest Expense on Convertible Debenture

On June 1, 2007 and again on December 1, 2007, the Company issued stock to RAB Capital PLC, the holder of the Convertible Debenture, to satisfy interest payment obligations as provided in the Debenture agreement. After calculating the interest due on the Debenture at 6%, the close price of the Company's common stock five (5) business days prior to the interest payment date is used to calculate the number of common shares required to be issued to satisfy the interest obligation. Accordingly, the Company issued 28,767 shares on June 1, 2007 and 34,979 shares on December 1, 2007. Interest expense of \$60,000 was recorded for 2007 in connection with the issuance based on the value of the shares issued.

Private Placements

On January 31, 2006, the Company closed the first tranch of a private placement of 3,895,000 units, at a price of \$0.25 per unit for gross proceeds of \$973,750. Each unit consisted of one share of common stock and one half of one (1/2) Class B Warrant. Each whole Class B Warrant is exercisable to acquire one additional share of common stock at an exercise price of \$0.35 per share during the one-year period commencing on the Closing Date, \$0.50 per share during the second year following the Closing Date, and \$0.65 per share during the third year following the Closing Date. Additionally, each Class B Warrant contains a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of each whole Warrant if the market price of the Company's common shares is sustained at or above \$0.875 per share for five consecutive trading days. In connection with this portion of the placement, the Company paid an Agent's commission of 10% of the gross proceeds and issued the agent 389,500 Class B Warrants.

On February 24, 2006, the Company closed the second tranche of an additional 5,600,000 units, at a price of \$0.25 per unit for gross proceeds of \$1,400,000. This second closing brings the total gross proceeds received to \$2,373,750 and the total units sold to 9,495,000, including an oversubscription of 1,495,000 units which had been approved by the Board of Directors on February 13, 2006. Each unit consisted of one share of the registrant's common stock and one half of one (1/2) Class B Warrant. The units of this second closing are identical to those of the first closing on January 31, 2006. In connection with this portion of the placement, the Company paid an Agent's commission of 10% of the gross proceeds and issued the agent 560,000 Class B Warrants, bringing the total number of Class B Warrants issued to the Agent to 949,500.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY, CONTINUED:

On December 27, 2006, the Company closed on a private placement of 3,012,002 units, at a price of \$1.00 per unit for gross proceeds of \$3,012,002. Each unit consisted of one share of common stock and one half of one (1/2) Class C Warrant. Each whole Class C Warrant is exercisable to acquire one additional share of common stock at an exercise price of \$1.50 per share during a one-year period commencing on the Closing Date. Additionally, each Class C Warrant contains a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of each whole Warrant if the market price of the Company's common shares is sustained at or above \$2.00 per share for five consecutive trading days. In connection with this portion of the placement, the Company paid Agents' commissions and finder's fees of \$180,720, or 6% of the gross proceeds. In addition, the Company issued Agent options to purchase additional units for one year from date of issuance, of up to 5% of the units sold, totaling 150,600 options to purchase additional units which, if fully exercised and converted, would result in additional proceeds to the Company of \$263,550 and issuance of 225,900 shares of common stock.

Stock Warrants:

For the years ended December 31, 2007 and 2006, the Company had the following types of stock purchase warrants outstanding:

2005 Private Placement Warrants

In 2005, warrants were issued in connection with the Company's private placement of its common stock on August 12, 2005, and are exercisable at \$0.30, \$0.35 and \$0.40 per common share in the respective three successive years and expire in the third and fourth quarters of 2008, three years from their purchase date. These warrants contain no mandatory conversion provision. At December 31, 2007 and 2006 there were 500,000 and 900,000 of these warrants were issued and outstanding, respectively.

Class A Warrants

The Class A Warrants were issued in connection with the Company's private placement of its common stock on November 21, 2005, and are exercisable at \$0.30 per common share and expire on November 21, 2008. The Class A Warrants contain a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of the warrants in whole or in part, subject to a 9.99% limitation of outstanding shares ownership provision, if the market price of the Company's common shares is sustained at or above \$0.75 per share for five consecutive trading days. At December 31, 2007 and 2006 there were 410,000 and 3,000,000 Class A Warrants issued and outstanding with exercise privileges for a total of 410,000 and 3,000,000 common shares, respectively.

Class B Warrants

The Class B Warrants were issued in connection with the Company's private placement of its common stock on January 31, 2006 and February 24, 2006, and expire three years from the date of issuance in 2009. The Class B Warrants are exercisable at \$0.35 per common share in the first year, \$0.50 per common share in the second year and \$0.65 per common share in the third year. The Class B Warrants contain a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of the warrants in whole or in part, if the market price of the Company's common shares is sustained at or above \$0.875 per share for five consecutive trading days. At December 31, 2007 and 2006 there were 2,231,806 and 5,697,000 Class B Warrants issued and outstanding, respectively.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY, CONTINUED:

Class C Warrants

The Class C Warrants were issued in connection with the Company's private placement of its common stock on December 27, 2006, and are exercisable at \$1.50 per common share and expire two years from the date of issuance on December 27, 2008. The Class C Warrants contain a mandatory conversion provision which grants the Company, at the Company's option, the ability to force conversion of the warrants in whole or in part, if the market price of the Company's common shares is sustained at or above \$2.00 per share for five consecutive trading days. At December 31, 2007 and 2006, there were 1,506,001 Class C Warrants issued and outstanding, respectively.

The following is a summary of warrants for 2007 and 2006:

	Shares	Exercise Price	Expiration Date
2005 Private Placement Warrants:			
Outstanding and exercisable at December 31, 2005	1,200,000	0.30-0.40	
Warrants exercised	300,000	0.30	
Outstanding and exercisable at December 31, 2006	900,000	0.35-0.40	
Warrants exercised	400,000	0.35	
Outstanding and exercisable at December 31, 2007	500,000	0.40	July – December of 2008
Class A Warrants:			
Outstanding and exercisable at December 31, 2005	3,000,000	0.30	
Outstanding and exercisable at December 31, 2006	3,000,000	0.30	
Warrants exercised	2,590,000	0.30	
Outstanding and exercisable at December 31, 2007	410,000	0.30	November 21, 2008
Class B Warrants:			
Outstanding and exercisable at December 31, 2005	-	-	
Warrants granted	5,697,000	0.35-0.65	
Outstanding and exercisable at December 31, 2006	5,697,000	0.35-0.65	
Warrants exercised	3,465,194	0.35-0.50	
Outstanding and exercisable at December 31, 2007	2,231,806	0.50-0.65	January – March of 2009
Class C Warrants:			
Outstanding and exercisable at December 31, 2005	-	-	
Warrants granted ⁽¹⁾	1,506,001	1.50	
Outstanding and exercisable at December 31, 2006	1,506,001	1.50	
Outstanding and exercisable at December 31, 2007	1,506,001	1.50	December 27, 2008
Weighted average exercise of warrants outstanding at December 31, 2007	4,647,807	0.30-1.50	2008-2009

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY, CONTINUED:

Stock-Based Compensation:

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument on the grant-date fair value of the award. The Company has chosen to use the modified prospective transition method under SFAS 123(R). The Company's Financial Statements for the year ended December 31, 2007, reflect the impact of this adoption.

In accordance with the modified prospective transition method, the Company's financial statements for prior periods have not been restated to reflect the impact of SFAS 123(R). Stock-based non-cash compensation expense recognized under SFAS 123(R) for the year ended December 31, 2007 and 2006, was \$78,000 and \$58,715, respectively, which is the total weighted average grant-date fair value of the options granted and vested during the year, and was recorded to Professional services and Other general and administrative expenses in the Statement of Operations. The effect of the adoption of SFAS 123(R) on basic loss per share was nil.

Stock Options:

Under the Company's Restated 2003 Share Incentive Plan (the "Plan"), options to purchase shares of common stock may be granted to key employees, contract management and directors of the Company. The Plan permits the granting of nonqualified stock options, incentive stock options and shares of common stock. Upon exercise of options, shares of common stock are issued from the Company's treasury stock or, if insufficient treasury shares are available, from authorized but unissued shares. Options are granted at a price equal to the closing price of the common stock on the date of grant. The stock options are generally exercisable immediately upon grant and for a period of 10 years. In the event of cessation of the holder's relationship with the Company, the holder's exercise period terminates 6 months following such cessation. Accordingly, on March 13, 2006, 55,000 options held by a former director were forfeited. A total of 1,200,000 shares are authorized for award as shares, nonqualified stock options or incentive stock options under the Plan. There is a total of 210,000 shares available for grant in the Plan, and 515,000 options exercisable and outstanding at December 31, 2007.

For the period ended December 31, 2007, the fair value of stock options was estimated at the date of grant using the Black-Scholes option pricing model, which requires the use of highly subjective assumptions, including the expected volatility of the stock price, which may be difficult to estimate for small business issuers traded on micro-cap stock exchanges. The fair value of each option grant was estimated on the grant date using the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.79%	4.58% - 4.79%
Expected dividend yield	--	--
Expected term	5 years	10 years
Expected volatility	76.1%	109% - 128%

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

6. STOCKHOLDERS' EQUITY, CONTINUED:

Stock Options, Continued:

The risk-free interest rate is based on the U.S. Treasury yield curve at the time of the grant. The expected term of stock options granted is from the date of the grant. The expected volatility is based on historical volatility.

A summary of stock option transactions for the years ended December 31, 2007 and 2006 are as follows:

	Shares	Weighted-Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2006	320,000	\$ 0.22		
Granted	200,000	\$ 0.55		
Exercised	(50,000)	\$ 0.22		
Forfeited	(55,000)	\$ 0.22		
Options outstanding at December 31, 2006	415,000	\$ 0.38	8.5	\$456,850
Granted	100,000	\$ 1.07		
Exercised	-	-		
Forfeited	-	-		
Options outstanding and exercisable at December 31, 2007	515,000	\$ 0.51	7.9	\$427,450
Options available for future grants	210,000			

As of December 31, 2007, there was no unrecognized compensation cost related to unvested stock options. The weighted average grant-date fair value of stock options granted during the year ended December 31, 2007 and 2006 were \$1.07 and \$0.52, respectively, per share. There were no options exercised during 2007. The total intrinsic value of options exercised during 2006 was \$67,500. The Company received proceeds of \$0 and \$11,000 for the exercise of options in 2007 and 2006, respectively.

7. REMEDIATION LIABILITY

In 1990, the Alaska Department of Environmental Conservation ("Alaska DEC") notified the Company that soil samples taken from a gravel pad adjacent to the Company's Tobin Creek mill site contained elevated levels of mercury. In response to the notification, the Company engaged a professional mineral engineer to evaluate the cost and procedure of remediating the affects of the possible contamination at the site. In 1994, the engineer evaluated the contamination and determined it to consist of approximately 160 cubic yards of earthen material and estimated a cost of approximately \$25,000 to remediate the site. In 2000, the site was listed in the Alaska DEC's contaminated sites database as a "medium" priority contaminated site. During 2003, the Company's management reviewed its estimate of the cost that would be ultimately required to fulfill its remediation obligations at the site. Management determined that its accrual for remediation should be adjusted based upon estimated general and administrative costs included in the remediation effort and the affect of inflation on the 1994 cost estimate. Accordingly, the Company increased the accrual, at December 31, 2007 the Company has estimated a potential undiscounted cash cost of \$50,000 to remediate the site. The Company maintains its position that this accrual is sufficient to fund the yet to be expended remediation activities. The Company's remediation cost accrual is classified as a non-current liability, as management believes its remediation activities will not occur during the upcoming year.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

7. REMEDIATION LIABILITY, CONTINUED:

The Company's management believes that the Company is currently in substantial compliance with environmental regulatory requirements and that its accrued environmental remediation costs are representative of management's estimate of costs required to fulfill its obligations. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated. The Company recognizes, however, that in some cases future environmental expenditures cannot be reliably determined due to the uncertainty of specific remediation methods, conflicts between regulating agencies relating to remediation methods and environmental law interpretations, and changes in environmental laws and regulations. Any changes to the Company's remediation plans as a result of these factors could have an adverse affect on the Company's operations. The range of possible losses in excess of the amounts accrued cannot be reasonably estimated at this time.

8. INCOME TAXES

At December 31, 2007 and 2006, the Company had deferred tax assets which were fully reserved by valuation allowances due to the likelihood of expiration of these deferred tax benefits prior to the Company generating future taxable income sufficient to utilize the deferred tax benefits to reduce tax expense from those future periods. The deferred tax assets were calculated based on an expected future tax rate of 34%. Following are the components of such assets and allowances at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Deferred tax assets arising from:		
Unrecovered promotional and exploratory costs	\$ 127,000	\$ 127,000
Non-deductible accrued remediation costs	17,000	17,000
Non-deductible share based compensation	46,000	20,000
Net operating loss carryforwards	<u>2,487,000</u>	<u>1,095,000</u>
	2,677,000	1,259,000
Less valuation allowance	<u>(2,677,000)</u>	<u>(1,259,000)</u>
Net deferred tax assets	<u>\$ 0</u>	<u>\$ 0</u>

At December 31, 2007 and 2006, the Company had federal tax-basis net operating loss carryforwards totaling \$7,313,453 and \$3,220,817, respectively, which will expire in various amounts from 2008 through 2026.

The Tax Reform Act of 1986 substantially changed the rules relative to the use of net operating loss and general business credit carryforwards in the event of an "ownership change" of a corporation. Due to the change in ownership during June 2003, the Company is restricted in the future use of net operating loss and tax credit carryforwards generated before the ownership change. As of December 31, 2007, this limitation is applicable to accumulated net operating losses of approximately \$91,796, which were incurred prior to the change of ownership and would limit the use of the Company's respective, existing losses.

The above estimates are based upon management's decisions concerning certain elections which could change the relationship between net income and taxable income. Management decisions are made annually and could cause the estimates to vary significantly.

Little Squaw Gold Mining Company
(An Exploration Stage Company)
Notes to Financial Statements

8. INCOME TAXES, CONTINUED:

Net operating losses expire as follows:

<u>December 31,</u>	
2008	19,205
2009	-
2010	-
2011	-
2012	8,318
Thereafter	<u>7,285,930</u>
Total	<u>\$ 7,313,453</u>

9. SUBSEQUENT EVENTS

As of April 7, 2008, the Company is self-promoting a private placement with several of its current shareholders and has received cash remittances totaling \$583,098. Commitment of the private placement funds is represented by signed subscription agreements and transfer of the money into a segregated account owned by the Company. The Company intends to close on the \$583,098 on or about April 8, 2008 and targets April 18 as a final closing date on anticipated additional funding. The private placement offering is for a maximum of \$5,000,000 with no minimum. Under the terms of a revised subscription agreement, the Company agrees to sell an investor units at \$0.60 per unit, each unit consisting of one share of common stock and one half of a two-year warrant to purchase a share of common stock at an exercise price of \$0.85 for each full share in the first year and \$1.25 for each full share in the second year. The warrant is callable at any time should the price exceed \$2.00 per share for five consecutive trading days.

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

There have been no disagreements between the Company and its accountants regarding any matter or accounting principles or practice or financial statement disclosures.

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) of the Securities and Exchange Act of 1934, as amended). Based on that evaluation, the President and Chief Financial Officer have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequately designed and effective in ensuring that information required to be disclosed by the Company in its reports that it files or submits to the SEC under the Exchange Act, is recorded, processed, summarized and reported within the time period specified in applicable rules and forms.

Our President and Chief Financial Officer have also determined that the disclosure controls and procedures are effective to ensure that material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including the Company's President and Chief Financial Officer, to allow for accurate required disclosure to be made on a timely basis.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its President and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – "Integrated Framework." Management, under the supervision and with the participation of the Company's President and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 and concluded that it is effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in internal controls over financial reporting

During the period covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

None.

PART III

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

There is hereby incorporated by reference the information under the captions “Composition of Board of Directors”, “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of Registrant’s fiscal year ended December 31, 2007.

Code of Ethics

The Board of Directors considers and implements our business and governance policies.

On November 7, 2005, our Board of Directors adopted a Code of Business Conduct and Ethics for directors, officers and executive officers of Little Squaw Gold Mining Company and its subsidiaries and affiliates. All our directors and employees have been provided with a copy of this Code, and it is posted on our World Wide Web site at www.littlesquawgold.com. The document is intended to provide guidance for all directors and employees (including officers) and other persons who may be considered associates of our company to deal ethically in all aspects of its business and to comply fully with all laws, regulations, and company policies. If we make any amendments to this Code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this Code to our chief executive officer, or chief financial officer, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website or in a report on Form 8-K filed with the Securities and Exchange Commission. A copy of the Code will be sent without charge to anyone requesting a copy by contacting us at our principal office.

This Code is in addition to other detailed policies relevant to business ethics that we may adopt from time to time.

Insider Trading Policy

We adopted an Insider Trading Policy on February 13, 2006. The policy defines an “insider” as a person who possesses, or has access to, material information concerning us that has not been fully disclosed to the public. Any employee, officer or director who believes he or she would be regarded as an insider who is contemplating a transaction in our stock must contact our CEO or CFO prior to executing the transaction to determine if he or she may properly proceed. In addition, all officers, directors and employees listed within the policy are prohibited from trading in our securities except during limited trading windows defined within the policy. Our Insider Trading Policy is posted on our website at www.littlesquaw.com.

Director Independence:

Our independent directors, as determined by the Board of Directors under rules and guidelines of the AMEX, are Charles G. Bigelow, James K. Duff, James A. Fish, Kenneth S. Eickerman, William Orchow and William Schara.

ITEM 10. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information under the captions “Executive Compensation and Related Information” and “Executive Compensation Agreements and Summary of Executive Compensation” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of Registrant’s fiscal year ended December 31, 2007.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information under the caption “Stock Ownership of Certain Beneficial Owners and Management” and “Approval of 2008 Equity Incentive Plan and Issuance of Shares of Common Stock of the Company Pursuant to the Plan” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of Registrant’s fiscal year ended December 31, 2007.

Equity Compensation Plan Information

At a special meeting of shareholders on January 23, 2004, the shareholders voted to adopt the Little Squaw Gold Mining Company 2003 Share Incentive Plan. The Plan permits the grant of nonqualified stock options, incentive stock options and shares of common stock, referred to as “restricted stock,” to participants of the Plan. The purpose of the Plan is to promote our success and enhance the value of our assets by linking the personal interests of the participants to those of our shareholders, by providing participants with an incentive for outstanding performance. Pursuant to the terms of the Plan, 1,200,000 shares of unissued common stock, in aggregate, were authorized and reserved for issue under nonqualified stock options, incentive stock options and restricted stock grants. The Plan is administered by our Compensation Committee and subject to the terms and provisions of the Plan, the Compensation Committee, at any time and from time to time, may grant nonqualified stock options, incentive stock options and restricted stock to participants under the plan in such amounts, as the committee may determine. Eligible participants in the Plan include our employees, directors and consultants.

Options granted to participants under the Plan must be exercised no later than the tenth employment anniversary of the participant. If a participant shall die while employed by or while a Director of the Company, any Option held by him shall become exercisable in whole or in part if the Option was issued one year or more prior to the date of death, but only by the person or persons to whom the participant’s rights under the Option shall pass by the participant’s will or applicable laws of descent and distribution. All such Options shall be exercisable only to the extent that the participant was entitled to exercise the Option at the date of his death and only for six months after the date of death or prior to the expiration of the option period in respect thereof, whichever is sooner. If a participant ceases to be employed or act as a consultant or director of the company for cause, no Option held by such participant may be exercised following the date on which such participant ceases to be so employed or ceases to be a consultant or director, as the case may be. If a participant ceases to be employed by or act as a director of the company for any reason other than cause, then any Option held by such participant at the effective date thereof shall become exercisable in whole or in part for a period of up to six months thereafter.

Restricted stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable period of restriction established by the Compensation Committee and specified in the award agreement granting the restricted stock, or upon earlier satisfaction of any other conditions, as specified by the Committee, in its sole discretion, and set forth in the award agreement. All rights with respect to the restricted stock granted to a participant under the Plan shall be available during his or her lifetime only to the participant. Each award agreement shall set forth the extent to which the participant shall have the right to retain restricted stock and following termination of the participant’s employment with the company. Such provisions shall be determined in the sole discretion of the Compensation Committee, shall be included in the award agreement entered into with each participant, need not be uniform among all restricted stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

Under the Plan, upon a change of control transaction

- any and all Options granted hereunder shall become immediately exercisable; additionally, if a participant’s employment is terminated for any other reason except cause within twelve (12) months of such Change in Control, the participant shall have until the earlier of: (i) twelve (12) months following such termination date; or (ii) the expiration of the Option, to exercise any such Option;
- any period of restriction for restricted stock granted hereunder that have not previously vested shall end, and such restricted stock and restricted stock units shall become fully vested;

- the target payout opportunities attainable under all outstanding awards which are subject to achievement of any performance conditions or restrictions that the committee has made the award contingent upon, shall be deemed to have been earned as of the effective date of the change in control, and such awards treated as follows: the vesting of all such awards denominated in shares shall be accelerated as of the effective date of the change in control the Compensation Committee has the authority to pay all or any portion of the value of the shares in cash; and
- the Compensation Committee has authority to make any modifications to the awards as determined by the committee to be appropriate before the effective date of the change in control.

Under the Plan a “Change in Control” means any of the following events: (i) any organization, group, or person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) (the “Exchange Act”) is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of our securities representing thirty-five percent (35%) or more of the combined voting power of our then outstanding securities; or (ii) during any two (2) year period, a majority of the members of the Board serving at the date of approval of this Plan by shareholders is replaced by Directors who are not nominated and approved by the Board; or (iii) a majority of the members of the Board are represented by, appointed by, or affiliated with any person whom the Board has determined is seeking to effect a Change in Control of the company; or (iv) the company shall be combined with or acquired by another company and the Board shall have determined, either before such event or thereafter, by resolution, that a Change in Control will or has occurred.

In November 2005 our Board of Directors ratified changes to the Plan that brought it into compliance with new IRS laws (principally Code 409A) that require companies to recognize the fair market value of stock options and other share based payments awarded to employees and associates as compensation expense. The new law became effective for us on January 1, 2006. Any new shares issued under our Plan will be based on their then current market price or higher. The Plan is now referred to as the Restated 2003 Share Incentive Plan.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Transactions

During 2007, we engaged Sharp Executive Associates, Inc., a consulting firm owned by our Chief Financial Officer to assist the Company in its compliance with Rule 404 of the Sarbanes-Oxley Act of 2002, incurring a total expense of \$20,662 to this related party. There were no related party transactions December 31, 2006.

ITEM 13. EXHIBITS

Other than contracts made in the ordinary course of business, the following are the material contracts that we have entered into within the two years preceding the date of this Form 10-KSB:

(a) Exhibits

Exhibit Number	Description
3.1 (1)	Amendment to Articles of Incorporation of Little Squaw Gold Mining Company dated January 27, 2004
3.2(2)	Articles of Incorporation and Amendments through 1977
3.3(3)	Bylaws
10.16(3)	Form of Subscription Agreement related to private placement of units (2006)
10.17(3)	Form of Class B Warrant
10.18(3)	Independent Contractor Agreement, dated as of March 1, 2006, between Little Squaw and Ted Sharp
10.19(4)	Oral agreement to extend Independent Contractor Agreement, Richard Walters
10.20(5)	Private Placement Agreement with Strata Partners dated October 13, 2006
10.21(5)	Form of Subscription Agreement related to private place of units (December 2006)
10.22(5)	Form of Class C Warrant Certificate
10.23(5)	40 Year Lease, Broken Hills West Mining
10.24(5)	Independent Contractor Agreement, dated as of January 1, 2007, between Little Squaw and Ted Sharp
10.25	Oral agreement to extend Independent Contractor Agreement, Ted Sharp, CPA and Sharp Executive Associates, Inc.
10.26	Oral agreement to extend Independent Contractor Agreement, Richard Walters
10.27	Lease Agreement between subsidiary Minera LSG and Miguel Teran Para and spouse for Marisol property, dated November 30, 2007, original Spanish document
10.28	Lease Agreement between subsidiary Minera LSG and Miguel Teran Para and spouse for Marisol property, dated November 30, 2007, English translation
10.29	Unilateral Option Agreement between Minera LSG, Cesar Octavio Albelais Boido and spouse, and Jassany Margarita Albelais Valenzuela and spouse for Marisol mining concessions, dated November 13, 2007, original Spanish document
10.30	Unilateral Option Agreement between Minera LSG, Cesar Octavio Albelais Boido and spouse, and Jassany Margarita Albelais Valenzuela and spouse for Marisol mining concessions, dated November 13, 2007, English translation
10.31	Sarbanes- Oxley Consulting Engagement Letter with Sharp Executive Associates, Inc., dated March 13, 2007
10.32	Consulting Agreement with Baron Group, LLC, dated November 26, 2007
10.33	Termination Letter of Consulting Agreement with Baron Group, LLC, dated March 5, 2008
10.34	Investor Relations Agreement with Coal Harbor Communications, Inc., dated November 19, 2007
14.1(2)	Code of Ethics
23.1(2)	Consent of Melvin Klohn, a licensed professional geologist
23.2(2)	Consent of Pacific Rim Geological Consultants, Inc., of Fairbanks Alaska
23.3(2)	Consent of James C. Barker, a Certified Professional Geologist
23.4(2)	Consent of BlueMap Geomatics Ltd. located in Vancouver, British Columbia
23.5(5)	Consent of Jeffrey Keener, NordWand Enterprise, Fairbanks, Alaska
23.6	Consent of Thomas K. Bundtzen, Pacific Rim Geological Consulting, Inc., Fairbanks, Alaska
23.7	Consent of Gary Fitch, a Professional Geologist
31.1	Certification of the President pursuant to Rule 13a-14
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14
32.1	Certification of the President pursuant to Section 1350
32.2	Certification of the Chief Financial Officer pursuant to Section 1350

(1) Incorporated by reference to Form 10KSB as filed March 29, 2004.

(2) Incorporated by reference to Form SB-2 as filed December 30, 2005.

(3) Incorporated by reference to Form SB-2/A as filed July 6, 2006

(4) Incorporated by reference to Form SB-2/A as filed August 7, 2006

(5) Incorporated by reference to Form SB-2 as filed February 26, 2007

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

There is hereby incorporated by reference the information under the caption “Audit Committee Report” and “Ratification of Independent Registered Public Accounting Firm” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of Registrant's fiscal year ended December 31, 2007.

SIGNATURES

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

LITTLE SQUAW GOLD MINING COMPANY

By: /s/ Richard R. Walters
Richard R. Walters, President

Date: April 8, 2008

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

LITTLE SQUAW GOLD MINING COMPANY

By: /s/ Ted R. Sharp
Ted R. Sharp, Chief Financial Officer

Date: April 8, 2008

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

Date: April 8, 2008 /s/ Charles G. Bigelow
Charles G. Bigelow, Director

Date: April 8, 2008 /s/ James K. Duff
James K. Duff, Director

Date: April 8, 2008 /s/ Kenneth S. Eickerman
Kenneth S. Eickerman, Director

Date: April 8, 2008 /s/ James A. Fish
James A. Fish, Director

Date: April 8, 2008 /s/ William Orchow
William Orchow, Director

Date: April 8, 2008 /s/ William Schara
William Schara, Director

Date: April 8, 2008 /s/ Richard R. Walters
Richard R. Walters, Director

Exhibit 10.25

Oral Agreement to Extend Independent Contactor Agreement

On February 15, 2008, Little Squaw Gold Mining Company and Sharp Executive Associates, Inc, and the owner of that firm, Ted R. Sharp CPA, orally agreed to extend the Independent Contactor Agreement dated March 1, 2006 for a period of one year, retroactively to January 1, 2008 and ending December 31, 2008. In addition, Little Squaw Gold Mining Company approved an increase in the contractor fee paid to Sharp Executive Associates, Inc. to \$9,075 per month, with opportunity to review and modify the fee on a quarterly basis due to potential wide variability in the ongoing activities of the Company.

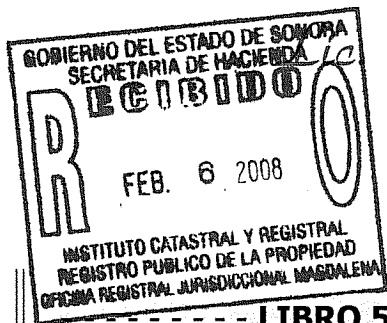
The agreement was approved by resolution of the board of directors of Little Squaw Gold Mining Company dated February 15, 2008.

Exhibit 10.26

Oral Agreement to Extend Independent Contactor Agreement

On February 15, 2008, Little Squaw Gold Mining Company and Richard R. Walters orally agreed to extend Independent Contactor Agreement dated June 30, 2003 for a period of one year, retroactively to January 1, 2008 and ending December 31, 2008. In addition, Little Squaw Gold Mining Company approved an increase in the contractor fee paid to Mr. Walters to \$600 per day worked, prorated for each partial day worked, with opportunity to review and modify the fee on a quarterly basis due to potential wide variability in the ongoing activities of the Company.

The agreement was approved by resolution of the board of directors of Little Squaw Gold Mining Company dated February 15, 2008.



Francisco A. Corella Zamudio

NOTARIO PUBLICO No. 8
MAGDALENA DE KINO, SONORA.



Exhibit 10.27

01

LIBRO 59 (CINCUENTA Y NUEVE).

ESCRITURA No. 4,967 (CUATRO MIL NOVECIENTOS SESENTA Y SIETE).

En la Ciudad de Magdalena de Kino, Sonora, México, a trece de Noviembre del dos mil siete, Yo, Licenciado **FRANCISCO ALFONSO CORELLA ZAMUDIO**, Titular de la **Notaría Pública Número Ocho** en el Estado, con ejercicio y residencia en esta Demarcación Notarial:

HAGO CONSTAR: Que en términos del artículo cuarenta y tres de la Ley de Notariado del Estado de Sonora, con esta fecha agrego al legajo del apéndice correspondiente a la presente acta, bajo la **letra "A"**, el documento constante de catorce páginas útiles, redactado y firmado por el suscrito Notario y las partes en cada una de sus fojas, que se refiere a la escritura que enseguida extracto y que contiene:

CONTRATO DE ARRENDAMIENTO, celebrado por **MIGUEL ÁNGEL TERÁN PARRA**, como "EL ARRENDADOR", asistido y con el consentimiento marital de su cónyuge, **MARÍA DE JESÚS ALARCÓN CAÑEDO** y, **MINERA LSG, S.A. DE C.V.**, como "**LSG**", representada por **RODNEY ALLAN BLAKESTAD**, acompañado por su traductor **JUAN JOSÉ DUARTE BRAVO**, respecto de 571 Hectáreas de terreno superficial rústico de agostadero localizado en el municipio de Santa Ana, Sonora, que forma parte del predio conocido como "Rancho los Reyes", a fin de realizar en dicho terreno obras y trabajos de exploración y/o explotación minera, en relación a las concesiones mineras (I) el lote "Marisol", título 220,813, inscrita en el Registro Público de Minería bajo acta 193, foja 97, volumen 339, del Libro de Concesiones Mineras; (II) el lote "La Víbora No. 2", título 177,274, inscrita en el Registro Público de Minería bajo acta 314, foja 79, volumen 239, del Libro de Concesiones Mineras; (III) el lote "Marisol 4", título 227,381, inscrita en el Registro Público de Minería bajo acta 281, foja 141, volumen 357, del Libro de Concesiones Mineras; y (IV) el lote "Marisol 5", título 230,021, inscrito bajo el acta número 41, a foja 21, del volumen 365 del libro de Concesiones Mineras del Registro Público de Minería, el 10 de julio de 2007.

El término del arrendamiento se fijó en 20 años, obligatorio para "EL ARRENDADOR" y voluntario para LSG.

La contraprestación por el arrendamiento y por el otorgamiento de consentimientos, anuencias y autorizaciones, se fijó en la cláusula cuarta del contrato que aquí extracto.

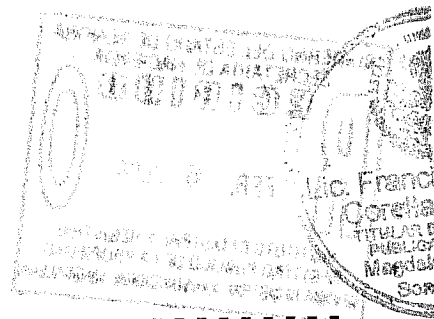
En el contrato que aquí extracto, Rodney Allan Blakestad acreditó su personalidad de representante de Minera LSG, S.A. de C.V., la existencia y capacidad legal de esta, así como su legal estancia en el país, con la documentación correspondiente.

Asimismo, los otorgantes consignaron sus datos personales, dándose fe por el suscrito Notario sobre el conocimiento personal y capacidad legal de los mismos para la celebración del acto jurídico consignado en el instrumento de referencia.

Y, para constancia de lo anterior, se levanta la presente acta, la que previa lectura por los otorgantes, quienes fueron enterados por mi de su valor, fuerza y alcance legales, la ratifican en todas sus partes y firman el mismo día de su otorgamiento, ante el suscrito Notario, que la autoriza en definitiva.- Doy fe.-

Firma de los señores Miguel Angel Terán Parra, María de Jesús Alarcón Cañedo, Rodney Allan Blakestad y Juan José Duarte Bravo.- Firma del Licenciado Francisco Alfonso Corella Zamudio.- El sello notarial.

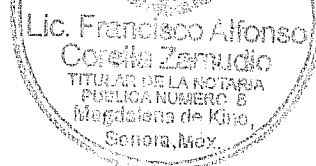
COPIADO



Documentos del Apéndice:

*Lic. Francisco A. Corella Zamudio*NOTARIO PUBLICO No. 8
MAGDALENA DE KINO, SONORA.

02

----- **LIBRO 59 (CINCUENTA Y NUEVE).** ---------- **ESCRITURA No. 4,967 (CUATRO MIL NOVECIENTOS SESENTA Y SIETE).** -----

--- En la Ciudad de Magdalena de Kino, Estado de Sonora, México, a los 13 (trece) días del mes de Noviembre del año 2007 (dos mil siete), Yo, Licenciado **FRANCISCO ALFONSO CORELLA ZAMUDIO**, Titular de la **Notaría Pública Número Ocho** en el Estado, con ejercicio y residencia en esta Demarcación Notarial: -----

--- **HAGO CONSTAR** el **CONTRATO DE ARRENDAMIENTO**, en que intervienen: De una parte, **MIGUEL ÁNGEL TERÁN PARRA**, a quien el curso de este instrumento se designará también como "**EL ARRENDADOR**", asistido y con el consentimiento marital de su cónyuge, **MARÍA DE JESÚS ALARCÓN CAÑEDO**; de la otra parte, **MINERA LSG, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE**, a quien sucesivamente se designará también como "**LSG**", representada por **RODNEY ALLAN BLAKESTAD**; y, como traductor de Rodney Alan Blakestad, **JUAN JOSÉ DUARTE BRAVO**; de acuerdo con las siguientes declaraciones y cláusulas:-----

----- **DECLARACIONES** ---------- **BAJO PROTESTA DE DECIR VERDAD** ---------- **I. Del Arrendador:** -----

--- **A.** La señora María de Jesús Alarcón Cañedo es la legítima propietaria y el Arrendador se encuentra en plena e imperturbada posesión de 571 Has. (quinientas setenta y una hectáreas) de terreno superficial rústico de agostadero localizado en el Municipio de Santa Ana, Sonora, que se muestran e identifican en el plano que se agrega a este contrato bajo la **letra "B"** (en adelante en este contrato tal terreno superficial será identificado como "Terreno Superficial" o "Inmueble", en forma indistinta). El Inmueble forma parte de un predio superficial o conjunto de terrenos superficiales propiedad de la señora María de Jesús Alarcón Cañedo, de mayor superficie, conocido como "Rancho Los Reyes" (en adelante identificado como el "Rancho"). Marcado con la **letra "C"**, se anexará tanto al apéndice respectivo de mi protocolo, como al primer testimonio que de esta escritura se expida, copia certificada del título que ampara la propiedad del predio citado -----

--- **B.** El Arrendador usa el Terreno Superficial en la crianza de ganado vacuno y caballar, por ser el propio de su vocación, con el consentimiento de su cónyuge. ---

--- **C.** Con el consentimiento irrevocable de su cónyuge, ha convenido con LSG el otorgarle en arrendamiento el Terreno Superficial, el cual está comprendido dentro de los lotes mineros descritos en la declaración II (dos) (adelanten adelante llamados "los Lotes"). -----

--- **D.** Sabe, reconoce y acepta que las sustancias minerales que, en su caso, existan en el subsuelo de los Lotes, son propiedad exclusiva de la Nación mexicana ("la Nación") y no del Arrendador, que la Nación las ha concesionado a LSG o a terceras personas quienes transmitieron las concesiones a LSG, a fin de que LSG pueda explorarlas y explotarlas, en los términos de la Constitución Política de los Estados Unidos Mexicanos y de la Ley Minera y su Reglamento, por lo que las sustancias tales pertenecerán a LSG una vez que LSG las extraiga, y que igual condición jurídica tendrán el tepetate, los jales, las escorias, los graseros, los desechos y otras sustancias que se generen con motivo de los trabajos y obras de LSG en el Inmueble. Por lo anterior, el Arrendador confirma que entiende y acepta desde ahora, en forma absoluta y sin reserva alguna, que el Arrendador no tiene, ni podrá llegar nunca a tener en virtud de celebrarse este contrato, derecho o interés alguno sobre las mencionadas sustancias minerales, el tepetate, los jales, las escorias, los graseros, los desechos y otras sustancias ya referidas. -----



- - - **E.** El Terreno Superficial se encuentra libre y exento de gravámenes, afectaciones, cargas o limitaciones, y nada impide al Arrendador la celebración y cumplimiento de este contrato. - - - - -

- - - **F.** Que su cónyuge, la señora María de Jesús Alarcón Cañedo, concurre a la celebración de este contrato a fin de otorgar su consentimiento al mismo de conformidad con lo dispuesto en el artículo 330 del Código Civil para el Estado de Sonora. - - - - -

- - - **II. De LSG:** - - - - -

- - - **A.** Es una sociedad anónima mexicana legalmente constituida mediante escritura pública número 65,912, volumen 1,604, otorgada ante la fe de Francisco Javier Cabrera Fernández, notario suplente de la anotaría número 11, en ejercicio en Hermosillo, Sonora, el día 20 de octubre de 2007, en trámite de inscripción en el Registro Público de Comercio y en el Registro Público de Minería. - - - - -

- - - **B.** Tiene como objeto social, entre otras actividades, la industria minero-metalúrgica en general, y, por tanto, llevar a cabo todo acto o celebrar todo convenio o contrato directa o indirectamente relacionado con la misma. - - - - -

- - - **C.** Es titular de derechos contractuales sobre las siguientes concesiones mineras: - - - - -

- - - (I) Concesión minera sobre el lote "Marisol", título 220,813, inscrita en el Registro Público de Minería bajo acta 193, foja 97, volumen 339, del Libro de Concesiones Mineras. - - - - -

- - - (II) Concesión minera sobre el lote "La Víbora No. 2", título 177,274, inscrita en el Registro Público de Minería bajo acta 314, foja 79, volumen 239, del Libro de Concesiones Mineras. - - - - -

- - - (III) Concesión minera sobre el lote "Marisol 4", título 227, 381, inscrita en el Registro Público de Minería bajo acta 281, foja 141, volumen 357, del Libro de Concesiones Mineras. - - - - -

- - - (IV) Concesión minera sobre el lote "Marisol 5", título 230,021, inscrito bajo el acta número 41, a foja 21, del volumen 365 del libro de Concesiones Mineras del Registro Público de Minería, el 10 de julio de 2007. - - - - -

- - - Anteriormente y en lo sucesivo los lotes mineros arriba mencionados son identificados en este contrato, conjuntamente, como los "Lotes". En lo sucesivo las concesiones mineras que amparan los "Lotes" serán identificadas como las "Concesiones". - - - - -

- - - Bajo la letra "A" se agrega a este contrato un plano que ilustra la ubicación de los puntos y límites del área que LSG tomará en arrendamiento de Terán. - - - - -

- - - **D.** Requiere del Inmueble a fin poder llevar a cabo, en ejecución de un proyecto minero denominado "Marisol" (en adelante llamado "Proyecto"), la exploración y/o explotación de minerales que, en su caso existan, en el subsuelo de los Lotes ubicados en el Inmueble. La realización del Proyecto significaría fundamentalmente la construcción y operación de una mina de oro, plata y cobre, la cual a su vez implicaría actividades de barrenación, voladura, carga y transportación de mineral y tepetate, trituración, cribado, lixiviación y extracción o separación de minerales mediante sustancias y procesos químicos y otras índoles. - - - - -

- - - **E.** Ha convenido con el Arrendador y con su cónyuge la celebración de este contrato a fin de tomar el Inmueble en arrendamiento, precisamente para los fines indicados en el párrafo "D" inmediato anterior. - - - - -

- - - **III. Del Arrendador y de LSG:** - - - - -

- - - **A.** Se reconocen mutuamente su existencia y subsistencia, así como los nombramientos y los poderes y facultades de quienes celebran este contrato en su respectiva representación, por haber tenido a la vista y analizado sus asesores legales los documentos que los acreditan. - - - - -

- - - **B.** Sus respectivas declaraciones bajo protesta de decir verdad y las seguridades que cada una de ellas ha dado con respecto a la veracidad y exactitud



de las mismas han inducido a las partes y a sus respectivos representantes a otorgar su consentimiento contractual, y que tal consentimiento contractual no se habría concedido de no ser por esas seguridades y declaraciones. - - - - -

- - - **C.** Este contrato no ha sido negociado ni firmado bajo la influencia o determinación de dolo, mala fe, violencia, ilicitud, lesión, error, temor reverencial o incapacidad o de algún otro vicio de la voluntad o del consentimiento. - - - - -

- - - En atención a lo declarado y a sus respectivos intereses, el Arrendador y LSG celebran este *Contrato de arrendamiento* y se obligan al tenor de las siguientes - - -

CLÁUSULAS

- - - **PRIMERA. ARRENDAMIENTO.** El Arrendador, con el consentimiento de sus respectivos cónyuges, dan el Inmueble en arrendamiento a LSG, con el objeto de que LSG, a su exclusiva discreción, pueda realizar las obras y trabajos de exploración y/o explotación minera mencionados en la cláusula segunda y las de restauración ambiental que deba efectuar de conformidad con las leyes, reglamentos y normas oficiales mexicanas aplicables. LSG acepta y recibe el Inmueble en arrendamiento para los fines antes mencionados, de acuerdo con lo estipulado en el resto de este contrato. - - - - -

- - - **SEGUNDA. DERECHOS DE LSG.** Por virtud de este arrendamiento, LSG tendrá el derecho exclusivo, más no la obligación, de ocupar temporalmente, usar y aprovechar el Inmueble (todo ello a título de arrendamiento) a fin de ejecutar toda obra y trabajo que tenga como propósito explorar y/o explotar las sustancias minerales que, en su caso, existan en el subsuelo de los Lotes, para lo cual podrá, entre otras cosas: - - - - -

- - - **A.** Llevar a cabo todo tipo de actividades de exploración minera, es decir, todo tipo de actividades cuyo propósito sea identificar depósitos minerales que pudieran existir debajo del suelo o superficie del Inmueble (en los Lotes), así como cuantificar y evaluar las reservas de minerales que en esos depósitos pudieran existir. En consecuencia, LSG tendrá derecho de realizar en el Inmueble todo tipo de trabajos y obras de geología de campo, geoquímica y geofísica, así como zanjias, brechas y plantillas de barrenación, entre otras relacionadas con la exploración minera. - - - - -

- - - **B.** Llevar a cabo todo tipo de actividades de explotación minera, es decir, todas aquellas actividades cuyo propósito sea (I) preparar y desarrollar las áreas que comprendan los depósitos minerales que LSG identifique en los Lotes; (II) desprender y extraer los productos minerales que en su caso existan en los depósitos minerales referidos en el subinciso (I) anterior; y (III) preparar, tratar, fundir de primera mano y refinar los productos minerales que en su caso existan y se extraigan o arranquen del subsuelo, en cualquiera de sus etapas o fases, con el propósito de recuperar u obtener minerales o sustancias, así como elevar la concentración y pureza de sus contenidos. - - - - -

- - - **C.** Depositar en las partes específicas del Inmueble seleccionadas por LSG terreros, jales, escorias, graseros, desechos, tepetates y otras sustancias que se generen como resultado o con motivo de las actividades de exploración, de explotación y de beneficio de minerales, sin más limitaciones o restricciones que las previstas en la Ley General del Equilibrio Ecológico y la Protección al Ambiente (en adelante identificada simplemente como "Ley Ambiental") y en los demás ordenamientos aplicables. - - - - -

- - - **D.** Utilizar los caminos, veredas, mangas, callejones y otras vías de comunicación (en adelante llamadas todas ellas "los Caminos") existentes en el Terreno Superficial a fin de transitar y transportar libremente personal, maquinaria, herramientas, sustancias minerales y bienes de cualesquiera otras especies. - - - - -

- - - **E.** Utilizar libre e imperturbadamente los Caminos existentes en el Rancho, que sea necesario transitar a fin de poder entrar y salir del Inmueble para ejercer los derechos de arrendataria que de este contrato resultan a favor de LSG. - - - - -



- - - **F.** Romper candados y/o cadenas, así como inhabilitar puertas, que impidan a LSG el ejercicio de los derechos otorgados mediante los párrafos "D" y "E" de esta cláusula. - - - - -
- - - **G.** Modificar y ampliar los trazos de los Caminos ya existentes y construir, habilitar y dar mantenimiento a nuevos Caminos en el Terreno Superficial para los fines de tránsito y transportación mencionados en el párrafo "D" inmediato anterior. En caso de nuevos caminos construidos por LSG, ésta tendrá el derecho de restringir o limitar libremente el acceso y tránsito por tales nuevos caminos, y la facultad de cercarlos por ambos lados a fin de impedir el cruce de ganado que pueda interferir con el tránsito de vehículos y personas para fines de las actividades mineras de LSG, y a fin también de no poner en riesgo a dicho ganado. - - -
- - - **H.** Cercar todas aquellas zonas o lugares del Inmueble que, por razones de seguridad, de sanidad, de naturaleza ambiental o de cualquier otro tipo, a juicio de LSG, deban de permanecer aisladas o de acceso restringido, pudiendo dar acceso al arrendador para sus movimientos temporales de ganado. Lo anterior podrá incluir, a juicio único de LSG, cercar incluso la totalidad del Inmueble. - - - - -
- - - **I.** Construir y ampliar y dismantelar o desmontar campamentos, dormitorios, bodegas, almacenes, talleres, oficinas e instalaciones conducentes a las obras y trabajos de exploración de LSG, sin restricción. - - - - -
- - - **J.** Llevar a cabo mediciones y amojonamientos destinados a deslindar áreas o zonas dentro del Inmueble. - - - - -
- - - **K.** Instalar tuberías, ductos y otros medios de transportación de fluidos y de gases. - - - - -
- - - **L.** Instalar plantas generadoras de energía eléctrica y estaciones o subestaciones y tender líneas de conducción subterráneas o aéreas de la energía tal. - - - - -
- - - **M.** Instalar y operar bandas transportadoras de todo tipo de materiales. - - - - -
- - - **N.** Desmontar o desbrozar terrenos. - - - - -
- - - **Ñ.** Construir, habilitar, ampliar y operar minas a cielo abierto, subterráneas, a base de soluciones o de cualquier otro tipo y zonas o patios de lixiviación, lo cual podría implicar la inhabilitación o inutilización de toda la superficie que ocupen. - - -
- - - **O.** Construir, habilitar, ampliar y operar plantas de beneficio o procesamiento y molinos. - - - - -
- - - **P.** Procesar o beneficiar productos extraídos del subsuelo del Terreno Superficial, solos o en combinación o mezclados con productos extraídos del subsuelo de otras áreas o terrenos superficiales, incluso de terceras personas diferentes del Arrendador. - - - - -
- - - **Q.** Perforar pozos para la extracción y utilización de agua. - - - - -
- - - **R.** Hacer todo tipo de obras hidráulicas a fin de contar con el fluido necesario para la realización de sus actividades y, previa la obtención de las concesiones, permisos, anuencias o autorizaciones necesarios conforme a la ley, aprovechar o utilizar las aguas superficiales que requiera para sus obras y trabajos mineros. - - -
- - - **S.** Cumpliendo siempre con las disposiciones legales aplicables y con las órdenes dictadas legalmente por las autoridades competentes, transportar, almacenar, utilizar y detonar explosivos necesarios, al solo juicio de LSG, para la ejecución de las obras y trabajos mineros de LSG en el Terreno Superficial. - - - - -
- - - **T.** Realizar o llevar a cabo en el Inmueble cualesquiera otras acciones, obras, construcciones y actividades, necesarias o convenientes, a juicio de LSG, que tengan como propósito la preparación y desarrollo del área que comprenda el o los depósitos minerales que en su caso lleguen a identificarse en los Lotes, y/o el desprender y extraer los productos minerales o sustancias existentes en el mismo. - - -
- - - **U.** En general, realizar todas las actividades y obras que LSG tenga derecho a realizar como titular de las Concesiones y/o de los derechos derivados de las Concesiones, de acuerdo con las leyes. - - - - -



- TERCERA. OBLIGACIONES VARIAS DEL ARRENDADOR.- El Arrendador se obliga y compromete irrevocablemente: - - - - -

- - - **A.** A realizar cuantas acciones o medidas sean necesarias a fin de garantizar el ejercicio imperturbado, inobstaculizado e irrestricto de los derechos que por este contrato se conceden a LSG. - - - - -

- - - **B.** A abstenerse de realizar todo acto, hecho, medida o acción directa o indirectamente tendente a perturbar, obstaculizar o restringir el ejercicio de los derechos que por este contrato se conceden a LSG. - - - - -

- - - **C.** A permitir y no obstaculizar, perturbar o restringir el libre tránsito o transportación dentro del Inmueble o por el Rancho hacia el Inmueble de funcionarios, personal, visitantes, asesores, proveedores y/o contratistas de LSG, o de maquinaria, herramientas, sustancias minerales y bienes de cualesquiera otras especies por parte LSG, por los contratistas de LSG o por los subcontratistas de dichos contratistas. - - - - -

- - - **D.** A firmar y a entregar a LSG o a las autoridades competentes solicitudes, peticiones de informes, informes, anuencias, autorizaciones, consentimientos, formularios y cualesquiera otros documentos que la ley o la autoridad federal, estatal o municipal requirieran a fin de que LSG pueda hacer uso y ejercicio pleno de los derechos que se le otorgan mediante este contrato. - - - - -

- - - **E.** A no realizar durante el período de explotación, actividades de ganadería o conexas dentro del Inmueble, a menos que LSG, previamente y por escrito, autorice al Arrendador tal realización en las áreas específicas del Inmueble y por el tiempo que LSG estime aceptable y apropiado, y sin que ello en ningún caso y por ninguna razón se pueda o deba entender como renuncia o terminación de los derechos de LSG como arrendataria de acuerdo con este contrato. - - - - -

- - - **CUARTA. CONTRAPRESTACIÓN POR EL ARRENDAMIENTO Y POR EL OTORGAMIENTO DE CONSENTIMIENTOS, ANUENCIAS Y AUTORIZACIONES; COMPROBANTES FISCALES; IMPUESTOS.-** - - - - -

- - - **A.** Contraprestación. A cambio del arrendamiento, y a cambio de otros derechos y de los consentimientos, anuencias y autorizaciones que el Arrendador concede a LSG por este contrato, y a cambio en general de todas las obligaciones que el Arrendador asume mediante este contrato, y de su debido cumplimiento, LSG pagará al Arrendador lo siguiente: - - - - -

- - - (1) \$15,000 US (quince mil dólares de los Estados Unidos de América) por el primer año de vigencia de este contrato, pagaderos precisamente en la fecha en que este contrato quede otorgado y firmado en escritura pública (en adelante tal fecha llamada la "Fecha de Inicio"). - - - - -

- - - (2) \$20,000 US (veinte mil dólares de los Estados Unidos de América) por el segundo año de vigencia de este contrato, pagaderos precisamente en la fecha del primer aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (3) \$30,000 US (treinta mil dólares de los Estados Unidos de América) por el tercer año de vigencia de este contrato, pagaderos en la fecha del segundo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (4) \$40,000 US (cuarenta mil dólares de los Estados Unidos de América) por el cuarto año de vigencia de este contrato, pagaderos precisamente en la fecha del tercer aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (5) \$50,000 US (cincuenta mil dólares de los Estados Unidos de América) por el quinto año de vigencia de este contrato, pagaderos precisamente en la fecha del cuarto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (6) \$60,000 US (sesenta mil dólares de los Estados Unidos de América) por el



sexto año de vigencia de este contrato, pagaderos precisamente en la fecha del quinto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (7) \$60,000 US (sesenta mil dólares de los Estados Unidos de América) por el séptimo año de vigencia de este contrato, pagaderos precisamente en la fecha del sexto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (8) \$60,000 US (sesenta mil dólares de los Estados Unidos de América) por el octavo año de vigencia de este contrato, pagaderos precisamente en la fecha del séptimo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (9) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el noveno año de vigencia de este contrato, pagaderos precisamente en la fecha del octavo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (10) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo año de vigencia de este contrato, pagaderos precisamente en la fecha del noveno aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (11) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el undécimo año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (12) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el duodécimo año de vigencia de este contrato, pagaderos precisamente en la fecha del undécimo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (13) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo tercer año de vigencia de este contrato, pagaderos precisamente en la fecha del duodécimo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (14) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo cuarto año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo tercer aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (15) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo quinto año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo cuarto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (16) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo sexto año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo quinto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (17) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo séptimo año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo sexto aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (18) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo octavo año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo séptimo aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. - - - - -

- - - (19) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el décimo noveno año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo octavo aniversario de la Fecha de Inicio o dentro de los cinco



Lic. Francisco A. Corella Zamudio

NOTARIO PUBLICO No. 8
MAGDALENA DE KINO, SONORA.



días naturales que sigan a tal aniversario. -----

- - - (20) \$100,000 US (cien mil dólares de los Estados Unidos de América) por el vigésimo año de vigencia de este contrato, pagaderos precisamente en la fecha del décimo noveno aniversario de la Fecha de Inicio o dentro de los cinco días naturales que sigan a tal aniversario. -----

- - - (21) Si el inicio de la Explotación (como se define enseguida en este mismo párrafo "A") ocurre antes del inicio del décimo año de vigencia de este contrato, LSG estará obligada a pagar, como contraprestación o renta anual, la cantidad de \$100,000 US (cien mil dólares de los Estados Unidos de América) a partir del año inmediato siguiente al año de vida de este contrato durante el cual se haya iniciado la Explotación, y no las cantidades previstas en los incisos (1) al (8) de este párrafo "A" de la presente cláusula cuarta. -----

- - - (22) La obligación de LSG de pagar la cantidad prevista en los incisos del (9) al (20) del presente párrafo "A" existirá independientemente del momento en que se inicie la Explotación. -----

- - - (23) Para efectos de este contrato, Explotación consistirá en el inicio de la excavación del cuerpo de mineralización que en su caso exista en los Lotes, y/o en el inicio de la preparación de dicho cuerpo para la producción comercial. -----

- - - Si El Arrendador, su cónyuge, sus empleados y/o contratistas incumplen las obligaciones contraídas mediante la cláusula tercera, la obligación de LSG de hacer los subsecuentes pagos de rentas anuales quedará automáticamente suspendida por todo el tiempo que dure o se prolongue el incumplimiento de que se trate, y el plazo de este contrato, así como todas las fechas de pago pactadas en el mismo, se entenderán prorrogadas por un tiempo igual a la duración del incumplimiento. Lo anterior, sin detrimento de otros derechos de LSG en relación con dicho incumplimiento, tales como exigir el pago de daños y perjuicios causados a LSG en la ejecución del Proyecto. -----

- - - Los montos de contraprestaciones antes señaladas no incluyen el monto del impuesto al valor agregado, mismo que en todo caso será desglosado y trasladado por el Arrendador a LSG, a la tasa legalmente aplicable, y será pagado por LSG. - -

- - - **B. Facturas.** LSG pagará al Arrendador las cantidades previstas en el párrafo "A" de esta cláusula contra entrega que el Arrendador le haga a LSG de facturas que cumplan con todos los requisitos fiscales y que trasladen y desglosen el impuesto al valor agregado a la tasa aplicable. -----

- - - **C. Impuestos.** Cada parte responderá por el pago de los impuestos a su respectivo cargo. El Arrendador pagará el impuesto sobre la renta que, en su caso, se cause por las cantidades que LSG les pague de conformidad con este contrato, y, de ser legalmente necesario, LSG efectuará al Arrendador las retenciones por concepto de impuesto sobre la renta y/o impuesto al valor agregado que corresponda, y entregará al Arrendador las respectivas constancias de retención debidamente requisitadas para fines fiscales. -----

- - - **D. Pagos.** Todos los pagos que LSG deba hacer al Arrendador se harán mediante cheque nominativo de LSG pagadero a la orden del Arrendador, entregado en el domicilio de LSG señalado en la cláusula décima. -----

- - - **E. Período de restauración ambiental.** LSG no estará obligada a pagar ninguna contraprestación u otro tipo de pago o indemnización al Arrendador mientras LSG lleve a cabo trabajos de restauración, recuperación o restablecimiento ambiental en el Inmueble después de la terminación o rescisión de este contrato por cualquier razón o circunstancia. El Arrendador estará obligado a continuar otorgando y permitiendo a LSG y a terceras personas contratadas por LSG, acceso continuo, seguro e imperturbado a los terrenos donde se esté llevando o deba llevarse a cabo la restauración, recuperación o restablecimiento ambiental. -----

- - - **QUINTA. OBLIGACIONES VARIAS DE LSG.** -----



- - - **A. Preservación del medio.** LSG llevará a cabo o ejecutará todas las actividades que tenga derecho a realizar de conformidad con este contrato, cumpliendo estrictamente con la Ley Ambiental. LSG no restaurará, recuperará o restablecerá terrenos dañados por caminos u otras obras construidas por LSG, si recibe aviso escrito del Arrendador en el sentido de que desean que dichos caminos u obras sean preservados como caminos u obras para su propio uso, en cuyo caso el Arrendador irrevocable e incondicionalmente liberará a LSG ante las autoridades competentes en materia ambiental de toda responsabilidad, obligación y carga en relación con los terrenos tales que no se hayan restaurado, recuperado o restablecido o que no se vayan a restaurar, recuperar o restablecer, y el Arrendador mantendrá a LSG libre y exenta de reclamaciones, demandas, procedimientos, multas, sanciones, juicios e investigaciones o procedimientos administrativos incoados, instituidos, impuestos o iniciados en relación directa o indirecta con los terrenos no restituidos, recuperados o restablecidos de que se trata. LSG tendrá el derecho de restaurar, recuperar o restablecer los terrenos dañados por los caminos u otras obras construidas por LSG si, a su sola discreción, el Arrendador y/o las autoridades en materia ambiental no han otorgado a LSG una liberación completa y satisfactoria de toda responsabilidad, obligación o deuda en relación con los terrenos dañados tales. - - - - -

- - - Para fines de lo previsto en el párrafo anterior, LSG dará aviso al Arrendador sobre la intención de LSG de iniciar los trabajos de restauración, recuperación o restablecimiento ambiental de que se trate, al menos 30 (treinta) días naturales antes de la fecha de inicio de tales trabajos, y el Arrendador a su vez contará con 10 (diez) días naturales contados a partir de que reciba tal aviso de LSG, para expresar a LSG, por escrito, el deseo el Arrendador de que tales obras no se realicen, en cuyo caso las partes se estará a lo pactado en el párrafo anterior de la presente cláusula. - - - - -

- - - **B.** En las fechas que el Arrendador y LSG acuerden libremente durante la vigencia de este contrato, LSG proporcionará, sin costo para el Arrendador, maquinaria para contribuir al mantenimiento de caminos y repesos, así como para la instalación o construcción de bebederos para el ganado del Arrendador, dentro del Inmueble y/o del Rancho. - - - - -

- - - **C.** En caso de que LSG perfore y opere pozos de agua en el Inmueble, y en la medida en que las actividades mineras y conexas de LSG en el Inmueble lo permitan, LSG estará obligada a suministrar agua al Arrendador a fin de que éstos den de beber a su ganado. - - - - -

- - - **SEXTA. CONSENTIMIENTO PARA EFECTOS DE LA LEY AMBIENTAL Y PARA EFECTOS DE OTRAS LEYES O PROPÓSITOS.** El Arrendador otorga irrevocablemente a LSG todos los consentimientos, anuencias, permisos o autorizaciones que sean necesarios **(I)** de conformidad con la Ley Ambiental a fin de que LSG obtenga la aprobación de su manifestación de impacto ambiental y todas las licencias, permisos o autorizaciones que la Secretaría de Medio Ambiente y Recursos Naturales, y/o cualquier otra autoridad competente, deban de otorgarle o conferirle de acuerdo a la ley para que LSG pueda llevar a cabo sus actividades de conformidad con este contrato, **(II)** a fin de que LSG solicite y obtenga permisos, licencias, concesiones o autorizaciones de cualquier tipo para la perforación de pozos y para el aprovechamiento de aguas subterráneas o bien superficiales que pertenezcan a la Nación y para que los respectivos permisos, licencias, concesiones o autorizaciones se expidan a nombre de LSG sin necesidad de que LSG adquiera el suelo, **(III)** de conformidad con las leyes y reglamentos aplicables en materia de uso del suelo, de asentamientos humanos, de sanidad o salud, de trabajo y previsión social y en otras materias relacionadas con las actividades de LSG en el Inmueble, y **(IV)** para los fines previstos en el artículo 56, fracción I (primera), del Reglamento de la Ley Minera. Lo pactado en esta



cláusula será considerado como el consentimiento, anuencia, aprobación, permiso o autorización del Arrendador para todos los fines o propósitos arriba especificados; no se requerirá consentimiento, anuencia, aprobación, permiso o autorización adicional o diferente. - - - - -

- - - Previamente a la perforación de pozos en el área que ocupa el Inmueble, LSG consultará al Arrendador y no tomará ninguna acción unilateral que afecte negativamente las aguas propiedad del Arrendador. - - - - -

- - - **SÉPTIMA. CASO FORTUITO O FUERZA MAYOR.** Los trabajos de exploración de LSG, y, en general, el cumplimiento de las obligaciones de LSG y el plazo de vigencia este contrato entrarán y se mantendrán en suspenso durante todo el tiempo en que medie caso fortuito o fuerza mayor, sin que por ello se entienda que LSG ha incumplido sus obligaciones o violado este pacto. El plazo de vigencia de este contrato se entenderá automáticamente prorrogado por un tiempo igual al que haya durado la causa de suspensión estipulada en esta cláusula, sin detrimento del derecho de LSG de terminarlo anticipadamente. - - - - -

- - - LSG no tendrá la obligación de negociar o de transar con las personas o grupos que den causa a los eventos de fuerza mayor previstos en esta cláusula ni la obligación de objetar ni obtener declaratoria jurisdiccional de la inconstitucionalidad de actos de estado o de gobierno o de autoridad también constitutivos de fuerza mayor de conformidad con esta cláusula. - - - - -

- - - **OCTAVA. CESIÓN DE DERECHOS Y OBLIGACIONES.** El Arrendador autoriza irrevocablemente a LSG para que subarriende o ceda algunos o todos los derechos y obligaciones que le derivan de este contrato sin necesidad de pacto o anuencia ulterior o adicional, sin más obligación de LSG que la de informar al Arrendador, dentro de los 30 (treinta) días naturales siguientes a la fecha en que el subarrendamiento o la cesión se haya efectuado, **(I)** el nombre o razón o denominación social del subarrendatario o cesionario, **(II)** la fecha del subarrendamiento o de la cesión, **(III)** el domicilio del subarrendatario o cesionario, y **(IV)** el nombre del representante del subarrendatario o cesionario con el cual el Arrendador habrá de tratar todo lo relativo a este contrato. - - - - -

- - - **NOVENA. PLAZO DE ESTE CONTRATO, TERMINACIÓN ANTICIPADA, DERECHOS DE LSG A LA TERMINACIÓN DEL CONTRATO.** - - - - -

- - - **A. Plazo.** El plazo de este contrato será de 20 (veinte) años obligatorio para el Arrendador y voluntario para LSG, e iniciará precisamente en la Fecha de Inicio y terminará exactamente el día del vigésimo aniversario de la Fecha de Inicio, a menos de que LSG termine este contrato anticipadamente de conformidad con lo previsto en el párrafo "B" de esta cláusula. - - - - -

- - - **B. Terminación anticipada por LSG.** LSG podrá terminar este contrato en cualquier momento sin más formalidad que la de enviar o entregar al Arrendador notificación o aviso en ese sentido en el domicilio de éstos señalado en la cláusula décima. La terminación anticipada del contrato de conformidad con este inciso liberará a LSG de toda obligación o responsabilidad para con el Arrendador, excepto las obligaciones que deba cumplir de conformidad con la Ley Ambiental, y el Arrendador no tendrá el derecho de ser indemnizado, compensado o resarcido de manera alguna por la terminación anticipada, y ésta tampoco generará responsabilidad de otro tipo a cargo de LSG. Al dar el aviso de terminación anticipada, LSG suspenderá todo tipo de actividades dentro de los terrenos arrendados, salvo que se trate de obras de restauración o recuperación ecológica, conforme a la Ley Ambiental. - - - - -

- - - Las partes están de acuerdo en que el hecho de que durante el plazo de vigencia de este contrato LSG por cualquier motivo llegase a suspender sus actividades mineras en el Inmueble, incluso en forma total e indefinida, pero sin dar al Arrendador el aviso de terminación anticipada referido en el párrafo anterior, ello de ninguna manera significará ni implicará que LSG ha optado por dar por



terminado este contrato en forma anticipada, toda vez que en tal supuesto de suspensión total e indefinida este contrato continuará surtiendo sus efectos los cuales sólo podrán considerarse terminados en los casos de terminación o rescisión previstos expresamente en el mismo contrato o en la ley. - - - - -

- - - **C. Omisión en el cumplimiento de obligaciones.** Si el Arrendador considera que LSG ha omitido cumplir alguna de sus obligaciones derivadas de este contrato, darán a LSG aviso en el sentido de que cuenta con 30 (treinta) días naturales para subsanar el incumplimiento, para iniciar el subsanamiento del incumplimiento o bien para probar al Arrendador que el incumplimiento no se ha dado, al término del cual sin que LSG hubiese subsanado el imputado incumplimiento, sin que hubiere iniciado el subsanamiento del incumplimiento o bien sin que hubiese iniciado medidas para probar al Arrendador que el incumplimiento no se ha dado, este contrato se entenderá terminado anticipadamente por LSG en los términos y para los efectos del inciso inmediato anterior de esta cláusula. Lo anterior, sin perjuicio de los derechos del Arrendadores de acuerdo con la ley, incluyendo el de pedir la rescisión del contrato si Arrendador lo estiman conveniente a sus intereses. El aviso de incumplimiento deberá ser lo suficientemente circunstanciado como para que LSG pueda tomar las medidas correctivas o subsanatorias que procedan, según la naturaleza del incumplimiento atribuido. - - - - -

- - - **D. Derechos de LSG a la terminación o rescisión del contrato.** LSG tendrá 365 (trescientos sesenta y cinco) días naturales, contados a partir de la terminación o rescisión por cualquier causa de este contrato, para dismantelar, retirar, remover y transportar todo tipo de bienes muebles o inmuebles de su propiedad o de terceros que se encontraren en el Terreno Superficial a la terminación o rescisión del contrato. El Arrendador tendrá la obligación de permitir y de facilitar a LSG el dismantelamiento, retiro, remoción y transportación de los bienes de que se trata, a costo de LSG. Los bienes propiedad de LSG que LSG no dismantelara, retirara, removiera o transportara del Terreno Superficial dentro del plazo previsto en este inciso se considerarán abandonados en favor del Arrendador. - - - - -

- - - **DÉCIMA. DOMICILIOS.** Todos los avisos, comunicaciones y notificaciones que las partes deban o deseen darse o hacerse en relación con este contrato serán enviados o entregados en los siguientes domicilios, a menos que las partes señalen otros cuando menos con 15 (quince) días naturales de anticipación a la fecha en que el cambio deba producir efectos: - - - - -

- - - **A.** Si son para el Arrendador o su cónyuge (o para ambos): Avenida Guerrero s/n, Colonia de Loma, Santa Ana, Sonora 84600. - - - - -

- - - **B.** Si son para LSG: Minera LSG S.A. de C.V., Ramón Corral 15, Colonia Country Club, Hermosillo, Sonora 83000, a la atención del representante legal, con copia para Boulevard Hidalgo 64, Colonia Centenario, Hermosillo, Sonora 83260, a la atención de Eduardo Robles Elías. - - - - -

- - - Los avisos y comunicaciones se entenderán efectivos el día hábil inmediato siguiente a aquél en que hubieran sido recibidos. Si se empleare el correo, los avisos, comunicaciones y notificaciones siempre se enviarán por correo certificado con acuse de recibo. Las notificaciones judiciales se entenderán efectivas en el momento en que lo señalen las normas aplicables. - - - - -

- - - Si los avisos, notificaciones o comunicaciones no son dirigidos a la atención de quienes se ha precisado, aunque efectivamente sean enviados y recibidos, no serán oponibles en perjuicio de la parte a quien se envíen, quien sí podrá invocarlos en su beneficio. - - - - -

- - - **UNDÉCIMA. CONTROVERSIAS Y TRIBUNALES COMPETENTES.** - - - - -

- - - **A. Controversias.** Las disputas o controversias que surjan entre el Arrendador y LSG se regirán por la Ley Minera y su Reglamento y supletoriamente



por la legislación mercantil en virtud de lo dispuesto en el artículo 1,050 (mil cincuenta) del Código de Comercio; y, por así pactarlo las partes con fundamento en el artículo 1,051 (mil cincuenta y uno) del Código de Comercio, por el Libro Tercero, Título Quinto, Capítulos I (uno), II (dos), III (tres) sección III (tres), IV (cuatro) y V (cinco) del Código de Procedimientos Civiles para el Estado de Sonora en lo relativo a providencias cautelares o medidas precautorias o cautelares no previstas en el Código de Comercio, en el entendido de que la aplicación de tales disposiciones del Código de Procedimientos Civiles para el Estado de Sonora se hará en casos distintos de los previstos en el artículo 1,168 (mil ciento sesenta y ocho) del Código de Comercio, toda vez que en tales casos (es decir, en los previstos en el artículo 1,168 [mil ciento sesenta y ocho]) sólo tendrán cabida las providencias precautorias que para los mismos permite en forma limitativa el artículo 1,171 (mil ciento setenta y uno) de dicho Código de Comercio. - - - - -

- - - **B. Tribunales competentes.** Los tribunales o jueces de Hermosillo conocerán de toda disputa o controversia relacionada con este contrato; las partes renuncian al beneficio de la competencia o de la jurisdicción de cualesquiera otros jueces o tribunales que pudiera corresponderles por domicilio, territorio o por cualesquiera otras circunstancias o motivos, por privilegiados que sean. - - - - -

- - - **DUODÉCIMA. DISPOSICIONES GENERALES.** - - - - -

- - - **A. Documentos adicionales.** Las partes convienen en que este contrato será inscrito por LSG en el Registro Público de la Propiedad y de Comercio que corresponda a la ubicación del Inmueble, así como en los registros o dependencias en las cuales deba inscribirse o LSG considere prudente inscribirlo. Además de lo anterior, las partes convienen en que firmarán cualesquiera documentos adicionales y tomar cualesquiera acciones adicionales que sean necesarias para que los objetivos de este contrato sean alcanzados. - - - - -

- - - **B. Contrato completo.** Este instrumento contiene el contrato y entendimiento total entre las partes, y no hay contratos, promesas o manifestaciones orales que sean o puedan ser incidentales o suplementarias a las estipulaciones de este contrato. Ningún cambio, adición o renuncia a cualquiera de las estipulaciones de este contrato obligará a las partes a menos que sea por escrito firmado por el Arrendador y por un representante autorizado de LSG con facultades suficientes para ello, quienes deberán además reconocer su firma y ratificar el contenido de dicho escrito ante un notario público. Ninguna renuncia de cualquiera de las partes respecto a alguna infracción de alguna de las cláusulas de este contrato será interpretada como una renuncia en relación con subsecuentes infracciones, bien de la misma o de diferente naturaleza. - - - - -

- - - **PERSONALIDAD:** - - - - -

- - - **Rodney Alan Blakestad** manifestó que su representada **Minera LSG Sociedad Anónima de Capital Variable** es una persona moral existente constituida conforme a las leyes de los Estados Unidos Mexicanos, y que las facultades con que comparece representándola no le han sido revocadas, limitadas o modificadas. Para acreditar su personalidad, me exhibió la escritura pública número 65,912 (sesenta y cinco mil novecientos doce), Volumen 1,604 (mil seiscientos cuatro), otorgada en Hermosillo, Sonora, el día 20 (veinte) del mes de octubre de 2007 (dos mil siete), ante el licenciado Francisco Javier Cabrera Fernández, notario público suplente número 11 (once), con residencia en Hermosillo, Sonora, y en ejercicio en esta demarcación notarial, en trámite de inscripción en el Registro Público de Comercio de Hermosillo, Sonora, por la cual la sociedad fue constituida y de la cual transcribo a continuación lo conducente: ARTICULO SEGUNDO. OBJETO.- LA SOCIEDAD TENDRÁ POR OBJETO EL DEDICARSE A LA INDUSTRIA MINERO-METALÚRGICA EN GENERAL Y POR TANTO, ESTARÁ CAPACITADA PARA REALIZAR TODOS LOS ACTOS QUE SEAN CONDUCTENTES PARA LA REALIZACIÓN DE ESTE OBJETO, TALES COMO: 1.-



ADQUIRIR CONCESIONES MINERAS DE EXPLORACIÓN Y EXPLOTACIÓN O DERECHOS CONTRACTUALES A LA EXPLORACIÓN Y EXPLOTACIÓN Y EXPLOTACIÓN DE CUALESQUIERA MINERALES, ASÍ COMO ENAJENAR, GRAVAR O EN CUALQUIER OTRA FORMA DISPONER DE TALES CONCESIONES Y DERECHOS Y DE LOS DERECHOS DERIVADOS DE LOS MISMOS. TRANSITORIOS. SEGUNDO.- LAS COMPARECIENTES ACUERDAN LAS SIGUIENTES RESOLUCIONES: III.- DESIGNAR APODERADO DE LA SOCIEDAD AL SEÑOR RODNEY ALAN BLAKESTAD, QUIEN GOZARÁ DE LAS SIGUIENTES FACULTADES: A.- PODER GENERAL PARA PLEITOS Y COBRANZAS CON TODAS LAS FACULTADES GENERALES Y AÚN CON LAS ESPECIALES QUE DE ACUERDO CON LA LEY REQUIERAN PODER O CLÁUSULA ESPECIAL, PERO SIN QUE SE COMPRENDA LA FACULTAD DE HACER CESIÓN DE BIENES, EN LOS TÉRMINOS DEL PÁRRAFO PRIMERO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO Y DEL ARTÍCULO DOS MIL QUINIENTOS OCHENTA Y SIETE DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS DE LOS DEMÁS ESTADOS DE LA REPÚBLICA MEXICANA Y DEL DISTRITO FEDERAL, DE MANERA ENUNCIATIVA Y NO LIMITATIVA SE MENCIONAN ENTRE OTRAS FACULTADES LAS SIGUIENTES: I) PARA INTENTAR Y DESISTIRSE DE TODA CLASE DE PROCEDIMIENTOS, INCLUSIVE AMPARO.- II) PARA TRANSIGIR. III) PARA COMPROMETER EN ÁRBITROS. IV) PARA ABSOLVER Y ARTICULAR POSICIONES. V) PARA RECUSAR. VI) PARA RECIBIR PAGOS. VII) PARA PRESENTAR DENUNCIAS Y QUERELLAS EN MATERIA PENAL Y PARA DESISTIRSE DE ELLAS CUANDO LO PERMITA LA LEY. B.- PODER GENERAL PARA ACTOS DE ADMINISTRACIÓN, CON TODAS LAS FACULTADES GENERALES Y AÚN LAS ESPECIALES QUE REQUIEREN PODER O CLÁUSULA ESPECIAL CONFORME A LA LEY, SIN LIMITACIÓN ALGUNA Y CON LA AMPLITUD A QUE SE CONTRAE EL SEGUNDO PÁRRAFO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS EN LOS DEMÁS ESTADOS DE LA REPÚBLICA MEXICANA Y DEL DISTRITO FEDERAL. C.- PODER GENERAL PARA ACTOS DE ADMINISTRACIÓN Y PLEITOS Y COBRANZAS EN MATERIA LABORAL EN LOS TÉRMINOS DEL SEGUNDO PÁRRAFO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS DEL CÓDIGO CIVIL PARA EL DISTRITO FEDERAL Y LAS DEMÁS ENTIDADES FEDERATIVAS DE LA REPÚBLICA MEXICANA DE UNA MANERA ENUNCIATIVA Y NO LIMITATIVA, EL APODERADO PODRÁ: I) DIRIGIR EN NOMBRE DE LA SOCIEDAD LAS RELACIONES OBRERO-PATRONALES DE ÉSTA ÚLTIMA EN EL SENTIDO MÁS AMPLIO QUE EN DERECHO CORRESPONDA, TAL COMO, DE UNA MANERA ENUNCIATIVA Y NO LIMITATIVA: I) EL RECLUTAMIENTO, SELECCIÓN CONTRATACIÓN, INDUCCIÓN, CAPACITACIÓN, ADIESTRAMIENTO Y AMONESTACIÓN DE PERSONAL. II) LA SUSPENSIÓN Y RESCISIÓN DE RELACIONES INDIVIDUALES DE TRABAJO. III) LA NEGOCIACIÓN, FIRMA Y ADMINISTRACIÓN DE CONTRATOS COLECTIVOS Y REGLAMENTOS INTERIORES DE TRABAJO, Y IV) FORMAR PARTE DE LAS COMISIONES MIXTAS DE HIGIENE Y SEGURIDAD INDUSTRIAL, DE CAPACITACIÓN Y ADIESTRAMIENTO O DE CUALQUIER OTRO TIPO DE COMISIONES MIXTAS QUE SE LLEGUEN A INTEGRAR CON MOTIVO DE LAS RELACIONES OBRERO-PATRONALES. II) ATENDER CON ATRIBUCIONES DE GERENTE TODOS LOS ACTOS DE CARÁCTER LABORAL INHERENTES A LA SOCIEDAD, FACULTÁNDOSELE EN GENERAL PARA QUE REPRESENTA A LA SOCIEDAD EN SUS RELACIONES OBRERO-PATRONALES Y ESPECÍFICAMENTE, DE UNA MANERA ENUNCIATIVA Y NO LIMITATIVA, PARA QUE: I) INTERVENGA EN TODO CONFLICTO INDIVIDUAL O COLECTIVO DE TRABAJO, Y II) EJERCITE LAS ACCIONES Y HAGA VALER TODOS LOS DERECHOS QUE CORRESPONDAN A LA SOCIEDAD. III) CELEBRAR CONTRATOS DE TRABAJO Y RESCIENDIRLOS. IV) ACTUAR COMO REPRESENTANTE LEGAL DE LA SOCIEDAD: I) ANTE LOS SINDICATOS CON LOS CUALES ESTÉN CELEBRADOS CONTRATOS



COLECTIVOS DE TRABAJO, Y II) PARA TODOS LOS EFECTOS DE CONFLICTOS INDIVIDUALES.---V) PROPONER ARREGLOS CONCILIATORIOS, CELEBRAR TRANSACCIONES, TMAR TODA CLASE DE DECISIONES Y NEGOCIAR Y SUSCRIBIR CONVENIOS LABORALES. ---VI) ACTUAR COMO REPRESENTANTE DE LA SOCIEDAD EN CALIDAD DE ADMINISTRADORES RESPECTO A TODA CLASE DE JUICIOS O PROCEDIMIENTOS DE TRABAJO QUE SE TRAMIENTEN ANTE CUALQUIER AUTORIDAD TAL COMO EL INSTITUTO MEXICANO DEL SEGURO SOCIAL, INSTITUTO DEL FONDO NACIONAL DE LA VIVIENDA PARA LOS TRABAJADORES Y DEMÁS DEPENDENCIAS DEL GOBIERNO FEDERAL, ESTATAL O MUNICIPAL QUE TENGAN O PUDIERAN TENER COMPETENCIA PARA VENTILAR ASUNTOS RELACIONADOS CON LA LEY FEDERAL DEL TRABAJO.---VII) LLEVAR LA REPRESENTACIÓN PATRONAL DE LA SOCIEDAD PARA EFECTOS DE LOS ARTÍCULOS ONCE, CUARENTA Y SEIS Y CUARENTA Y SIETE DE LA LEY FEDERAL DEL TRABAJO Y TAMBIÉN LA REPRESENTACIÓN LEGAL DE LA SOCIEDAD, PARA LOS EFECTOS DE ACRÉDITAR LA PERSONALIDAD Y CAPACIDAD EN JUICIO O FUERA DE ÉL EN LOS TÉRMINOS DEL ARTÍCULO SEISCIENTOS NOVENTA Y DOS FRACCIONES I Y II DE LA LEY FEDERAL DEL TRABAJO, DE LOS ARTÍCULOS CIENTO CUARENTA Y CINCO Y CIENTO CUARENTA Y SEIS DE LA LEY GENERAL DE SOCIEDADES MERCANTILES Y DE LAS DISPOSICIONES DE LAS DEMAS LEYES U ORDENAMIENTOS ESPECIALES, YA SEA DE CARÁCTER FEDERAL, ESTATAL O LOCAL QUE SEAN APLICABLES.---VIII) SEÑALAR DOMICILIOS PARA OÍR NOTIFICACIONES EN LOS TÉRMINOS DEL ARTÍCULO OCHOSCIENTOS SESENTA Y SEIS DE LA LEY FEDERAL DEL TRABAJO.---IX) COMPARECER CON TODA LA REPRESENTACIÓN LEGAL BASTANTE Y SUFICIENTE, PARA ACUDIR A LA AUDIENCIA A QUE SE REFIERE EL ARTÍCULO OCHOSCIENTOS SETENTA Y TRES DE LA LEY FEDERAL DEL TRABAJO EN SUS TRES FASES DE CONCILIACIÓN, DE DEMANDA Y EXCEPCIONES Y DE OFRECIMIENTO Y ADMISIÓN DE PRUEBAS, EN LOS TÉRMINOS DE LOS ARTÍCULOS OCHOSCIENTOS SETENTA Y CINCO, OCHOSCIENTOS SETENTA Y SEIS, FRACCIONES I Y VI, OCHOSCIENTOS SETENTA Y SIETE, OCHOSCIENTOS SETENTA Y OCHO, OCHOSCIENTOS SETENTA Y NUEVE Y OCHOSCIENTOS OCHENTA DE LA CITADA LEY.--- X) ACUDIR A LA AUDIENCIA DE DESAHOGO DE PRUEBAS, EN LOS TÉRMINOS DE LOS ARTÍCULOS OCHOSCIENTOS SETENTA Y TRES Y OCHOSCIENTOS SETENTA Y CUATRO DE LA LEY FEDERAL DEL TRABAJO.---XI) DESAHOGAR LA PRUEBA CONFESIONAL EN LOS TÉRMINOS DE LOS ARTÍCULOS SETECIENTOS OCHENTA Y CINCO Y SETECIENTOS OCHENTA Y OCHO DE LA LEY FEDERAL DEL TRABAJO, CON FACULTADES PARA ABSOLVER Y ARTICULAR POSICIONES. ---D.- PODER GENERAL PARA OTORGAR, SUSCRIBIR, ENDOSAR Y AVALAR TÍTULOS DE CRÉDITO, EN LOS TÉRMINOS DEL ARTÍCULO NOVENO DE LA LEY GENERAL DE TÍTULOS Y OPERACIONES DE CRÉDITO. EL APODERADO NOMBRADO EJERCITARÁ LAS FACULTADES A QUE ALUDEN LOS INCISOS ANTERIORES, ANTE PARTICULARES Y ANTE TODA CLASE DE AUTORIDADES ADMINISTRATIVAS O JUDICIALES, LOCALES O FEDERALES Y ANTE LAS JUNTAS DE CONCILIACIÓN Y ARBITRAJE, LOCALES O FEDERALES Y AUTORIDADES DEL TRABAJO, PUDIENDO FIRMAR TODOS LOS DOCUMENTOS PÚBLICOS O PRIVADOS QUE SEAN NECESARIOS O CONVENIENTES PARA EL CABAL CUMPLIMIENTO DEL PRESENTE PODER.---E.- FACULTAD PARA OTORGAR PODERES GENERALES O ESPECIALES Y PARA REVOCAR UNOS Y OTROS." - - - - -

- - - En atención al documento descrito en los párrafos anteriores, el cual tuve a la vista y devuelvo en este acto a su presentante, doy fe de que el compareciente tiene en efecto, facultades para celebrar el contrato que es materia de este instrumento. - - - - -

- - - - **LEGAL ESTANCIA EN EL PAIS DE RODNEY ALAN BLAKESTAD** - - - - -

- - - Para acreditar su legal estancia en el país el compareciente **RODNEY ALAN BLAKESTAD** me exhibió la forma migratoria correspondiente, de la cual compulso



copias fotostáticas que, marcadas con la **letra "D"**, se mandan agregar tanto al apéndice respectivo de mi protocolo, como al primer testimonio que de esta escritura expida.-----

----- **CERTIFICACIÓN:** -----

----- **Yo, el Notario Público, certifico y doy fe:** -----

(I) que conozco personalmente a los comparecientes, los cuales tienen, a mi criterio, capacidad legal para contratar y obligarse, lo que hago constar bajo mi fe por no observar en ellos manifestaciones patentes de incapacidad natural y no tener noticia de que estén sujetos a incapacidad civil;-----

(II) que tuve a la vista los originales de los documentos que se me presentaron para la formación de esta escritura y que regresé dichos originales a los comparecientes;-----

(III) que compulsé los documentos de los cuales hice inserción a la letra;-----

(IV) que los comparecientes leyeron por sí mismos la escritura antes de firmarla;-----

(V) que expliqué a los comparecientes el valor y consecuencias legales de su contenido, para cumplir con las normas aplicables;-----

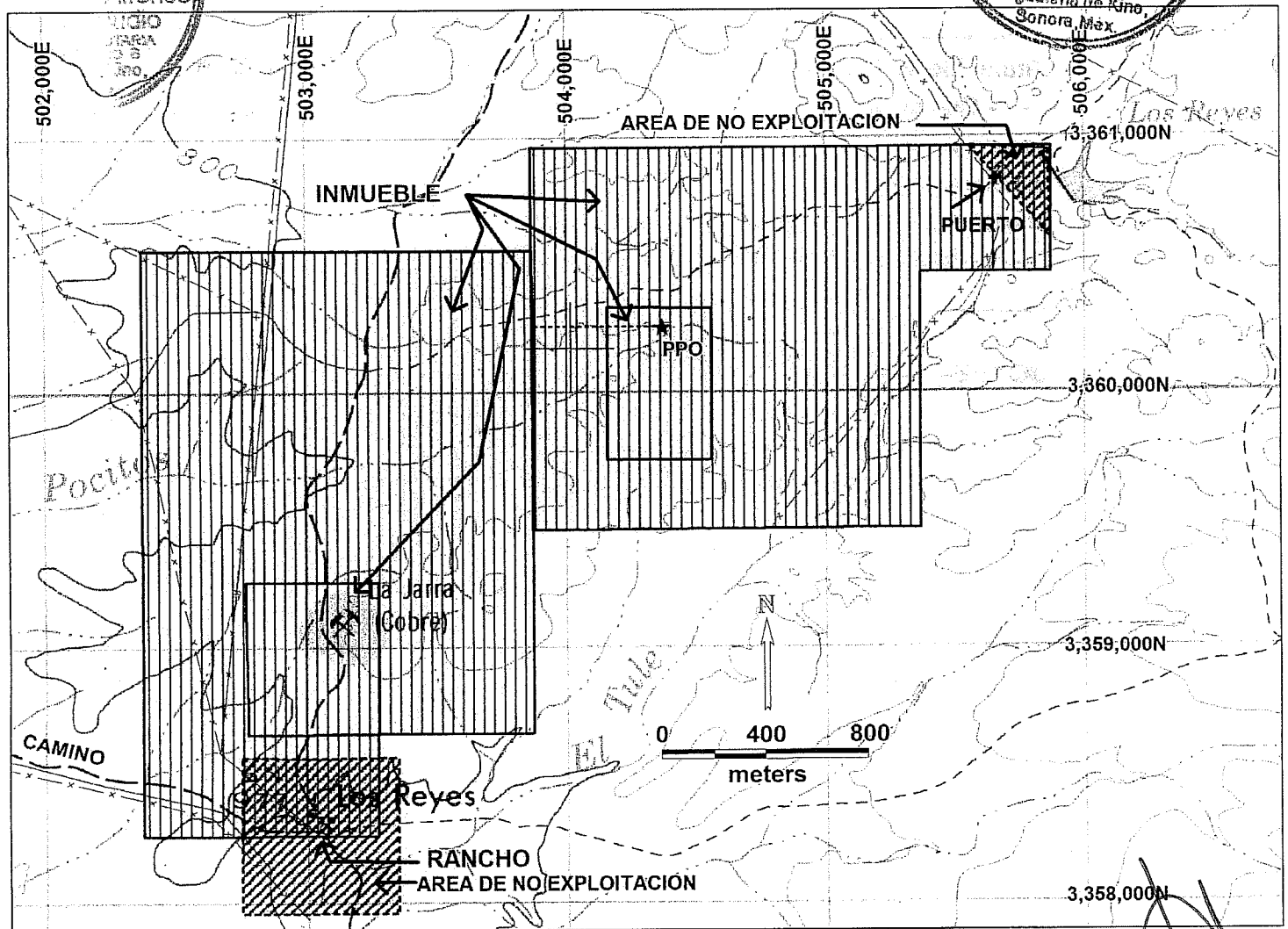
(VI) que por sus generales, los otorgantes, bajo protesta de decir verdad manifestaron tener las siguientes: **(a) Miguel Ángel Terán Parra**, mexicano por nacimiento, casado bajo el régimen de sociedad legal, Ganadero, originario de Magdalena de Kino, Sonora, en donde nació el 12 (doce) de Enero de 1934 (mil novecientos treinta y cuatro), con domicilio en Avenidas Sonora y Guerrero sin número de Santa Ana, Sonora y accidentalmente en esta población, identificándose con su credencial para votar con fotografía, folio número 0253023680728; **(b) María de Jesús Alarcón Cañedo**, mexicana por nacimiento, casada bajo el régimen de sociedad legal, de ocupación el hogar, originaria de Mazatlán, Sinaloa, en donde nació el 8 (ocho) de Junio de 1934 (mil novecientos treinta y cuatro), con el mismo domicilio del anterior y de paso en esta población, identificándose con su credencial para votar con fotografía, folio número 025323680081; **(c) Rodney Allan Blakestad**, Norteamericano por nacimiento, casado, Ingeniero Geólogo, originario de Jonesbord, Arkansas, Estados Unidos de América, en donde nació el 4 (cuatro) de Noviembre de 1948 (mil novecientos cuarenta y ocho), con domicilio en 1602 (mil seiscientos dos) Placita sin Nieve de Sahuarita, Arizona, Estados Unidos de América y de tránsito en esta población, identificándose con su pasaporte americano 4811044M1505085; y **(d) Juan José Duarte Bravo**, mexicano por nacimiento, casado, Licenciado en Derecho, originario de Magdalena de Kino, Sonora, en donde nació el 23 (veintitrés) de Octubre de 1977 (mil novecientos setenta y siete), con domicilio en Boulevard Hidalgo número 64 (sesenta y cuatro), Colonia Centenario de Hermosillo, Sonora y de tránsito en esta población, identificándose con su credencial para votar con fotografía, folio número 0585063555713.-----

(VII) que los comparecientes otorgaron la escritura mediante la manifestación de su conformidad y mediante su ratificación y firma el mismo día de su otorgamiento, ambas cosas en presencia del suscrito Notario Público, fecha en que la autorizo en definitiva. DOY FE.-----

(VIII) que agrego al apéndice respectivo de mi protocolo, el original de este documento, bajo la **letra "A"**, y levanto en el libro correspondiente del mismo, el acta que contiene su extracto, para los efectos de lo que dispone el artículo 43 (cuarenta y tres) de la Ley de Notariado del Estado de Sonora.- DOY FE.-----

----- Firma de los señores Miguel Angel Terán Parra, María de Jesús Alarcón Cañedo, Rodney Allan Blakestad y Juan José Duarte Bravo.- Firma del Licenciado Francisco Alfonso Corella Zamudio.- El sello notarial.-----

ANEXO "B" que muestra el inmueble (área que Terán dará en arrendamiento a Minera LSG)



Las áreas sombreadas en verde muestran la superficie que Minera LSG no podrá explorar ni explotar (incluye los 300.00 metros que Terán solicitó dejar fuera de todo trabajo de exploración o explotación)

Rodney Alan Blacketer

Miguel A. Fa

Yunfan Hu

Francisco Alfonso

[Signature]



Yo suscrito, Licenciado FRANCISCO ALFONSO CORELLA ZAMUDIO
Titular de la Notaría Pública Número con: **C E R T I F I C A**

--- Que el presente documento en copia **FOTOSTATICA**
constante de 01 (UNA) fojas ditas, concuerda fiel y
exactamente con SU ORIGINAL, que he visto y con
el cual fué minuciosamente cotejado y comparado.

----- Magdalena de Kino, Sonora, México, a TRECE de
NOVIEMBRE de DOS MIL SIETE.

JOY FE


LIC. FRANCISCO A. CORELLA ZAMUDIO



10 Junio 1959
No 3403
Volumen XX
Folio I

-----NUMERO 2,148.-DOS MIL CIENTO CUARENTA Y OCHO.-----

En la ciudad de Magdalena, Sonora, México, el día ---
veintidos del mes de abril de mil novecientos cincuen-
ta y nueve, ante mí, RAMON ORTIZ O., Notario Público-
Número Ocho, en ejercicio y los instrumentales que a-
después se mencionarán, comparecieron:-----

-----Por una parte, el señor ANGEL TERAN CARRILLO y
su esposa, señora GUADALUPE P. DE TERAN; y,-----

-----Por la otra parte, la señora MARIA DE JESUS A-
LARCON C. DE TERAN; y, manifestaron:-----

-----Que tienen concertado un contrato de compra-
venta, el cual hacen constar en las siguientes decla-
raciones y cláusulas:-----

-----DECLARACIONES:-- para los efectos de la presen-
te escritura, el señor Angel Terán Carrillo, declara:--

-----I. --- que es propietario de cinco mil doscien-
tas cincuenta y dos hectáreas, y sesentisiete aras, -
(5,252-67-00), de terreno para cría de ganado, ubica-
do en el Municipio de Santa Ana, Sonora, conocido ac-
tualmente con el nombre de "EL CAJON" y que constituye
una tercera parte de las "Demasías de San Antonio del
Aguaje"; en la inteligencia de que la superficie in-
dicada está totalmente independizada del resto del te-
rreno (Demasías de San Antonio del Aguaje) y tiene --
las siguientes colindancias: al Norte, terrenos del -
predio "San Antonio del Aguaje" o sea su cabida legal
al Este, terreno nacional; al Oeste, terrenos del mis-
mo San Antonio del Aguaje", y al Sur, terrenos de "El
Alamo", pertenecientes también a las "Demasías de San
Antonio del Aguaje".-----

-----II. --- que el terreno descrito es el mismo --

VOLUMEN XVII
NUMERO 2,148

Angel Terán C., vende a -
Ma. de Jesus A.C. de Terán
un terreno ubicado en el
Mpio. de Santa Ana, Son.-

62392

-----que el declarante adquirió por compra que hizo a la sucesión del señor Melchor Enciso, según contrato que se consignó en la escritura número ochocientos doce (812), otorgada en esta misma Notaría el día tres de marzo de mil novecientos cincuenta, inscrita en el Registro Público de la Propiedad de este Distrito, el quince de agosto del año citado, con el número dos mil doscientos diecisiete (2,217), volumen décimo ^{primero}segundo, de la sección primera.-----

-----III.--- que el inmueble de que se viene haciendo referencia, está catastrado en la Agencia Fiscal del Estado en este lugar, en avalúo 02-56-00148, con valor fiscal de \$38,177.62 (treinta y ocho mil ciento setentisiete pesos y sesentidos centavos), al corriente en el pago de impuestos prediales.-----

-----EXPUESTO lo anterior, los comparecientes, cada uno en lo que le concierne, otorgan lo que se contiene en las siguientes-----

-----C l á u s u l a s:-----

-----PRIMERA: --- el señor Angel Terán Carrillo, con el consentimiento de su mencionada esposa, quien lo otorgó en este acto, vende a la señora María de Jesus Alarcón C. de Terán y ésta adquiere, libre de toda responsabilidad y gravámen, al corriente en el pago de impuestos prediales, el terreno conocido por "El Cañón", con superficie de cinco mil doscientas cincuenta y dos hectáreas y sesentisiete áreas, descrito en la declaración primera (I) de la presente escritura; con todo cuanto de hecho o legalmente corresponda a dicho inmueble y se encuentra dentro de sus linderos, que ya fueron indicados y se tienen aquí por reprodu-

Alfonso
NOTARIO
EPO 8
e Kino
195

Alfonso
NOTARIO
EPO 8
e Kino
195

2,148 - 2.

-----cidos, como si se insertasen a la letra. --
-- -- --SEGUNDA: --- es precio de esta enajenación la
cantidad de \$38,200.00 (treinta y ocho mil doscien--
tos pesos), moneda nacional, que el vendedor confiesa
tener recibidos de la compradora, antes de este acto--
y por dicha suma de dinero le otorga el recibo mas --
eficaz que a su seguridad conduzca. -- -- -- --
-- -- --TERCERA: --- como en este caso no ha habido ig-
norancia, dolo o violencia, ni se sufre lesión o e- --
rror y ninguna de las partes se enriquece con detrime- --
to de la otra, los contratantes renuncian a invocar --
la nulidad y a pedir la rescisión del presente contra- --
to, por esas causas. -- -- -- --
-- -- --CUARTA: --- el vendedor se obliga al saneamien- --
to, para el caso de evicción, en los términos que la --
ley establece. -- -- -- --
-- -- --QUINTA: --- la compradora se da por recibida --
del inmueble que se le vende y en este acto recibe la --
escritura que es antecedente de la propiedad del mis- --
mo; con lo cual y por efecto del presente contrato, --
queda verificada la entrega jurídica de la cosa vendi- --
da y consumada la traslación de la propiedad, para ta- --
dos sus efectos legales. -- -- -- --
-- -- --GENERALES: --- manifestaron los comparecientes --
ser: mexicanos por nacimiento, casados, mayores de e- --
dad; el señor Terán Carrillo, ganadero y vecino de es- --
ta ciudad; su esposa, dedicada al hogar y con el mismo --
domicilio y la señora de Terán, también dedicada a --
las ocupaciones propias de su sexo y vecina de Santa- --
Ana, Sonora. -- -- -- --
-- -- --IMPUESTO SOBRE LA RENTA: --- el señor Terán Ca--

Magdalena, Son., de
mil novecientos treinta y tres, hoy, bajo
el N.º 3403, Sección 30,
quedó inscrito este documento. Doy fe.

El Registrador,



-----prillo declaró estar al corriente, sin haberlo justificado ante mí y las señoras manifestaron no ser causantes de este tributo y quedaron advertidas conforme lo dispone el artículo 206 de la Ley de la materia.-----

-----Yo, el suscrito Notario, doy fe:-----

-----a) --- de la verdad del acto;-----

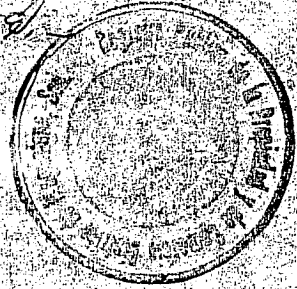
-----b) --- de que los comparecientes me son personalmente conocidos y tienen, en mi concepto, la capacidad legal necesaria para este otorgamiento;-----

-----c) --- de que tuve a la vista y anotada entre gué a la señora de Terán, la escritura pública que se citó en la Declaración Segunda y hago constar que su contenido concuerda con la relación que allí se hizo;-----

-----d) --- de que, después de haber leído esta escritura a los interesados y explicádoles su valor legal, manifestaron su conformidad y firmaron, hoy día de su fecha; con los instrumentales, señores Nicolás Sotelo y Enrique C. Pélí, mexicanos, casados, mayores de edad, vecinos de este lugar y sin tachar legal; por ante mí.--- Doy fe.---

La C. Encargado del Registro Público de la Propiedad y Comercio de este Distrito Federal, Certifica: Que la presente es copia fiel del original de este instrumento.
Magdalena, Son., febrero 10 de 1954.

Avan




Lic. Francisco Alfonso
Zamudio
NOTARIA
PÚBLICA NÚMERO 8
Magdalena de Kino,
Sonora, Méx.

--- EL SUSCRITO, LICENCIADO FRANCISCO ALFONSO CORELLA ZAMUDIO,
Titular de la Notaría Pública Número ocho: **C E R T I F I C A** :

--- Que el presente documento en copia FOTOSTATICA
constante de 02 (DOS) folios únicos, conosciendo fiel y
exactamente con SU ORIGINAL, que tuvo a la vista y con
el cual ~~fué minuciosamente~~ comparado y comprobado.

--- ~~Magdalena de Kino, Sonora, México, a~~ TRECE de
NOVIEMBRE de DOS MIL SIETE.

BOY FE


LIC. FRANCISCO A. CORELLA ZAMUDIO



EL SUSCRITO, LICENCIADO FRANCISCO ALFONSO CORELLA ZAMUDIO
Titular de la Notaría Pública Número cote: C E R T I F I C A

--- Que el presente documento en copia FOTOSTATICA

constante de 02 (DOS) fojas ditas, concuerda fiel y
exactamente con SU ORIGINAL, que tuvo a la vista y con
el cual fué minuciosamente cotejado y comparado.

----- Magdalena de Kino, Sonora, México, a TRECE de
NOVIEMBRE de DOS MIL SIETE

BOY FE

LIC. FRANCISCO A. CORELLA ZAMUDIO





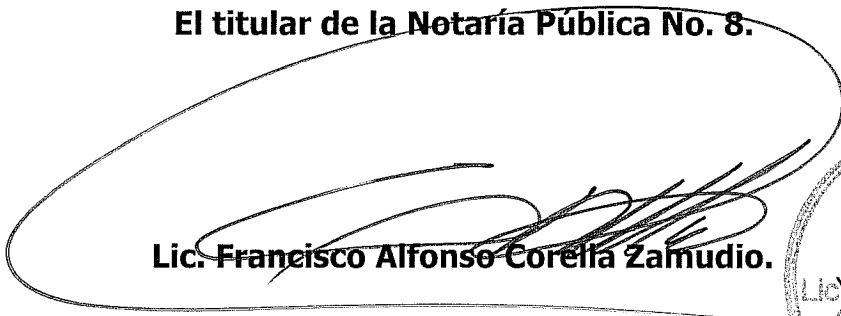
15

ESC. 4967

LIBRO 59

ES PRIMER TESTIMONIO, PRIMER EJEMPLAR, que corresponde a la reproducción auténtica de la escritura asentada y autorizada en el protocolo a mi cargo y que se expide para uso de **MINERA LSG, S. A. DE C. V.,** el cual consta de 15 (quince) fojas útiles, incluyendo la presente, debidamente cotejadas, rubricadas, foliadas y selladas, en la ciudad de Magdalena de Kino, Sonora, México, el día (13) del mes de Noviembre de el año 2,007 (dos mil siete).-
Doy fe.-----

El titular de la Notaría Pública No. 8.


Lic. Francisco Alfonso Corella Zamudio.



DOCUMENTO: ESCRITURA PUBLICA 4967, FECHA 13-11-2007
FEDATARIO: FRANCISCO ALFONSO CORELLA ZAMUDIO

EN LA CIUDAD DE MAGDALENA, SONORA SE HACE CONSTAR QUE QUEDO
INCORPORADA LA DOCUMENTACION QUE AMPARA EL PRESENTE, FORMADA
CON 16 FOLIOS

CONTRATO DE ARRENDAMIENTO DE BIENES INMUEBLES

EN LA SECCION **REGISTRO INMOBILIARIO, LIBRO TRES**
NUMERO DE INSCRIPCION **113** DEL VOLUMEN **1**
SIENDO LAS **8:35** HORAS DEL DIA **6 DE FEBRERO DE 2008**

DEL REGISTRO PUBLICO DE LA PROPIEDAD DE ESTE DISTRITO JUDICIAL
EN EL ESTADO DE SONORA. PAGO DE DERECHOS \$672.50 SEGUN SU ORDEN
DE PAGO 5802 DE FECHA 30-01-2008, RECIBO OFICIAL CJ460003-3515
DE FECHA 30-01-2008

LO QUE AUTORIZO Y FIRMO PARA CONSTANCIA

REGISTRADOR TITULAR DE LA OFICINA JURISDICCIONAL DE
MAGDALENA


LIC. JOSUE FERNANDEZ PALOMINO



GOBIERNO DEL ESTADO DE SONORA
SECRETARIA DE HACIENDA
INSTITUTO CATASTRAL Y REGISTRAL
REGISTRO PUBLICO DE LA PROPIEDAD
MAGDALENA, SONORA

CALIFICO: DANIEL MIRANDA RODRIGUEZ
REGISTRO: ELENA MARIA ACUÑA BARRERA

LEASE AGREEMENT entered into by Mr. Miguel Ángel Terán Parra (hereinafter, referred to as the "Lessor"), together with his spouse, Mrs. María de Jesús Alarcón Cañedo, on one hand, and Minera LSG S.A. de C.V. (hereinafter referred to as "LSG"), represented by Mr. Rodney Allan Blakestad, on the other hand, pursuant to the following recitals and clauses:

**RECITALS
UNDER OATH OF TELLING THE TRUTH**

I. The Lessor:

- A.** Mrs. María de Jesús Alarcón Cañedo is the legitimate owner and the Lessor is in full and unperturbed possession of 571 Has. (five hundred seventy one) of a portion of surface rural seasonal pasture land located in the municipality of Santa Ana, Sonora, shown and identified in the map attached hereto under **letter "A"** (hereinafter, this portion of surface land shall be identified as the "Portion of Surface Land" or the "property", indistinctly). The Property forms part of a portion of surface land or group of portions of surface land owned by Mrs. María de Jesús Alarcón Cañedo, with a larger area, known as "Rancho Los Reyes" (hereinafter, referred to the "Ranch").
- B.** With the consent of his spouse, the Lessor uses the surface land for bovine cattle and horse breeding, since it is the land use proper thereof.
- C.** With the irrevocable consent of his spouse, the Lessor has agreed with LSG, to give to the latter in lease, the Surface Land which is comprised within the mining lots described in recital II (two) (hereinafter, referred to as "the Lots").
- D.** He knows, acknowledges and accepts that the mineral substances which, in a given case, may exist in the subsoil of the Lots, are exclusively owned by the Mexican Nation ("the Nation") and not by the Lessor; that the Nation has awarded a concession thereof to LSG or third parties who transferred the concessions to LSG, so that LSG may explore and exploit them, pursuant to the terms of the Political Constitution of the United Mexican States and the Mining Law and its Regulation; therefore, said substances shall belong to LSG once LSG extracts them and that the waste rock, tailings, slag, slag dumps, waste and other substances generated by LSG'S work on the land shall have the same legal status. Due to the foregoing, the Lessor confirms he understands and accepts as of now, absolutely and without any reserve whatsoever, that the Lessor does not have, or shall never have by virtue of entering into this agreement, any right or interest whatsoever on the aforementioned mineral substances, waste rock, tailings, slag, slag dumps, waste and other substances referred to above.
- E.** The Surface Land is free and clear of liens, encumbrances, burdens or limitations, and nothing prevents the Lessor to enter into this agreement and comply herewith.

- F.** That his spouse, Mrs. Maria de Jesús Alarcón Cañedo, attends the execution hereof in order to grant her consent pursuant to what has been set forth in article 330 of the Civil Code for the State of Sonora.

II. LSG:

- A.** Is a Mexican stock corporation lawfully organized through public instrument number 65,912, volume 1,604, executed before and certified by Francisco Javier Cabrera Fernández, acting notary public number 11, in exercise in Hermosillo, Sonora, on October 20, 2007, in process of registration in the Public Registry of Commerce and the Public Mining Registry.
- B.** Its corporate purpose, among other activities, is the mining-metallurgical industry in general and, therefore, to perform any act or enter into any agreement or contract directly or indirectly related thereto.
- C.** It is the holder of contractual rights on the following mining concessions:
- (i) Mining concession on the “Marisol” lot, title 220,813, registered in the Public Mining Registry under document 193, page 97, volume 339, of the Book of Mining Concessions.
 - (ii) Mining concession on the “La Víbora No. 2” lot, title 177,274, registered in the Public Mining Registry under document 314, page 79, volume 239, of the Book of Mining Concessions.
 - (iii) Mining concession on the “Marisol 4” lot, title 227, 381, registered in the Public Mining Registry under document 281, page 141, volume 357, of the Book of Mining Concessions.
 - (iv) Mining concession on the “Marisol 5” lot, title 230,021, registered in the Public Mining Registry under document 41, page 21, volume 365, of the Book of Mining Concessions of the Public Mining Registry on July 10, 2007.

Previously and hereinafter, the aforementioned mining lots are identified herein, jointly, as the “Lots”. Hereinafter, the mining concessions covering the “Lots” shall be identified as the “Concessions”.

- D.** It requires the Property so that in the execution of the “Marisol” mining project (hereinafter, the “Project”), it may explore and exploit any ores which in a given case may exist in the subsoil of the Lots located on the Property. The execution of the project would fundamentally entail the construction and operation of a gold,

silver, and copper mine which, in turn, would imply drilling, blasting, loading and transportation of ore and waste rock, crushing, screening, leaching and extracting or separating ores through chemical substances and processes and others.

- E. It has agreed with the Lessor and his spouse, to enter into this agreement in order to take the property in lease, precisely for the purposes stated in the foregoing paragraph "D".

III. The Lessor and LSG:

- A. They mutually acknowledge their existence and subsistence, as well as the appointments and powers and authority of the parties entering into this agreement in their respective representation, for having had before them and their legal counsel having analyzed the documents that prove their capacity as such.
- B. Their respective statements under oath of telling the truth and the assurances each of them has given with respect to the truthfulness and accurateness thereof have induced the parties and their respective representatives to grant their contractual consent and that said contractual consent would not have been granted if not for those assurances and statements.
- C. This agreement has not been negotiated nor signed under any influence or determination of fraud, bad faith, violence, illegality, injury, error, reverential fear or disability or any other defect of the will or consent.

Due to that which has been declared and their respective interests, the Lessor and LSG enter into this *Lease Agreement* and bind themselves pursuant to the following:

CLAUSES:

FIRST. LEASE.

With the consent of his respective spouse, the Lessor leases the property to LSG for the purpose that LSG at its entire discretion, may conduct the works and mining exploration and/or exploitation activities referred to in the second clause and the environmental reclamation that must be done pursuant to the applicable official Mexican laws, regulations, and norms. LSG accepts and receives the Property in lease for the aforementioned purposes, in accordance to what has been stipulated in the remainder of this Agreement.

SECOND. LSG'S RIGHTS.

By virtue of this lease agreement, LSG shall have the exclusive right, but not the obligation, to temporary occupy, use, and exploit the Property (all of this under the

Lease), in order to perform all works whose purpose is exploring and/or exploiting mineral substances, which, in a given case, may exist in the Lot's subsoil, for which, among others it may:

- A.** To perform all types of mining exploration activities, that is, all types of activities whose purpose is to identify ore deposits that could exist under the surface or in the subsoil of the Property (in the Lots), as well as to quantify and evaluate the ore reserves which could exist in these deposits. Consequently, LSG shall have the right to execute in the Property, all types of geological, geochemical, and geophysical field work and activities, as well as to dig trenches, trails, and drill pads, among others, related to mining exploration activities.
- B.** To perform all types of mining exploitation activities, that is, all those activities whose purpose is (i) preparing and developing the areas comprised by the ore deposits which LSG identifies in the Lots; (ii) to detach and extract mineral products which in a given case may exist in the ore deposits referred to in the foregoing subsection (i); and (iii) to prepare, treat, smelt first hand, and refine mineral products which in a given case may exist and may be extracted from the subsoil in any of its stages or phases, for the purpose of recovering or obtaining ores or substances, as well as to increase the concentration and purity of their content or their grade.
- C.** To deposit in specific areas of the Property selected by LSG, dumps, tailings, slag, slag dumps, waste, barren rock, and other substances generated as a result of or due to the exploration and exploitation, as well as ore beneficiation activities, without any further limitations or restrictions than those set forth in the General Law of Ecological Balance and Environmental Protection (hereinafter simply identified as the "Environmental Law") and other applicable laws.
- D.** To use roads, trails, alleys and other ways of communication (hereinafter, all of these referred to as "the Roads") which exist on the Surface Land in order to freely move and transport personnel, machinery, tools, mineral substances, and any other type of property.
- E.** Freely to use the existing roads on the Ranch which may be necessary to enter and exit the property to exercise the rights as Lessee set forth herein in favor of LSG.
- F.** To break padlocks and/or chains, as well as to disable doors that may prevent LSG from exercising the rights granted through paragraphs "D" and "E" of this clause.
- G.** To modify and expand the traces of the already existing roads and to construct, habilitate, and to provide maintenance to new Roads on the Surface Land in order to enable the movement and transportation set forth in the foregoing paragraph "D". In case of new roads constructed by LSG, LSG shall have the right to restrict

or limit freely the access and traffic through said new road and shall also be entitled to fence them in on both sides, in order to prevent cattle from crossing and interfering with the traffic of vehicles and persons involved in LSG'S mining activities and also in order not to endanger said cattle.

- H.** To fence all those areas or sites of the Property that due to safety reasons of safety, sanitation, environmental reason or any other type of reasons, in the opinion of LSG must remain isolated or have restricted access, being entitled to provide access to the Lessor for his temporary movement of cattle. At LSG'S entire discretion, the foregoing may include, even fencing all of the Property.
- I.** To construct and expand and dismantle or withdraw camps, dormitories, warehouses, storage facilities, workshops, offices and installations used for LSG'S works and exploration activities.
- J.** To measure and establish markers for delimiting areas or zones within the Property.
- K.** To install pipelines, ducts and other means for transporting liquids and gases. .
- L.** To install power generating plants and power stations or substations and to lay underground or aerial power lines.
- M.** To install and operate conveyor belts for all types of materials.
- N.** To clear and strip portions of land.
- O.** To construct, habilitate, expand and operate open pit and underground mines, based on solutions or any others and leach areas and pads, which may imply to disable or stop using the entire area these may occupy.
- P.** To construct, habilitate, expand and operate beneficiation or processing plants and mills.
- Q.** To process or beneficiate products extracted from the subsoil of the Surface Land, alone or in combination or mixed with products extracted from the subsoil of other areas or surface land, including third parties other than the Lessor.
- R.** Perforate wells for the extraction and utilization of water.
- S.** To make all types of hydraulic works in order to have the water necessary for performing its activities and prior obtaining the concessions, permits, permission, or authorizations required pursuant to the law, to exploit or use surface water it may require for its mining works and activities.

- T.** Always complying with the applicable legal provisions and orders lawfully dictated by the competent authorities, to transport, store, use and detonate the necessary explosives, at LSG'S entire discretion, for the execution of LSG'S mining works and activities on the Surface Land.
- U.** To perform or conduct on the Property, any other actions, works, constructions, and activities necessary or convenient, at LSG'S entire discretion, whose purpose is preparing and developing the area comprising the ore deposit or deposits which in a given case may be identified on the lots and/or mining or extracting the mineral products or substances existing therein.
- V.** In general, to perform all activities and works to which LSG is entitled as holder of the Concessions and/or rights resulting from the Concessions, pursuant to the Law.

THIRD. MISCELLANEOUS OBLIGATIONS OF THE LESSOR.

The Lessor irrevocable commits to:

- A.** Conduct as many actions or measures as may be necessary in order to guarantee the unperturbed, unhampered and non-restricted exercise of the rights granted to LSG hereby.
- B.** To refrain from any act, deed, measure or action directly or indirectly tending to disturb, hamper, or restrict the exercise of the rights granted to LSG hereby.
- C.** To allow and not to hamper, disturb, or restrict free traffic or transportation within the Property or through the Ranch toward the Property, of LSG'S officers, personnel, visitors, consultants, suppliers and/or contractors, or machinery, tools, mineral substances and goods of any other type by LSG, its contractors or said contractors' subcontractors.
- D.** To execute and to deliver to LSG or the competent authorities, applications, requests for reports, reports, permits, authorizations, consents, forms, and any other documents which the federal, state or local laws or authorities may require in order for LSG to make use of and fully exercise the rights granted to it hereby.
- E.** During the Exploitation period (as defined in the fourth clause of paragraph "A", subsection (23)) not to conduct any livestock or related activities within the Property, unless LSG authorizes the Lessor previously and in writing, to conduct such activities in specific areas within the property and for a period of time deemed acceptable and appropriate by LSG and in no case and for no reason shall this be understood as a waiver or termination of LSG'S rights as lessee, pursuant hereto.

FOURTH. CONSIDERATION FOR THE LEASE AND FOR GRANTING CONSENTS, PERMISSION AND AUTHORIZATIONS; FISCAL VOUCHERS; TAXES.

A. Consideration.

In exchange for the lease, and in exchange for other rights and consents, permission, and authorizations provided by the Lessor to LSG hereby, in generally, in exchange for all the obligations the Lessor assumes hereby and their due compliance, LSG shall pay the Lessor as follows:

- (1) US\$15,000 (fifteen thousand dollars, legal tender of the United States of America) for the first year this agreement is effective, payable precisely on the date this agreement is granted and subscribed in a public instrument (hereinafter, said date shall be referred to as the "Beginning Date").
- (2) US\$20,000 (twenty thousand dollars, legal tender of the United States of America) for the second year this agreement is effective, payable precisely on the date of the first anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (3) US\$30,000 (thirty thousand dollars, legal tender of the United States of America) for the third year this agreement is effective, payable precisely on the date of the second anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (4) US\$40,000 (forty thousand dollars, legal tender of the United States of America) for the fourth year this agreement is effective, payable precisely on the date of the third anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (5) US\$50,000 (fifty thousand dollars, legal tender of the United States of America) for the fifth year this agreement is effective, payable precisely on the date of the fourth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (6) US\$60,000 (sixty thousand dollars, legal tender of the United States of America) for the sixth year this agreement is effective, payable precisely on the date of the fifth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (7) US\$60,000 (sixty thousand dollars, legal tender of the United States of America) for the seventh year this agreement is effective, payable precisely on the date of the sixth anniversary of the Beginning Date or within a five calendar day term following said anniversary.

- (8) US\$60,000 (sixty thousand dollars, legal tender of the United States of America) for the eighth year this agreement is effective, payable precisely on the date of the seventh anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (9) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the ninth year this agreement is effective, payable precisely on the date of the eighth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (10) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the tenth year this agreement is effective, payable precisely on the date of the ninth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (11) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the eleventh year this agreement is effective, payable precisely on the date of the tenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (12) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the twelfth year this agreement is effective, payable precisely on the date of the eleventh anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (13) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the thirteenth year this agreement is effective, payable precisely on the date of the twelfth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (14) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the fourteenth year this agreement is effective, payable precisely on the date of the thirteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (15) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the fifteenth year this agreement is effective, payable precisely on the date of the fourteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (16) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the sixteenth year this agreement is effective, payable precisely on the date of the fifteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.

- (17) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the seventeenth year this agreement is effective, payable precisely on the date of the sixteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (18) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the eighteenth year this agreement is effective, payable precisely on the date of the seventeenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (19) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the nineteenth year this agreement is effective, payable precisely on the date of the eighteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (20) US\$100,000 (one hundred thousand dollars, legal tender of the United States of America) for the twentieth year this agreement is effective, payable precisely on the date of the nineteenth anniversary of the Beginning Date or within a five calendar day term following said anniversary.
- (21) If at the beginning of the Exploitation (as it is defined below in this paragraph "A") occurs prior to the beginning of the tenth year of effectiveness hereof, LSG shall be committed to pay US\$100,000 (one hundred thousand dollars legal tender of the United States of America) as of the same year of life hereof during which the Exploitation has initiated and not the sums set forth in numerals (1) to (8) of this paragraph "A" of this fourth clause. For the foregoing purposes, LSG shall pay the Lessor once the Exploitation has begun, the sum which may be required to complete the US\$100,000 (one hundred thousand dollars legal tender of the United States of America) as of the sum previously paid by LSG pursuant to numerals (1) to (8) of this paragraph "A". Thus, for example, if during the third year of life hereof, LSG begins the Exploitation, LSG shall pay the Lessor US\$70,000 (seventy thousand dollars legal tender of the United States of America) if LSG already had paid previously the US \$30,000 (thirty thousand dollars, legal tender of the United States of America) agreed to in numeral (3) of this paragraph "A".
- (22) LSG'S obligation to pay the sum set forth in numerals (9) to (20) of this paragraph "A" shall exist notwithstanding when the Exploitation is begun.

(23) For the purposes hereof, the Exploitation shall consist in the beginning of the excavation of the ore body which in a given case may exist in the Lots and/or the beginning of the preparation of said ore body for commercial production.

If the Lessor, his spouse, his employees and/or contractors fail to comply the obligations acquired through the third clause hereof, LSG'S obligation to make the subsequent payments of annual rentals shall be automatically suspended for the entire period of the corresponding non-compliance or for the period it may extend to and the term hereof, as well as all dates of payment agreed herein shall be deemed extended for a period of time equal to the duration of said non-compliance, without detriment of LSG'S other rights in relation to said failure to comply, such as to demand the payment for damages and losses caused to LSG in the Project's execution.

The sums for the considerations set forth above do not include the value added tax, which in any case shall be itemized and collected by the Lessor from LSG at the applicable lawful rate and said VAT shall be paid by LSG.

B. Invoices.

LSG shall pay to the Lessor the sums set forth in paragraph "A" of this clause against the Lessor's delivering to LSG invoices that comply with all tax requirements and that collect and itemize the Value Added Tax at the applicable rate.

C. Taxes.

Each party shall respond for the payment of its respective taxes. The Lessor shall pay the income tax which, in a given case, may be taxable for the sums paid to him by LSG pursuant hereto and, if legally necessary, LSG shall withhold any corresponding income and/or value added tax the Lessor is committed to pay and shall deliver to the latter the respective forms for the withholdings, duly filled out for tax purposes.

D. Payments.

All payments LSG must make to the Lessor shall be paid through nominal checks made out by LSG, payable to the order of the Lessor, delivered at LSG'S domicile as set forth in the tenth clause hereof.

E. Environmental Reclamation Period.

LSG shall not be committed to pay any consideration or any other type of payment or indemnity to the Lessor while it conducts environmental reclamation, recovery or re-establishment work on the Property after the termination or rescission hereof for any reason or circumstance. The Lessor shall continue granting and entitling LSG and third parties hired by LSG, to have continuous, safe and undisturbed access to the land where said environmental reclamation, recovery or re-establishment activities are taking or should take place.

FIFTH. LSG'S MISCELLANEOUS OBLIGATIONS.

A. Environmental Preservation.

LSG shall conduct or execute all activities it is entitled to perform pursuant hereto, stringently complying with the Environmental Law. LSG shall not reclaim, recover or re-establish land damaged by roads or other works constructed by LSG if it receives a written notice from the Lessor establishing that the latter wishes said roads or works to be preserved as such for his own use, in which case the Lessor irrevocably and unconditionally releases LSG before the competent environmental authorities from all liabilities, obligations, and burdens in relation to such land which has not been reclaimed, recovered or re-established or which shall not be reclaimed, recovered or re-established and the Lessor shall hold LSG harmless and exempt from any claims, demands, proceedings, fines, sanctions, lawsuits and investigations or administrative proceedings filed, instituted, imposed or initiated directly or indirectly in relation to the corresponding land that has not been reclaimed, recovered or re-established. LSG shall be entitled to reclaim, recover or re-establish the land damaged by roads and other works constructed by it if, at its entire discretion, the Lessor and/or the environmental authorities have not granted to LSG a full and satisfactory release of all liabilities, obligations or debt in relation to such damaged portions of land.

For the purposes of what has been set forth in the foregoing paragraph, LSG shall notify the Lessor in regard to LSG'S intention to initiate the corresponding environmental reclamation, recovery, or re-establishment works, at least 30 (thirty) calendar days prior to the date on which it shall begin with the works and the Lessor, shall have a 10 (ten) calendar day period as of the date on which he receives said notice from LSG, to state to LSG in writing, his wish for said works not to be performed, in which case, the parties shall abide by what has been agreed to in the foregoing paragraph of this clause.

B. During the terms hereof, on the dates on which the Lessor and LSG freely agree, LSG shall provide without any cost to the Lessor, the machinery to contribute to the maintenance of roads and impoundments, as well as for the installation or construction of watering places for the Lessor's cattle within the Property and/or the Ranch.

C. In case LSG drills and operates water wells on the property, and to the degree in which LSG'S mining and related activities on the Property may thus allow, LSG shall be committed to supply water to the Lessor so that he may give it to his cattle.

SIXTH. CONSENT FOR PURPOSES OF THE ENVIRONMENTAL LAW AND OTHER LAWS OR PURPOSES.

The Lessor irrevocably grants to LSG all consents, permission, permits, or authorizations which may be necessary **(i)** pursuant to the Environmental Law, so that LSG may obtain the approval of its environmental impact statement and all licenses, permits, or authorizations which the Department of the Environment and Natural Resources and/or any other competent authority may grant or confer, according to the law, so that LSG may conduct its activities pursuant hereto; **(ii)** so that LSG may request and obtain permits, licenses, concessions, or authorizations of any type for drilling wells and for exploiting underground or surface water belonging to the Nation and so that the respective permits, licenses, concessions, or authorizations be issued in the name of LSG without there being any need for LSG to acquire the land; **(iii)** pursuant to the applicable land use, human settlements, sanitation or health, labor and social provision laws and regulations, as well as other issues related to LSG'S activities on the Property; and **(iv)** for the purposes set forth in article 56, fraction I (one) of the Regulation of the Mining Law. That which has been agreed to in this clause shall be deemed as the Lessor's consent, permission, approval, permit, or authorization for all ends or purposes specified above; no additional or other consent, permission, approval, permit, or authorization shall be required.

Prior to the drilling of wells in the Property's area, LSG shall consult with the Lessor and shall not take any unilateral action that may have negative effects on the water owned by the Lessor.

SEVENTH. ACTS OF GOD OR EVENTS OF FORCE MAJEURE.

LSG'S exploration works and, in general, the compliance of LSG'S obligations, as well as the term hereof shall be and shall be kept suspended during the entire duration of the act of God or event of force majeure, without it therefore being understood that LSG has failed to comply its obligations or infringed this agreement. The term hereof shall be deemed extended automatically for an equal period of time as that of the cause for the suspension stipulated in this clause, without prejudice of LSG'S right to terminate this agreement in advance.

LSG shall not be required to negotiate or compromise with persons or groups that give place to the events of force majeure set forth in this clause, nor the obligation to object or to obtain a procedure to maintain the jurisdiction of the unconstitutionality of state or governmental or administrative which also constitute an event of force majeure pursuant to this clause.

EIGHTH. ASSIGNMENT OF RIGHTS AND OBLIGATIONS.

The Lessor irrevocably authorizes LSG to sublet or assign some or all of the rights and obligations resulting from this agreement, without the need for an additional or latter agreement or authorization, without any further obligation for LSG than that of informing the Lessor within a thirty (30) calendar period following the date on which the subletting or assignment has taken place, of **(i)** the name or corporate name of the sub-lessee or assignee; **(ii)** the date on which the subletting or assignment took place; **(iii)** the domicile of the sub-lessee or assignee; and **(iv)** the name of the sub-lessee's or assignee's representative with whom the Lessor shall deal with in everything related to this Agreement.

NINTH. DURATION OF THE AGREEMENT, EARLY TERMINATION, LSG'S RIGHTS TO TERMINATE THE AGREEMENT.

A. Duration.

The duration of this agreement shall be 20 (twenty) years that shall be mandatory for the Lessor and voluntary for LSG and shall begin precisely on the Beginning Date and shall end exactly on the day of the twentieth anniversary of the Beginning Date, unless LSG terminates this agreement in advance, pursuant to that which has been set forth in paragraph "B" of this clause.

B. Advance Termination by LSG.

LSG may terminate this agreement at any time without any further formality that that of sending or delivering to the Lessor, a notice or notification informing thereof. The notice shall be delivered at the Lessor's domicile as established in the tenth clause. The advance termination of the agreement, pursuant to this subsection shall release LSG of all obligations or liabilities to the Lessor, except those it must comply pursuant to the Environmental Law and the Lessor shall have no right to be indemnified or compensated in any way whatsoever due to the advance termination, which shall neither generate liabilities of any other type for LSG. Once LSG has notified of the advance termination, it shall stop all type of activities within the leased land, with the exception of ecological reclamation or recovery activities, pursuant to the Environmental Law.

The parties agree on the fact that during the term hereof, if LSG were to suspend its mining activities on the Property at any time, even totally and indefinitely, but it were not to provide to the Lessor the notice of advance termination referred to in the foregoing paragraph, this in no way shall mean or imply that LSG has opted to terminate this agreement in advance, since under said assumption of the total and indefinite suspension of activities, this agreement shall continue in force and it shall

only be deemed terminated in the cases of termination or rescission expressly set forth herein or in the law.

C. Omission in the Compliance of Obligations.

If the Lessor deems that LSG has omitted the compliance of some of its obligations hereunder, he shall notify LSG informing it that it has a 30 (thirty) calendar day term to remedy said non-compliance, to begin to remedy said non-compliance, or to prove to the Lessor that the failure to comply has not occurred. At the end of that term, if LSG has not remedied the alleged failure to comply, has not begun to remedy said non-compliance or had not initiated measures to prove to the Lessor that the non-compliance has not occurred, this agreement shall be deemed terminated in advance by LSG under the terms and for the purposes of the foregoing subsection, without prejudice of the Lessor's rights, pursuant to the Law, including requesting the rescission hereof if the Lessor thus deems suitable to his interests. The notice of non-compliance shall bear sufficient proof, so that LSG may take the pertinent corrective actions, pursuant to the nature of said non-compliance.

D. LSG'S Rights to Terminate or Rescind this Agreement.

LSG shall have 365 (three hundred and sixty five) calendar days as of the termination or rescission hereof for any cause, to dismantle, withdraw, remove, and transport all types of personal or real property it owns or which is owned by third parties, located in the Surface Land at the termination or rescission hereof. The Lessor shall have the obligation to allow and to facilitate to LSG said dismantling, withdrawal, removal, and transportation of the corresponding properties and the cost thereof shall be borne by LSG. The property owned by LSG which LSG does not dismantle, withdraw, remove or transport from the Surface Land within the term set forth in this subsection shall be deemed abandoned in favor of the Lessor.

TENTH. DOMICILES.

All notices, communications and notifications which the parties must or wish to give each other in relation to this agreement shall be sent or delivered to the following domiciles, unless the parties set forth another domicile, at least 15 (fifteen) calendar days prior to the date on which the change shall become effective:

A. If for the Lessor or his spouse (or both):

Avenida Guerrero s/n
Colonia de Loma
Santa Ana, Sonora 84600

B. If for LSG:

Minera LSG S.A. de C.V.
Ramón Corral 15
Colonia Country Club
Hermosillo, Sonora 83000
Attention of the Legal Representative

With a copy to

Bulevar Hidalgo 64
Colonia Centenario
Hermosillo, Sonora 83260
Attention: Eduardo Robles Elías

Notices and communications shall be deemed effectively given as of the business day immediately following that on which they have been received. If mail is used, notices, communications, and notifications shall always be sent by certified mail return receipt requested. Judicial summons shall be deemed effectively given on the moment deemed so pursuant to what is set forth in the applicable norms.

In case notices, notifications or communications are not addressed to the attention of the parties set forth above, although effectively sent and received, these shall not be exceptionable in prejudice of the party to which they are sent, which shall be entitled to invoke them in said party's benefit.

ELEVENTH. CONTROVERSIES AND COMPETENT COURTS.

A. Controversies.

Disputes or controversies arising between the Lessor and LSG shall be governed by the Mining Law and its Regulation and in a supplemental way, by the mercantile laws by virtue of what has been set forth in article 1,050 (one thousand fifty) of the Commerce Code; and since the parties have thus agreed on based on article 1,051 (one thousand fifty one) of the Commerce Code, in Book Three, Fifth Title, Chapters I (one), II (two), III (three) sections III (three), IV (four), and V (five) of the Code for Civil Procedures of the State of Sonora as regards preventive injunctions or precautionary measures not set forth in the Commerce Code, in the understanding that such provisions of the Code of Civil Procedures for the State of Sonora shall be applied in cases others than those set forth in article 1,168 (one thousand one hundred sixty eight) of the Commerce Code, since in said cases (that is, in those set forth in article [one thousand one hundred sixty eight]) only preventive injunctions allowed for such cases in a limited way, by article 1,171 (one thousand one hundred seventy one) of said Commerce Code shall be applicable.

B. Competent Courts.

The courts or judges of Hermosillo shall hear any disputes or controversies related hereto; the parties waive the benefit of the competence or the jurisdiction of any other judges or courts that could correspond to them due to their domicile, territory or any other circumstances or reasons, no matter how privileged these are.

TWELFTH. GENERAL PROVISIONS.

A. Additional Documents.

The parties agree that this agreement shall be registered by LSG in the Public Registry of Property and Commerce that corresponds to the Property's location, as well as in the registries or agencies in which it must be registered or LSG may deem prudent to register it. Besides the foregoing, the parties agree that they shall execute any additional documents and take any additional actions that may be necessary to attain the objectives hereof.

B. Entire Agreement.

This instrument contains the entire contract and agreement between the parties and there are no other contracts, promises or verbal statements that are or may be incidental or supplemental to the stipulations hereof. No change or addition to, or waiver of any of the stipulations hereof shall bind the parties, unless executed by the Lessor and an authorized representative of LSG with sufficient powers to do so; furthermore, said parties shall acknowledge their signatures and ratify the content of said written document before a notary public. No waiver of any of the parties with respect to any infringement of any of the clauses hereof shall be interpreted as a waiver in relation to subsequent infringements either of the same or a different nature.

[END OF THE TEXT OF THE AGREEMENT]

**CONTRATO DE PROMESA UNILATERAL DE VENTA,
DE EXPLORACIÓN
Y DE CONSTITUCIÓN DE GARANTÍA PRENDARIA SOBRE TITULARIDAD DE
CONCESIONES MINERAS,**

que celebran,

César Octavio Albelais Boido

("Albelais Boido"),
por sus propios derechos,

con el consentimiento de su cónyuge,
la señora **Delfina Yolanda Leon Reyes**,
(la "Señora Albelais Boido")

y

Jassany Margarita Albelais Valenzuela

("Albelais Valenzuela"),
por sus propios derechos,

con el consentimiento de su cónyuge,
el señor **Carlos Damian Arvizu Romero**,
(el "Señor Arvizu")

por una parte,

y

Minera LSG S.A. de C.V.

("LSG"),
representada por Rodney Alan Blakestad,

por la otra parte,

de conformidad con las declaraciones y cláusulas infrascritas:

**DECLARACIONES
BAJO PROTESTA DE DECIR VERDAD**

I. De Albelais Boido:



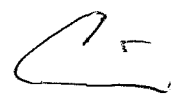
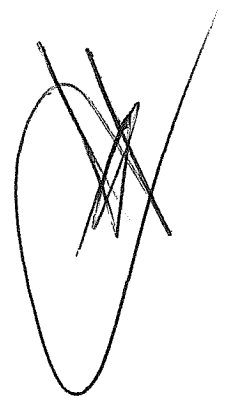
C.A



RB

J.M.A.V.

mn



C.A

Que es exclusivo titular y se encuentra en pleno e imperturbado ejercicio de los derechos derivados de la concesión minera sobre el lote "Marisol", con superficie de 226 has. (doscientas veintiséis hectáreas), ubicado en el Municipio de Santa Ana, Sonora, según título número 220,813 (doscientos veinte mil ochocientos trece), vigente, inscrito bajo el acta número 193 (ciento noventa y tres), a foja 97 (noventa y siete) del volumen 339 (trescientos treinta y nueve) del Libro General de Concesiones Mineras del Registro Público de Minería, el 8 (ocho) de octubre de 2003 (dos mil tres).

II. De Albelaís Valenzuela:

Que es exclusiva titular y se encuentra en pleno e imperturbado ejercicio de los derechos derivados de la concesión minera sobre el lote "La Víbora No. 2", con superficie de 24 has. (veinticuatro hectáreas), ubicado en el Municipio de Santa Ana, Sonora, según título número 177,274 (ciento setenta y siete mil doscientos setenta y cuatro), vigente, inscrito bajo el acta número 314 (trescientos catorce), a foja 79 (setenta y nueve) del volumen 239 (doscientos treinta y nueve) del Libro General de Concesiones Mineras del Registro Público de Minería, el 18 (dieciocho) de marzo de 1986 (mil novecientos ochenta y seis).

La concesión sobre el lote "La Víbora No. 2" se expidió a favor de Ramón Robles Valenzuela el 17 (diecisiete) de marzo de 1986 (mil novecientos ochenta y seis), quien la transmitió a Albelaís Valenzuela mediante contrato de cesión total onerosa formalizado por escritura pública número 4,522 (cuatro mil quinientos veintidós), libro número 42 (cuarenta y dos), volumen décimo cuarto, pasada ante la fe de José Álvarez Llera, notario público número 49 (cuarenta y nueve), en ejercicio en Magdalena de Kino, Sonora, el día 11 (once) de marzo de 1996 (mil novecientos noventa y seis), inscrita bajo * el Libro de Actos, Contratos y Convenios Mineros del Registro Público de Minería, el * de 1996*.

Para transmitir la concesión sobre el lote "La Víbora No. 2" a Albelaís Valenzuela, Ramón Robles Valenzuela contó con el consentimiento de su cónyuge, la señora Reyes Gauna Tazabia.

III. De Albelaís Boido y Albelaís Valenzuela (en adelante identificados en este contrato, cuando se les designe en forma conjunta, como los "Promitentes"):

(A) Que son exclusivos cotitulares, cada uno del 50% (cincuenta por ciento), y se encuentran en pleno e imperturbado ejercicio, de los derechos derivados de la concesión minera sobre el lote "Marisol 4", con superficie de 291 has. (doscientas noventa y una hectáreas), ubicado en el Municipio de Santa Ana, Sonora, según título número 227,381 (doscientos veintisiete mil trescientos ochenta y uno), vigente, inscrito bajo el acta número 281 (doscientos ochenta y uno), a foja 141 (ciento cuarenta y uno), del volumen 357 (trescientos cincuenta y siete) del Libro de Concesiones Mineras del Registro Público de Minería, el 14 (catorce) de junio de 2006 (dos mil seis).

(B) Que son exclusivos cotitulares, cada uno del 50% (cincuenta por ciento), y se encuentran en pleno e imperturbado ejercicio, de los derechos derivados de la concesión

minera sobre el lote "Marisol 5", con superficie de 30 has. (treinta hectáreas), ubicado en el municipio de Santa Ana, Sonora, según título 230,021 (doscientos treinta mil veintiuno), vigente, inscrito bajo el acta número 41 (cuarenta y uno), a foja 21 (veintiuno), del volumen 365 (trescientos sesenta y cinco) del libro de Concesiones Mineras del Registro Público de Minería, el 10 (diez) de julio de 2007 (dos mil siete).

(C) Que las concesiones descritas en las declaraciones I (primera) y II (segunda), y en los incisos (A) y (B) de la presente declaración III (tercera), (en adelante llamadas conjuntamente las "Concesiones", expresión que incluye los derechos y obligaciones derivados de las mismas) y los respectivos lotes que amparan las Concesiones (los "Lotes"), se encuentran libres y exentos de embargos, señalamientos para embargo, secuestros, señalamientos para secuestro, limitaciones de dominio, hipotecas, prendas, depositarías, anotaciones preventivas, anotaciones de ser litigiosos, promesas, opciones, fideicomisos, regalías, juicios, demandas, procedimientos judiciales, procedimientos arbitrales, procedimientos administrativos de cancelación, nulidad, insubsistencia o de otro tipo, procedimientos expropiatorios y libres en general de cualesquiera otros gravámenes, cargas o condiciones diferentes de las previstas en la Ley Minera (todas esas condiciones en adelante llamadas genéricamente "Gravámenes", en singular o en plural, dependiendo del contexto), y nada existe que pudiera traer como consecuencia la imposición, constitución o inscripción de Gravámenes sobre las Concesiones.

(D) Se encuentran al corriente en el cumplimiento de las obligaciones que la Ley Minera y su Reglamento les imponen en relación con las Concesiones, especialmente por lo que se refiere a la presentación de informes de comprobaciones de obras y trabajos mineros efectuados en los Lotes y al pago de derechos sobre minería.

(E) No existe ninguna diferencia o controversia, judicial, administrativa, arbitral o de cualquiera otra naturaleza, entre **(i)** Los Promitentes y/o Albelaís Valenzuela y ninguno de los propietarios o poseedores de los terrenos superficiales donde se ubican los Lotes (los "Terrenos Superficiales"), o entre Los Promitentes y/o Albelaís Valenzuela y ninguno de los propietarios o poseedores de los terrenos superficiales colindantes con aquellos donde se ubican los Lotes, **(ii)** Los Promitentes y/o Albelaís Valenzuela y ninguno de los propietarios o poseedores de terrenos superficiales por los cuales tenga que transitarse para ingresar y egresar de los Lotes, y **(iii)** Los Promitentes y/o Albelaís Valenzuela y ninguno de los titulares de concesiones mineras que amparen lotes colindantes o adyacentes a los Lotes o entre Los Promitentes y/o Albelaís Valenzuela y quien tenga derechos contractuales derivados de las concesiones mineras dichas, y los Promitentes prevén que no habrá ninguna diferencia o controversia tal entre LSG y cualquiera de las personas mencionadas en los diferentes subincisos de este inciso (E).

(F) Los Promitentes no deben ninguna cantidad ni deben ejecutar ninguna acción que hayan prometido pagar o ejecutar y que no hayan pagado o ejecutado en beneficio de las personas mencionadas en el inciso inmediato anterior o en beneficio de otras personas que pudieran llamarse perjudicadas por alguna omisión de ese tipo, y los Promitentes no están en incumplimiento de ninguna otra obligación que hayan acordado cumplir o satisfacer con cualquiera de las personas mencionadas en el inciso inmediato anterior.

(G) En el suelo, el subsuelo, las corrientes o depósitos de aguas superficiales o de aguas del subsuelo, la atmósfera, la flora, fauna u otros elementos naturales ubicados en los Terrenos Superficiales y en los terrenos superficiales colindantes no existe ninguna condición que sea o pueda considerarse como violatoria de la Ley del Equilibrio Ecológico y la Protección al Ambiente, sus reglamentos aplicables y las normas oficiales mexicanas en la materia (esa ley, reglamentos y normas oficiales en este contrato llamados la "Ley Ambiental") o a las leyes, reglamentos o normas oficiales mexicanas aplicables en materia de salud, sanidad, seguridad industrial, explosivos u otras análogas; en lo particular, sin detrimento de lo anterior, en el suelo, el subsuelo, las corrientes o depósitos de aguas superficiales o de aguas del subsuelo, la atmósfera, la flora, fauna u otros recursos naturales de los elementos superficiales de los Lotes y de los terrenos superficiales colindantes no existen residuos o sustancias peligrosas o contaminantes con respecto de las cuales no se hayan tomado las medidas y ejecutado las acciones previstas por la Ley Ambiental.

(H) No existe, ni los Promitentes esperan que exista ningún procedimiento administrativo, judicial o de otro tipo tendente a investigar la condición de los terrenos o de sus elementos naturales (incluyendo, sin limitarse a ellos, su atmósfera, subsuelo, agua, flora y fauna) donde se encuentra los Lotes o en los terrenos colindantes o de sus elementos naturales (incluyendo, sin limitarse a ellos, su atmósfera, subsuelo, agua, flora y fauna) por violaciones a la Ley Ambiental, a las leyes, reglamentos o normas oficiales mexicanas aplicables en materia de salud, sanidad, seguridad industrial, explosivos u otras análogas o tendente a sancionar a sus propietarios o a quien trabaje o haya trabajado en ellos o en los terrenos colindantes por infracciones a la Ley Ambiental o a las disposiciones dichas; y, a su leal saber y entender, no se ha dado ninguna de esas violaciones, y los Promitentes no han recibido ninguna notificación o aviso ni se han enterado de ninguna investigación relativa a la condición dicha; por consiguiente, LSG no será molestado por ninguno de dichos procedimientos.

(I) Son los legítimos y exclusivos titulares de los respectivos contratos y convenios relacionados con las Concesiones (los "Convenios Relacionados") que se describen en el anexo "A" a este contrato, vigentes a esta fecha, y, con respecto a los mismos, no han incurrido en ningún incumplimiento ni han dado causa o motivo de rescisión por otro concepto, ni de invalidez, inexistencia, ineficacia o privación de efectos legales, ni existe ninguna controversia o diferencia con sus contrapartes contractuales y no prevén que la habrá con motivo de la cesión de los mismos a LSG; además, no existe ningún impedimento contractual o legal para la cesión a LSG de los Convenios Relacionados.

(J) Son los legítimos y exclusivos titulares de los permisos, licencias, concesiones, autorizaciones, anuencias, resolutivos favorables de impacto ambiental, estudios de riesgo ambiental, autorizaciones para uso de cambio de suelo, concesiones para la extracción, uso y aprovechamiento de aguas del subsuelo, concesiones para el uso y aprovechamiento de aguas superficiales, concesiones para la descarga de aguas residuales, dictámenes de uso de suelo y actos de autoridad similares (los "Permisos") que se describen en el anexo "B" a este contrato, y con respecto a los mismos no han incurrido en ningún

incumplimiento ni han dado causa para su revocación, cancelación, terminación o privación de efectos legales por algún otro concepto; además, no existe ningún impedimento legal para la cesión de los Permisos a LSG de conformidad con este contrato.

(K) Nada les impide legalmente celebrar y cumplir las estipulaciones de este contrato, y con la celebración y cumplimiento dichos no violarán ninguna norma legal ni ninguna disposición o pacto contractual, sea de la naturaleza que fueren, e independientemente de la persona o personas con las cuales los hubiera celebrado.

(L) Han convenido celebrar este contrato con LSG para otorgarle, entre otras cosas, una promesa unilateral de venta de la titularidad de las Concesiones y derechos exclusivos e irrevocables de exploración de las sustancias minerales que, en su caso, existan en los Lotes.

IV. De LSG:

- (A)** Es una sociedad anónima mexicana legalmente constituida mediante escritura pública número 65,912, volumen 1,604, otorgada ante la fe de Francisco Javier Cabrera Fernández, notario suplente de la notaría número 11, en ejercicio en Hermosillo, Sonora, el día 20 de octubre de 2007, en trámite de inscripción en el Registro Público de Comercio y en el Registro Público de Minería.
- (B)** Tiene como objeto social la minería y la plena capacidad jurídica y económica para celebrar este contrato.
- (C)** Ha convenido celebrar este contrato con los Promitentes para adquirir de éstos, entre otras cosas, una promesa unilateral de venta de la titularidad de las Concesiones y derechos exclusivos e irrevocables de exploración de las sustancias minerales que, en su caso, existan en los Lotes.

V. De la Señora Albelaís Boido y el Señor Arvizu:

Que comparecen a la celebración de este contrato a fin de otorgar sus respectivos consentimientos incondicional e irrevocable a los Promitentes para firmarlo, entregarlo y obligarse en sus términos.

En atención a lo declarado y a sus respectivos intereses y finalidades, Albelaís Boido (con el consentimiento de su cónyuge la Señora Albelaís Boido), Albelaís Valenzuela (con el consentimiento de su cónyuge el Señor Arvizu) y LSG celebran este *Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesiones mineras*, y se obligan al tenor de las siguientes

CLÁUSULAS

1

INCORPORACIÓN

DE DECLARACIONES AL CLAUSULADO DE ESTE CONTRATO, POR REFERENCIA

- (A) Las partes ratifican las declaraciones que bajo protesta de decir verdad hicieron en el capítulo de declaraciones de este contrato y por esta referencia las incorporan a esta cláusula, como si hubiesen sido insertadas a la letra, para todo efecto legal.
- (B) Las partes garantizan y se comprometen a la veracidad, completud y exactitud de las declaraciones que hicieron en el capítulo de declaraciones de este contrato; no son simples declaraciones generales sobre provechos y perjuicios que naturalmente pueden resultar de esos hechos o de la celebración o no celebración de este contrato o simples declaraciones de hechos o antecedentes sin contenido obligacional.
- (C) Por haberse otorgado obligándose a su veracidad, completud y exactitud, las declaraciones dichas han motivado la voluntad y el consentimiento de las partes para la celebración de este contrato.
- (D) Las partes no tienen conocimiento de ningún hecho, evento o circunstancia de naturaleza sustancial que no hayan revelado a la otra parte y que debieron revelarse a fin de hacer las declaraciones materia de esta cláusula verídicas, exactas y completas o para evitar que sean engañosas o maliciosas y, en particular, los Promitentes no han omitido manifestar o declarar nada que, de haberse manifestado, habría motivado a LSG a no celebrar este contrato o a no ejercer la Opción o los demás derechos que por el mismo adquiere.

2

PROMESA UNILATERAL DE VENTA Y OPCIÓN

- (A) Los Promitentes se obligan a transmitir a LSG (o a quien ésta designe) la titularidad de las respectivas Concesiones [es decir, Albelaís Boido se obliga a transmitir el cien por ciento de la titularidad de la concesión minera identificada en la declaración I (primera), y el cincuenta por ciento de la titularidad de la concesión minera identificada en el inciso (A) de la declaración III (tercera), y Albelaís Valenzuela se obliga a transmitir el cien por ciento de la titularidad de la concesión minera identificada en la declaración II (segunda), y el cincuenta por ciento de la titularidad de la concesión minera identificada en el inciso (A) de la declaración III (tercera)] y la titularidad de los Convenios Relacionados y de los Permisos, otorgando a LSG una opción unilateral, irrevocable y exclusiva para comprar dichas titularidades con sujeción a lo pactado en este contrato (tal derecho en este contrato llamado la "Opción").

La Opción es unilateral porque obliga a los Promitentes a transmitir las titularidades, pero no obliga a LSG a adquirirlas o comprarlas.

La Opción es irrevocable porque no podrá revocarse, retirarse o de otra manera cancelarse durante la vigencia de la misma si no es con el consentimiento previo.

expreso, escrito y fehaciente de LSG, otorgado ante fedatario público por quien tenga nombramiento y facultades para ello.

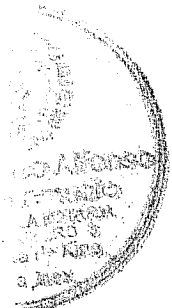
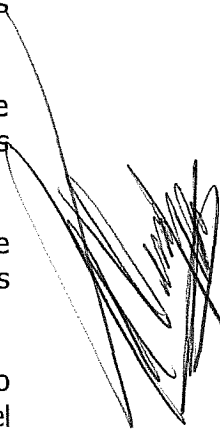
La Opción es exclusiva porque sólo se ha otorgado a LSG y porque durante su vigencia no podrá otorgarse legalmente opción o derechos para los mismos o efectos similares a persona o entidad otra alguna, sea por el concepto que fuere y utilícese el mecanismo o forma legal que fuere, y la opción o derechos que se otorguen en violación a esta exclusividad no serán oponibles ni perjudicarán a LSG.

La Opción incluye el derecho u opción unilateral, irrevocable y exclusiva de adquirir las concesiones mineras que, en su caso, sustituyan a las aquí definidas como Concesiones o que, en su caso, se expidan en relación con las aquí definidas como Concesiones, o concesiones mineras que, en su caso, se expidan a cualquiera de los Promitentes o a alguna persona o entidad directa o indirectamente relacionada con los Promitentes para amparar huecos entre o adyacentes a los Lotes o entre o adyacentes a cualquiera de los lotes amparados por dichas concesiones, todo ello sujeto a todos los términos y condiciones de este contrato, y sin necesidad de pagar cantidad adicional o diferente alguna a la aquí pactada. Lo anterior, sin perjuicio de lo pactado en la cláusula 5 (cinco).

(B) Por el otorgamiento de la Opción e igualmente a cuenta del Precio de Transmisión, LSG pagó previamente a los Promitentes la cantidad de US\$10,000 (diez mil dólares de los Estados Unidos de América), misma cantidad que los Promitentes confirman haber recibido a su absoluta satisfacción.

(C) Para mantener vigente la Opción durante el Plazo de la Opción, LSG deberá pagar a los Promitentes las siguientes cantidades:

1. US\$30,000 (treinta mil dólares de los Estados Unidos de América), en la fecha en que este contrato sea firmado y ratificado ante notario público tanto por los Promitentes y sus cónyuges, como por LSG (en adelante tal fecha llamada en este contrato la "Fecha de Firma").
2. US\$30,000 (treinta mil dólares de los Estados Unidos de América), a más tardar dentro de los 6 (seis) meses siguientes a la Fecha de Firma.
3. US\$30,000 (treinta mil dólares de los Estados Unidos de América), a más tardar dentro de los 12 (doce) meses siguientes a la Fecha de Firma.
4. US\$50,000 (cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 18 (dieciocho) meses siguientes a la Fecha de Firma.
5. US\$50,000 (cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 24 (veinticuatro) meses siguientes a la Fecha de Firma.

- 
6. US\$150,000 (ciento cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 30 (treinta) meses siguientes a la Fecha de Firma.
 7. US\$150,000 (ciento cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 36 (treinta y seis) meses siguientes a la Fecha de Firma.
 8. US\$250,000 (doscientos cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 42 (cuarenta y dos) meses siguientes a la Fecha de Firma.
 9. US\$250,000 (doscientos cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 48 (cuarenta y ocho) meses siguientes a la Fecha de Firma.
 10. US\$750,000 (setecientos cincuenta mil dólares de los Estados Unidos de América), a más tardar dentro de los 54 (cincuenta y cuatro) meses siguientes a la Fecha de Firma.
- 

Si LSG decide ejercer y ejerce la Opción, lo cual deberá ocurrir a más tardar dentro de los 60 (sesenta) meses siguientes a la Fecha de Firma (en adelante llamado "el Plazo de la Opción"), LSG pagará a los Promitentes US\$750,000 (setecientos cincuenta mil dólares de los Estados Unidos de América) el día en que los Promitentes y sus respectivos cónyuges formalicen la transmisión a LSG (o a quien ésta designe) de la titularidad de las Concesiones, de los Convenios Relacionados y de los Permisos, y ratifiquen sus firmas y reconozcan el contenido del contrato de transmisión ante fedatario público, sin detrimento de lo que se pacta en el inciso (G) de esta cláusula.


Los Promitentes pagarán los impuestos a su cargo derivados de este contrato de conformidad con las leyes aplicables.

C.A A la recepción de las cantidades que LSG les pague de conformidad con este contrato y con el Contrato Definitivo, los Promitentes tributarán bajo el régimen de actividades empresariales y, por ende, LSG no estará obligada a retenerles cantidad alguna por concepto de impuesto sobre la renta. De lo contrario, LSG sí les efectuará las retenciones que legal y fiscalmente sean procedentes.

R.B.
J.A.M.

Previamente al pago de cualquiera de las cantidades estipuladas en el inciso (C) de la presente cláusula 2 (dos), los Promitentes entregarán a LSG facturas que cumplan con todos los requisitos fiscales y que trasladen y desglosen el impuesto al valor agregado a la tasa aplicable y evidencia suficiente, a juicio de LSG, de que los Promitentes efectivamente tributan bajo el régimen de actividades empresariales.

Cuando el último día de los pactados en los diferentes numerales del inciso (C) de esta cláusula sea inhábil, el pago podrá hacerse el día hábil inmediato posterior, sin



h/h

que el pago así hecho se considere extemporáneo, con sujeción a lo previsto en la cláusula 4 (cuatro).

Las cantidades pagaderas por LSG según lo estipulado en el inciso (C) de la presente cláusula se entenderán pagaderas a los Promitentes por partes iguales, es decir, 50% (cincuenta por ciento) de cada una de tales cantidades para cada uno de los Promitentes. Para efectos de lo anterior, los Promitentes proporcionarán oportunamente a LSG los datos de sus respectivas cuentas bancarias en las cuales LSG podrá depositar los pagos de que trata dicho inciso (C). En defecto de esos datos o si LSG decide hacer esos pagos mediante cheque entregado a los Promitentes en lo personal y no lo ha hecho antes del último día de los respectivos plazos, LSG los pagará a las 10:00 a.m. (diez horas antes meridiano) del día último de dichos respectivos plazos precisamente en el domicilio de los Promitentes señalado en la cláusula 13 (trece) de este contrato, con sujeción a lo previsto en la cláusula 4 (cuatro). Si LSG opta por pagar a los Promitentes mediante cheques, éstos serán pagaderos a la orden de cada uno de los Promitentes y para abono en la cuenta de los beneficiarios.

LSG podrá hacer los pagos previstos en esta cláusula en la divisa indicada o bien en su equivalente en moneda nacional al tipo de cambio publicado en el Diario Oficial de la Federación del día hábil inmediato anterior a aquel en que se haga el pago.

Ninguna de las cantidades pagaderas a los Promitentes de conformidad con los incisos (B) y (C) y en otras partes de este contrato generará intereses en favor de los Promitentes ni de persona otra alguna.

- (D)** Si durante el Plazo de la Opción LSG decide ejercer la Opción, deberá notificarlo a los Promitentes mediante aviso por escrito (en este contrato llamado el "Aviso de Ejercicio"), en el entendido de que el Aviso de Ejercicio deberá señalar, por lo menos, el lugar, fecha y hora en que deberá formalizarse el contrato definitivo de transmisión (en adelante llamado el "Contrato Definitivo"), lo cual deberá ocurrir a más tardar dentro de los 10 (diez) días naturales que sigan a la fecha de recepción del Aviso de Ejercicio por los Promitentes. La entrega del Aviso de Ejercicio obligará a los Promitentes a formalizar el Contrato Definitivo y a la Señora Albelaís y al Señor Arvizu a otorgar su consentimiento irrevocable e incondicional para ese propósito y dará derecho y acción a LSG para exigir y obtener dicha celebración por parte de Los Promitentes y de la Señora Albelaís y del Señor Arvizu en los términos de la ley, de este contrato y del propio Aviso de Ejercicio, todo ello sin perjuicio de lo estipulado en el inciso (G) de esta cláusula 2 (dos).

La Opción se entenderá automáticamente ejercida y, por ende, la transmisión de la titularidad de la Concesión, de los Convenios Relacionados y de los Permisos en favor de LSG (o de quien ésta designe) se entenderá perfeccionada, sin necesidad de enviar Aviso de Ejercicio a los Promitentes, el mismo día en que LSG, en su caso, complete el pago a los Promitentes de todas las cantidades previstas en los incisos (B) y (C) de esta cláusula.

Si LSG omite hacer alguno de los pagos previstos en los incisos (B) y (C) de esta cláusula 2 (dos), se entenderá que ha decidido no ejercer la Opción y que este contrato ha terminado anticipadamente, sin ninguna responsabilidad ni obligación adicional de su parte (excepto las previstas en la Ley Ambiental), pero sin detrimento y con sujeción a lo pactado en la cláusula 4 (cuatro).

(E) En el Contrato Definitivo se pactará lo siguiente:

1. El Contrato Definitivo formalizará la transmisión de la titularidad de las Concesiones, de los Convenios Relacionados y de los Permisos en favor de LSG (o de quien ésta designe), a cambio del precio mencionado en el numeral 3 (tres) del presente inciso (E) de esta cláusula más el impuesto al valor agregado.
2. Los Promitentes transmitirán a LSG la titularidad de las Concesiones y de los Convenios Relacionados encontrándose libres de Gravámenes, y las Concesiones, los Convenios Relacionados y los Permisos en plena vigencia, regularidad y cumplimiento de las obligaciones estipuladas o contenidas en los mismos o previstas en las leyes a ellos aplicables.
3. El precio de transmisión de la titularidad de las Concesiones, de la titularidad de los Convenios Relacionados y de la titularidad de los Permisos (en este Contrato llamado "Precio de Transmisión") será la cantidad de US\$2,500,000 (dos millones quinientos mil dólares de los Estados Unidos de América), que es la suma de las cantidades previstas en los incisos (B) y (C) de esta cláusula, al pago de las cuales dichas titularidades se entenderán transmitidas a LSG.

Las cantidades que LSG entregue a los Promitentes de conformidad con los incisos (B) y (C) de esta cláusula se entenderán entregadas y recibidas a cuenta del Precio de Transmisión si LSG ejerce la Opción.

De la cantidad prevista en el numeral 1 (uno) del inciso (C) de la cláusula 2 (dos) LSG restará las que LSG pague por concepto de derechos sobre minería sobre las Concesiones o cualesquiera otras cantidades que los Promitentes adeudaren en relación con las Concesiones o con los Lotes que se encontraren pendientes de pago a la fecha de celebración de este contrato, más sus accesorios en ambos casos, y las cantidades pagadas por LSG por esos conceptos se entenderán a cuenta de la prevista en el numeral 1 (uno) del inciso (C) de la cláusula 2 (dos) y, por ende, recibidas a plena satisfacción por los Promitentes. Si los adeudos tales no se alcanzaren a cubrir con la cantidad prevista en el numeral 1 (uno) del inciso (C) de la cláusula 2 (dos), LSG los pagará con las cantidades previstas sucesivamente en los demás numerales del inciso (C) de la cláusula 2 (dos), y las cantidades pagadas por LSG por esos conceptos se entenderán recibidas a plena satisfacción por los Promitentes a cuenta del Precio de Transmisión.

El saldo del Precio de Transmisión una vez restadas las cantidades mencionadas en el párrafo inmediato anterior, si lo hubiere, será pagado a Los Promitentes a la formalización del Contrato Definitivo.

Si LSG decide no ejercer la Opción, sea mediante la omisión de hacer alguno de los pagos previstos en los incisos (B) y (C) de la cláusula 2 (dos), sin detrimento de lo pactado en la cláusula 4 (cuatro), o bien mediante aviso escrito expreso en ese sentido entregado o enviado a los Promitentes, quedarán a favor de los Promitentes las cantidades que LSG ya hubiese pagado a los Promitentes.

4. La titularidad de las Concesiones, de los Convenios Relacionados y de los Permisos se entenderá transmitida o cedida a LSG el día preciso en que LSG haya completado el pago a los Promitentes de la cantidad total de US\$2,500,000 (dos millones quinientos mil dólares de los Estados Unidos de América), que es la suma de las cantidades previstas en los incisos (B) y (C) de esta cláusula, si LSG opta por ejercer la Opción, y el Contrato Definitivo se entenderá únicamente formalizando dicha transferencia o transmisión.
5. Los Promitentes y sus cónyuges cooperarán diligentemente con LSG para que la transmisión a LSG (o a quien ésta designe) de los Convenios Relacionados y de los Permisos se perfeccione frente a las contrapartes contractuales y frente a las autoridades competentes, de ser necesaria alguna acción o la firma de algún documento adicional por parte de los Promitentes y/o sus cónyuges.
6. Los Promitentes responderá por el saneamiento para el caso de evicción o de vicios de las titularidades cedidas, sin ninguna limitación.
7. Cada parte pagará los impuestos a su cargo derivados del Contrato Definitivo, de conformidad con las leyes aplicables.
8. Se pactará que los gastos de formalización ante fedatario público del Contrato Definitivo y los relativos a su inscripción en el Registro Público de Minería, se pagarán por LSG.
9. En el Contrato Definitivo también se pactará que los Promitentes, en todo momento y a su costo defenderán a LSG, a sus causahabientes y a sus cesionarios contra toda persona que alegue mejores derechos sobre o en relación con la titularidad de las Concesiones o de la titularidad de los Convenios Relacionados (o de cualquiera de ellos) o de la titularidad de los Permisos (o de cualquiera de ellos).
10. En el Contrato Definitivo también se pactará que los Promitentes **(i)** mantendrán a LSG libre y exenta de demandas, denuncias, querellas, reclamaciones, procedimientos, juicios, sanciones, multas, responsabilidades, órdenes de clausura o de suspensión de actividades, resoluciones y sentencias directa o indirectamente relacionados con el incumplimiento real o supuesto de las obligaciones a cargo de los Promitentes (o a cargo de cualquier otra persona) por obras o trabajos ejecutados en los Lotes antes de la Fecha de Firma, previstas en la Ley Ambiental y previstas en otros ordenamientos en materia de equilibrio ecológico y protección al ambiente, salud, seguridad, explosivos, uso de suelo y en otras materias directa o indirectamente relacionadas con obras o trabajos

ejecutados en los Lotes antes de la Fecha de Firma; **(ii)** indemnizará a LSG los daños y resarcirán los perjuicios que LSG sufriera en relación directa o indirecta con el incumplimiento de cualquiera de dichas obligaciones; y **(iii)** reembolsará a LSG los honorarios y las costas y gastos procesales que ésta pague para defenderse de dichas demandas, denuncias, querellas, reclamaciones, procedimientos, juicios, sanciones, multas, responsabilidades, resoluciones y sentencias.

La misma responsabilidad asume LSG frente a los Promitentes por los actos o trabajos que realice en los Lotes durante la vigencia de la Opción si LSG no ejerce la Opción.

- 11.** Los Promitentes **(i)** mantendrán a LSG libre y exenta de demandas, denuncias, querellas, reclamaciones, procedimientos, juicios, sanciones, responsabilidades, órdenes de clausura o de suspensión de actividades, multas y sentencias directa o indirectamente relacionados con los trabajadores y personal que Los Promitentes o que cualquier otra persona haya empleado antes de la Fecha de Firma en la ejecución de obras o trabajos en los Lotes, dentro de las cuales se encuentran, pero sin limitarse a ellas, las obligaciones relativas a las respectivas prestaciones laborales, al Instituto Mexicano del Seguro Social, al Instituto del Fondo Nacional de la Vivienda para los Trabajadores, a los fondos de ahorro para el retiro y a la retención y entero o pago de impuestos de cualquier tipo que se hayan generado con motivo de dichas relaciones laborales; **(ii)** indemnizará a LSG los daños y resarcirán los perjuicios que LSG sufriera en relación directa o indirecta con el incumplimiento de cualquiera de dichas obligaciones; y **(iii)** reembolsará a LSG los honorarios y las costas y gastos procesales que ésta pague para defenderse de dichas demandas, denuncias, querellas, reclamaciones, procedimientos, juicios, sanciones, responsabilidades, órdenes de clausura o de suspensión de actividades, multas y sentencias.

La misma responsabilidad asume LSG frente a los Promitentes por los actos o trabajos que realice en los Lotes durante la vigencia de la Opción si LSG no ejerce la Opción.

Por ningún motivo y bajo ninguna circunstancia LSG se entenderá substituyendo ni substituirá a los Promitentes ni a ninguna otra persona que haya ejecutado obras o trabajos en los Lotes antes de la Fecha de Firma como patrón en sus relaciones laborales con el personal o trabajadores de que trata el primer párrafo de este numeral 11 (once), y tampoco se entenderá asumiendo el cumplimiento de ninguna de dichas obligaciones por concepto o medio diverso.

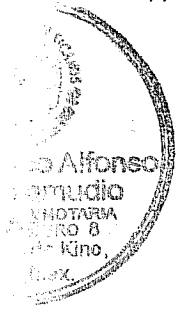
- 12.** En el Contrato Definitivo los Promitentes transmitirán a LSG cualesquiera contratos, convenios o derechos de otro tipo que los Promitentes tuvieran en relación con el uso, ocupación, aprovechamiento, tránsito y acceso a los Terrenos Superficiales, diferentes de los aquí llamados "Convenios Relacionados", así como todos los permisos, licencias, concesiones, autorizaciones, anuencias, resoluciones, estudios, autorizaciones, concesiones y actos de autoridad similares

que Los Promitentes hubieran obtenido en relación directa o indirecta con los Lotes, diferentes de los aquí llamados "Permisos", en la medida en que los mismos fueran transmisibles o cesibles, todo ello sin necesidad u obligación de LSG de pagar a los Promitentes, a sus cónyuges o a persona otra alguna cantidad diferente o adicional al Precio de Transmisión, por lo que éste se entenderá también a cambio de todo lo que los Promitentes transmitan a LSG de conformidad con este numeral.

13. El Contrato Definitivo contendrá las estipulaciones adicionales que normalmente contienen los contratos definitivos de compraventa o transmisión de titularidad de concesiones mineras de conformidad con el derecho mexicano, pero ninguna de ellas será incompatible o contraria a las que son materia de este contrato preliminar. Si por cualquier motivo las partes no se ponen de acuerdo sobre dichas estipulaciones adicionales, el Contrato Definitivo se celebrará con las estipulaciones mínimas materia del inciso (E) de esta cláusula 2 (dos) y con las demás de esta cláusula 2 (dos) que sean relevantes.

(F) Los Promitentes, sus cónyuges y LSG ratificarán las firmas que estampen en el Contrato Definitivo y reconocerán su contenido o bien lo formalizarán o protocolizarán en instrumento público ante la fe de fedatario público cuyo nombre y dirección profesional se indicarán en el Aviso de Ejercicio.

(G) Los Promitentes (con el consentimiento irrevocable e incondicional de la Señora Albelaís y del Señor Arvizu) otorgan un poder especial irrevocable para actos de administración y un poder especial irrevocable para actos de dominio a Eduardo Robles Elías, Juan José Duarte Bravo, Iván Moreno Torrescano y José Joaquín Cabrera Ochoa, con el exclusivo fin de que, conjunta o separadamente, a petición escrita de los Promitentes o de LSG, en nombre y por cuenta de los Promitentes (y de la Señora Albelaís y del Señor Arvizu para efectos del consentimiento de éstos para los Promitentes) **(i)** firmen y entreguen el Contrato Definitivo, que simplemente formalizará la transmisión de la titularidad de la Concesión, de los Convenios Relacionados y de los Permisos a LSG (o a quien ésta designe), **(ii)** comparezcan ante fedatario público a fin de ratificar su firma y reconocer el contenido del Contrato Definitivo o a fin de formalizarlo o protocolizarlo ante su fe, **(iii)** presenten el Contrato Definitivo (o el instrumento público que lo haya protocolizado o formalizado) al Registro Público de Minería, para su inscripción, y **(iv)** ejecuten o realicen todos los demás actos que a su juicio fueren convenientes o apropiados para los fines indicados en este inciso (G). El poder otorgado en esta cláusula será irrevocable por haber sido otorgado como condición en este contrato y, además, como un medio para que los Promitentes cumplan las obligaciones que por el mismo contrajo, en los términos y para los efectos del artículo 2,596 (dos mil quinientos noventa y seis) del Código Civil Federal, que dispone: "El mandante puede revocar el mandato cuando y como le parezca; menos en aquellos casos en que su otorgamiento se hubiere estipulado como una condición en un contrato bilateral, o como un medio para cumplir una obligación contraída."



Para que los apoderados designados en el párrafo inmediato anterior estén legitimados para firmar, formalizar y entregar el Contrato Definitivo en nombre y por cuenta de los Promitentes (y de la Señora Albelaís y del Señor Arvizu para efectos del consentimiento conyugal de ésta para los Promitentes) a favor de LSG, bastará que LSG les entregue o envíe **(i)** una certificación en la cual manifieste que LSG ejerció la Opción y **(ii)** copia certificada por fedatario público de los comprobantes que acrediten que LSG pagó a Los Promitentes el Precio de Transmisión en su integridad o bien que lo consignó ante autoridad judicial.

El ejercicio del poder de que trata este inciso (G) en las circunstancias indicadas en la misma será de la absoluta y exclusiva responsabilidad de LSG y de los Promitentes, los cuales mantendrán a los apoderados libres y exentos de cualesquiera acciones, reclamaciones, demandas, juicios o acusaciones provenientes de LSG o de Los Promitentes o de persona otra alguna, y pagarán los honorarios de abogados, los gastos, costas y daños procesales y toda otra erogación relacionada que los apoderados tales cubran a fin de defender los actos ejecutados por ellos en ejercicio del referido poder.

Serán por cuenta de LSG los honorarios razonables que los apoderados devenguen con motivo del ejercicio del poder de que trata este inciso (G) así como el reembolso de los gastos comprobados que los apoderados hayan hecho con el mismo motivo.

El poder materia de este inciso podrá ser ejercido aún después de la muerte de los Promitentes o de la Señora Albelaís o del Señor Arvizu, con fundamento en el artículo 44 fracción VII inciso (c) de la Ley del Notariado para el Estado de Sonora.

- (H)** LSG pagará los derechos sobre minería que se causen sobre las Concesiones a partir de la Fecha de Firma y durante el Plazo de la Opción, sin que esos pagos se entiendan a cuenta del Precio de Transmisión, realizará en los Lotes las inversiones mínimas que se requieran a fin de mantener las Concesiones en vigor, presentará oportunamente los informes de comprobación respectivos y ejecutará cualesquiera otros actos o acciones tendentes al mismo fin de mantener las Concesiones en vigor.

LSG proporcionará a los Promitentes copias certificadas de los recibos de pago de los derechos sobre minería y de los informes de comprobación de obras de que trata el párrafo inmediato anterior, a petición escrita de los Promitentes.

- (I)** Si LSG no ejerce la Opción o bien si este contrato se rescinde o termina por cualquier otro concepto, LSG dejará pagados los derechos de minería que se hayan causado sobre la Concesión por el semestre en curso durante el cual el contrato se rescindió o terminó y, a petición escrita de los Promitentes, proporcionará a los Promitentes copia certificada de los recibos de pago de esos derechos sobre minería, y LSG también dejará comprobadas las inversiones por el año de calendario inmediato anterior al año durante el cual el contrato se rescindió o terminó e igualmente proporcionará a los Promitentes, a petición escrita de éste, copias certificadas de los comprobantes de inversiones realizadas en los Lotes durante el tiempo de calendario del año preciso en que dicha rescisión o terminación ocurrió.

(J) LSG no tendrá obligación de explicar ni de justificar a los Promitentes, a sus cónyuges o a persona otra alguna por qué decidió no ejercer la Opción, en su caso, y el no ejercicio de la Opción por LSG no dará a los Promitentes ni a sus cónyuges acción de daños y perjuicios y de ninguna otra especie en contra de LSG.

(K) Regalía. Si LSG ejerce la Opción y explota comercialmente los Lotes, LSG o quien sustituya a LSG por cesión o transmisión de los derechos derivados de este contrato pagará a Los Promitentes una regalía del 1.25% (uno punto veinticinco por ciento) sobre ingresos netos de fundición, que se calculará y pagará como y en los tiempos que se describen en el anexo "D" a este contrato. En caso de cesión o de transmisión de los derechos derivados de este contrato por LSG, LSG dejará de ser responsable por el pago de la regalía materia de esta cláusula.

Antes del séptimo aniversario de la Fecha de Firma, LSG podrá adquirir el derecho de los Promitentes de percibir el pago de la regalía antes mencionada, pagando a los Promitentes US\$1,500,000 (un millón quinientos mil dólares de los Estados Unidos de América). Si LSG no ejerce tal derecho antes del séptimo aniversario de la Fecha de Firma, los Promitentes quedarán en libertad de cederlo total o parcialmente a terceras personas.

3

DERECHOS EXCLUSIVOS E IRREVOCABLES DE EXPLORACIÓN Y CUESTIONES RELACIONADAS

(A) Los Promitentes otorga a LSG el derecho exclusivo e irrevocable de explorar las sustancias minerales que, en su caso, existan en los Lotes, durante el Plazo de la Opción, sin más obligaciones a cargo de LSG que las pactadas en este contrato.

Los derechos que los Promitentes otorgan a LSG en esta cláusula son exclusivos porque sólo se han otorgado a LSG y porque no podrán otorgarse legalmente a persona o entidad otra alguna, sea por el concepto que fuere y utilícese el mecanismo o forma legal que fuere, y los derechos tales que los Promitentes otorgue en violación de esta exclusividad no serán oponibles ni perjudicarán a LSG.

Los derechos que los Promitentes otorga a LSG en esta cláusula son irrevocables porque no podrán revocarse, retirarse o de otra manera cancelarse si no es con el consentimiento previo, expreso, escrito y fehaciente de LSG, otorgado ante fedatario público por quien tenga nombramiento y facultades para ello.

Como consecuencia de lo pactado en esta cláusula, LSG podrá ejecutar toda obra y trabajo que tenga como propósito explorar las sustancias minerales que, en su caso, existan en los Lotes, para lo cual podrá:

1. Previo consentimiento o autorización del propietario o poseedor de los Terrenos Superficiales o previa resolución de ocupación temporal dictada de conformidad con la Ley Minera y su Reglamento,

- a.** utilizar los caminos, veredas, mangas, callejones y otras vías de comunicación ya existentes en los Terrenos Superficiales (los "Caminos") a fin de transitar y transportar libremente personal, maquinaria, herramientas, sustancias minerales y bienes de cualesquiera otras especies,
- b.** modificar y ampliar los trazos de los Caminos ya existentes o inhabilitarlos y construir, habilitar y dar mantenimiento a nuevos Caminos en los Terrenos Superficiales para los fines de tránsito y transportación mencionados en el inciso inmediato anterior,
- c.** cercar todas aquellas zonas o lugares de los Terrenos Superficiales que, por razones de seguridad, de sanidad, de naturaleza ambiental o de cualquier otro tipo, a juicio exclusivo de LSG, deban de permanecer aisladas o de acceso restringido,
- d.** construir y ampliar y dismantelar o desmontar campamentos, dormitorios, bodegas, almacenes, talleres, oficinas e instalaciones conducentes a las obras y trabajos de exploración de LSG, sin restricción,
- e.** construir plantillas de perforación y hacer perforaciones,
- f.** hacer todo tipo de prospecciones o búsquedas de minerales y sus depósitos,
- g.** llevar a cabo mediciones y amojonamientos destinados a deslindar áreas o zonas dentro o en la periferia de los Terrenos Superficiales,
- h.** tomar, analizar y ejecutar otro tipo de pruebas con muestras del suelo y del subsuelo y de las sustancias minerales que existan en los mismos para pruebas metalúrgicas, ensayos y de otro tipo, y disponer de las mismas a su solo criterio, y
- i.** realizar o llevar a cabo en los Terrenos Superficiales cualesquiera otras acciones, construcciones y actividades, necesarias o convenientes, a juicio de LSG, que tengan como propósito identificar depósitos minerales y cuantificar y evaluar las reservas económicamente aprovechables que contengan.

2. Obtener la expropiación, ocupación temporal o constitución de servidumbre de los Terrenos Superficiales indispensables para llevar a cabo sus obras y trabajos mineros.

- 3.** Realizar o llevar a cabo cualesquiera otras acciones, construcciones y actividades, necesarias o convenientes, a juicio exclusivo de LSG, para ejecutar sus obras y trabajos mineros.

(B) Las cantidades que LSG pague a los Promitentes de conformidad con lo previsto en los incisos (B) y (C) de la cláusula 2 (dos) y otras partes de este contrato se entenderán pagadas también a cambio de los derechos mencionados en el inciso inmediato anterior de esta cláusula y de otros que los Promitentes otorga a LSG de conformidad con este contrato.

(C) Por este medio, los Promitentes otorgan irrevocablemente a LSG todos los consentimientos, anuencias, permisos o autorizaciones que sean necesarios a fin de que:

- 1.** LSG obtenga la aprobación de la manifestación de impacto ambiental que en su caso se requiera y todas las licencias, permisos o autorizaciones que las autoridades competentes deban de otorgarle o conferirle de acuerdo con la Ley Ambiental, a fin de que LSG pueda desarrollar legalmente sus actividades en los Lotes.
- 2.** LSG solicite y obtenga todos los demás permisos, licencias, concesiones o autorizaciones de cualquier tipo de conformidad con las leyes y reglamentos aplicables en materia de uso del suelo, sanidad o salud, explosivos, agua, trabajo y previsión social y otras que LSG requiera para poder desarrollar legalmente sus actividades en los Lotes.
- 3.** Lo pactado en este inciso (C) será considerado como el consentimiento, anuencia, aprobación, permiso o autorización de los Promitentes para todos los fines o propósitos arriba especificados, de tal suerte que no se requerirá consentimiento, anuencia, aprobación, permiso o autorización adicional o diferente por parte de los Promitentes o de persona otra alguna relacionada con los Promitentes.

(D) LSG podrá planear, ejecutar, desarrollar, controlar y supervisar de manera exclusiva todas las obras y trabajos mineros que tiene derecho a realizar de conformidad con este contrato y la Ley Minera y su Reglamento, con exclusión de los Promitentes y de persona otra alguna. Todas las decisiones relativas a los Lotes, inclusive las relativas a los métodos, procedimientos y equipos a utilizarse, y relativas al ejercicio de los demás derechos que LSG adquiere por este contrato serán de la incumbencia y competencia exclusiva de LSG, con exclusión de los Promitentes y de persona otra alguna. LSG podrá llevar a cabo sus obras y trabajos mineros en los Lotes directamente o a través de contratistas u otros prestadores de servicios.

(E) Durante el Plazo de la Opción, los Promitentes tendrán las siguientes obligaciones adicionales: **(i)** se abstendrán de obstaculizar o dificultar por cualquier medio el ejercicio de los derechos y el cumplimiento de las obligaciones que LSG adquiere y asume por este contrato; **(ii)** se abstendrán de ceder o prometer ceder o de cualquiera otra forma otorgar a tercero o terceros título o cualquier derecho derivado

o relacionado con las Concesiones o con los Lotes, a menos de que lo haga con estricta sujeción a este contrato al cesionario o cesionarios de LSG; **(iii)** se abstendrán de constituir Gravámenes o de permitir que se constituyan o impongan Gravámenes sobre las Concesiones o sobre los Lotes y también se abstendrá de otorgar las Concesiones o los Lotes en garantía; **(iv)** se abstendrán de abandonar parte o la totalidad de los terrenos amparados por las Concesiones, de desistirse de las Concesiones, de solicitar la reducción de la superficie de los Lotes o de cualesquiera otras maneras o mediante cualesquiera otros medios renunciar a derechos o privilegios relacionados con las Concesiones o con los Lotes, a menos que lo haga con el consentimiento expreso, previo y escrito de LSG; **(v)** notificarán a LSG, diligentemente y dentro del término legal para contestar, apersonarse o comparecer, cualesquiera notificaciones, emplazamientos, requerimientos, demandas, liquidaciones, oficios y otro tipo de comunicaciones provenientes respectivamente de autoridades o de particulares que tengan alguna relación con las Concesiones o con los Lotes o con este contrato; **(vi)** cooperarán diligentemente con LSG respecto a cualesquiera acciones que ésta deba o quiera tomar o ejecutar en relación con los actos mencionados en el subinciso inmediato anterior de este inciso (E) y para obtener consentimiento o autorización del propietario o poseedor de los Terrenos Superficiales para llevar a cabo sus obras y trabajos mineros y/o para obtener resolución de ocupación temporal de los mismos de conformidad con la Ley Minera y su Reglamento; **(vii)** cooperarán diligentemente con LSG respecto a cualesquiera acciones que ésta deba o quiera tomar para ejercer oportunamente y cumplir oportunamente los derechos y obligaciones que adquiere por este contrato; **(viii)** cuando los actos mencionados en el subinciso (v) (cinco) de este inciso (E) hayan iniciado o se hayan ejecutado por actos u omisiones de los Promitentes o de persona que actúe o actuó por cuenta de los Promitentes, los Promitentes mantendrán a LSG libre y exenta de responsabilidades y obligaciones directa o indirectamente relacionados con los mismos; indemnizarán a LSG los daños y resarcirá los perjuicios que LSG sufriera en relación directa o indirecta con dichos actos u omisiones y sus secuelas o consecuencias; y reembolsarán a LSG los honorarios y las costas y gastos procesales que ésta pague para defenderse de cualquiera de los mismos.

- (F)** LSG satisfará las obligaciones que le derivarán de la Ley Ambiental por las obras y trabajos que realice durante la vigencia de este contrato; no responderá por ninguna violación a dichas leyes, reglamentos y normas oficiales mexicanas que hayan tenido lugar previamente a la Fecha de Firma y después de la terminación o rescisión de este contrato o por las violaciones que no les sean imputables por cualquier motivo.
- (G)** LSG tendrá la responsabilidad y obligación exclusivas derivadas de las relaciones laborales con sus trabajadores o de la relación con cualquier persona que le preste servicios como contratista o de cualquiera otra naturaleza, liberando a los Promitentes de cualquier responsabilidad respecto a tales relaciones.
- (H)** Durante la vigencia de este contrato, los Promitentes pondrán a disposición de LSG todos los registros, expedientes, datos e información que tenga en relación con las

Concesiones y los Lotes, y permitirán a LSG que, a su costo, haga resúmenes de los mismos y los fotocopie o copie en dispositivo magnético o electrónico.

(I) En ejercicio de los derechos de exploración que los Promitentes le confieren mediante la presente cláusula 3 (tres), LSG se obliga a realizar las siguientes Erogaciones (como éstas se definen en el Anexo "C"):

1. A más tardar en el primer aniversario de la Fecha de Firma, hará Erogaciones por al menos US\$500,000 (quinientos mil dólares de los Estados Unidos de América);

2. a más tardar en el segundo aniversario de la Fecha de Firma, hará Erogaciones por al menos US\$1,000,000 (un millón de dólares de los Estados Unidos de América); y

3. a más tardar en el tercer aniversario de la Fecha de Firma, hará Erogaciones por al menos US\$2,000,000 (dos millones de dólares de los Estados Unidos de América).

Cualquier excedente de las Erogaciones efectuadas por LSG en los años uno y dos de acuerdo con los montos mínimos antes señalados, será aplicado y tomado en cuenta para cumplir el monto mínimo del año o años siguientes.

(J) LSG deberá entregar a los Promitentes, a más tardar el 28 (veintiocho) de febrero de cada año mientras este contrato esté en vigor, un resumen y tabulación de las actividades y trabajos de exploración llevados a cabo por LSG en los Lotes durante el año de calendario inmediato anterior, pero sin que LSG tenga o pueda llegar a adquirir, por ningún motivo, obligación o responsabilidad alguna relacionada con el contenido de tales resúmenes y/o tabulaciones, ni con su interpretación o uso por parte de los Promitentes.

4

RECLAMACIONES A LSG

(A) Si LSG no hace alguno de los pagos previstos en los incisos (B) y (C) de la cláusula 2 (dos) de este contrato en las respectivas fechas allí indicadas, los Promitentes darán a LSG aviso por escrito en el sentido de que cuenta con 30 (treinta) días naturales adicionales para hacerlo o bien para probar a los Promitentes que ya lo hizo, al término de los cuales sin que se hubiese hecho el pago tal o sin que LSG hubiese probado a los Promitentes que efectivamente lo hizo, la Opción y este contrato se entenderán automáticamente terminados y sin ningún efecto legal, sin más responsabilidades para LSG que las expresamente pactadas en este contrato.

(B) Si los Promitentes consideran que LSG no ha cumplido alguna de sus obligaciones que adquiere por este contrato, diferentes de las previstas en el inciso (A) de esta cláusula, los Promitentes darán a LSG aviso por escrito en el sentido de que cuenta con 30 (treinta) días naturales para iniciar el subsanamiento del incumplimiento o bien para demostrar a los Promitentes que no ha incumplido, al término de los

cuales sin que se hubiese subsanado el incumplimiento o iniciado su subsanamiento o sin que LSG hubiese probado a los Promitentes que no incumplió, la Opción y este contrato se entenderán automáticamente terminados, sin ningún efecto legal y sin más responsabilidades para LSG que las expresamente pactadas en este contrato. El aviso de incumplimiento deberá ser lo suficientemente circunstanciado como para que LSG pueda tomar las medidas correctivas o subsanatorias que procedan, según la naturaleza del atribuido incumplimiento.

- (C) Los Promitentes no podrán demandar o tomar o pedir alguna otra medida legal en contra de LSG, sin previamente proceder como se establece en los dos incisos anteriores de esta cláusula. Desde ahora las partes están de acuerdo en que el agotamiento por parte de Los Promitentes del mecanismo establecido en los dos incisos anteriores de esta cláusula será considerado, para todos los efectos jurídicos, como un presupuesto necesario de procedencia de cualquier acción u otro tipo de medida o petición legal que los Promitentes pretendan incoar o hacer en contra de LSG.

5

ÁREA DE INTERÉS

- (A) Si durante el Plazo de la Opción los Promitentes por cualquier título directa o indirectamente adquieren alguna concesión minera, algún derecho minero, algún derecho de extracción y aprovechamiento de aguas del subsuelo o algún derecho de aprovechamiento de aguas superficiales o derechos de uso o de acceso (o ambos) a terrenos superficiales (en adelante llamados esas concesiones y todos esos derechos "los Derechos Adicionales"), con respecto a lotes mineros o aguas ubicados total o parcialmente dentro de un área de 10 (diez) kilómetros, contados a partir del límite exterior de los Lotes, lo harán saber por escrito a LSG dentro de los 15 (quince) días naturales siguientes a la fecha en que tal hecho ocurra, entregándole o enviándole simultáneamente toda la información relacionada con los Derechos Adicionales.
- (B) LSG contará con un plazo de 30 (treinta) días naturales, computados a partir de que produzca efectos la recepción por LSG de la información relativa a los Derechos Adicionales de que trata el inciso inmediato anterior, para decidir si desea que los Derechos Adicionales (o parte de ellos) pasen a formar parte automática de este contrato y, por lo mismo, que se entiendan sujetos a la Opción y a las demás estipulaciones del mismo, incluyendo la regalía prevista en la cláusula 2 (dos), inciso (K).
- (C) LSG no deberá pagar a los Promitentes cantidad adicional o diferente alguna de las previstas en los incisos (B) y (C) de la cláusula 2 (dos) o adicional o diferente alguna del Precio de Transmisión, si ejerce la Opción, ni cumplir obligación adicional alguna o diferente de las aquí expresamente pactadas si decide que los Derechos Adicionales (o parte de ellos) queden sujetos a este contrato, pero LSG reembolsará a los Promitentes las cantidades que éste comprobadamente hubiere pagado para adquirir los Derechos Adicionales (o la parte de ellos que quede sujeta a la Opción y

a este contrato por decisión unilateral de LSG) contra entrega por parte de Los Promitentes de factura debidamente requisitada para efectos fiscales.

6

CASO FORTUITO O FUERZA MAYOR

El plazo para el cumplimiento de las obligaciones que LSG adquiere de conformidad con este contrato (excepto el plazo para el pago de sumas de dinero), el Plazo de la Opción y el plazo de duración de este contrato entrarán y se mantendrán en suspenso durante todo el tiempo en que medie caso fortuito o fuerza mayor, sin que por ello se entienda que LSG ha incumplido dichas obligaciones o que ha decidido no ejercer la Opción o que ha violado este contrato. Para los efectos de este inciso, respectivamente constituyen eventos de caso fortuito o fuerza mayor, los siguientes, ejemplificativamente: huelgas, bloqueos, cierres u obstaculizaciones de caminos, paros, tomas de instalaciones, oficinas u otros bienes de LSG o de sus contratistas o de los subcontratistas de éstos; protestas, demostraciones u otro tipo de acciones de grupos o personas ambientalistas o de grupos o personas indígenas o étnicos o de organizaciones no gubernamentales o de vecinos o de ejidos o de ejidatarios; expropiaciones, confiscaciones o tomas de bienes ordenadas y ejecutadas por autoridades gubernamentales de cualquiera de sus niveles o jurisdicciones; leyes, reglamentos, decretos, ordenes de suspensión de actividades o clausuras u otro tipo de actos gubernamentales; sentencias; no obtención o dilación en la obtención de alguna licencia, permiso, anuencia, autorización, consentimiento, derecho de acceso o servidumbre; prohibición de exportación de minerales decretada por el gobierno mexicano, decretamiento de impuestos o contribuciones ruinosas o de medidas no arancelarias que hagan incosteable la producción o exportación de minerales, a solo juicio de LSG; imposibilidad o dificultad insuperable, a solo juicio de LSG, para entrar y salir de los Terrenos Superficiales, y otros eventos de naturaleza similar o análoga. El plazo para el cumplimiento de las obligaciones que LSG adquiere de conformidad con este contrato, el Plazo de la Opción y el plazo de duración de este contrato se entenderán automáticamente prorrogados por un tiempo igual al tiempo que haya durado la causa de suspensión estipulada en esta cláusula, sin detrimento del derecho de LSG de terminarlo anticipadamente. Ningún caso fortuito o fuerza mayor eximirá a LSG de su obligación de pagar los derechos sobre minería sobre las Concesiones, todo ello durante el Plazo de la Opción, a menos que alguna o algunas de esas obligaciones no puedan cumplirse por no poder recibirse o por no recibirse dichos derechos por los bancos, autoridades, instituciones o dependencias que deban recibirlos o por no poder pagarse por alguna causa, razón o circunstancia no atribuible a LSG.

LSG no tendrá la obligación de negociar o de transar con las personas, grupos, organizaciones o autoridades que den causa a los eventos previstos en esta cláusula ni la obligación de impugnar los actos de estado o de gobierno o de autoridad también constitutivos de fuerza mayor de conformidad con esta cláusula.

La imposibilidad de cumplimiento por fuerza mayor o por caso fortuito liberará a las partes, mientras la causa o evento de fuerza mayor o caso fortuito persista.

No se considerará evento de fuerza mayor o de caso fortuito y, por ende, no excusará el incumplimiento de los Promitentes, la imposición, creación, inscripción, subsistencia o constitución de un Gravamen sobre las Concesiones o sobre los Lotes o parte de los Lotes o sobre cualquiera otro de los bienes o derechos de los Promitentes sujetos a este contrato.

7

CESIÓN DE DERECHOS Y OBLIGACIONES Y OTORGAMIENTO EN GARANTÍA

- (A) Desde ahora lo Promitentes autorizan irrevocablemente a LSG para que ceda algunos o todos los derechos y obligaciones que le derivan de este contrato o de las Concesiones, sin necesidad de pacto o anuencia ulterior o adicional, sin más obligación de LSG que la de informar a los Promitentes, dentro de los 30 (treinta) días naturales siguientes a la fecha en que la cesión se haya efectuado, (i) el nombre o razón o denominación social del cesionario, (ii) la fecha de la cesión, (iii) el domicilio de negocios del cesionario y (iv) el nombre del representante del cesionario con el cual los Promitentes habrá de tratar todo lo relativo a dicha cesión, esto último si el cesionario lo hubiera hecho saber a LSG. La cesión de que trata este inciso liberará totalmente (en caso de cesión total) o parcialmente (en caso de cesión parcial) a LSG de las obligaciones que asume por este contrato.
- (B) Los Promitentes sólo podrán ceder, prometer ceder, opcionar o celebrar contratos o convenios en relación con algunos o todos los derechos y obligaciones que le derivan de este contrato o sobre las Concesiones (antes de que éstas sean adquiridas por LSG) o dar en garantía o crear o imponer algún Gravamen sobre dichos derechos u obligaciones (o sobre ambos) o sobre las Concesiones (antes de que éstas sean adquiridas por LSG), si cuenta con la autorización previa, expresa y escrita de LSG, y ninguno de esos actos será oponible a LSG si LSG no los consintió como se pacta en este inciso.
- (C) LSG podrá dar en garantía este contrato y los derechos que le derivan del mismo, sin que para ello se requiera consentimiento o anuencia ulterior o adicional de los Promitentes o sus cónyuges.

8

TERMINACIÓN

- (A) La Opción y este contrato se entenderán automáticamente terminados a la actualización de cualquiera de las siguientes hipótesis (i) a los 30 (treinta) días naturales de que produzca efectos un aviso de no ejercicio de la Opción y de terminación de este contrato entregado o enviado por LSG a los Promitentes; (ii) a la actualización de cualquiera de las hipótesis de terminación previstas en la cláusula 4 (cuatro) incisos (A) y (B) de este contrato; y (iii) a la formalización del Contrato Definitivo (en cuyo caso, sólo continuarán en vigor las disposiciones de este contrato

que obliguen a los Promitentes a indemnizar o a resarcir a LSG y otras que impongan obligaciones a cargo de las partes que hubieren quedado pendientes de cumplirse a dicha formalización).

(B) Dentro de los 12 (doce) meses siguientes a la fecha de terminación de la Opción y de este contrato por actualización de cualquiera de las hipótesis previstas en el inciso (A) subincisos (i) (uno) y (ii) (dos) de esta cláusula, LSG podrá (o deberá, si los Promitentes se lo piden por escrito dentro de los 30 [treinta] días naturales siguientes a dicha terminación) retirar todas las instalaciones, maquinaria, equipo y demás bienes propiedad de LSG y de quien haya trabajado para ésta que aún se encontraren en los Lotes, salvo aquellas instalaciones que deban permanecer en el mismo de conformidad con la Ley Minera y su Reglamento. Los bienes tales que LSG no retire de los Lotes dentro del término previsto en este inciso pasarán a ser propiedad de los Promitentes, sin que éste deba pagarlos a LSG, a menos que LSG no haya podido removerlos por caso fortuito o fuerza mayor o por actos, omisiones, responsabilidades u obligaciones atribuibles a los Promitentes o de los Promitentes.

(C) Si este contrato se termina por alguna de las hipótesis previstas en el inciso (A) subincisos (i) (uno) y (ii) (dos) de esta cláusula, LSG entregará a los Promitentes, dentro de los 90 (noventa) días naturales siguientes a la fecha en que los Promitentes se lo pidan por escrito, un reporte que describa todos los trabajos y obras llevados a cabo en los Lotes, limitado a cuestiones de hecho, exclusivamente, junto con copias de mapas que muestren la ubicación de muestras, copia de la bitácora de ensayos de barrenación, copia de los resultados de ensayos y otros datos técnicos compilados por LSG en relación con los Lotes, pero sin ninguna garantía de que el reporte, los mapas, ensayos y datos técnicos servirán para fin o propósito alguno y sin ninguna garantía de exactitud y completud.

9

CONSTITUCIÓN DE GARANTÍA PRENDARIA

(A) Si LSG decide ejercer la Opción y, a la fecha en que deba formalizarse y entregarse el Contrato Definitivo, la Concesión, cualquiera de los Convenios Relacionados o cualquiera de los Permisos se encuentra sujeto a algún Gravamen derivado de actos, omisiones, responsabilidades u obligaciones de los Promitentes, LSG podrá pagar las cantidades o cumplir las obligaciones o satisfacer las responsabilidades que hayan dado lugar a los Gravámenes de que se trate con cargo a las cantidades previstas en el inciso (C) de la cláusula 2 (dos) que aún no hayan sido pagadas a los Promitentes y, en su caso, pagar las cantidades que se adeuden o cumplir las obligaciones o satisfacer responsabilidades que deban pagarse, cumplirse o satisfacerse en exceso de dichas cantidades previstas en el inciso (C) de la cláusula 2 (dos), en cuyo caso la Opción se entenderá ejercida, y los Promitentes deberá pagar o reembolsar a LSG lo que ésta haya pagado o cumplido o satisfecho en exceso de dichas cantidades previstas en el inciso (C) de la cláusula 2 (dos), más intereses legales. Por cuenta de los Promitentes y a cargo de las cantidades previstas en el inciso (C) de la cláusula 2 (dos) también serán los gastos o erogaciones que LSG hiciera para pagar, cumplir o satisfacer las

cantidades, obligaciones o responsabilidades de los Promitentes en la situación prevista en este inciso, más intereses legales.

(B) Los Promitentes se obliga a reembolsar a LSG las cantidades que LSG ya haya pagado a los Promitentes de entre las previstas en los incisos (B) y (C) de la cláusula 2 (dos) de este contrato, más intereses legales, si, a la fecha en que el Contrato Definitivo deba formalizarse y entregarse, la Concesión o cualquiera de los Convenios Relacionados o cualquiera de los Permisos se encuentra sujeta a algún Gravamen derivado de actos, omisiones, responsabilidades u obligaciones de los Promitentes y por ese motivo LSG decide no formalizar y entregar el Contrato Definitivo, en cuyo caso la Opción se entenderá como no ejercida. Los Promitentes también pagará a LSG los gastos o erogaciones que LSG hiciera para documentar, notarizar y notificar su decisión de no formalizar y entregar el Contrato Definitivo en la situación prevista en este inciso, más intereses legales.

(C) Para asegurar el cumplimiento de las obligaciones que contrae en los incisos (A) y (B) de esta cláusula, de manera irrevocable los Promitentes constituyen en favor de LSG garantía prendaria en primer lugar y grado sobre la titularidad de las Concesiones y de los Convenios Relacionados. Esta garantía prendaria estará en vigor y obligará a los Promitentes y a terceras personas mientras la obligación garantizada y sus accesorios permanezcan sin pagarse o satisfacerse, **se inscribirá en el Registro Público de Minería** y de ella se hará especial anotación como lo previene la Ley Minera y su Reglamento.

(D) LSG no podrá hacer valer los derechos y privilegios prendarios que esta cláusula le otorga si previamente no concede a los Promitentes un plazo de 15 (quince) días naturales a fin de que los Promitentes, a su exclusivo costo, tomen las providencias y medidas que crea necesarias a fin de que los Gravámenes sean cancelados, nulificados, sobreseídos, terminados o de alguna otra manera privados de efectos legales, a menos que la espera perjudique o pueda perjudicar la posición o los derechos de LSG, a exclusivo juicio de ésta. Para ejercer los derechos que los Promitentes le otorgan por esta cláusula, LSG no estará obligado a esperar el resultado de acciones legales de cualquier tipo que los Promitentes emprendan ante los tribunales o el resultado de negociaciones, gestiones o discusiones cuya finalidad sea obtener la cancelación, liberación, anulación o privación de efectos por otro medio legal de cualquiera de los Gravámenes.

(E) Si LSG decide no ejercer la Opción, LSG entregará a los Promitentes la cancelación o el levantamiento de la garantía prendaria constituida por efecto de esta cláusula, dentro de los 15 (quince) días naturales siguientes a la fecha en que el aviso de no ejercicio de la Opción produzca efectos.

10

CONFIDENCIALIDAD

(A) Las partes mantendrán el contenido y la celebración de este contrato en absoluta confidencialidad y harán que sus accionistas, consejeros, funcionarios, apoderados, empleados y demás personas relacionadas con las mismas lo mantengan en absoluta confidencialidad, a menos que tengan que darlo a conocer (i) a las autoridades o funcionarios bursátiles, fiscales, administrativos, judiciales o arbitrales de conformidad con la ley, (ii) a bancos u otras entidades financieras o partes interesadas en financiar las obras y trabajos que LSG tenga derecho de ejecutar de conformidad con este contrato, (iii) a terceros de buena fe interesados en adquirir los derechos y obligaciones que a LSG derivan de este contrato, (iv) al público en general de conformidad con las leyes y reglas que rigen la colocación o venta de acciones o valores en mercados de valores mexicanos o del extranjero y (v) a los contadores y asesores de las partes, con sujeción a lo pactado en esta cláusula.

(B) No obstante lo previsto en el inciso inmediato anterior, las partes convienen que ninguna de ellas será responsable hacia la otra por revelación negligente o fraudulenta de información por cualquiera de sus accionistas, consejeros, funcionarios, apoderados, empleados y demás personas relacionadas con las mismas, si tal parte tomó medidas razonables para que a la información dicha se dé trato de confidencial y se mantenga como tal.

11

CONSENTIMIENTO CONYUGAL

La Señora Albelaís y el Señor Arvizu otorgan sus respectivos consentimientos y autorizaciones irrevocables e incondicionales a los Promitentes (i) para que se obligue en los términos de este contrato, (ii) para que se obligue en los términos del Contrato Definitivo y (iii) para que, en conjunción con LSG, modifique cuantas veces crean conveniente tanto este contrato como el Contrato Definitivo, sin necesidad de que los Promitentes deba consultar previa o posteriormente a la Señora Albelaís y/o al Señor Arvizu, ni obtener nuevamente su consentimiento o firma, para ninguno de esos propósitos.

12

OTRAS ESTIPULACIONES

(A) Este contrato sustituye, cancela, sobresee, termina y deja sin efectos cualesquiera convenios, cartas-convenios, contratos, cartas de intención y acuerdos de cualquier otro tipo celebrados en relación con la materia del mismo en fecha anterior a la fecha de celebración de éste. En lo particular, pero sin limitarse a él, sustituye, termina y deja sin efectos el llamado *CARTA CONVENIO* firmado por los Promitentes y por Little Squaw Gold Mining Company el día 23 de junio de 2007 en relación con la materia de este contrato, no inscrito en el Registro Público de Minería.

- (B) Todas las obligaciones y compromisos asumidos por las partes están contenidos y comprendidos exclusivamente en este contrato. No hay acuerdos o entendimientos verbales previos o contemporáneos a la celebración de este contrato que obligue a las partes, en ningún sentido.
- (C) Las partes convienen en que firmarán y entregarán a la otra parte cualesquiera otros documentos adicionales y tomarán cualesquiera acciones adicionales que sean necesarias para que los objetivos de este contrato sean alcanzados, y que en todos esos casos procederán con diligencia y oportunidad.
- (D) Ninguna modificación, reforma o adición a este contrato será obligatoria ni ejecutable coactivamente si no consta por escrito y si no se firmare por todas las partes.
- (E) Los títulos o encabezados que se utilizan en este contrato tienen como único propósito el facilitar su lectura, pero no determinan, afectan, restringen o amplían el alcance de los derechos y obligaciones que de este acuerdo de voluntades se derivan.
- (F) "Días hábiles" para los efectos de este contrato serán los que no tengan el carácter de días de descanso obligatorio de conformidad con la Ley Federal del Trabajo mexicana. Cuando el último día de algún plazo señalado en este contrato para hacer algún pago o ejecutar alguna acción sea día de descanso obligatorio de conformidad con esa ley, el pago se hará o la acción se ejecutará el día hábil inmediato posterior. "Días naturales" para los efectos de este contrato serán todos los días del calendario regular. "Meses" en este contrato significa períodos de treinta días naturales cuando los mismos no empiecen a computarse a partir del día primero del mes de calendario de que se trate.
- (G) En la negociación y celebración de este contrato no ha existido dolo, mala fe, violencia, ilicitud, lesión, error, temor reverencial, incapacidad ni ningún otro vicio que afecte la voluntad o el consentimiento de los contratantes.
- (H) Las partes expresan terminantemente que no tienen acción de inexistencia, invalidez, nulidad o ineficacia de este contrato u otras similares tendentes a privarlo de efectos o a liberarlas de su obligatoriedad y que irrevocablemente renuncian a las que, en su caso, pudieran tener para obtener alguna de las declaratorias dichas.
- (I) En particular, no hay lesión. Las contraprestaciones pactadas en este contrato son justas, equitativas y comerciales. No obstante lo anterior, las partes renuncian irrevocablemente a cualquier acción o derecho que, en su caso, tuvieran para demandar la inexistencia, nulidad, rescisión, ineficacia o privación de efectos legales de ese contrato por lesión objetiva o subjetiva o de cualquier otro tipo.

- (J) Todos los consentimientos, autorizaciones, permisos, renunciaciones, anuencias, reconocimientos, confirmaciones y pactos dados y acordados en este contrato se entienden irrevocables, aún cuando en algún caso no se diga así expresamente.
- (K) Las erogaciones que conforme a este contrato deban ser efectuadas por cualquiera de las partes se entenderán a su exclusivo cargo, es decir, sin que la parte que las haga tenga derecho de compensación, prorrateo, reembolso o devolución por algún otro concepto.
- (L) Durante la discusión y aceptación de los términos, condiciones y cláusulas de este contrato y en el momento de su firma, ratificación y reconocimiento, las partes fueron asesoradas por sus propios abogados; éstos les explicaron debida y suficientemente el alcance y las consecuencias legales de su contenido.
- (M) Los Promitentes y sus respectivos cónyuges reconocen la legal existencia y subsistencia de LSG, así como los nombramientos y los poderes y facultades de quien celebra este contrato en su representación, por haber tenido a la vista y analizado sus asesores legales los documentos que los acreditan.
- (N) Siempre que en este contrato se hable de ratificación de firmas y reconocimiento de contenido o formalización por instrumento público se entenderá ratificación de firmas, reconocimiento y formalización ante fedatario público seleccionado por LSG, cuyos gastos y honorarios serán pagados por LSG.

13

DOMICILIOS

Todos los avisos, notificaciones o comunicaciones que se den o deban darse en relación con este contrato serán entregados, hechas o enviados por escrito a los siguientes domicilios:

- (A) Si son para Los Promitentes y sus respectivos cónyuges:

1. Sra. Jassany Margarita Albelaís Valenzuela
Ave. Obregón 303
Colonia Mirasol
Magdalena de Kino, Sonora 84160

2. Sr. Cesar Octavio Boido Albelaís
Escobedo 301-E
Colonia Mirasol
Magdalena de Kino, Sonora 84160

- (B) Si son para LSG:



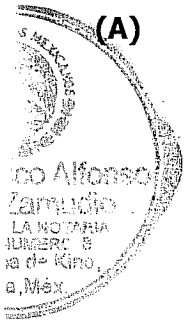
Bulevar Hidalgo 64
Colonia Centenario
Hermosillo, Sonora 83260

Con copia para Eduardo Robles Elías, en el mismo domicilio.

- (C) A menos que en este contrato se disponga otra cosa, los avisos y comunicaciones se entenderán efectivos el día hábil siguiente a aquellos en que hubieran sido fehacientemente recibidos en los respectivos domicilios antes señalados, independientemente de si son real y efectivamente recibidos por el destinatario. Si se empleare el correo, los avisos y comunicaciones siempre se enviarán por correo certificado con acuse de recibo.
- (D) Los avisos, notificaciones o comunicaciones podrán ser entregados o hechos a quien se dirijan en cualquier lugar en que el destinatario o su apoderado o representante con facultades suficientes se encuentre, aunque no sea el domicilio señalado en esta cláusula, y los avisos, notificaciones o comunicaciones así entregados tendrán el mismo valor y eficacia que si hubieran sido entregados en el domicilio señalado en esta cláusula.
- (E) Bastará que los avisos y comunicaciones se den o entreguen a los Promitentes para que automáticamente se entiendan dados o entregados a sus respectivos cónyuges, quienes renuncian de manera expresa a cualquier derecho que, en su caso, podrían tener de ser avisada o comunicada de manera personal. LSG, empero, podrá optar por dar o entregar esos avisos y comunicaciones directamente a la Señora Albelais y/o al Señor Arvizu.
- (F) Las notificaciones judiciales se harán en el lugar y se entenderán efectivas donde y cuando y en las condiciones que prevea la ley.
- (G) Mientras las partes no señalen domicilio diferente del señalado en esta cláusula, los avisos, notificaciones y comunicaciones que respectivamente se les den, hagan o envíen al domicilio señalado en esta cláusula, producirán plenos efectos, aún cuando efectiva y realmente ya no tengan su domicilio en el señalado en esta cláusula. Los avisos de cambio de domicilio producirán efectos el décimo quinto natural siguiente a la fecha en que los avisos tales produzcan efectos de conformidad con esta cláusula. Todo nuevo domicilio de los Promitentes o de la Señora Albelais o del Señor Arvizu señalado para los fines y propósitos de esta cláusula deberá estar ubicado en el Estado de Sonora y deberá ser preciso en relación con la calle, el número de casa o edificio, el número o letra interior (en su caso), la colonia o fraccionamiento, la ciudad y su código postal.

14

CONTROVERSIAS O DIFERENCIAS Y DERECHO APLICABLE



(A) Las partes se someten a la jurisdicción y competencia exclusivas de los tribunales de Hermosillo, Sonora, para que los mismos conozcan y resuelvan sobre cualquier acción, medida o petición legal cuya causa directa o indirecta lo sea este contrato, incluyendo, sin limitarse a ellas, aquellas que se relacionen con su existencia, validez, interpretación y cumplimiento, y de manera clara, expresa y precisa renuncian a la jurisdicción y competencia de otros jueces o tribunales que pudieran corresponderles por razón de domicilio, ubicación de la administración o del principal establecimiento de negocios de las partes, contactos con otras jurisdicciones o doctrinas o principios similares, materia de este contrato, territorio o por cualesquiera otros motivos, causas o circunstancias, presentes o futuras.

(B) El derecho mexicano regirá todas las controversias que surjan en relación con la existencia, validez, interpretación y cumplimiento de este contrato y con las obligaciones y responsabilidades de las partes, incluyendo su ejecución forzosa, con exclusión de las normas de ese derecho que establezcan una jurisdicción o competencia diferente de la pactada en el inciso inmediato anterior y con exclusión de las normas de ese derecho que establezcan la sujeción de este contrato a orden jurídico diferente del mexicano.

Bien informadas del alcance y contenido legales de este contrato, las partes lo firman de plena conformidad y lo hacen obligatorio en todo respecto legal en cuatro ejemplares, cada uno de los cuales se considerará un original y tendrá el mismo valor y eficacia, en Hermosillo, Sonora, el día 13 de noviembre de 2007 (dos mil siete).

Los Promitentes:

César Octavio Albelaís Boido

Jassany Margarita Albelaís Valenzuela

Para otorgar sus respectivos consentimientos conyugales:


Delfina Yolanda Leon Reyes


Carlos Damian Arvizu Romero

LSG:

Rodney Alvar Delgado

Minera LSG S.A. de C.V.
representada por Rodney Alan Blakestad


Juan José Duarte Bravo,
traductor de Rodney Alan Blakestad


Carlos Lorenzo Albelais Boido,
testigo


María Cecilia Rivera Chiapa,
testigo

Anexo "A"

al Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesión minera, celebrado entre César Octavio Albelais Boido y Jassany Margarita Albelais Valenzuela, con el consentimiento de sus cónyuges, por una parte, y Minera LSG S.A. de C.V., por la otra parte, en Hermosillo, Sonora, el 23 de octubre de 2007 (dos mil siete).

[SIN ANEXO POR ACUERDO DE LAS PARTES, YA QUE NO EXISTEN "CONVENIOS RELACIONADOS".]

ufonso
udio
TARSA
08
Gino,

Anexo "B"

al Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesión minera, celebrado entre César Octavio Albelais Boido y Jassany Margarita Albelais Valenzuela, con el consentimiento de sus cónyuges, por una parte, y Minera LSG S.A. de C.V., por la otra parte, en Hermosillo, Sonora, el 23 de octubre de 2007 (dos mil siete).

[SIN ANEXO POR ACUERDO DE LAS PARTES, YA QUE NO EXISTEN "PERMISOS".]

Anexo "C"

al Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesión minera, celebrado entre César Octavio Albelaís Boido y Jassany Margarita Albelaís Valenzuela, con el consentimiento de sus cónyuges, por una parte, y Minera LSG S.A. de C.V., por la otra parte, en Hermosillo, Sonora, el 23 de octubre de 2007 (dos mil siete).

"Erogaciones" significará, sin duplicación, todos los costos, gastos, obligaciones y responsabilidades de cualquier clase o naturaleza efectiva y directamente incurridos por LSG en relación con la exploración y desarrollo de los Lotes y en el área ubicada dentro de un radio de 200 (doscientos) metros, contados partir de los límites exteriores de los Lotes, incluyendo cantidades pagadas a dependencias gubernamentales por concepto de permisos relacionados con los Lotes, todos los costos y pagos relacionados con la obtención de derechos de acceso y superficiarios para explorar y desarrollar los Lotes, para mantener los Lotes en vigor mediante la ejecución de obras y trabajos mineros y su comprobación, con estudios geofísicos, geoquímicos y geológicos, con perforaciones, construcción de galerones y todo otro tipo de trabajo subterráneo, con ensayos y pruebas metalúrgicas y trabajos ingenieriles, con la adquisición de Instalaciones, con el pago de honorarios, sueldos, salarios, gastos de viaje y prestaciones laborales (requeridas o no por la ley) para todas las personas involucradas en trabajos con respecto y en beneficio de los Lotes, con el pago de alimentos, alojamiento y otras necesidades razonables de dichas personas, e incluyendo todos los costos a tarifas finales de mercado para todo personal o funcionarios o consultores de LSG que de tiempo en tiempo sean contratados para trabajar directamente en los Lotes, entendiéndose que dichas tarifas serán consistentes con los estándares en la industria.

"Instalaciones" significará todas las minas y plantas, incluyendo, pero sin limitarse a ellas, todas las excavaciones, pozos, túneles de acarreo y otras obras subterráneas, y todos los edificios, plantas y otras estructuras, accesorios y mejoras, y toda otra clase de bienes, adheridos o movibles, en la condición en que los mismos puedan existir en cualquier momento en o sobre los Lotes o fuera de los Lotes si son para el beneficio exclusivo de los Lotes.

Anexo "D"

al Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesión minera, celebrado entre César Octavio Albelaís Boido y Jassany Margarita Albelaís Valenzuela, con el consentimiento de sus cónyuges, por una parte, y Minera LSG S.A. de C.V., por la otra parte, en Hermosillo, Sonora, el 23 de octubre de 2007 (dos mil siete).

REGALÍA SOBRE INGRESOS NETOS DE FUNDICIÓN

- 1) La regalía será del 1.25% (uno punto veinticinco por ciento) de los Ingresos Netos de Fundición (definidos más adelante), y será pagada a Los Promitentes con sujeción a las estipulaciones contenidas en este anexo "B".
- 2) El Ingreso Neto de Fundición será calculado sobre la base de trimestres de calendario y será igual al Ingreso Bruto (definido más adelante) menos las Deducciones Permisibles (definidas más adelante) correspondientes a cada trimestre.
- 3) En este anexo las siguientes palabras tendrán los siguientes significados:
 - i) "Ingreso Bruto" significa la suma de los siguientes ingresos (sin duplicación) recibidos por LSG en cada período trimestral:
 - (1) el ingreso proveniente de ventas de Productos Minerales hechas a compradores no vinculados con LSG por vínculos societarios;
 - (2) el precio justo de mercado de todos los Productos Minerales vendidos a compradores vinculados con LSG por vínculos societarios; y
 - (3) cualesquiera ingresos provenientes de seguros sobre Productos Minerales;
 - ii) "Productos Minerales" significa todas las menas, concentrados, minerales y productos refinados o semirefinados extraídos o producidos a partir de sustancias extraídas de los Lotes Los Promitentes;
 - iii) "Deducciones Permisibles" significa la suma de los siguientes cargos (sin duplicación) que sean pagados con relación a los Lotes durante cada período trimestral:
 - (1) cargos u honorarios de venta provenientes de cualquier agente de ventas en relación con la venta de Productos Minerales,
 - (2) costos y gastos de transportación de Productos Minerales desde los Lotes al lugar de beneficiación, procesamiento o tratamiento y de allí al lugar de entrega de los Productos Minerales a algún comprador de los mismos, incluyendo gastos de envío o remisión, fleteo, manejo y expedición,
 - (3) todos los costos, gastos y cargos de cualquier naturaleza que sean pagados o incurridos en relación con el refinamiento o beneficiación de Productos Minerales, incluyendo todos los cargos y costos de fundición o refinación y todos los cargos y costos de pesado, muestreo, ensaye, representación y almacenamiento, y cualesquiera cargos y costos de arbitraje, y cualesquiera sanciones cargadas o cobradas por el procesador, refinador o fundidor, pero sin incluir cargos o costos de minado, molienda o concentración pagados o incurridos con respecto a Productos Minerales, y
 - (4) todo tipo de seguros contratados en relación con Productos Minerales;
 - iv) "Lotes" tiene el significado que se le atribuye al término en el contrato al cual se agrega al presente anexo "D".

- 4) Para mayor certeza, y sin limitar la generalidad de lo estipulado antes, todos los cargos y gastos deducidos por un comprador sin vínculos societarios con LSG de mena o concentrados, por concepto de fundición, tratamiento, manejo, refinamiento, almacenaje o cualesquiera otras operaciones o servicios relacionados con los Productos Minerales que se hagan u ocurran después del momento de la venta serán considerados deducciones legítimas para calcular la cantidad de Ingreso Neto de Fundición.
- 5) La regalía será calculada y pagada dentro de los 60 (sesenta) días naturales siguientes a la terminación de cada trimestre de calendario. Conjuntamente con el pago respectivo, LSG entregará a los Promitentes la liquidación del fundidor, de haberla, y un informe ("el Informe") que especifique con suficiente detalle la forma en que el pago fue calculado.
- 6) Si las cantidades finales requeridas para llevar a cabo el cálculo de la regalía no estuviere disponible dentro del plazo referido en el numeral 5 (cinco) de este anexo "B", LSG estimará cantidades provisionales y pagará la regalía en base a dichos cálculos provisionales. Ajustes positivos o negativos serán hechos al pago de la regalía del trimestre o trimestres siguientes.
- 7) Sujeto a los ajustes previstos en este anexo "B", todos los pagos de regalías se considerarán finales y en completo cumplimiento de todas las obligaciones de LSG en relación con los mismos, a menos que los Promitentes, dentro de los 60 (sesenta) días naturales siguientes a la recepción del respectivo Informe por los Promitentes, entregue a LSG aviso por escrito ("Aviso de Objeción") que describa y explice alguna objeción específica en relación con la forma en que fue calculado. Si los Promitentes objetan un Informe específico como se prevé en este numeral, los Promitentes, durante un plazo de 60 (sesenta) días naturales contados a partir de la recepción de dicho Aviso de Objeción por LSG, tendrán el derecho, previo aviso entregado a LSG con anticipación razonable, de hacer que en horas razonables la contabilidad y registros de LSG relativos al cálculo de la regalía en cuestión sean auditados por los auditores de los Promitentes. Si dicha auditoría determina que ha habido una deficiencia o un exceso en el pago hecho a los Promitentes, dicha deficiencia o exceso será resuelto ajustando el pago de la regalía correspondiente al trimestre o trimestre siguientes que deba pagarse de conformidad con este anexo. Los Promitentes pagará todos los costos y gastos de dicha auditoría, a menos que se determine que existe una deficiencia del 5% (cinco por ciento) o más con respecto al monto adeudado. LSG pagará todos los costos y gastos de dicha auditoría si se determina que existe una deficiencia del 5% (cinco por ciento) o más con respecto al monto adeudado. Todos los libros y registros usados y conservados por LSG para calcular la regalía que se deba de conformidad con este anexo serán llevados de acuerdo a los principios de contabilidad generalmente aceptados en México. La omisión por parte de los Promitentes de hacer alguna reclamación por ajuste a LSG dentro del referido plazo de 60 (sesenta) días naturales mediante la entrega de un Aviso de Objeción establecerá concluyentemente la corrección y suficiencia del Informe y los pagos de regalía por el trimestre en cuestión, y precluirá para siempre el derecho de los Promitentes de presentar objeciones al mismo y de presentar reclamaciones o peticiones de ajustes en relación con el Informe dicho.



----- En Magdalena de Kino, Sonora, a los 13 (trece) días de noviembre de 2007 (dos mil siete), ante el suscrito licenciado **Francisco Alfonso Corella Zamudio**, titular de la Notaría Pública número 8 (ocho) en el Estado, con residencia en Magdalena de Kino, Sonora, y en ejercicio en esta demarcación notarial, **COMPARECIERON:**-----

----- **CESAR OCTAVIO ALBELAIS BOIDO**, quien manifestó ser mexicano, casado, de ocupación minero, originario de Magdalena de Kino, Sonora, donde nació el 2 (dos) de febrero de 1961 (mil novecientos sesenta y uno), y tener su domicilio en Escobedo número 301-E (trescientos uno guión letra "E"), Colonia Mirasol de Magdalena de Kino, Sonora, C.P. 84,160 (ochenta y cuatro mil ciento sesenta) y se identificó con su credencial para votar con número de folio 075292953 (cero siete cinco dos nueve dos nueve cinco tres); **DELFINA YOLANDA LEÓN REYES**, quien manifestó ser mexicana, casada, dedicada al hogar, haber nacido en Magdalena de Kino, Sonora, el 11 (once) de abril de 1960 (mil novecientos sesenta) en Magdalena de Kino, Sonora, y tener su domicilio en Escobedo número 301-E (trescientos uno guión letra "E"), Colonia Mirasol de Magdalena de Kino, Sonora, C.P. 84,160 (ochenta y cuatro mil ciento sesenta), y se identificó con su credencial para votar con número de folio 44537310 (cuatro cuatro cinco tres siete diez); **JASSANY MARGARITA ALBELAIS VALENZUELA**, quien manifestó ser mexicana, casada, ama de casa, haber nacido en Magdalena de Kino, Sonora, el 29 (veintinueve) de octubre de 1977 (setenta y siete), y tener su domicilio en Avenida Obregón número 303 (trescientos tres), Colonia Mirasol de Magdalena de Kino, Sonora, C.P. 84,160 (ochenta y cuatro mil ciento sesenta) y se identificó con credencial para votar con número de folio 68991181 (seis, ocho, nueve, nueve, uno, uno, ocho, uno); **CARLOS DAMIÁN ARVIZU ROMERO**, quien manifestó ser mexicano, casado, de ocupación comerciante, y haber nacido en Magdalena de Kino, Sonora, el 9 (nueve) de octubre de 1978 (mil novecientos setenta y ocho), y tener su domicilio en Avenida Obregón número 303 (trescientos tres), Colonia Mirasol de Magdalena de Kino, Sonora, C.P. 84,160 (ochenta y cuatro mil ciento sesenta) y se identificó con credencial para votar con número de folio 105717610 (uno, cero, cinco, siete, uno, siete, seis, uno, cero); y **RODNEY ALAN BLAKESTAD**, Apoderado General de **MINERA LSG SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE**, quien manifestó ser de nacionalidad estadounidense, haber nacido en Jonesboro, Arkansas, Estados Unidos de América, el 4 (cuatro) de noviembre de 1948 (mil novecientos cuarenta y ocho), de ocupación geólogo, tener su domicilio en 1602 (mil seiscientos dos) West, Placita Sin Neve, Sahuarita, Arizona, Estados Unidos, y **DIJERON:**-----

----- **RATIFICACIÓN DE FIRMA Y RECONOCIMIENTO DE CONTENIDO**-----

----- Que comparecen ante la fe del suscrito notario público a reconocer en todas y cada una de sus partes el contenido del *Contrato de promesa unilateral de venta, de exploración y de constitución de garantía prendaria sobre titularidad de concesiones mineras* anexo, celebrado entre **César Octavio Albelaís Boido**, con el consentimiento de su cónyuge, la señora **Delfina Yolanda León Reyes**, y **Jassany Margarita Albelaís Valenzuela** con el consentimiento de su cónyuge **Carlos Damián Arvizu Romero** por una parte, y **Minera LSG Sociedad Anónima de Capital Variable**, representada por **Rodney Alan Blakestad**, por la otra, el día 13 (trece) de noviembre del 2007 (dos mil siete), que consta de 35 (treinta y cinco) hojas tamaño carta utilizadas solo por su anverso, y a ratificar la firma con que lo suscriben, que reconocen como suyas y de su

puño y letra.

PODERES

----- **Cesar Octavio Albelaís Boido**, con el consentimiento de su cónyuge, la señora **Delfina Yolanda León Reyes**, y **Jassany Margarita Albelaís Valenzuela** con el consentimiento de su cónyuge **Carlos Damián Arvizu Romero**, ante la fe del suscrito notario público otorgan un poder especial irrevocable para actos de administración y un poder especial irrevocable para actos de dominio a Eduardo Robles Elías, Juan José Duarte Bravo, Iván Moreno Torrescano y José Joaquín Cabrera Ochoa, en los términos especificados en el inciso "G", de la cláusula 2 (dos), del contrato referido en el párrafo anterior, que se tiene aquí como íntegramente reproducido.

-----REPRESENTACIÓN Y EXISTENCIA DE LA MANDANTE-----

----- **Rodney Alan Blakestad** manifestó que su representada **Minera LSG Sociedad Anónima de Capital Variable** es una persona moral existente constituida conforme a las leyes de los Estados Unidos Mexicanos, y que las facultades con que comparece representándola no le han sido revocadas, limitadas o modificadas. Para acreditar su personalidad, me exhibió la escritura pública número 65,912 (sesenta y cinco mil novecientos doce), Volumen 1,604 (mil seiscientos cuatro), otorgada en Hermosillo, Sonora, el día 20 (veinte) del mes de octubre de 2007 (dos mil siete), ante el licenciado Francisco Javier Cabrera Fernández, notario público suplente número 11 (once), con residencia en Hermosillo, Sonora, y en ejercicio en esta demarcación notarial, en trámite de inscripción en el Registro Público de Comercio de Hermosillo, Sonora, por la cual la sociedad fue constituida y de la cual transcribo lo conducente a esta leyenda de ratificación de firmas y reconocimiento de contenido, de conformidad con el artículo 83 (ochenta y tres) del Reglamento de la Ley Minera: ARTICULO SEGUNDO. OBJETO.- LA SOCIEDAD TENDRÁ POR OBJETO EL DEDICARSE A LA INDUSTRIA MINERO-METALÚRGICA EN GENERAL Y POR TANTO, ESTARÁ CAPACITADA PARA REALIZAR TODOS LOS ACTOS QUE SEAN CONDUCENTES PARA LA REALIZACIÓN DE ESTE OBJETO, TALES COMO: 1.- ADQUIRIR CONCESIONES MINERAS DE EXPLORACIÓN Y EXPLOTACIÓN O DERECHOS CONTRACTUALES A LA EXPLORACIÓN Y EXPLOTACIÓN Y EXPLOTACIÓN DE CUALESQUIERA MINERALES, ASÍ COMO ENAJENAR, GRAVAR O EN CUALQUIER OTRA FORMA DISPONER DE TALES CONCESIONES Y DERECHOS Y DE LOS DERECHOS DERIVADOS DE LOS MISMOS. TRANSITORIOS. SEGUNDO.- LAS COMPARECIENTES ACUERDAN LAS SIGUIENTES RESOLUCIONES: III.- DESIGNAR APODERADO DE LA SOCIEDAD AL SEÑOR RODNEY ALAN BLAKESTAD, QUIEN GOZARÁ DE LAS SIGUIENTES FACULTADES: A.- PODER GENERAL PARA PLEITOS Y COBRANZAS CON TODAS LAS FACULTADES GENERALES Y AÚN CON LAS ESPECIALES QUE DE ACUERDO CON LA LEY REQUIERAN PODER O CLÁUSULA ESPECIAL, PERO SIN QUE SE COMPRENDA LA FACULTAD DE HACER CESIÓN DE BIENES, EN LOS TÉRMINOS DEL PÁRRAFO PRIMERO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO Y DEL ARTÍCULO DOS MIL QUINIENTOS OCHENTA Y SIETE DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS DE LOS DEMÁS ESTADOS DE LA REPÚBLICA MEXICANA Y DEL DISTRITO FEDERAL, DE MANERA ENUNCIATIVA Y NO LIMITATIVA SE MENCIONAN ENTRE OTRAS FACULTADES LAS SIGUIENTES: I) PARA INTENTAR Y DESISTIRSE DE TODA CLASE DE PROCEDIMIENTOS, INCLUSIVE AMPARO.- II) PARA TRANSIGIR. III) PARA COMPROMETER EN ÁRBITROS. IV) PARA ABSOLVER Y ARTICULAR POSICIONES. V) PARA RECUSAR. VI) PARA RECIBIR PAGOS. VII) PARA PRESENTAR DENUNCIAS Y QUERELLAS EN MATERIA PENAL Y PARA DESISTIRSE DE ELLAS CUANDO LO PERMITA LA LEY. B.- PODER GENERAL PARA ACTOS DE ADMINISTRACIÓN, CON TODAS LAS FACULTADES GENERALES Y AÚN LAS ESPECIALES QUE REQUIEREN PODER O CLÁUSULA ESPECIAL CONFORME A LA LEY, SIN LIMITACIÓN ALGUNA Y CON LA AMPLITUD A QUE SE CONTRAE EL SEGUNDO PÁRRAFO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS EN LOS DEMAS ESTADOS DE LA REPÚBLICA MEXICANA Y DEL DISTRITO FEDERAL. C.- PODER GENERAL PARA ACTOS DE ADMINISTRACIÓN Y PLEITOS Y COBRANZAS EN MATERIA LABORAL EN LOS



TÉRMINOS DEL SEGUNDO PÁRRAFO DEL ARTÍCULO DOS MIL QUINIENTOS CINCUENTA Y CUATRO DEL CÓDIGO CIVIL FEDERAL Y SUS CORRELATIVOS DEL CÓDIGO CIVIL PARA EL DISTRITO FEDERAL Y LAS DEMÁS ENTIDADES FEDERATIVAS DE LA REPÚBLICA MEXICANA DE UNA MANERA ENUNCIATIVA Y NO LIMITATIVA, EL APODERADO PODRÁ: I) DIRIGIR EN NOMBRE DE LA SOCIEDAD LAS RELACIONES OBRERO-PATRONALES DE ÉSTA ÚLTIMA EN EL SENTIDO MÁS AMPLIO QUE EN DERECHO CORRESPONDA, TAL COMO, D UNA MANERA ENUNCIATIVA Y NO LIMITATIVA: I) EL RECLUTAMIENTO, SELECCIÓN CONTRATACIÓN, INDUCCIÓN, CAPACITACIÓN, ADIESTRAMIENTO Y AMONESTACIÓN DE PERSONAL. II) LA SUSPENSIÓN Y RESCISIÓN DE RELACIONES INDIVIDUALES DE TRABAJO. III) LA NEGOCIACIÓN, FIRMA Y ADMINISTRACIÓN DE CONTRATOS COLECTIVOS Y REGLAMENTOS INTERIORES DE TRABAJO, Y IV) FORMAR PARTE DE LAS COMISIONES MIXTAS DE HIGIENE Y SEGURIDAD INDUSTRIAL, DE CAPACITACIÓN Y ADIESTRAMIENTO O DE CUALQUIER OTRO TIPO DE COMISIONES MIXTAS QUE SE LLEGUEN A INTEGRAR CON MOTIVO DE LAS RELACIONES OBRERO-PATRONALES. II) ATENDER CON ATRIBUCIONES DE GERENTE TODOS LOS ACTOS DE CARÁCTER LABORAL INHERENTES A LA SOCIEDAD, FACULTÁNDOSELE EN GENERAL PARA QUE REPRESENTA A LA SOCIEDAD EN SUS RELACIONES OBRERO-PATRONALES Y ESPECÍFICAMENTE, DE UNA MANERA ENUNCIATIVA Y NO LIMITATIVA, PARA QUE: I) INTERVENGA EN TODO CONFLICTO INDIVIDUAL O COLECTIVO DE TRABAJO, Y II) EJERCITE LAS ACCIONES Y HAGA VALER TODOS LOS DERECHOS QUE CORRESPONDAN A LA SOCIEDAD. III) CELEBRAR CONTRATOS DE TRABAJO Y RESCINDIRLOS. IV) ACTUAR COMO REPRESENTANTE LEGAL DE LA SOCIEDAD: I) ANTE LOS SINDICATOS CON LOS CUALES ESTÉN CELEBRADOS CONTRATOS COLECTIVOS DE TRABAJO, Y II) PARA TODOS LOS EFECTOS DE CONFLICTOS INDIVIDUALES.---V) PROPONER ARREGLOS CONCILIATORIOS, CELEBRAR TRANSACCIONES, TOMAR TODA CLASE DE DECISIONES Y NEGOCIAR Y SUSCRIBIR CONVENIOS LABORALES. ---VI) ACTUAR COMO REPRESENTANTE DE LA SOCIEDAD EN CALIDAD DE ADMINISTRADORES RESPECTO A TODA CLASE DE JUICIOS O PROCEDIMIENTOS DE TRABAJO QUE SE TRAMITEN ANTE CUALQUIER AUTORIDAD TAL COMO EL INSTITUTO MEXICANO DEL SEGURO SOCIAL, INSTITUTO DEL FONDO NACIONAL DE LA VIVIENDA PARA LOS TRABAJADORES Y DEMÁS DEPENDENCIAS DEL GOBIERNO FEDERAL, ESTATAL O MUNICIPAL QUE TENGAN O PUDIERAN TENER COMPETENCIA PARA VENTILAR ASUNTOS RELACIONADOS CON LA LEY FEDERAL DEL TRABAJO.---VII) LLEVAR LA REPRESENTACIÓN PATRONAL DE LA SOCIEDAD PARA EFECTOS DE LOS ARTÍCULOS ONCE, CUARENTA Y SEIS Y CUARENTA Y SIETE DE LA LEY FEDERAL DEL TRABAJO Y TAMBIÉN LA REPRESENTACIÓN LEGAL DE LA SOCIEDAD, PARA LOS EFECTOS DE ACREDITAR LA PERSONALIDAD Y CAPACIDAD EN JUICIO O FUERA DE ÉL EN LOS TÉRMINOS DEL ARTÍCULO SEISCIENTOS NOVENTA Y DOS FRACCIONES I Y II DE LA LEY FEDERAL DEL TRABAJO, DE LOS ARTÍCULOS CIENTO CUARENTA Y CINCO Y CIENTO CUARENTA Y SEIS DE LA LEY GENERAL DE SOCIEDADES MERCANTILES Y DE LAS DISPOSICIONES DE LAS DEMAS LEYES U ORDENAMIENTOS ESPECIALES, YA SEA DE CARÁCTER FEDERAL, ESTATAL O LOCAL QUE SEAN APLICABLES.---VIII) SEÑALAR DOMICILIOS PARA OÍR NOTIFICACIONES EN LOS TÉRMINOS DEL ARTÍCULO OCHOCIENTOS SESENTA Y SEIS DE LA LEY FEDERAL DEL TRABAJO.---IX) COMPARECER CON TODA LA REPRESENTACIÓN LEGAL BASTANTE Y SUFICIENTE, PARA ACUDIR A LA AUDIENCIA A QUE SE REFIERE EL ARTÍCULO OCHOCIENTOS SETENTA Y TRES DE LA LEY FEDERAL DEL TRABAJO EN SUS TRES FASES DE CONCILIACIÓN, DE DEMANDA Y EXCEPCIONES Y DE OFRECIMIENTO Y ADMISIÓN DE PRUEBAS, EN LOS TÉRMINOS DE LOS ARTÍCULOS OCHOCIENTOS SETENTA Y CINCO, OCHOCIENTOS SETENTA Y SEIS, FRACCIONES I Y VI, OCHOCIENTOS SETENTA Y SIETE, OCHOCIENTOS SETENTA Y OCHO, OCHOCIENTOS SETENTA Y NUEVE Y OCHOCIENTOS OCHENTA DE LA CITADA LEY.--- X) ACUDIR A LA AUDIENCIA DE DESAHOGO DE PRUEBAS, EN LOS TÉRMINOS DE LOS ARTÍCULOS OCHOCIENTOS SETENTA Y TRES Y OCHOCIENTOS SETENTA Y CUATRO DE LA LEY FEDERAL DEL TRABAJO.---XI) DESAHOGAR LA PRUEBA CONFESIONAL EN LOS TÉRMINOS DE LOS ARTÍCULOS SETECIENTOS OCHENTA Y CINCO Y SETECIENTOS OCHENTA Y OCHO DE LA LEY FEDERAL DEL TRABAJO, CON FACULTADES PARA ABSOLVER Y ARTICULAR POSICIONES. ---D.- PODER GENERAL PARA OTORGAR, SUSCRIBIR, ENDOSAR Y AVALAR TÍTULOS DE CRÉDITO, EN LOS TÉRMINOS DEL ARTÍCULO NOVENO DE LA LEY GENERAL DE TÍTULOS Y OPERACIONES DE CRÉDITO. EL APODERADO NOMBRADO

EJERCITARÁ LAS FACULTADES A QUE ALUDEN LOS INCISOS ANTERIORES, ANTE PARTICULARES Y ANTE TODA CLASE DE AUTORIDADES ADMINISTRATIVAS O JUDICIALES, LOCALES O FEDERALES Y ANTE LAS JUNTAS DE CONCILIACIÓN Y ARBITRAJE, LOCALES O FEDERALES Y AUTORIDADES DEL TRABAJO, PUDIENDO FIRMAR TODOS LOS DOCUMENTOS PÚBLICOS O PRIVADOS QUE SEAN NECESARIOS O CONVENIENTES PARA EL CABAL CUMPLIMIENTO DEL PRESENTE PODER.---E.- FACULTAD PARA OTORGAR PODERES GENERALES O ESPECIALES Y PARA REVOCAR UNOS Y OTROS."-----

----- En atención al documento descrito en los párrafos anteriores, el cual tuve a la vista, doy fe de que el compareciente tiene en efecto, facultades para celebrar el contrato cuyo contenido reconoce y ratifica.-----

----- Como traductor de **Rodney Alan Blakestad** compareció **Juan José Duarte Bravo**, quien bajo protesta de decir verdad manifestó ser mexicano, casado, abogado, haber nacido en Magdalena de Kino, Sonora, el 23 (veintitrés) de octubre de 2007 (dos mil siete), y tener su domicilio convencional en Bulevar Hidalgo número 64 (sesenta y cuatro), Colonia Centenario, de Hemosillo, Sonora.-----

-----**LEGAL ESTANCIA EN EL PAIS DE RODNEY ALAN BLAKESTAD**-----

----- Para acreditar su legal estancia en el país el compareciente **Rodney Alan Blakestad** me exhibió la forma migratoria cuya copia se anexa a esta ratificación.-----

-----**INSERCIÓN**-----

----- Artículo 2,554 (dos mil quinientos cincuenta y cuatro) del Código Civil Federal, idéntico al artículo 2,831 (dos mil ochocientos treinta y uno) del Código Civil para el Estado de Sonora: En todos los poderes generales para pleitos y cobranzas, bastará que se diga que se otorgan con todas las facultades generales y las especiales que requieran cláusula especial conforme a la ley, para que se entiendan conferidos sin limitación alguna. En los poderes generales para administrar bienes, bastará expresar que se dan con ese carácter, para que el apoderado tenga toda clase de facultades administrativas. En los poderes generales, para ejercer actos de dominio, bastará que se den con ese carácter para que el apoderado tenga todas las facultades de dueño, tanto en lo relativo a bienes, como para hacer toda clase de gestiones a fin de defenderlos. Cuando se quisieren limitar, en los tres casos antes mencionados, las facultades de los apoderados, se consignarán las limitaciones, o los poderes serán especiales. Los notarios insertarán este artículo en los testimonios de los poderes que otorguen. Artículo 2,587 (dos mil quinientos ochenta y siete) del Código Civil Federal, idéntico al artículo 2,868 (dos mil ochocientos sesenta y ocho) del Código Civil para el Estado de Sonora: El procurador no necesita poder o cláusula especial, sino en los casos siguientes: I. Para desistirse; II. Para transigir; III Para comprometer en árbitros; IV. Para absolver y articular posiciones; V. Para hacer cesión de bienes; VI. Para recusar; VII. Para recibir pagos; VIII. Para los demás actos que expresamente determine la ley. Cuando en los poderes generales se desee conferir alguna o algunas de las facultades acabadas de enumerar, se observará lo dispuesto en el párrafo primero del artículo 2,554 (dos mil quinientos cincuenta y cuatro).-----

----- Para efectos de la ratificación y otorgamiento de poder que se consigna en este documento comparecieron como testigos: **CARLOS LORENZO ALBELAIS BOIDO**, quien manifestó ser mexicano por nacimiento, soltero por divorcio, Comerciante, originario de Magdalena de Kino, Sonora, en donde nació el 10 (diez) de Agosto de 1954 (mil novecientos cincuenta y cuatro) y con domicilio en Ruíz Cortínez número 205 (doscientos cinco), Colonia San Felipe de Magdalena de Kino, Sonora, identificándose con licencia de chofer número 4600NC0003392 , y **MARÍA CECILIA RIVERA CHIAPA**, casada, Secretaria, originaria de Magdalena de Kino, Sonora, en donde nació el 19 (diecinueve) de Noviembre de 1944 (mil novecientos cuarenta y cuatro) y con domicilio en Morelos

número 609 (seiscientos nueve) Poniente, Colonia Centro de Magdalena de Kino, Sonora, identificándose con su credencial para votar con fotografía, folio 013123120702.



-----**DOCUMENTOS ANEXOS**-----

--- Anexo a esta leyenda de ratificación los siguientes documentos: **(a)** Contrato materia de este instrumento de ratificación y de reconocimiento de firma; **(b)** Copia de las credenciales para votar con fotografía de los comparecientes, de los testigos y del traductor; y **(c)** Copia del pasaporte y del documento migratorio de **Rodney Alan Blakestad**.-----

----- El suscrito notario público hago constar bajo mi fe, para todos los efectos legales a que haya lugar:-----

-----**1.** Que me aseguré de la identidad de los comparecientes quienes se identificaron con credencial para votar con fotografía, a excepción de Rodney Alan Blakestad quien se identificó con su pasaporte.-----

----- **2.** Que los comparecientes tienen capacidad legal para contratar y obligarse, lo que hago constar por no observar en ellos manifestaciones evidentes de incapacidad natural y no tener noticia de que estén sujetos a incapacidad civil.-----

----- **3.** Que tuve a la vista los documentos que se me presentaron para la redacción de esta leyenda de ratificación y que regresé dichos originales a los comparecientes. -----

----- **4.** Que los comparecientes leyeron por sí mismos el documento cuyo contenido reconocieron y ratificaron a excepción de Rodney Alan Blakestad quien lo leyó por conducto de su traductor.-----

----- **5.** Que expliqué a los comparecientes el valor y consecuencias legales de su contenido, a fin de cumplir con lo ordenado por la Ley del Notariado para el Estado de Sonora.-----

----- **6.** Que el compareciente Rodney Alan Blakestad tiene efectivamente la representación en cuyo nombre procede, y que dicha representación es legítima según los documentos auténticos que al efecto me exhibió y que han sido mencionados y trascritos en lo conducente en esta leyenda.-----

----- **7.** Los comparecientes firman esta leyenda de ratificación en mi presencia como signo de su conformidad con la misma, en Magdalena de Kino, Sonora, a 13 (trece) de noviembre del 2007 (dos mil siete). Doy Fe.-----

Cesar Octavio Albelaís Boido

Delfina Yolanda León Reyes,
para dar su consentimiento conyugal
irrevocable e incondicional a
Cesar Octavio Albelaís Boido

Jassany M. Albelaís V.
Jassany Margarita Albelaís
Valenzuela

Carlos Damián Arvizu Romero
Carlos Damián Arvizu Romero
para dar su consentimiento
irrevocable e incondicional a
Margarita Albelaís Valenzuela

Lic. Francisco Alfonso
Corella Zamudio
conyugal
DE LA NOTARÍA
PÚBLICA NÚMERO 8
Magdalena de Kino,
Sonora, Méx.

Rodney Alan Blakestad

Minera LSG S.A. de C.V.,
representada por
Rodney Alan Blakestad

Juan José Duarte Bravo
Juan José Duarte Bravo
(Traductor)

Testigos:

CARLOS LORENZO ALBALAIS BOIDO

MARIA CECILIA RIVERA CHIAPA.

EL TITULAR DE LA NOTARÍA PÚBLICA NÚMERO 8.
Magdalena de Kino, Sonora.

Licenciado Francisco Alfonso Corella Zamudio

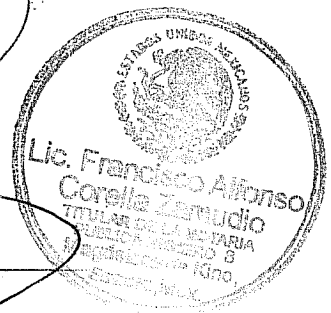


Exhibit 10.30

**UNILATERAL OPTION CONTRACT FOR THE SALE,
EXPLORATION AND ESTABLISHMENT OF COLLATERAL
ON THE OWNERSHIP OF MINING CONCESSIONS,**

entered into by,

César Octavio Albelais Boido
("Albelais Boido"),
on his own rights,

with the consent of his spouse,
Mrs. Delfina Yolanda Leon Reyes
("Mrs. Albelais Boido")

and

Jassany Margarita Albelais Valenzuela
("Albelais Valenzuela",
on her own rights,

with the consent of his spouse,
Mr. Carlos Damian Arvizu Romero,
("Mr. Arvizu")

on one hand,

and

Minera LSG S.A. de C.V.
("LSG")
represented by Rodney Alan Blakestad

on the other hand,

pursuant to the following declarations and clauses:

**DECLARATIONS
UNDER OATH**

I. By Albelais Boido:

He is the sole owner, under the full and imperturbed exercise of the rights derived from the mining concession on lot “Marisol”, with an area of 226 has. (two hundred twenty-six hectares), located in the Township of Santa Ana, Sonora, as shown in title number 220,813 (two hundred twenty thousand eight hundred thirteen), in force, registered under record number 193 (one hundred ninety-three), on page 97 (ninety-seven) of volume 339 (three hundred thirty-nine) of the General Book of Mining Concessions of the Public Mining Registry, on the 8th (eighth) of October 2003 (two thousand three).

II. By Albelais Valenzuela:

She is the sole owner, under the full and imperturbed exercise of the rights derived from the mining concession on lot “La Víbora No. 2”, with an area of 24 has. (twenty-four hectares), located in the Township of Santa Ana, Sonora, as shown in title number 177,274 (one hundred seventy-seven thousand two hundred seventy-four), in force, registered under record number 314 (three hundred fourteen), on page 79 (seventy-nine) of volume 239 (two hundred thirty-nine) of the General Book of Mining Concessions of the Public Mining Registry, on the 18th (eighteenth) of March 1986 (nineteen eighty-six).

The concession on lot “La Víbora No. 2” was issued in favor of Ramón Robles Valenzuela on the 17th (seventeenth) of March 1986 (nineteen eighty-six), which was then assigned to Albelais Valenzuela through total conveyance for consideration executed through public deed 4,522 (four thousand five hundred twenty-two), book number 42 (forty-two), volume fourteenth, under the faith of José Alvarez Llera, notary public number 49 (forty-nine), practicing in Magdalena de Kino, Sonora, on the 11th (eleventh) day of March 1996 (nineteen ninety-six), registered * under the book of Mining Acts, Contracts and Agreements of the Mining Public Registry, in * 1996*.

In order to assign the concession on lot “La Víbora No. 2” in favor of Albelais Valenzuela, Ramón Robles Valenzuela had the approval of his spouse, Mrs. Reyes Gauna Tazabia.

III. By Albelais Boido and Albelais Valenzuela (hereinafter identified in this contract, whenever referred to collectively, as the “Committed Sellers”):

(A) They are the sole co-owners, of 50% (fifty percent) each, and they are under the full and imperturbed exercise of the rights derived from the mining concession on lot “Marisol 4”, with an area of 291 has. (two hundred ninety-one hectares), located in the Township of Santa Ana, Sonora, as shown in title number 227,381 (two hundred twenty seven thousand three hundred eighty-one), in force, registered under record number 281 (two hundred eighty-one), on page 141 (one hundred forty-one) of volume 357 (three hundred fifty-seven) of the General Book of Mining Concessions of the Public Mining Registry, on the 14th (fourteenth) of June 2006 (two thousand six).

(B) They are the sole co-owners, of 50% (fifty percent) each, and they are under the full and unperturbed exercise of the rights derived from the mining concession on lot "Marisol 5", with an area of 30 has. (thirty hectares), located in the Township of Santa Ana, Sonora, as shown in title number 230,021 (two hundred thirty thousand twenty-one), in force, registered under record number 41 (forty-one), on page 21 (twenty-one) of volume 365 (three hundred sixty-five) of the General Book of Mining Concessions of the Public Mining Registry, on the 10th (fourteenth) of July 2007 (two thousand seven).

(C) The concessions described in declarations I (first) and II (second) and in paragraphs (A) and (B) of the present declaration III (third), (hereinafter referred to jointly as "The Concessions", expression which includes the rights and obligations derived therefrom) and the respective lots included in the Concessions (the "Lots"), are free and exempt from seizure, appointment for seizure, attachments, appointment for attachments, ownership limitations, mortgages, pledge, depositaries, provisional notations, notations for being litigious, promises, options, trusts, royalties, trials, lawsuits, judicial proceedings, arbitration proceedings, administrative proceedings for cancellation, nullity, non-existence or any other type, expropriation proceedings and free of any any other lien, encumbrance or conditions other than those established by the Mining Law (all those conditions hereinafter referred to generically as "Liens", singular or plural, depending on the context), and there is nothing which could result in the assessment, establishment or registration of Liens on the Concessions.

(D) They are current with the fulfillment of the obligations assessed by the Mining Law or its Regulations in connection with the Concessions, especially those referred to filing reports of mining work carried out in the Lots and the payment of the mining rights.

(E) There is no difference or dispute, judicial, administrative, arbitration or any other nature, between (i) The Promoters and/or Albelais Valenzuela and any of the owners or holders of the superficial land where the Lots are located (the "Superficial Lots"), or between the Promoters and/or Albelais Valenzuela and any of the owners or holders of the superficial land adjacent to those where the Lots are located, (ii) The Promoters and/or Albelais Valenzuela and any of the owners or holders of the superficial land where you have to pass to enter and exit the lots, (iii) The Promoters and/or Albelais Valenzuela and any of the owners of the mining concessions which the lots which are adjacent to the Lots or between The Promoters and/or Albelais Valenzuela who have contract rights derived from such mining concessions, and the Promoters feel there shall be no difference or dispute between LSG and any of the persons mentioned in the different subsections of this paragraph (E).

(F) The Promoters have no pending debt nor shall they exercise any action they may have promised to pay or execute and have not paid or executed for the benefit of the persons mentioned in the paragraph above or for the benefit of other individuals who may claim damages for any such omission, and the Promoters are not in default of any other obligation they have agreed to perform or meet with any of the persons mentioned in the paragraph above.

(G) On the ground, underground, the superficial water deposits or currents or underground waters, the atmosphere, flora, fauna or other natural elements found in the Superficial Land and the adjacent superficial land, there is no condition which is or may be considered as violating the Law of Ecological Equilibrium and Environmental Protection, its regulations applicable and the Mexican official standards in such subject (such law, regulations and official standards called "Environmental Law") or the laws, regulations or Mexican official standards applicable to health, sanitation, industrial safety, explosives or similar subjects; specifically, notwithstanding the above, in the ground, underground, the superficial water deposits or currents or underground waters, the atmosphere, flora, fauna, or other natural resources of the superficial elements of the Lots and the adjacent superficial land, there are no dangerous or contaminating residues or substances regarding which there has been no action established by the Environmental Law.

(H) There is presently no administrative, judicial or any other type of proceeding, and the Promoters expect no such proceeding, tending to investigate the conditions of the land or its natural resources (including, but not limited to, its atmosphere, underground, water, flora and fauna) for any violation to the Environmental Law, the laws, regulations or Mexican official standards applicable to health, sanitation, industrial safety, explosive or any other similar subjects or tending to penalize its owners or any individual who is working or has worked therein or the adjacent land for violations of the Environmental Law or the mentioned dispositions; and as far as he knows, there has been no such violation, and the Promoters have received no notice or advise and they have heard of no investigation regarding such condition; therefore, LSG shall not be molested for any of such proceedings.

(I) They are the legal and sole owners of the respective contracts and agreements regarding the Concessions (the "Related Agreements") described in attachment "A" hereto, in force as of this date, and regarding the same, they have not breached or caused the rescission for any other reason, whether disability, inefficiency or loss of legal effects, nor is there any dispute or difference with their contract counterparties and they expect no such dispute as a result of the assignment thereof in favor of LSG; moreover, there is no legal or contract impediment for the assignment of the Related Contracts in favor of LSG.

(J) They are the legal and sole owners of the permits, licenses, concessions, authorizations, approvals, favorable resolutions of environmental impact, environmental risk studies, authorizations for modifying the land use, concessions for the extraction, use and exploitation of the underground waters, concessions for the use and exploitation of superficial waters, concessions for the discharge of residual waters, approvals for land use and similar acts of authority (the "Permits") described in attachment "B" hereto, and in connection therewith, they have not breached or caused any revocation, cancellation, termination or loss of legal effects for any other reason; moreover, there is no legal impediment for the assignment of the Permits in favor of LSG under this contract.

(K) There is no legal impediment for entering and fulfilling the dispositions of this contract, and with such execution and performance they are not violating any legal standard or any contract disposition or covenant, whichever its nature, and notwithstanding the individual or individuals entering such.

(L) They have agreed to enter this contract with LSG for granting, among other things, a unilateral option to sell the ownership of the Concessions and exclusive and irrevocable rights for exploring the mineral substances, if any, existing in the Lots.

IV. By LSG:

- (A) It is Mexican corporation duly organized through public deed number 65,912, volume 1,604, granted before Francisco Javier Cabrera Fernandez, notary public alternate of the notary office number 11, practicing in Hermosillo, Sonora, on the 20th day of October 2007, registration of which is under process under the Public Registry of Commerce and the Mining Public Registry.
- (B) Its corporate purpose is mining and the full legal and economical capacity to enter this contract.
- (C) It has agreed to enter this contract with the Promoters in order to acquire from the latter, among other things, a unilateral option to sell the ownership of the Concessions and sole and irrevocable rights for exploring the mineral substances, if any, existing in the Lots.

V: By Mrs. Albelais Boido and Mr. Arvizu:

They have appeared at the execution of this contract in order to grant their respective unconditional and irrevocable consent in favor of the Promoters to sign, deliver and bind themselves in its terms.

In attention to the declarations and their respective interests and purposes, Albelais Boido (with the consent of his spouse Mrs. Albelais Boido), Albelais Valenzuela (with the consent of his spouse Mr. Arvizu) and LSG have entered this Contract of Unilateral Option to sell, explore and establish collateral on the ownership of the mining concessions, and agree to the following:

CLAUSES

1

INCORPORATION OF DECLARATIONS TO THE CLAUSES OF THIS CONTRACT, BY REFERENCE

- (A) The parties ratify the declarations given under oath in the chapter of declarations of this contract which by reference are incorporated to this clause, as if they had been inserted literally, for all legal purposes.
- (B) The parties guarantee and agree on the truth, completeness and accuracy of the declarations given in the chapter of declarations hereunder; they are not simple general declarations on benefits or damages which could naturally result from those facts or the execution or non-execution of this contract or simple declarations of facts or history with no binding contents.
- (C) For having been agreed to their truth, completeness and accuracy, such declarations have caused the will and consent of the parties to the execution of this contract.
- (D) The parties are not aware of any fact, event or circumstance of substantial nature which has not been revealed to the other party and which should have been revealed in order to give the declarations matter of this clause true, accurate and complete or to avoid being misleading and malicious, and specifically, the Promoters have not omitted to state or declare anything that, having declared such, would have caused LSG not to execute this contract or not to exercise the Option of the other rights acquired therein.

2

UNILATERAL COMMITMENT OF SALE AND OPTION

- (A) The Promoters agree to transfer in favor of LSG (or its designee) the ownership of the respective Concessions (that is, Albelais Boido agrees to transfer one hundred percent of the ownership of the mining concession identified in declaration I (first), and fifty percent of the ownership of the mining concession identified in paragraph (A) of declaration III (third), and Albelais Valenzuela agrees to transfer one hundred percent of the ownership of the mining concession identified in declaration II (second), and fifty percent of the ownership of the mining concession identified in paragraph (A) of declaration III (third) and the ownership of the Related Agreements and the Permits, granting LSG a unilateral, irrevocable and exclusive option to buy such ownerships under this contract (such right in this contract is called the "Option").

The Option is unilateral because it binds the Promoters to transfer the ownerships; however, it does not bind LSG to acquire or buy such ownerships.

The Option is irrevocable because it may not be revoked, removed or cancelled in any way during the term thereof if it is not given under the prior, express, written and authentic consent by LSG, granted before a notary public by an individual appointed and authorized for such act.

The Option is exclusive because it has only been granted to LSG and because during its term, legally, no option or right may be granted for the same or similar purposes in favor of any other individual or entity, for any concept whatsoever, and through any legal mechanism or form, and the option or rights granted in violation of this exclusivity shall not be exceptionable nor shall they damage LSG.

The Option includes the unilateral, irrevocable and exclusive right or option to acquire the mining concessions which, given the case, substitute those defined here as Concessions, or which, given the case, are issued in connection with those defined here as concessions, or mining concessions which, given the case, are issued in favor of any of the Promoters or any individual or entity related directly or indirectly with the Promoters to include gaps between or adjacent to the Lots or between or adjacent to any of the lots included in such concessions, all of which is subject to all the terms and conditions of this contract, without requiring to pay any additional or different amount than that established herein. The above, notwithstanding the dispositions of clause 5 (five).

- (B) For the granting of the Option and as an advance payment of the Transferral Price, LSG previously paid the Promoters the amount of US\$10,000 (ten thousand United States of American dollars), same amount which the Promoters acknowledge having received at their entire satisfaction.
- (C) In order to keep the Option effective during the Option Term, LSG shall pay the Promoters the following amounts:
 - 1. US\$30,000 (thirty thousand United States of America dollars), on the date this contract is signed and ratified before a notary public by both the Promoters and their spouses, and by LSG (such date shall hereinafter be referred to in this contract as "Execution Date").
 - 2. US\$30,000 (thirty thousand United States of America dollars), no later than 6 (six) months following the Execution Date.
 - 3. US\$30,000 (thirty thousand United States of America dollars), no later than 12 (twelve) months following the Execution Date.
 - 4. US\$50,000 (fifty thousand United States of America dollars) no later than 18 (eighteen) months following the Execution Date.
 - 5. US\$50,000 (fifty thousand United States of America dollars) no later than 24 (twenty-four) months following the Execution Date.

6. US\$150,000 (one hundred fifty thousand United States of America dollars) no later than 30 (thirty) months following the Execution Date.
7. US\$150,000 (one hundred fifty thousand United States of America dollars) no later than 36 (thirty-six) months following the Execution Date.
8. US\$250,000 (two hundred fifty thousand United States of America dollars) no later than 42 (forty-two) months following the Execution Date.
9. US\$250,000 (two hundred fifty thousand United States of America dollars) no later than 48 (forty-eight) months following the Execution Date.
10. US\$750,000 (seven hundred fifty thousand United States of America dollars) no later than 54 (fifty-four) months following the Execution Date.

If LSG decides to exercise and does exercise the Option, which shall occur no later than 60 (sixty) months following the Execution Date, (hereinafter referred to as the “Option term”), LSG shall pay the Promoters US\$750,000 (seven hundred fifty thousand United States of American dollars) the date the Promoters and their respective spouses execute the transferal in favor of LSG (or its designee) of the ownership of the Concessions, the Related Agreements and the Permits, and the confirmation of their signatures and acknowledgement of the contents of the transferal contract before a notary public, notwithstanding the dispositions of paragraph (G) of this clause.

The Promoters shall pay the taxes derived from this contract pursuant to the laws applicable.

Upon receiving the amounts paid by LSG under this contract and the Definite Contract, the Promoters shall pay taxes under the regime of business activities, and therefore, LSG shall not be obligated to withhold any amount for income tax. Otherwise, LSG shall withhold those amounts which are legally and fiscally appropriate.

Prior to paying any of the amounts stipulated in paragraph (C) of the present clause 2 (two), the Promoters shall deliver LSG the invoices meeting all the fiscal requirements transferring and detailing the added value tax to the rate applicable and sufficient proof, as deemed by LSG, that the Promoters actually pay their taxes under the regime of business activities.

Whenever the last day agreed in the different numbers of paragraph (C) of this clause is a non-business day, such payment may be made the following business day, and such payment shall not be deemed as late, subject to clause 4 (four).

The amounts payable by LSG pursuant to the dispositions of paragraph (C) of the present clause shall be deemed payable to the Promoters in equal parts, that is, 50% (fifty percent) of each amount for each one of the Promoters. For such purposes, the Promoters shall

promptly provide LSG the data of their respective bank accounts where LSG may deposit the payments referred to in paragraph (C). Upon the lack of such data or when LSG decides to make such payments through a check delivered to the Promoters personally and has not done so before the last day of the respective terms, LSG shall make such payments at 10:00 a.m. (ten hours a.m.) of the last day of such respective terms precisely at the domicile of the Promoters indicated in clause 4 (four). If LSG decides to pay the Promoters by check, they shall be written to the order of each one of the Promoters and to be credited in the account of the beneficiaries.

LSG may make the payments established in this clause in the currency indicated or its equivalent in Mexican currency at the rate of exchange published in the Federal Official Bulletin the business day preceeding the day such payment is made.

None of the amounts payable to the Promoters under paragraphs (B) and (C) and other parts of this contract shall bear interest in favor of the Promoters or any other individual.

- (D) If during the Option Term LSG decides to exercise the Option, he shall notify the Promoters through a written notice (referred to as “Notice of Exercise” in this contract), understanding such Notice of Exercise shall indicate, at least, the place, date and hour the definite transferal contract shall be executed (hereinafter referred to as the “Definite Contract”), which shall take place no later than 10 (ten) calendar days following the reception of the Notice of Exercise by the Promoters. The delivery of the Notice of Exercise shall obligate the Promoters to execute the Definite Contract and Mrs. Albelais and Mr. Arvizu to grant their unconditional and irrevocable consent for such purpose and shall give LSG right and action to demand and obtain such execution by the Promoters and Mrs. Albelais and Mr. Arvizu under the terms of law, this contract and the proper Notice of Exercise, notwithstanding the dispositions of paragraph (G) of this clause 2 (two).

The Option shall be deemed automatically exercised, and therefore, the transferal of the ownership of the Concession, the Related Agreements and the Permits in favor of LSG (or its designee) shall be deemed as perfect, and no Notice of Exercise to the Promoters shall be required, the same day LSG, given the case, makes the payment to the Promoters of all those amounts established in paragraphs (B) and (C) of this clause.

If LSG fails to make any of the payments set forth in paragraphs (B) and (C) of this clause 2 (two), it shall be deemed they have decided not to exercise the Option and this contract has terminated in advance, with no additional responsibility or obligation whatsoever on their part (other than those established in the Environmental Law), without damage and subject to the dispositions of clause 4 (four).

- (E) The Definite Contract shall include:

1. The Definite Contract shall execute the transferal of the ownership of the Concessions, the Related Agreements and the Permits in favor of LSG (or its designee), in

consideration of the price mentioned in number 3 (three) of the present paragraph (E) of this clause, plus the added value tax.

2. The Promoters shall transfer in favor of LSG the ownership of the concessions and the Related Agreements, Lien free, and the Concessions, the Related Agreements and the Permits in full force, regularity and in fulfillment of the obligations stipulated or contained therein or set forth in the laws applicable.
3. The price for the transferal of the ownership of the Concessions, the ownership of the Related Agreements and the ownership of the Permits (referred to as "Price of Transferral" in this contract) shall be the amount of US\$2,500,000 (two million five hundred thousand United States of America dollars), which is the sum of the amounts set forth in paragraphs (B) and (C) of this clause, payment upon which such ownerships shall be deemed transferred in favor of LSG.

The amounts LSG delivers the promoters in accordance with paragraphs (B) and (C) of this clause shall be deemed delivered and received in advance of the Price of Transferral if LSG decides to exercise the Option.

From the amount set forth in number 1 (one) of paragraph (C) of clause 2 (two), LSG shall deduct those paid by LSG for mining rights on the Concessions or any other amount the Promoters may owe in connection with the Concessions or the Lots and are unpaid at the date this contract is executed, plus its accessories in both cases, and those amounts paid by LSG for those concepts shall be deemed as advance payments on the amount set forth in number 1 (one) of paragraph (C) of clause 2 (two) and, consequently, received at the entire satisfaction by the Promoters. If such amounts due were not paid for with the amount set forth in number 1 (one) of paragraph (C) of clause 2 (two), LSG shall pay them with the amounts provided for successively in the other numbers of paragraph (C) of clause 2 (two), and those amounts paid by LSG for those concepts shall be deemed received at the entire satisfaction by the Promoters as an advance payment of the Price of Transferral.

The balance of the Price of Transferral once the amounts mentioned in the paragraph above have been deducted, if any, shall be paid to the Promoters upon the execution of the Definite Contract.

If LSG decides not to exercise the Option, the failure to make any of the payments set forth in paragraphs (B) and (C) of clause 2 (two), notwithstanding the dispositions of clause 4 (four), or through an express written notice in that sense delivered or sent to the Promoters, the amounts LSG has already paid the Promoters shall remain in favor of such Promoters.

4. The ownership of the Concessions, the Related Agreements and the Permits shall be deemed transferred or assigned in favor of LSG exactly the day LSG has completed the payment of US\$2,500,000 (two million five hundred thousand United States of America dollars) in favor of the Promoters, which is the sum of the amounts set forth in paragraphs (B) and (C) of this clause, if LSG decides to exercise the Option, and the Definite Contract shall be deemed executed only upon such transferal or assignment.
5. The Promoters and their spouses shall cooperate diligently with LSG so the transferal in favor of LSG (or its designee) of the Related Agreements and the Permits is executed

together with the contract counterparts and the competent authorities, whenever some action or signature of an additional document by the Promoters and/or their spouses were necessary.

6. The Promoters shall be responsible for the warranty of title and right of possession or faults in the ownerships assigned, with no limitation whatsoever.
7. Each party shall pay their own taxes derived from the Definite Contract, in accordance with the laws applicable.
8. It shall be agreed the execution costs before a notary public of the Definite Contract and those related to the registration before the Public Mining Registry, shall be paid by LSG.
9. The Definite Contract shall also include the Promoters, at all times and at their own cost, shall defend LSG, their successors and assignees, against any individual claiming better rights on or related to the ownership of the Concessions or the ownership of the Related Agreements or any of them) or the ownership of the Permits (or any of them).
10. The Definite Contract shall also include the Promoters (i) shall hold LSG free and exempt from any lawsuit, claim, accusation, complaint, proceeding, trial, penalty, fine, responsibility, closing or suspension of activity order, resolutions or decisions directly or indirectly related to the real or assumed non-performance of the obligations of the Promoters (or any other individual) for work carried out in the Lots before the Date of Execution, established in the Environmental Law and other standards related to ecological equilibrium and environmental health, safety, explosive, use of land and other matters directly or indirectly related to work carried out in the Lots before the Date of Execution; (ii) shall compensate LSG for damages and losses suffered by LSG related directly or indirectly to the failure to perform any of such obligations; (iii) shall refund LSG those fees and procedural costs and expenses paid by the latter in their defense in such lawsuits, accusations, complaints, proceedings, trials, penalties, fines, responsibilities, resolutions and decisions.

LSG assumes the same responsibility with respect to the Promoters for the work carried out in the Lots during the term of the Option is LSG decides not to exercise such Option.

11. The Promoters (i) shall hold LSG harmless and exempt from lawsuits, accusations, complaints, proceedings, trials, penalties, responsibilities, activity closing or suspension orders, fines and sentences directly or indirectly related to the workers or personnel the Promoters or any other individual may have employed before the Date of Execution in the performance of any work in the Lots, among others, without limited to, those obligations in connection with labor benefits, Mexican Institute of Social Welfare, National Fund Institute for Worker Housing, savings funds for retirement and payment of taxes of any kind generated by such labor relations; (ii) shall compensate LSG for damages and losses suffered by LSG ELATED directly or indirectly with the failure to perform any of such obligations; (iii) refund LSG those fees and procedural costs and

expenses paid by the latter in their defense in such lawsuits, accusations, complaints, proceedings, trials, penalties, fines, responsibilities, resolutions and decisions.

LSG assumes the same responsibility with respect to the Promoters for the work carried out in the Lots during the term of the Option is LSG decides not to exercise such Option.

LSG shall in no way be deemed to substitute nor shall they substitute the Promoters or any other individual who has carried out work in the Lots before the Date of Execution as an employer in their labor relations with the personnel or workers referred to in the first paragraph of this number 11 (eleven), nor shall they be deemed assuming the performance of any of such obligations for a different concept or means.

12. In the Definite Contract, the Promoters shall transfer in favor of LSG any contract, agreement or right of any other type the Promoters may have in connection with the use, occupation, exploitation, transit and access to the Superficial Land, other than those called here "Related Agreements", and all those permits, licenses, concessions, authorizations, approvals, resolutions, studies, authorizations, concessions and similar acts of authority that the Promoters have obtained related directly or indirectly with the Lots, other than those called here "Permits", when the same were transferrable or assignable, and LSG shall not be required or obligated to pay the Promoters, their spouses or any other individual any amount other than or additional to the Price of Transferral, so the latter shall also be deemed in consideration of the transferral by the Promoters in favor of LSG in accordance with this number.
 13. The Definite Contract shall include the additional stipulations which are normally included in the definite sales or transferral of ownership of mining concessions contracts in accordance with the Mexican law; however, none of them shall be inconsistent or opposing with respect to those matters of this preliminary contract. If for any reason the parties fail to reach an agreement on such additional stipulations, the Definite Contract shall be executed with the minimum stipulations matter of paragraph (E) of this clause 2 (two) and the others of this clause 2 (two) which are relevant.
- (F) The Promoters, their spouses and LSG ratify the signatures stamped in the Definite Contract and acknowledge its contents, or they shall execute or record it in a public instrument before a notary public whose name and professional domicile are indicated in the Notice of Exercise.
- (G) The Promoters (with the irrevocable and unconditional consent of Mrs. Albelais and Mr. Arvizu) grant a special irrevocable power for acts of administration and a special irrevocable power for acts of ownership in favor of Eduardo Robles Elías, Juan José Duarte Bravo, Iván Moreno Torrescano and José Joaquín Cabrera Ochoa, in order to, jointly or individually, at the written request of the Promoters or LSG, in the name and in behalf of the Promoters (and Mrs. Albelais and Mr. Arvizu for the purposes of consent of the latter to the Promoters) (i) sign and deliver the Definite Contract, to simply execute the transferral of the ownership of the Concession, the Related agreements and the Permits in

favor of LSG (or its designee), (ii) to appear before a notary public in order to ratify their signature and acknowledge the contents of the Definite Contract or to execute or record it before him, (iii) to present the Definite Contract (or the public instrument recording or executing the same) before the Public Mining Registry for registration, and (iv) to execute or carry out all the other acts deemed convenient or appropriate for the purposes indicated in this paragraph (G). The power granted in this clause shall be irrevocable for having been granted as a condition in this contract, and furthermore, as a means for the Promoters to perform the obligations assumed thereby, under the terms and for the purposes of article 2,596 (two thousand five hundred ninety-six) of the Federal Civil Code, which establishes: "The grantor may revoke the power as and when deemed convenient; except in those cases when it has been granted as a condition in a bilateral contract, or as a means to perform an assumed obligation."

For the attorneys appointed in the paragraph above to be competent for signing, executing and delivering the Definite Contract in the name and in behalf of the Promoters (and Mrs. Albelais and Mr. Arvizu for the purpose of the spouse consent by the former for the Promoters) in favor of LSG, LSG shall only be required to deliver or send (i) a certification stating LSG did exercise the Option and (ii) a copy certified by a public attorney of the vouchers showing LSG paid the Promoters the total Price of Transferral, or that it was deposited before a judicial authority.

The exercise of the power referred to in paragraph (G) under the circumstances indicated therein shall be the absolute and exclusive responsibility of LSG and the Promoters, who shall hold the attorneys free and exempt from any action, complaint, lawsuit, trial or accusation by LSG or the Promoters or any other individual, and they shall pay the legal fees, expenses and procedural costs and damages and any other associated disbursement which such attorneys pay in the defense of the acts performed by them during the exercise of the referred power.

LSG shall pay those reasonable fees the attorneys collect during the exercise of the power referred to in paragraph (G) and also the refund of those evidenced expenses the attorneys have generated for the same purpose.

The power matter of this paragraph may be exercised even after the death of the Promoters or Mrs. Albelais or Mr. Arvizu, in accordance with article 44 fraction VII paragraph © of the Notary Law for the State of Sonora.

- (H) LSG shall pay the mining rights on the Concessions starting the Date of Execution and during the Term of the Option, and such payments shall not be deemed as advance payment of the Price of Transferral, carry out in the Lots the minimum investments required in order to keep the Concessions in force, present the respective reports promptly and carry out any other act of action for such purpose in order to keep the Concessions in force.

LSG shall provide the Promoters certified copies of the payments of the mining rights and the work reports referred to in the paragraph above, at the written request of the Promoters.

- (I) If LSG decides not to exercise the Option, or if this contract is rescinded or terminated for any other reason, LSG shall pay the mining rights generated on the Concession for the semester during which the contract was rescinded or terminated, and, at the written request of the Promoters, provide the Promoters a certified copy of the payment receipts of such mining rights, and LSG shall also leave the evidence of the investments from the preceeding

calendar year to the year during which the contract was rescinded or terminated and it shall also provide the Promoters, at the written request of the latter, certified copy of the evidence of the investments made in the Lots during the calendar time of the exact year when such rescission or termination took place.

- (J) LSG shall not be required to explain or justify before the Promoters, their spouses or any other individual the reason why it decided not to exercise the Option, given the case, and the non-exercise of the Option by LSG shall not give the Promoters or their spouses any action for damages or losses or any other nature against LSG.
- (K) Royalty. If LSG does exercise the Option and exploits the Lots commercially, LSG or anybody substituting LSG through assignment or transferral of the rights derived from this contract shall pay the Promoters a royalty of 1.25% (one point twenty-five percent) on the net smelting income, which shall be computed and paid as described in attachment "D" hereto. In the case of assignment or transferral of the rights derived from this contract by LSG, LSG shall have no further responsibility for the payment of the royalty matter of this clause.

Before the seventh anniversary of the Date of Execution, LSG may acquire the right of the Promoters to receive the payment of the above mentioned royalty, paying the Promoters US\$1,500,000 (one million five hundred thousand United States of America dollars). If LSG decides not to exercise such right before the seventh anniversary of the Date of Execution, the Promoters shall be free to assign it totally or partially in favor of a third party.

3

EXCLUSIVE AND IRREVOCABLE EXPLORATION RIGHTS
AND RELATED ISSUES

- (A) The Promoters grant LSG the exclusive and irrevocable right to explore the mineral substances, if any, existing in the Lots, during the Option Term, with no obligation for LSG other than those set forth in this contract.

The rights granted by the Promoters in favor of LSG in this clause are exclusive because they have only been granted to LSG and because they may not be granted legally to any other individual or entity, for any reason whatsoever, and through any legal mechanism or form, and the rights granted by the Promoters in violation of this exclusivity shall not be exceptionable nor shall they damage LSG.

The rights granted by the Promoters in favor of LSG in this clause are irrevocable because they may not be revoked, removed or cancelled in any way if it is not given under the prior, express, written and authentic consent by LSG, granted before a notary public by an individual appointed and authorized for such act.

As a consequence of the dispositions of this clause, LSG may execute all such work for the purpose of exploring the mineral substances, if any, existing in the Lots; for which he may:

1. Prior consent or authorization of the owner or holder of the Superficial Land or prior resolution of temporary occupation dictated in accordance with the Mining Law and its Regulations,
 - a. use the roads, paths, alleys and other existing means of communication in the Superficial Land (the "Roads") in order to pass and freely transport personnel, machinery, tools, mineral substances and supplies of any other nature,
 - b. modify and widen the traces of the existing Roads or destroy them and build, equip and provide maintenance to new Roads in the Superficial Land for transit and transportation purposes mentioned in the paragraph above.
 - c. Fence all those areas or places of the Superficial Land that, for safety, sanitation, environmental or any other reason, deemed by LSG, should be isolated or be under restricted access,
 - d. build and widen and abandon camps, dormitories, storage rooms, warehouses, workshops, offices and facilities which conduct to the exploration work of LSG, with no limitation whatsoever,
 - e. build drilling patterns and drillings,
 - f. carry out all kinds of prospecting or search of minerals and their deposits,
 - g. conduct measurements and stakings in order to limit areas or places within or around the Superficial Land,
 - h. take, analyze and carry out any other type of test with soil and underground samples and mineral substances existing therein for metallurgical testing, assaying and others, and dispose thereof as deemed convenient, and
 - i. perform, in the Superficial Land, any other action, construction or activity, necessary or convenient, deemed by LSG, whose purpose is to identify minerals and quantify and evaluate the economically exploitable reserves therein.
 2. Obtain the expropriation, temporary occupation or right of way of the Superficial Land required for the performance of the mining work.
 3. Carry out any other action, construction or activity, necessary or convenient, deemed by LSG, for the performance of their mining work.
- (B) The amounts paid by LSG to the Promoters in accordance with paragraphs (B) and (C) of clause 2 (two) and other parts of this contracts are also to be understood as paid in consideration of the rights mentioned in the paragraphs above of this clause and others the Promoters grant LSG under this contract.

- (C) The Promoters hereby irrevocably grant LSG all the consents, approvals, permits or authorizations required for:
1. LSG to obtain the approval of the environmental impact statement required, and also all the licenses, permits or authorizations the competent authorities shall grant or confer in accordance with the Environmental Law, so LSG may legally develop its activities in the Lots.
 2. LSG to request and obtain all the other permits, licences, concessions or authorizations of any nature in accordance with the laws and regulations applicable to the use of land, sanitation or health, explosives, water, labor and social welfare and others required by LSG to legally develop its activities in the Lots.
 3. The dispositions of this paragraph © shall be considered as the consent, approval, permit or authorization of the Promoters for all the purposes specified above, so there will be no additional or different consent, approval, permit or authorization by the Promoters or any other individual related to the Promoters.
- (D) LSG may plan, execute, develop, control and supervise, exclusively, all the mining work it is entitled to carry out under this contract and the Mining Law and its Regulations, excluding the Promoters and any other individual. All the decisions regarding the Lots, including those regarding the methods, procedures and equipment to be used, and regarding the exercise of the other rights LSG acquires through this contract shall be the exclusive concern and competence of LSG, excluding the Promoters and any other individual. LSG may carry out its mining work in the Lots directly or through contractors or other service suppliers.
- (E) During the Option Term, the Promoters shall have the following additional obligations: (i) they may not impede or obstruct the exercise of the rights and fulfillment of the obligations assumed by LSG under this contract in any way whatsoever; (ii) they may not assign or promise to assign or in any way grant a third party the title or any right derived or related to the Concessions or the Lots, unless it is done strictly subject to this contract, the assignee or assignees of LSG; (iii) they may not establish Liens or allow Liens to be established on the Concessions or the Lots and they may not grant the Concessions or Lots as security; (iv) they may not abandon, partially or totally, the land included in the Concessions, relinquish the Concessions, request the reduction of the area of the Lots or in any other way or means waive the rights or privileges related to the Concessions or the Lots, unless they have the express, prior and written consent of LSG; (v) they shall notify LSG, diligently and within the legal term for answering or appearing, any notice, summons, demand, liquidations, letters and other kinds of communication coming respectively from authorities or individuals related in some way with the Concessions or the Lots or this Contract; (vi) they shall cooperate diligently with LSG regarding any action the latter wishes or should take or execute in connection with those acts mentioned in the subparagraph above of this paragraph (E), and to obtain consent or authorization of the owner or holder of the Superficial Land to carry out their mining work and/or to obtain the resolution for temporary occupation of the same in accordance with the Mining Law and its Regulations; (vii) they shall cooperate diligently with LSG regarding any action the latter wishes or should take to promptly exercise and perform those rights and obligations assumed hereunder; (viii) when the acts mentioned in subparagraph (V) (five) of this paragraph (E)

has initiated or there have been acts or omissions by the Promoters or the individual acting or has acted in behalf of the Promoters, the Promoters shall hold LSH harmless and exempt from any responsibility and obligation directly or indirectly related therewith; they shall compensate LSG for those damages and losses suffered by LSG in connection directly or indirectly with such acts or omissions and their consequences; and they shall refund LSG for those fees and procedural costs and expenses the latter may have paid in their defense thereof.

- (F) LSG shall meet the obligations derived from the Environmental Law for the work carried out during the term of this contract; they shall not be responsible for any violation to such laws, regulations and mexican official standards occurred before the Date of Execution and after the termination or rescission of this contract or for the violations imputable for any reason.
- (G) LSG shall have the exclusive responsibility and obligation derived from the labor relations with its workers or the relation with any other individual providing services as a contractor or any other nature, holding the Promoters free of any responsibility with respect to such relations.
- (H) During the term of this contract, the Promoters shall provide LSG all the records, files, data and information they have in connection with the Concessions and the Lots, and shall allow LSG to make summaries thereof and make copies in magnetic or electronic means, at their own cost.
- (I) In the exercise of the exploration right granted by the Promoters through the present clause 3 (three), LSG agrees to make the following Disbursements (indicated in Attachment "C"):
 - 1. No later than the first anniversary of the Date of Execution, they shall make disbursements in at least US500,000 (five hundred thousand United States of America dollars);
 - 2. No later than the second anniversary of the Date of Execution, they shall make Disbursements in at least US1,000,000 (one million United states of America dollars); and
 - 3. No later than the third anniversary of the Date of Execution, they shall make Disbursements in at least US\$2,000,000 (two million United States of America dollars).

Any surplus of the Disbursements made by LSG in the years one and two in accordance with the minimum amounts indicated above, shall be assigned and taken into account to comply with the minimum amount of the following year or years.

- (J) LSG shall deliver the Promoters, no later than the 28th (twenty-eighth) of February of each year during the term of this contract, a summary and list of activities and exploration work carried out by LSG in the Lots during the preceeding calendar year; however, LSG may not or is not required to acquire, in any way whatsoever, any responsibility or obligation related

with the contents of such summaries and/or lists, or its interpretation or use by the Promoters.

4

CLAIMS AGAINST LSG

- (A) If LSG fails to make any of the payments established in paragraphs (B) and (C) of clause 2 (two) of this contract on the respective dates indicated therein, the Promoters shall give LSG a written notice stating they have 30 (thirty) additional calendar days to comply or to prove the Promoters such payment has already been made, at the expiration of which no payment has been made or LSG has not proved the Promoters that it has already been made, the Option and this contract shall be deemed as automatically terminated and shall have no legal effect, and LSG shall have no further responsibilities than those agreed to in this contract.
- (B) If the Promoters consider LSG has failed to perform any of its obligations assumed hereunder, other than those established in paragraph (A) of this clause, the Promoters shall give LSG a written notice stating they have 30 (thirty) calendar days to start correcting such failure or to show the Promoters it has not failed, at the expiration of which such failure has not been corrected or such correction has not started or LSG has not shown the Promoters it has not failed, the Option and this contract shall be deemed as automatically terminated, with no legal effect, and LSG shall have no further responsibilities than those agreed to in this contract. The notice of failure shall be sufficiently reasoned so LSG may take the corresponding corrective measures, in accordance with the nature of such failure.
- (C) The Promoters may not file suit or take or request any other legal measure against LSG, without previously proceeding as established in the two paragraphs above of this clause. The parties hereby agree the exhaustion by the Promoters of the mechanism established in the two paragraphs above of this clause shall be considered, for all legal purposes, as a necessary assumption if proceeding of any action or other type of legal measure or request the promoters intend to bring or go against LSG.

5

INTEREST AREA

- (A) If, during the Option Term, the Promoters through any title, directly or indirectly acquire any mining concession, any mining right, any extraction right and exploitation of underground waters or any right to use superficial waters or rights of use and access (or both) to superficial land (such concessions and all those rights shall hereinafter be referred to as "the Additional Rights"), with respect to mining lots or water located totally or partially within an area of 10 (ten) kilometers, starting from the outside limit of the Lots, they shall notify LSG in writing within 15 (fifteen) calendar days following the date such event occurred, delivering or sending all the information related with the Additional Rights simultaneously.

- (B) LSG shall have a 30 (thirty) calendar day term, starting the date LSG receives the information regarding the Additional Rights referred to in the paragraph above, to decide if it wishes the Additional Rights (or part of them) to form part of this contract automatically, and therefore, they shall be understood as subject to the Option and the other stipulations therein, including the royalty established in clause 2 (two), paragraph (K).
- (C) LSG shall not pay the Promoters any additional or different amount other than those set forth in paragraphs (B) and (C) of clause 2 (two) or additional or different from the Price of Transferral, if it exercises the Option, or perform any additional or different obligation other than those hereby expressly agreed if it decides the Additional Rights (or part of them) remain subject to this contract, but LSG shall refund the Promoters those amounts paid by the latter in order to acquire the Additional Rights (or the part of them remaining subject to the Option and this contract by a unilateral decision of LSG) and the Promoters shall deliver an invoice meeting all the requirements for fiscal purposes.

6

ACTS OF GOD OR FORCE MAJEURE

The term for performing the obligations LSG acquires under this contract (except the term for paying the amounts of money), the Option Term and the term of this contract shall be in suspense during all the time an Act of God or Force Majeure remains, and LSG shall not be considered as having failed to comply with such obligations or it has decided not to exercise the Option or it has breached this contract. For the purposes of this paragraph, the following shall constitute cases of force majeure or Acts of God: strikes, stoppages, closings or obstructing roads, lockouts, seizing facilities, offices or other properties of LSG or its contractors or the subcontractors of the latter; protests and other type of actions from environmental groups or individuals or Indian or ethnical groups or individuals or common land holders; expropriations, confiscations or seizing properties in an orderly manner and executed by government authorities of any level or jurisdiction; laws, regulations, decrees, suspension or closing activity orders or other types of government acts; sentences; failure to obtain or delaying any license, permit, approval, authorization, consent, right of access or right of way; prohibition to export minerals dictated by the Mexican government, assessment of excessive taxes or non-tariff measures which make mineral production or exporting unprofitable, deemed by LSG; impossibility or extreme difficulty, according to LSG, to enter and exit the Superficial Land, and other cases of similar or analogous nature. The term for performing those obligations assumed by LSG under this contract, the Option Term and the term of this contract shall be understood as automatically extended for a period of time equal to the cause of suspension stipulated in this clause, notwithstanding the right LSG may have to terminate it in advance. No Act of God or Force Mejeure shall exempt LSG from its obligation to pay the mining rights on the Concessions, all during the Option Term, unless any of its obligations may not be performed since such rights may not be received by the banks, authorities, institutions or entities required to receive such, or since they were not paid for any reason, cause or circumstance not attributable to LSG.

LSG shall not be required to negotiate or settle with individuals, groups, organizations or authorities which cause the cases established in this clause or to oppose the acts of government or authority which also constitute force majeure under this clause.

The impossibility to comply give an Act of God or Force Majeure shall free the parties, while the cause or case of act of god or force majeure persists..

The assessment, creation, registration, existence or establishment of a Lien on the Concessions or the Lots or part of the Lots or any other of the properties or rights of the Promoters subject to this contract shall not be considered as an Act of God or Force Majeure, and, therefore, they shall not justify the non-performance of the Promoters.

7

ASSIGNMENT OF RIGHTS AND OBLIGATIONS AND GRANTING SECURITY

- (A) The Promoters hereby irrevocably authorize LSG to assign some or all the rights and obligations derived from this contract or the Concessions, without the need of a future or additional covenant or approval, and LSG shall only be required to inform the Promoters, within 30 (thirty) calendar days following the date such assignment has been made, (i) the name or firm name of the assignee, (ii) the assignment date, (iii) the business domicile of the assignee and (iv) the name of the representative of the assignee with whom the Promoters shall deal with all the matters of such assignment, when the assignee has informed LSG. The assignment referred to in this paragraph frees LSG totally (in case of a total assignment) or partially (in case of a partial assignment), from the obligations assumed hereunder.
- (B) The Promoters may only assign, promise to assign, option or enter contracts or agreements in connection with any or all the rights and obligations derived from this contract or the Concessions (before the latter are acquired by LSG) or offer as security or create or assess any Lien on such rights or obligations (or on both) or on the Concessions (before they are acquired by LSG), when they have the prior, express, written authorization by LSG, and none of such acts shall oppose LSG if LSG did not consent as set forth in this paragraph.
- (C) LSG may offer this contract and the rights derived therefrom as security, without the need of any further or additional consent or approval by the Promoters or their spouses.

8

TERMINATION

- (A) The Option and this contract shall be understood as automatically terminated when any of the following hypothesis is updated (i) after 30 (thirty) calendar days following the effectiveness of a notice of non-exercise of the Option and the termination of this contract

delivered or sent by LSG to the Promoters; (ii) whenever any of the hypothesis of termination set forth in clause 4 (four) paragraphs (A) and (B) of this contract are updated; and (iii) upon the execution of the Definite Contract (when only those dispositions of this contract binding the Promoters to compensate or indemnify LSG and others establishing obligations for the parties which had not been performed upon such execution shall remain effective).

- (B) Within 12 (twelve) months following the date of termination of the Option of this contract for updating of any of the hypothesis established in paragraph (A) subparagraphs (i) (one) and (ii) (two) of this clause, LSG may (or shall, upon the Promoters request in writing within 30 (thirty) calendar days following such termination) remove all the installations, machinery, equipment and other properties belonging to LSG and those who have worked for the latter which still remain in the Lots, except those installations which shall remain therein in accordance with the Mining Law and its Regulations. Those properties which LSG fails to remove from the Lots within the term established in this paragraph shall become the property of the Promoters, and they shall not be required to pay LSG, unless LSG, has not been able to remove them for an Act of God of Force Majeure, or for acts, omissions, responsibilities or obligations attributable to the Promoters.
- (C) If this contract is terminated for any of the hypothesis established in paragraph (A) subparagraphs (i) (one) and (ii) (two) of this clause, LSG shall deliver the Promoters, within 90 (ninety) calendar days following the date the Promoters request such in writing, a report describing all the work carried out in the Lots, limited to matters of fact, exclusively, together with copies of the maps showing the location of samples, copy of the log of drilling assays, copy of the results of assays and other technical data collected by LSG in connection to the Lots, without the guarantee such report, maps, assays and technical data shall serve for any purpose and no guarantee of accuracy and completeness.

9

ESTABLISHMENT OF COLLATERAL

- (A) If LSG decides to exercise the Option and, as of the date the Definite Contract shall be executed and delivered, the Concession, any of the Related Agreements or any of the Permits is subject to any Lien derived from acts, omissions, responsibilities or obligations for the Promoters, LSG may pay the amounts or perform the obligations or meet the responsibilities which caused the referred Liens as an advance to those amounts established in paragraph (C) of clause 2 (two) which remain unpaid to the Promoters, and, given the case, pay the amounts owed or perform the obligation or meet the responsibilities which shall be paid, performed or met in excess of such amounts established in paragraph (C) of clause 2 (two), case where the Option shall be deemed as having been exercised, and the Promoters shall pay or refund LSG those amounts the latter has paid or performed or met in excess of such amounts established in paragraph (C) of clause 2 (two), plus the legal interest. The Promoters shall also be responsible, as an advance to those amounts established in paragraph (C) of clause 2 (two) of those expenses or disbursements which

LSG made to pay, perform or meet the amounts, obligations or responsibilities of the Promoters in the case established in this paragraph, plus legal interest.

- (B) The Promoters agree to refund LSG those amounts LSG has already paid the Promoters among those established in paragraphs (B) and (C) of clause 2 (two) of this contract, plus the legal interest, when, as of the date the Definite Contract is executed and delivered, la Concession or any of the Related Agreements or any of the Permits are subject to any Lien derived from acts, omissions, responsibilities or obligations of the Promoters and for such reason LSG decides not to execute and deliver the Definite Contract, case in which the Option shall be deemed not to be exercised. The Promoters shall also pay LSG those expenses or disbursements LSG has made for documenting, recording and notifying its decision not to execute and deliver the Definite Contract in the situation established in this paragraph, plus the legal interest.
- (C) In order to secure the fulfillment of the obligations assumed under paragraphs (A) and (B) of this clause, the Promoters irrevocably constitute in favor of LSG a collateral in first place and grade on the ownership of the Concessions and the Related Agreements. Such collateral shall be in force and shall obligate the Promoters and third parties while the secured obligation and its accessories remain unpaid or met, **it shall be registered in the Public Mining Registry** and a special notation shall be made as established in the Mining Law and its Regulations.
- (D) LSG may not enforce those collateral rights and privileges granted in this clause if the Promoters are not granted a prior 15 (fifteen) calendar day term so the same Promoters may, at their own cost, take the measures they deem necessary in order to cancel, nullify, supersede, terminate or in any other way deprive the legal effects of the Liens, unless such delay damages or may damage the position or the rights of LSG, at their own judgement. In order to exercise the rights granted in this clause by the Promoters, LSG is not obligated to wait for the result of the legal actions of any type filed by the Promoters before the court or the result of the negotiations, processes or discussions whose purpose is to obtain the cancellation, release, nullity or loss of effects by another legal means of any of the Liens.
- (E) If LSG decides not to exercise the Option, LSG shall deliver the Promoters the cancellation or release of the collateral constituted for the purpose of this clause, within 15 (fifteen) calendar days following the date the notice of non-exercise of the Option becomes effective.

10

CONFIDENTIALITY

- (A) The parties shall keep the contents and execution of this contract in strict confidentiality and shall have their shareholders, counsellors, officers, attorneys, employees and other individuals related therewith keep the same confidentiality, unless they must reveal such contract (i) to the stock, fiscal, administrative, judicial or arbitration authorities or officers in accordance with the law, (ii) to banks or other financial institutions or other parties who

are interested in financing the work LSG is entitled to perform under this contract, (iii) to third parties in bona fide interested in acquiring the rights and obligations derived in favor of LSG under this contract; (iv) to the general public in accordance with the laws and rules governing the placement or sale of stock or securities in Mexican or foreign stock markets and (v) to the accountants and advisors of the parties, subject to the dispositions of this clause.

- (B) Notwithstanding the dispositions of the above paragraph, the parties agree that they shall not be responsible each other for negligent or fraudulent disclosure of information by any of their shareholders, counsellors, officers, attorneys, employees and other individuals related therewith, when such party took the reasonable measures so such information would be confidential and kept as such.

II

SPOUSE CONSENT

Mrs. Albelais and Mr. Arvizu grant their respective irrevocable and unconditional consent and Authorization for the Promoters (i) to be obligated under the terms of this contract, (ii) to be obligated under the terms of the Definite Contract and (iii) together with LSG, to modify both this contract and the Definite Contract as often as it is deemed convenient, and the Promoters shall not be required to consult Mrs. Albelais and/or Mr. Arvizu either before or after, or to obtain their consent or signature again, for any of such purposes.

12

OTHER STIPULATIONS

- (A) This contract substitutes, cancels, supersedes, terminates and nullifies any agreement, letter-agreement, contract, letter of intention and covenants of any type entered in connection with the matter thereof dated before the date of execution hereof, with no effect. Specifically, but not limited to, it substitutes, terminates and nullifies the so-called LETTER AGREEMENT signed by the Promoters and by Little Squaw Gold Mining Company on the 23rd day of June 2007 in connection with the matter of this contract, not registered in the Public Mining Registry.
- (B) All the obligations and commitments assumed by the parties are included and contained exclusively in this contract. There are no verbal agreements or covenants prior to or contemporary to the execution of this contract binding the parties in no way.
- (C) The parties agree they shall sign and deliver the other party any other additional document and they shall take any additional action required to meet the objective of this contract, and they shall always act diligently and promptly.

- (D) No modification, amendment or addition to this contract shall be binding or enforceable coactively if it is not in writing and signed by all the parties.
- (E) The sole purpose of the titles or headings used in this contract is to expedite their reading, but they shall in no way determine. Affect, limit or extend the scope of the rights and obligations derived from this meeting of the minds.
- (F) “Business days” for the purpose of this contract shall refer to those days off pursuant to the Mexican Federal Labor Law. Whenever the last day of a certain term indicated in this contract for making a payment or executing a certain action is a day off according to the law, such payment shall be made or the action executed the preceding business day. “Calendar days” for the purpose of this contract shall be all those days of the regular calendar. “Months” in this contract mean thirty calendar day periods when they are not computed starting the first day of the calendar month referred.
- (G) In the negotiation and execution of this contract, there has been no bad faith, fraud, illegality, injury, error, reverential fear, disability or any other fault affecting the will or consent of the contract parties.
- (H) The parties definitely express there are no inexistence, nullity, invalidity or inefficiency actions in this contract or other similar actions tending to nullify the effects or release them from their obligation and they irrevocably waive those, given the case, they may have in order to obtain any of the statements made.
- (I) Specifically, there is no injury. The considerations agreed in this contract are fair, equitable and commercial. Notwithstanding the above, the parties irrevocably waive any action or right that, given the case, they may have to demand the inexistence, nullity, rescission, inefficiency or loss of legal effects of this contract for any objective or subjective injury or any other type.
- (J) All consents, authorizations, permits, waivers, approvals, acknowledgements, confirmations and covenants given and agreed in this contract are deemed irrevocable, even when it is not expressed as such in some cases.
- (K) The disbursements which under this contract shall be made by any of the parties shall be understood at their own cost, that is, the party making such disbursement shall have no right of compensation, prorating, refund or reimbursement for any other concept.
- (L) During the discussion and acceptance of the terms, conditions and clauses of this contract and upon its signing, ratification and acknowledgement, the parties were advised by their own attorneys; the latter explained duly and sufficiently the legal scope and consequences of its contents.

- (M) The Promoters and their respective spouses acknowledge the legal existence and subsistence of LSG, and also the appointments and powers and faculties of those executing this contract in their representation, since their legal advisors saw and analyzed the corresponding documents.
- (N) Whenever this contract refers to ratifying signatures or acknowledgement of its contents or execution through a public instrument, it shall refer to ratifying signatures, acknowledgement and execution before a notary public selected by LSG, whose fees and costs shall be paid by LSG.

13

DOMICILES

All notices, advises or communication given or to be given in connection with this contract shall be Delivered, made or sent in writing to the following domiciles:

- (A) Promoters and their respective spouses:

1. Mrs. Jassany Margarita Albelais Valenzuela
Ave. Obregón 303
Colonia Mirasol
Magdalena de Kino, Sonora 84160

2. Mr. Cesar Octavio Boido Albelais
Escobedo 301-E
Colonia Mirasol
Magdalena de Kino, Sonora 84160

- (B) LSG:

Bulevar Hidalgo 64
Colonia Centenario
Hermosillo, Sonora 83260

With copy for Eduardo Robles Elías, at the same domicile.

- (C) Unless it is otherwise set forth in this contract, those notices and communication shall become effective the business day following the day they were truly received at the respective domiciles mentioned above, regardless if they are real and actually received by the addressee. If mail were used, such notices and communication shall always be sent by certified mail receipt acknowledged.

- (D) Notices, advises or communication may be delivered or made to whom they are addressed wherever the addressee or his attorney or representative may be, even when it is not the domicile indicated in this clause, and those notices, advises or communication delivered in such a manner shall have the same effect and force as if they had been delivered at the domicile indicated in this clause.
- (E) It shall be sufficient for the notices and communication be given or delivered to the Promoters to be automatically deemed as given or delivered to their respective spouses, who expressly waive any right which, in a given case, they may have to be notified or advised personally. However, LSG may decide to give or deliver such notices and communication directly to Mrs. Albelais and/or Mr. Arvizu.
- (F) The judicial notices shall be served at the place and shall be deemed effective where and when and under the conditions established by law.
- (G) While the parties do not indicate a domicile other than the one indicated in this clause, the notices, advises and communication respectively given, made or sent to the domicile indicated in this clause, shall have full force, even when their domicile is no longer the one indicated in this clause. The notices of change of address shall become effective the fifteenth calendar day following the date such notices become effective under this clause. Every new domicile of the Promoters or Mrs. Albelais or Mr. Arvizu indicated for the purpose of this clause shall be located in the State of Sonora and it shall be precise as to the street, house or building number, interior letter or number (in its case), section or place, city and zip code.

DISPUTES OR CONTROVERSIES AND LAW APPLICABLE

- (A) The parties shall submit to the exclusive jurisdiction and competence of the courts in Hermosillo, Sonora, to hear and resolve on any legal action, measure or request whose direct or indirect cause is this contract, including, without limited to, those regarding its existence, validity, interpretation and performance, and they clearly, expressly and precisely waive the jurisdiction and competence of other judges or courts which may correspond for domicile reasons, location of the main business office of the parties, contact with other jurisdictions or doctrines or similar principles, matter of this contract, territory or any other reason, cause or circumstance, present or future.
- (B) The Mexican law shall govern all the disputes which arise from the existence, validity, interpretation and performance of this contract and with the obligations and responsibilities of the parties, including the enforcement of judgement, excluding the rules of this right which establish a jurisdiction or competence other than that agreed in the paragraph above and excluding the rules of such right establishing this contract to be subject to a legal order other than the Mexican.

Having been well informed on the legal scope and contents of this contract, it has been signed by the parties in full approval and it shall be binding in all legal aspects in four copies, each one of which shall be considered as an original and shall have the same force and value, in Hermosillo, Sonora, on the 13th day of November 2007 (two thousand seven)

The Promoters:

(Signed)
César Octavio Albelais Boido

(Signed)
Jassany Margarita Albelais valenzuela

To grant their respective spouse consent:

(Signed)
Delfina Yolanda Leon Reyes

(Signed)
Carlos Damian Arvizu Romero

LSG

(Signed)

Minera LSG, S.A. DE C.V.
Represented by Rodney Alan Blakestad

(Signed)
Juan Jose Duarte Bravo
Translator for Rodney Alan Blakestad

(Signed)
Carlos Lorenzo Albelais Boido
Witness

(Signed)
María Cecilia Rivera Chiapa
Witness

Attachment “A”

To the Contract of unilateral option for sale, exploration and
Constituion of collateral on the ownership of a mining concession entered into
by César Octavio Albelais Boido and Jassany Margarita Albelais Valenzuela, with the
consent of their spouses, on one hand, and Minera LSG, S.A. de C.v.
on the other hand, in Hermosillo, Sonora on the 23rd of October 2007 (two thousand seven).

(WITHOUT ANY ATTACHMENT BY RESOLUTION OF THE PARTIES, SINCE
THERE ARE NO “RELATED AGREEMENTS”).

Attachment “B”

To the Contract of unilateral option for sale, exploration and
Constituion of collateral on the ownership of a mining concession entered into
by César Octavio Albelais Boido and Jassany Margarita Albelais Valenzuela, with the
consent of their spouses, on one hand, and Minera LSG, S.A. de C.v.
on the other hand, in Hermosillo, Sonora on the 23rd of October 2007 (two thousand seven).

(WITHOUT ANY ATTACHMENT BY RESOLUTION OF THE PARTIES, SINCE
THERE ARE NO “PERMITS”).)

Attachment “C”

To the Contract of unilateral option for sale, exploration and
Constitution of collateral on the ownership of a mining concession entered into
by César Octavio Albelais Boido and Jassany Margarita Albelais Valenzuela, with the
consent of their spouses, on one hand, and Minera LSG, S.A. de C.v.
on the other hand, in Hermosillo, Sonora on the 23rd of October 2007 (two thousand seven).

“Disbursements” shall mean, with no duplication, all those costs, expenses, obligations and responsibilities of any kind or nature effectively and directly incurred by LSG in connection with the exploration and development of the Lots and in the area located within a radius of 200 (two hundred) meters, starting from the outside limits of the Lots, including amounts paid to government offices for permits related to the Lots, all the costs and payments incurred in obtaining the access and superficial rights to explore and develop the Lots, in order to keep the lots in force through the execution of mining work and their evidence, by geophysical, geochemical and geological studies, with drillings, construction of naves and other type of underground work, with metallurgical assays and tests and engineering work, with the acquisition of installations, with the payment of fees, salaries, wages, travel expenses and labor benefits (required or not by law) for all the individuals involved in the work related and for the benefit of the Lots, with the payment of food, board and other reasonable needs of such individuals, and including all the costs at market final rates for all the staff or officers or counsellors of LSG which are hired from time to time to work directly in the Lots, understanding such rates shall be consistent with the industry standards.

“Installations” shall mean all the mines and plants, including, without limited to, all the excavations, wells, transporting tunnels and other underground work, and all those buildings, plants and other structures, accessories and improvements, and other kinds of properties, inherent or movable, in the condition they may exist any time on the lots or outside the Lots whenever they are for the exclusive benefit of the Lots.

Attachment "C"

To the Contract of unilateral option for sale, exploration and
Constitution of collateral on the ownership of a mining concession entered into
by César Octavio Albelais Boido and Jassany Margarita Albelais Valenzuela, with the
consent of their spouses, on one hand, and Minera LSG, S.A. de C.v.
on the other hand, in Hermosillo, Sonora on the 23rd of October 2007 (two thousand seven).

ROYALTY ON NET SMELTING INCOME

- 1) The royalty shall be 1.25% (one point twenty-five percent) of the Net Smelting Income (defined below), and it shall be paid to the Promoters subject to the stipulations contained in Attachment "B".
- 2) The Net Smelting Income shall be computed on the basis of calendar quarters and it shall be equal to the Gross Income (defined below) less the Allowable Deductions (defined below) corresponding to each quarter.
- 3) In this attachment, the following words shall have the following meanings:
 - (i) "Gross Income" shall mean the sum of the following income (no duplication) received by LSG in each quarter period:
 - (1) the income from the sales of Mineral Products made to buyers not related to LSG through partner bonds;
 - (2) the fair market price of all the Mineral Products sold to buyers related to LSG through partner bonds; and
 - (3) any income from insurance on Mineral Products;
 - (ii) "Mineral Products" shall mean all the ore, concentrate, minerals and refined or semirefined products extracted or produced from the substances extracted in the Lots of the Promoters;
 - (iii) "Allowable Deductions" shall mean the sum of the following charges (no duplication) paid in connection to the Lots during each quarter period:
 - (1) charges or sales fees of any sales agent in connection with the sale of Mineral Products,
 - (2) costs and expenses of transportation of Mineral Products from the Lots to the benefit, processing or treatment places and then to the place the Mineral Products are delivered to any buyer, including shipping, freight, handling and clearance expenses,
 - (3) all those costs, expenses and charges of any nature which are paid or incurred in connection with all the charges and costs of smelting or refining and all the charges and costs for weighing, sampling, assay, representation and storing, and also any arbitration charge and cost, and any penalties charged or collected by the processor, refiner or smelter, without including mining, milling or concentration costs or charges paid or incurred in connection with the Mineral Products, and
 - (4) all kinds of insurance hired in connection with the Mineral Products;
 - (iv) "Lots" shall have the meaning given at the end of the contract to which the present attachment "D" is added.
- 4) For a greater certainty, and not limiting the generality of the above stipulations, all those charges and expenses deducted by a buyer with no partner bonds with LSG

- 5) The royalty shall be computed and paid within 60 (sixty) calendar days following the termination of each calendar quarter. Together with the respective payment, LSG shall deliver the Promoters the liquidation of the smelter, if any, and a report ("the Report") specifying in detail how the payment was computed.
- 6) If the final amounts required for computing the royalty were not available within the term referred in number 5 (five) of this attachment "B", LSG shall estimate temporary amounts and shall pay the royalty based on such temporary calculations. Positive or negative adjustments shall be made upon the payment of the royalty of the following quarter or quarters.
- 7) Subject to the adjustments provided for in this attachment "B", all the payments of royalties shall be judged final and in full compliance of all the obligations of LSG in connection therewith, unless the Promoters, within 60 (sixty) calendar days following the reception of the respective Report by the Promoters, deliver LSG in writing ("Notice of Objection") describing and explaining any specific objection in connection to the manner it was computed. If the Promoters object aspecific Report as provided for in this number, the Promoters, during a 60 (sixty) calendar day term starting the reception of such Notice of Objection by LSG, shall have the right, prior notice delivered to LSG in advance, to have the accounting and records of LSG regarding the calculation of the referred royalty be audited by auditors of the Promoters, in reasonable hours. If such audit determines there has been a defficiency or an excess in the payment made to the Promoters, such defficiency or excess shall be corrected adjusting the payment of the corresponding royalty at the following quarter or quarters which must be paid in accordance with this attachment. The Promoters shall pay all the costs and expenses of such audit, unless it is determined there is a defficiency of 5% (five percent) or more with respect to the amount owed. All the books and records used and kept by LSG for computing the royalty owed in accordance with this attachment shall be kept in accordance with the generally accepted accounting principles in Mexico. The omission by the Promoters of any adjustment claim against LSG within the referred 60 (sixty) calendar day term through the delivery of a Notice of Objection shall establish the determining correction and sufficiency of the Report and the payments of royalty for the referred quarter, and the right of the Promoters to present objection thereto and present adjustment claims or petitions regarding such Report shall preclude forever.

In Magdalena de Kino, Sonora, on the 13th (thirteenth) day of November 2007 (two thousand seven), before the subscribed Licenciado Francisco Alfonso Corella Zamudio, holder of Notary Public Office number 8 (eight) in the state, residing in Magdalena de Kino, Sonora, and practicing in this notary demarcation, APPEARED:

CESAR OCTAVIO ALBELAIS BOIDO, who stated he is a Mexican, married, miner, born in Magdalena de Kino, Sonora on the 2nd (second) day of February 1961 (nineteen sixty-one), and his domicile is at Escobedo number 301-E (three hundred one dash "E"), Colonia Mirasol in Magdalena de Kino, Sonora, C.P. 84,160 (eighty-four thousand one hundred sixty) and identified himself through voting card number 075292953 (zero seven five two nine two nine five three);

DELFINA YOLANDA LEON REYES, who stated she is a Mexican, married, housewife, born in Magdalena de Kino, Sonora on the 11th (eleventh) day of April 1960 (nineteen sixty) in Magdalena de Kino, Sonora, and her domicile is at Escobedo number 301-E (three hundred one dash letter “E”) Colonia Mirasol in Magdalena de Kino, Sonora, C.P. 84,160 (eighty-four thousand one hundred sixty), and identified herself through her voting car number 44537310 (four four five three seven three ten); JASSANY MARGARITA ALBELAIS VALENZUELA, who stated she is a Mexican, married, housewife, born in Magdalena de Kino, Sonora on the 29th (twenty-ninth) day of October 1977 (seventy-seven), and her domicile is at Avenida Obregon number 303 (three hundred three), Colonia Mirasol in Magdalena de Kino, Sonora, C.P. 84,160 (eighty-four thousand one hundred sixty) and identified herself through her voting card number 68991181 (six, eight, nine, nine, one, one, eight, one); CARLOS DAMIAN ARVIZU ROMERO, who stated he is a Mexican, married, businessman, born in Magdalena de Kino, Sonora, on the 9th (ninth) day of October 1978 (nineteen seventy-eight), and his domicile is at Avenida Obregon number 303 (three hundred three), Colonia Mirasol in Magdalena de Kino, Sonora, C.P. 84,160 (eighty-four thousand one hundred sixty) and identified himself through his voting card number 105717610 (one, zero, five, seven, one, seven, six, one, zero); and RODNEY ALAN BLAKESTAD, General Attorney of MINERA LSG SOCIEDAD ANONIMA DE CAPITAL VARIABLE, who stated he is a United States citizen, born in Jonesboro, Arkansas, United States of America on the 4th (fourth) of November 1948 (nineteen forty-eight), geologist, and his domicile is at 1602 (one thousand six hundred two) West, Placita Sin Nieve, Sahuarita, Arizona, United States, and STATED:

SIGNATURE RATIFICATION AND ACKNOWLEDGEMENT OF CONTENTS

They have appeared before the subscribed notary public in order to acknowledge each and every part of the contents of the Contract of unilateral option of sale, exploration and constitution of collateral on the ownership of mining concessions attached, entered into by Cesar Octavio Albelais Boido, with the consent of his spouse, Mrs. Delfina Yolanda Leon Reyes, and Jassany Margarita Albelais Valenzuela, with the consent of her spouse Carlos Damian Arvizu Romero on one hand, and Minera LSG Sociedad Anónima de Capital variable, represented by Rodney Alan Blakestad, on the other, on the 13th (thirteenth) of November 2007 (two thousand seven), consisting in 35 (thirty-five) letter size pages used on one side, and to ratify their signature, acknowledging them as their own hand writing.

POWERS OF ATTORNEY

Cesar Octavio Albelais Boido, with the consent of his spouse, Mrs. Delfina Yolanda Leon Reyes, and Jassany Margarita Albelais Valenzuela, with the consent of her spouse Carlos Damian Arvizu Romero, before the subscribed notary public grant an irrevocable special power for acts of administration and an irrevocable special power for acts of ownership in favor of Eduardo Robles Elías, Juan José Duarte Bravo, Iván Moreno Torrescano and José Joaquín Cabrera Ochoa, under the terms specified in paragraph “G” of clause 2 (two) of the contract referred in the paragraph above, which is considered here as integrally reproduced.

REPRESENTATION AND EXISTENCE OF THE PRINCIPAL

Rodney Alan Blakestad stated his principal Minera LSG Sociedad Anónima de Capital Variable is a corporation organized pursuant to the laws of the Mexican United States, and the powers granted have not been revoked, limited or modified. In order to show his capacity, he showed public deed number 65,912 (sixty-five thousand nine hundred twelve, Volume 1,604 (one

thousand six hundred four), granted in Hermosillo, Sonora on the 20th (twentieth) day of the month of October 2007 (two thousand seven), before Licenciado Francisco Javier Cabrera Fernández, notary public alternate number 11 (eleven), residing in Hermosillo, Sonora, and practicing in this notary demarcation, in registration process before the Public Registry of Commerce in Hermosillo, Sonora, through which the corporation was organized, transcribing what corresponds to this signature ratification and acknowledgement of contents, in accordance with article 83 (eighty-three) of the Regulations of the Mining Law: ARTICLE SECOND: PURPOSE.- THE CORPORATION SHALL BE ENGAGED IN THE MINING-METALLURGICAL INDUSTRY IN GENERAL, AND THEREFORE, IT MAY CARRY OUT ALL THOSE ACTS TENDING TO MEET THIS PURPOSE, SUCH AS: 1.- ACQUIRE EXPLORING AND EXPLOITING MINING CONCESSIONS OR CONTRACT RIGHTS FOR EXPLORING AND EXPLOITING AND THE EXPLOITATION OF ANY MINERAL, AND ALSO TO TRANSFER, ENCUMBER OR IN ANY OTHER WAY DISPOSE OF SUCH CONCESSIONS AND RIGHTS AND THE RIGHTS DERIVED THEREFROM. TRANSITORY. SECOND: THE APPEARING PERSONS AGREE TO THE FOLLOWING RESOLUTIONS: III.- APPOINT MISTER RODNEY ALAN BLAKESTAD AS THE ATTORNEY OF THE CORPORATION, WHO SHALL HAVE THE FOLLOWING POWERS: A.- GENERAL POWER FOR LAWSUITS AND COLLECTIONS WITH ALL THE GENERAL POWERS AND EVEN THE SPECIAL POWERS WHICH ACCORDING TO THE LAW REQUIRE A SPECIAL POWER OR CLAUSE, NOT INCLUDING THE POWER TO ASSIGN PROPERTIES, UNDER THE TERMS OF PARAGRAPH FIRST OF ARTICLE TWO THOUSAND FIVE HUNDRED FIFTY-FOUR AND ARTICLE TWO THOUSAND FIVE HUNDRED EIGHTY-SEVEN OF THE FEDERAL CIVIL CODE AND ITS CORRELATIVE OF THE OTHER STATES OF THE MEXICAN REPUBLIC AND THE FEDERAL DISTRICT, ENUNCIATIVELY BUT NOT LIMITATIVELY, THE FOLLOWING POWERS, AMONG OTHERS, ARE MENTIONED: I) BRING SUIT AND ABANDON ALL KINDS OF PROCEDURES, INCLUDING THE PROCEEDING FOR RELIEF.- II) SETTLE. III) BIND IN ARBITRATION. IV) ANSWER AND FORMULATE QUESTIONS. V) CHALLENGE. VI) RECEIVE PAYMENTS. VII) FILE CLAIMS AND ACCUSATIONS IN CRIMINAL MATTER AND ABANDON THEM WHEN ALLOWED BY LAW. B. GENERAL POWER FOR ACTS OF ADMINISTRATION, WITH ALL THE GENERAL POWERS AND EVEN THE SPECIAL POWERS REQUIRING A SPECIAL POWER OR CLAUSE IN ACCORDANCE WITH THE LAW, WITH NO LIMITATION WHATSOEVER AND THE SCOPE PROVIDED FOR IN PARAGRAPH SECOND OF ARTICLE TWO THOUSAND FIVE HUNDRED FIFTY-FOUR OF THE FEDERAL CIVIL CODE AND ITS CORRELATIVE IN THE OTHER STATES OF THE MEXICAN REPUBLIC AND THE FEDERAL DISTRICT. C. GENERAL POWER FOR ACTS OF ADMINISTRATION AND LAWSUITS AND COLLECTIONS IN LABOR MATTER UNDER THE TERMS OF PARAGRAPH SECOND OF ARTICLE TWO THOUSAND FIVE HUNDRED FIFTY-FOUR OF THE FEDERAL CIVIL CODE AND ITS CORRELATIVE OF THE CIVIL CODE FOR THE FEDERAL DISTRICT AND THE OTHER STATES OF THE MEXICAN REPUBLIC ENUNCIATIVELY BUT NOT LIMITATIVELY, THE ATTORNEY MAY: I) CONDUCT THE EMPLOYER-WORKER RELATIONS OF THE CORPORATION IN THE WIDEST SENSE OF LAW, SUCH AS, ENUNCIATIVELY BUT NOT LIMITATIVELY: I) THE RECRUITMENT, SELECTION, HIRING, INDUCTION, TEACHING, TRAINING AND WARNING PERSONNEL. II) THE SUSPENSION AND RESCISSION OF INDIVIDUAL LABOR RELATIONS. III) THE NEGOTIATION, SIGNING AND ADMINISTRATION OF THE UNION CONTRACTS AND BY-LAWS, AND IV) PARTICIPATE IN THE HYGIENE AND INDUSTRIAL SAFETY COMMITTEES, TEACHING AND TRAINING COMMITTEES OR ANY OTHER COMMITTEE CONCERNING EMPLOYER-WORKER RELATIONS. II) ACT AS THE MANAGER IN ALL THE LABOR ACTS CORRESPONDING TO THE CORPORATION, AUTHORIZING HIM IN GENERAL TO REPRESENT THE CORPORATION IN ITS EMPLOYER-WORKER RELATIONS AND SPECIFICALLY, ENUNCIATIVELY BUT

NOT LIMITATIVELY, TO: I) PARTICIPATE IN ANY INDIVIDUAL OR COLLECTIVE LABOR DISPUTE, AND II) CARRY OUT THE ACTIONS AND ENFORCE ALL THE RIGHTS WHICH CORRESPOND TO THE CORPORATION, III) ENTER AND RESCIND LABOR CONTRACTS, IV) ACT AS THE LEGAL REPRESENTATIVE OF THE CORPORATION: I) BEFORE THE UNIONS WITH WHOM THEY HAVE COLLECTIVE CONTRACTS, AND II) FOR ALL THE PURPOSES OF INDIVIDUAL CONFLICTS. V) PROPOSE CONCILIATION SETTLEMENTS, TAKE ALL KINDS OF DECISIONS AND NEGOTIATE AND SUBSCRIBE LABOR AGREEMENTS. VI) ACT AS REPRESENTATIVE OF THE CORPORATION AS ADMINISTRATOR REGARDING ALL KINDS OF LABOR ACTIONS OR PROCEEDINGS PROCESSED BEFORE ANY AUTHORITY SUCH AS INSTITUTO MEXICANO DEL SEGURO SOCIAL, INSTITUTO DEL FONDO NACIONAL DE LA VIVIENDA PARA LOS TRABAJADORES AND OTHER OFFICES OF THE FEDERAL, STATE OR LOCAL GOVERNMENTS HAVING JURISDICTION TO HEAR MATTERS RELATED WITH THE FEDERAL LABOR LAW. VII) HAVE THE EMPLOYER REPRESENTATION OF THE CORPORATION FOR THE PURPOSE OF ARTICLES ELEVEN, FORTY-SIX AND FORTY-SEVEN OF THE FEDERAL LABOR LAW AND ALSO THE LEGAL REPRESENTATION OF THE CORPORATION, FOR THE PURPOSE OF SHOWING THE CAPACITY IN A PROCEEDING OR OUT OF PROCEEDING UNDER THE TERMS OF ARTICLE SIX HUNDRED NINETY-TWO FRACTIONS I AND II OF THE FEDERAL LABOR LAW, ARTICLES ONE HUNDRED FORTY-FIVE AND ONE HUNDRED FORTY-SIX OF THE GENERAL LAW OF BUSINESS CORPORATIONS AND THE DISPOSITIONS OF THE OTHER SPECIAL LAWS OR ACTS, WHETHER FEDERAL, STATE OR LOCAL APPLICABLE. VIII) INDICATE DOMICILES FOR HEARING NOTICES UNDER THE TERMS OF ARTICLE EIGHT HUNDRED SIXTY-SIX OF THE FEDERAL LABOR LAW. IX) APPEAR WITH ALL THE LEGAL SUFFICIENT REPRESENTATION IN THE HEARING REFERRED TO IN ARTICLE EIGHT HUNDRED SEVENTY-THREE OF THE FEDERAL LABOR LAW IN ITS THREE STAGES OF CONCILIATION, DEMAND AND OBJECTIONS AND OFFERING AND ADMISSION OF PROOF, UNDER THE TERMS OF ARTICLES EIGHT HUNDRED SEVENTY-FIVE, EIGHT HUNDRED SEVENTY-SIX, FRACTIONS I AND VI, EIGHT HUNDRED SEVENTY-SEVEN, EIGHT HUNDRED SEVENTY-EIGHT, EIGHT HUNDRED SEVENTY-NINE AND EIGHT HUNDRED EIGHTY OF THE MENTIONED LAW. X) APPEAR AT THE HEARING FOR DISCUSSING PROOF, UNDER THE TERMS OF ARTICLES EIGHT HUNDRED SEVENTY-THREE AND EIGHT HUNDRED SEVENTY-FOUR OF THE FEDERAL LABOR LAW. XI) DISCUSS THE REPLY TO INTERROGATORIES UNDER THE TERMS OF ARTICLES SEVEN HUNDRED EIGHTY-FIVE AND SEVEN HUNDRED EIGHTY-EIGHT OF THE FEDERAL LABOR LAW, WITH POWERS TO ANSWER AND PREPARE INTERROGATORIES. D. GENERAL POWER FOR GRANTING, SUBSCRIBING, ENDORSING AND SECURING CREDIT TITLES, UNDER THE TERMS OF ARTICLE NINTH OF THE GENERAL LAW OF CREDIT TITLES AND OPERATIONS. THE APPOINTED ATTORNEY SHALL EXERCISE THOSE POWERS REFERRED TO IN THE PARAGRAPHS ABOVE, BEFORE PRIVATE INDIVIDUALS AND BEFORE ALL KINDS OF ADMINISTRATIVE OR JUDICIAL AUTHORITIES, LOCAL OR FEDERAL AND BEFORE THE BOARDS OF CONCILIATION AND ARBITRATION, LOCAL OR FEDERAL AND LABOR AUTHORITIES, AND HE MAY SIGN ALL THOSE PUBLIC OR PRIVATE DOCUMENTS NECESSARY OR CONVENIENT FOR THE FULL PERFORMANCE OF THE PRESENT POWER. E. POWER FOR GRANTING GENERAL OR SPECIAL POWERS AND FOR REVOKING EITHER OR BOTH.”

In attention to the document described in the paragraphs above, which I had before me, I certify the appearing persons has the powers required to enter the contract whose contents was acknowledged and ratified.

As translator for Rodney Alan Blakestad appeared Juan José Duarte Bravo, who under oath stated he is a Mexican, married, lawyer, born in Magdalena de Kino, Sonora, on the 23rd (twenty-third) day of October 2007 (two thousand seven) and his conventional domicile is at Bulevar Hidalgo number 64 (sixty-four), Colonia Centenario, Hermosillo, Sonora.

LEGAL STAY OF RODNEY ALAN BLAKESTAD IN THE COUNTRY

To prove his legal stay in the country, the appearing persona Rodney Alan Blakestad showed his immigration form copy of which is attached to this ratification.

INSERTION

Article 2,554 (two thousand five hundred fifty-four) of the Federal Civil Code, identical to article 2,831 (two thousand eight hundred thirty-one) of the Civil Code for the State of Sonora: In all the general powers for lawsuits and collections, it shall be sufficient to state they are granted with all the general powers and those special powers requiring a special clause in accordance with the law, in order to be deemed conferred with no limitation whatsoever. In the general powers for the administration of properties, it shall be sufficient to express they are granted as such, and the attorney shall have all kinds of administrative powers. In the general powers, to carry out acts of ownership, it shall be sufficient to be granted as such and the attorney shall have all the powers of an owner, both in connection with the properties and for all kinds of actions in their defense. Whenever the powers of the attorneys are to be limited, in the three cases mentioned above, such limitations shall be indicated, or such powers shall be special powers. Notaries shall insert this article in the testimonies of the powers granted. Article 2,587 (two thousand five hundred eighty-seven) of the Federal Civil Code, identical to article 2868 (two thousand eight hundred sixty-eight) of the Civil code for the State of Sonora: The attorney general needs no special power or clause, except in the following cases: I. To abandon; II. To settle, III. To bind with arbitrators, IV. To answer and formulate questions; V. To assign properties; VI. To challenge; VII. To receive payments; VIII. For all the other acts expressly determined by law. When any of the powers mentioned above is to be conferred in the general powers, the dispositions in article 2,554 (two thousand five hundred fifty-four) shall be followed.

For the purpose of ratifying and granting the powers mentioned in this document, the following individuals appeared as witnesses: CARLOS LORENZO ALBELAIS BOIDO, who stated he is a Mexican by birth, single by divorce, businessman, born in Magdalena de Kino, Sonora on the 10th (tenth) of August 1954 (nineteen fifty-four) and his domicile is at Ruiz Cortinez number 205 (two hundred five), Colonia San Felipe in Magdalena de Kino, Sonora, identifying himself through a driver's license number 4600NA0003392, and MARIA CECILIA RIVERA CHAPA, married, secretary, born in Magdalena de Kino, Sonora, on the 19th (nineteenth) of November 1944 (nineteen forty-four) and her address is at Morelos number 609 (six hundred nine) Poninete, Colonia Centro in Magdalena de Kino, Sonora, identifying herself through her voting card number 013123120702.

ATTACHED DOCUMENTS

The following documents have been attached to this legend of ratification; (a) Contract matter of this instrument of ratification and acknowledgement of signatures; (b) Copy of the voting cards with photograph of the appearing individuals, the witnesses and the translator; and (c) copy of the passport and immigration document of Rodney Alan Blakestad.

I, the undersigned notary public, certify, for all the legal effects deemed convenient:

1. I proved the identity of the appearing individuals who identified themselves through their voting card with photograph, except Rodney Alan Blakestad who showed his passport.

2. The appearing individuals have the legal capacity to enter contracts and bind themselves, since there is no evidence of natural disability or civil disability.

3. I saw the documents they showed for writing this legend of ratification and I returned such documents to the appearing individuals.

4. The appearing individuals read the document whose contents were ratified and acknowledged except Rodney Alan Blakestad who read it through his translator.

5. I explained the appearing individuals the legal force and consequences of its contents, in order to comply with the Notary Law for the State of Sonora.

6. The appearing individual Rodney Alan Blakestad does have the representation in behalf of whom he acts, and such representation is legal according to the authentic documents he showed and have been mentioned and transcribed in this legend.

7. The appearing individuals have signed this legend of ratification before me in approval thereof, in Magdalena de Kino, Sonora on the 13th (thirteenth) of November 2007 (two thousand seven). I Certify.

(Signed)

Cesar Octavio Albelaís Boido

(Signed)

Delfina Yolanda Leon Reyes

To grant her irrevocable and unconditional
Spouse consent to Cesar Octavio Albelaís
Boido.

(Signed)

Jassany Margarita Albelaís
Valenzuela

(Signed)

Carlos Damian Arvizu Romero

To grant his irrevocable and unconditional
Spouse consent to Jassany Margarita
Albelaís Valenzuela

(Signed)

Minera LSG S.A. de C.V.

Represented by

Rodney Alan Blakestad

(Signed)

Juan José Duarte Bravo

(Translator)

Witnesses:

(Signed)

CARLOS LORENZO ALBELAIS BOIDO

(Signed)

MARIA CECILIA RIVERA CHIAPA

NOTARY PUBLIC NUMBER 8

Magdalena de Kino, Sonora

(Signed)

Licenciado Francisco Alfonso Corella Zamudio

Exhibit 10.31



SHARP EXECUTIVE ASSOCIATES, INC.
International Financial Management Consultancy

March 10, 2007

Audit Committee
Little Squaw Gold Mining Company
3412 S. Lincoln Drive
Spokane, WA 99203-1650

Dear Sirs:

We will perform a Sarbanes-Oxley Act (SOA) implementation consulting engagement for Little Squaw Gold Mining Company for the year ending December 31, 2007. Specifically, the SOA implementation consulting engagement is designed to assist management of Little Squaw Gold Mining Company in its effort to comply with SOA section 404, "Management Assessment of Internal Controls." This SOA implementation consulting engagement is designed with the understanding that Little Squaw Gold Mining Company's external auditor will be required to attest to and report on management's internal control assessment for the year ending December 31, 2008. We understand that management's assessment of the effectiveness of its internal control structure and procedures for financial reporting, as required by SOA Section 404, will be based on the framework of internal controls established by the Committee of Sponsoring Organizations of the Treadway Commission's report, *Internal Control-Integrated Framework* (COSO Report). This SOA implementation consulting engagement includes a four-phase program, as described in our full proposal document which accompanies this letter

Our fee for compliance engagement will be \$50,000 to \$60,000, plus any direct costs that we will incur which will include travel time at \$35 per hour and any out-of-pocket travel and other expenses. Our invoices will be submitted monthly and are due and payable in U.S. dollars within 20 days of the invoice date. Sharp Executive Associates, Inc. may suspend performance of services under this engagement if Little Squaw Gold Mining Company fails to make payment when due. Sharp Executive Associates, Inc. shall have no liability to Little Squaw Gold Mining Company for suspension of services for failure to receive payment for services and out-of-pocket expenses as provided herein.

If circumstances are encountered that affect our ability to proceed according to the plan outlined, such as major scope changes or the loss of key Little Squaw Gold Mining Company personnel, we will inform you promptly and seek your approval for any changes in scope, timing, or fees that may result from such circumstances.

As you know, Little Squaw Gold Mining Company is responsible for (1) establishing and maintaining effective internal control over financial reporting and safeguarding assets, (2)

714 Whisperwood Ct • Nampa, Idaho 83686 • Ph: 509-697-1641 • Fax: 208-442-1398
Email: tedsharp@sharpexec.com Website: www.sharpexec.com

identifying and ensuring that Little Squaw Gold Mining Company complies with the requirements of the Sarbanes-Oxley Act and other laws and regulations applicable to its activities, (3) informing us of all significant deficiencies and material weaknesses in internal control of which it has knowledge, and (4) making all financial records and related information, including existing internal control documentation and management's evaluation of design and operating effectiveness, available to us. Further, while Sharp Executive Associates, Inc. may make comments and recommendations throughout the course of our engagement, it is understood that it is solely Little Squaw Mining Company management's responsibility to implement and maintain an appropriate system of internal controls over financial reporting and for its compliance with the Sarbanes-Oxley Act.

Sharp Executive Associates, Inc. agrees to keep confidential the financial, statistical, and personnel data of Little Squaw Mining Company and any other information that is clearly designated in writing as confidential by Little Squaw Gold Mining Company. Sharp Executive Associates, Inc. will instruct its personnel to keep such information confidential by using the same discretion that they would use with similar data that Sharp Executive Associates, Inc. designates as confidential. If requested by Little Squaw Gold Mining Company, Sharp Executive Associates, Inc. will return all confidential data of Little Squaw Gold Mining Company upon termination of this engagement.

In no event shall Sharp Executive Associates, Inc. be liable to Little Squaw Gold Mining Company, or to any third party, whether a claim be in tort, contract, or otherwise: (a) for any amount in excess of the total professional fees paid to Sharp Executive Associates, Inc. under this engagement letter, (b) for any work performed by or work product produced by Little Squaw Gold Mining Company personnel in connection with this engagement, or (c) for any consequential, indirect, exemplary, punitive, lost profit, or similar damages, even if Sharp Executive Associates, Inc. has been apprised of the possibility thereof. In addition, Sharp Executive Associates, Inc. will have no liability to Little Squaw Gold Mining Company, or to any third party by reason of any action taken or omitted by us in good faith relating to this engagement.

All services will be rendered by and under the supervision of qualified staff in accordance with the terms and conditions set forth in this letter. Sharp Executive Associates, Inc. makes no other representation or warranty regarding either the services to be provided or any deliverables; in particular, and without limitation of the foregoing, any express or implied warranties arising by custom or usage in the profession, and warranties arising by operation of law are expressly denied. Portions of the project that are performed by Little Squaw Gold Mining Company personnel are expressly the responsibility of Little Squaw Gold Mining Company.

Little Squaw Gold Mining Company agrees to be responsible for and pay all state, local, and other taxes or other charges directly applicable to the sale, installation, maintenance, or use of any products and services provided under this agreement. In the event Sharp Executive Associates, Inc. is assessed any such taxes due to the failure of Little Squaw Gold Mining Company to pay said taxes for any reason, Little Squaw Gold Mining Company shall reimburse Sharp Executive Associates, Inc. same within 30 days notice by Sharp Executive Associates, Inc.

The assistance to be supplied by Little Squaw Gold Mining Company personnel, including the preparation of information and data, will be discussed and coordinated with management. The timely and accurate completion of this work is an essential condition to our completion of the

engagement. Sharp Executive Associates, Inc. will rely on the accuracy and completeness of information and cannot be held responsible in any way for information provided by Little Squaw Gold Mining Company.

In the event we are requested or authorized by Little Squaw Gold Mining Company or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Little Squaw Gold Mining Company, Little Squaw Gold Mining Company will , so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

It is agreed by Little Squaw Gold Mining Company and Sharp Executive Associates, Inc. or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of Little Squaw Gold Mining Company shall be asserted more than two years after the date of the last engagement completed by Sharp Executive Associates, Inc.

This letter constitutes the complete and exclusive statement of agreement between Sharp Executive Associates, Inc. and Little Squaw Gold Mining Company, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as Little Squaw Mining Company understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

Sincerely,

Sharp Executive Associates, Inc.

/s/ Ted R. Sharp

Ted R. Sharp, CPA
Owner/Member of the Firm

TRS:kpl

Confirmed on behalf of the Audit Committee of Little Squaw Gold Mining Company:

/s/ Kenneth S. Eickerman

Audit Committee Chairman March 13, 2007

Authorized Signature

Title

Date

CONSULTING AGREEMENT

November 26, 2007

BETWEEN

**Baron Group USA, LLC
444 Madison Ave, 40th Floor
New York, NY 10022**

AND

**Little Squaw Gold Mining Company
3412 S. Lincoln Dr.
Spokane Washington
99203 USA**

THIS CONSULTING AGREEMENT (this "Agreement"), dated for reference and made this 26th day of November, 2007, between: Little Squaw Gold Mining Company, 3412 S. Lincoln Dr., Spokane, Washington 99203 (the "Issuer" or "Little Squaw") and Baron Group USA, LLC (the "Consultant").

WHEREAS, Consultant provides a variety of strategic planning, financing, merger and acquisition advisory and other services to assist its clients with their financing requirements;

WHEREAS, the Issuer desires to retain the financial advisory services of the Consultant and to utilize Consultant's network of institutional fund managers, hedge funds, private equity investors, banks and institutional lenders (collectively, the "Consultant Contacts") to locate potential investors on a best efforts basis for a Financing for the Issuer on the terms set forth in the term sheet attached hereto as **Exhibit A** (the "Private Placement");

WHEREAS, the Issuer and Consultant wish to formalize in a written agreement the terms and conditions under which the Consultant will provide such services to the Issuer; in connection with the Private Placement; and

WHEREAS, the Units to be issued in the Private Placement, and the Common Shares and Warrants comprising the Units, and the Common Shares issuable upon exercise of the Warrants (collectively, with the Warrants issuable to the Agents under Section 5(d) below, the “Securities”) have not been registered with the Securities and Exchange Commission (“SEC”), pursuant to the provisions of the Securities Act of 1933, as amended (the “1933 Act”), or with state commissions or agencies pursuant to the securities laws of the states. The Units are being sold in reliance on exemptions from the state and federal registration requirements and, when acquired, will be considered “restricted securities” as that term is defined in Rule 144 promulgated pursuant to the provisions of the 1933 Act. Any certificate issued for the Securities will bear a legend stating, in substance, that the Securities may not be sold, assigned or transferred for value in the absence of an effective registration statement or an opinion of counsel acceptable to the Issuer that such registration is not required.

NOW THEREFORE, for the mutual promises and other considerations described herein, the parties agree as follows:

1. APPOINTMENT

Issuer hereby engages Consultant and the Consultant agrees to use its best efforts to provide introductions to Issuer to Consultant's Contacts for the purpose of obtaining financing in connection with the Private Placement (the "Services").

2. TERM

The term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (a) the closing of the Private Placement, or (b) six (6) months from the Effective Date (the “Termination Date”), unless earlier terminated in accordance with paragraph 8 herein, except for those provisions which by their terms survive expiration of this agreement.

3. SERVICES

During the term of this Agreement, Consultant shall review information relating to the Private Placement and provide financial advisory services to Issuer. Consultant shall use its best efforts to introduce prospective financiers, investors, lenders to Issuer. Consultant may participate in the negotiations with such financiers, investors, lenders alongside Issuer. It is agreed and understood that (a) in the United States, the activities of Consultant shall be limited to the location, identification and introduction to the Issuer of “accredited investors”, as that term is defined in Rule 501(a) of Regulation D under the 1933 Act and (b) outside the United States, the activities of Consultant shall offer and sale securities to non-U.S. persons (as defined in Rule 902(k) of Regulation S of the 1933 Act) in off-shore transactions in accordance with applicable securities law. In connection with the services performed hereunder, Consultant will not, unless permitted by law in the jurisdiction in which such services are provided, (A) engage on behalf of the Issuer or participate in any solicitation of, recommendations to, or sale negotiations with the potential investors, (B) prepare or distribute any material including any financial data or sales materials relating to the Issuer, (C) assist in providing any financing for any purchase of an interest in the Issuer, (D) provide any advice relating to the valuation of or the financial advisability of an investment in the Issuer, or (E) handle any funds or securities of the Issuer.

4. OBLIGATIONS OF ISSUER

Issuer shall provide Consultant, for its sole information in connection with providing Services, on a regular and timely basis, with all approved data and information about it, its subsidiaries, its management, its products and services and its operations as shall be reasonably necessary and requested by the

Consultant in order to provide the Services hereunder. Issuer shall notify Consultant of any facts which would materially affect the accuracy of any data and information previously supplied by Issuer pursuant to this paragraph. To the extent Issuer is aware of and has the authority to do so under applicable law, Issuer shall provide Consultant with any publicly released news that may be pertinent to Consultant's provision of the Services. Issuer agrees that it will provide such information to Consultant with commercially reasonable promptness. All information provided by Issuer with respect to its own business operations shall be accurate and complete in all material respects. Issuer understands and acknowledges that Consultant cannot guarantee that its Services provided hereunder will achieve any particular objective or fulfill any specified goals.

5. CONSIDERATION

In consideration of the Consultant using its good and valued name and services, the Issuer, upon closing of any subscription from investors in the Private Placement, hereby agrees, subject to applicable securities laws, as follows:

- (a) Issuer agrees to pay Consultant a non-refundable signing fee of \$25,000.00 upon signing this Agreement.
- (b) Issuer will reimburse Consultant for reasonable out-of-pocket expenses directly incurred by Consultant in performance of its Services. All such expenses over \$2,000.00 must be pre-approved in advance by Issuer, and must be verified by appropriate receipts and documentation.
- (c) Pay to the Consultant a cash finder's fee in United States dollars of 8% of the gross proceeds received by the Issuer in the Private Placement.
- (d) Issue the Consultant common share purchase warrants (the "Consultants' Warrant") representing 10% (rounded up to the nearest whole number) of the number of warrants issued to investors in the Private Placement based on the same terms and conditions as those of the financing investors. For greater certainty and by way of example, the Private Placement contemplates issuing units, each unit consisting of one (1) share of common stock and one-half (1/2) of one (1) share purchase warrant (each whole warrant exercisable to acquire one (1) share of common stock at \$1.50 per share). The Consultant will be eligible to receive 10% of the number of whole warrants issued to investors in the Private Placement (e.g., if a total of 10,000,000 units are issued, then 5,000,000 warrants would be issued to investors and 500,000 warrants would be issued to the Consultant). Each Consultant warrant shall be exercisable to acquire one (1) share of common stock at \$1.50 per share for a period of twenty-four (24) months. The Consultant may designate one or more persons to which the Consultants' Warrants shall be issued, subject to applicable securities laws.
- (e) Payment is due immediately upon Issuer receiving funds from investors at closing. Issuer will pay the consultant fees directly to Consultant and issue Consultant's Warrants in accordance with Section 5(d) concurrent with the closing of the Private Placement.
- (f) The Issuer shall pay the consideration set forth in section 5(c) and (d) above if, within eighteen months (18) months of the Termination Date from any investor who did not have a pre-existing relationship with the Issuer and who was initially introduced to the Issuer by the Consultant and confirmed in writing by the Issuer (each, a "Consultant Investor"), the Issuer subsequently closes another financing with such Consultant Investor.

- (g) If the Issuer consummates any merger, acquisition, sale of substantially all of its assets, debt financing or equity transaction, not otherwise contemplated in Sections 5(a), (b), (c), (d) or (f) above, with a Consultant Investor during the period eighteen (18) months from the Termination Date, Issuer shall pay Consultant a cash transaction fee equal to five percent (5%) of the value of such transaction.
- (h) Consultant shall be the exclusive and sole representative for Issuer during the term of this Agreement. Consultant may engage qualified broker-dealers in connection with providing Services in connection with the Private Placement, provided that such broker-dealers are properly registered and agree to comply with the terms of this Agreement.

6. DEEMED INVESTOR

In order to be deemed a Consultant Investor for the purposes of Section 5(f) above, each Consultant Investor will be identified in writing by the Consultant to the Issuer. Each purchaser of Units in the Private Placement will be required to provide the Issuer with an executed Subscription Agreement in the form provided by the Issuer in connection with the Private Placement and tender the purchase price to the Issuer prior to closing. The Issuer will immediately notify Consultant should a subscription agreement be completed and accepted by the Issuer in connection with the Private Placement.

7. SECURITIES COMPLIANCE

In conducting its activities in connection with the Private Placement, the Consultant covenants and agrees to comply with all applicable securities laws and regulations of all jurisdictions in which the Units will be offered for sale. Further, in performing the services set out herein the Consultant agrees, represents and warrants that:

- (a) Consultant will make no representations concerning the Issuer that are not authorized by the Issuer in writing, make no untrue statement of a material fact and not omit to state a material fact required to be stated or necessary to make any statement not misleading;
- (b) Issuer shall incur no liability whatsoever in respect of any unauthorized representations made by the Consultant;
- (c) Consultant shall not engage in or issue any advertisement, article, notice, or other communication mentioning the Units, publish in any newspaper, magazine or similar medium or broadcast over television or radio any information regarding the Issuer or the Units or “directed selling efforts” (as defined in Rule 902(c) of Regulation S under the 1933 Act) in the United States;
- (d) Consultant shall make introductions to potential investors in the United States or who are U.S. persons that the Consultant reasonably believes are “accredited investors” as defined in Rule 501(a) of Regulation D under the 1933 Act and to persons outside the United States to non-U.S. persons, who will purchase Units in off-shore transactions in compliance with Rule 903 of Regulation S under the 1933 Act and in accordance with applicable law or the jurisdiction;
- (e) Consultant shall comply with all applicable laws and regulations in connection with the services rendered to the Issuer under this Agreement, including, but not limited to, compliance with all applicable securities laws in Canada, the United States and the

European Union or any province, state, territory or jurisdiction therein, as may be applicable;

- (f) Consultant shall conduct Consultant's activities in such a manner that the exemption from registration of the offer and sale of Units in the Private Placement under Section 4(2) and Rule 506 of Regulation D under the 1933 Act and any applicable state securities laws or any order, rule or regulation promulgated thereunder, will not be adversely affected by Consultants; and
- (g) Consultant has and shall maintain all business and professional licenses, registrations and permits necessary or appropriate, and agree to obtain and maintain any such license, registration or permit that may hereafter become necessary or appropriate, under all applicable laws and regulations, and shall otherwise comply with all applicable laws and regulations to complete the Financing. Consultant, as required under applicable law, will conduct any activities under this Agreement requiring such licensing or registration through a broker/dealer registered with the Financial Industry Regulatory Authority (formerly NASD) that is an affiliate of Consultant or otherwise selected by Consultant.

8. MISCELLANEOUS

- (a) Termination: This Agreement may be terminated (i) by either party upon thirty (30) days prior written notice to the other party commencing the first month from the Effective date of this Agreement, (ii) with the mutual written consent of both parties at any time, or (iii) immediately by either party upon the occurrence of a material breach of this Agreement by the other party. In the event (1) Issuer terminates this Agreement prior to the expiration of its term pursuant to subsection (i) above and (2) within eighteen (18) months following its termination Issuer receives capital from a Consultant Investor, Issuer will be obligated to pay the fees set forth in Section 5(c) and 5(d) upon closing of such transaction.
- (b) Non-Circumvention: Except as otherwise contemplated by this Section 8(b), the Issuer will not (i) contact any Consultant Investor introduced directly or indirectly by the Consultant or (ii) enter into a financing or consulting or business relationship with any Consultant Investor within eighteen (18) months from the date of termination of this Agreement without the written consent of the Consultant, which shall not be unreasonably withheld. Should the company wish to pay consulting or finders fees in association with a financing from a Consultant Investor as contemplated in Section 5(f) above, to the extent permitted by applicable law, the Issuer will copy the Consultant on all relevant correspondence, email, fax or other communications. Consultant has the right to be at all meetings with the parties introduced directly or indirectly by the Consultant to the Issuer, subject to and in accordance with applicable law. Proper advance notice of such meetings will be provided by Issuer, and where Consultant cannot be at meetings, the Issuer will advise Consultant of such meetings and review any relevant discussions, subject to and in accordance with applicable law.
- (c) Modification: This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof. This Agreement may be amended only in writing signed by both parties.
- (d) Notices: Any notices hereunder shall be sent to Issuer and the Consultant at their respective addresses set forth below:

If to Issuer:

Little Squaw Gold Mining Company
3412 S. Lincoln Dr.
Spokane Washington 99203
Attn: Richard Walters

If to Consultant:

Baron Group USA, LLC
c/o Lawrence Berk
444 Madison Avenue
40th Floor
New York, NY 10022

Any notice shall be given by registered or certified mail, postage prepaid, and shall be deemed to have been given when deposited in the United States mail. Either party may designate any other address to which notice shall be given, by giving written notice to the other of such change in address in the manner herein provided.

(f) **Waiver:** Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions will not be considered a waiver or deprive that party of the right thereafter to insist upon adherence to that term or any other term of this Agreement.

(g) **Relationship of the Parties:** Nothing in this Agreement shall create any partnership or joint venture between the parties hereto, it being understood and agreed that the parties are independent and neither has the authority to bind the other in any way.

(h) **Severability:** If any provision of this Agreement is invalid, illegal, or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

(i) **Governing Law:** This Agreement has been made in the State of New York and shall be construed and governed in accordance with the laws thereof without regard to conflict of laws.

(j) Each of Consultant, on the one hand, and the Issuer, on the other hand, shall indemnify, defend and hold the other party and their respective agents, employees, officers and managers, harmless from and against any and all liability, damage, cost or expense (including reasonable attorneys' fees) arising out of any losses, claims, damages and liabilities related to (i) a breach by any party of its covenants, representations or warranties set forth in this Agreement or (ii) any party's non-compliance with the provisions of this Agreement applicable thereto. The foregoing indemnification obligation shall survive the Termination Date.

(k) **Proprietary Information:** The Consultant acknowledges and agrees that specified segments of information received from Issuer under this agreement are exclusive proprietary information and the same shall not be divulged, published, or distributed in any manner or form to any third party without the written consent of Issuer.

[Signature Page Follows]

Upon execution of this Agreement by Baron Group USA, LLC and Little Squaw Gold Mining Company, a valid and binding agreement shall exist as of the date first above written.

Baron Group USA, LLC

Little Squaw Gold Mining Company

/s/ Lawrence Berk
By: _____
Lawrence Berk
President and CEO

November 26, 2007
Date: _____

/s/ Richard R. Walters
By: _____
Richard R. Walters
President

November 26, 2007
Date: _____

Offering	<p align="center">EXHIBIT A - PRIVATE PLACEMENT TERM SHEET</p> <p align="center">Little Squaw Gold Mining Company</p>
Issuer	(Little Squaw Gold Mining Company or the “Company”)
Description of Issuer Business	<p>Little Squaw Gold Mining Company is in the business of identifying, acquiring and advancing gold properties to the discovery point where maximum shareholder value can be realized. Little Squaw is a 49-year-old Alaska corporation, has property assets in Alaska, Nevada, Mexico and Brazil, and a seasoned management team with a well rounded independent board of directors. The Company owns 100% of the Chandalar property located 190 air miles N-NW of Fairbanks, Alaska, and 100% of the Broken Hills, Nevada and Pedra de Fogo, Brazil gold exploration properties. It is conducting due diligence on potential acquisitions of additional gold properties in Alaska, Nevada and Mexico. Chandalar consist of approximately 23 square miles of unpatented State of Alaska mining claims and 426 acres of patented federal mining claims. It has a history of gold production from small mines on both hard rock and placer (or alluvial) gold showings, and is believed to have exploration potential for discovery of a major gold deposit.</p> <p>Little Squaw is an exploration stage company and none of its properties are in development or production and none contain known ore reserves (as defined in SEC Industry Guide 7); although quantities of mineralized material have been identified on the Chandalar property.</p> <p>Little Squaw’s ultimate objective is to discover a world-class gold deposit. The Company intends to generate interim cash flow by developing the placer gold deposit it recently discovered at Chandalar in Little Squaw Creek. A pre-development work program is proceeding towards test mining in 2009, with commercial production anticipated by 2011.</p>
Issue	Private placement of Units from Authorized Shares (the “Placement”)
Issue Amount	\$10,000,000 - \$12,000,000
Issue Price	The price per Unit is to be determined based on the ten (10) day volume weighted price discounted by ten percent (10%).
Units	Each Unit consists of one (1) share of common stock of Little Squaw Gold Mining, (a “Share”) and one-half (1/2) of one (1) share purchase warrant. Each whole share purchase warrant is exercisable to acquire one (1) additional share of Common Stock (“Warrant Shares”) at \$1.50 per share for a period of twenty four (24) months.
Minimum Purchase	Minimum investment of \$250,000 or a lesser amount as may be approved by the Company in its sole discretion.
Registration Rights	Little Squaw will grant registration rights and undertake to use commercially reasonable efforts to file a registration statement with the Securities and Exchange Commission to register the Shares and Warrant Shares for resale. Issuing more than 8 million shares could trigger a SEC 415 comment and require the Company to limit the number of shares registered for resale in the registration statement. If the SEC issues such a comment and the Company is required to limit the number of shares registered, then the number of Shares (including Warrant Shares) registered for each investor will be reduced on a pro rata basis (beginning with the Warrant Shares) and the remaining unregistered Shares will be subject to restrictions and hold periods, currently one year under Rule 144.
Finders Fee	The Company is to pay the Baron Group, USA, LLC (“Baron”) eight percent (8.0%) of gross sales in cash plus issue to Baron compensation warrants equivalent to ten percent (10.0%) of the total number of warrants issued from the sale of Units pursuant to this Placement on the closing date pursuant to a consulting agreement.

Use of Proceeds	Based on \$10,000,000 Closing		\$	<u>2008 - 2011</u> Drill 150 more holes in Chandalar placer gold deposit in 2008, with bulk yardage sampling in 2009, feasibility study and mine engineering in 2009-10, start up production in 2010 and full production in 2011. <u>Additional financing will be required to capitalize full production.</u> Drilling Chandalar lode gold deposits 2008-10. Drilling on Brazil, Mexico or Nevada properties in 2008-09.
	Cost of Offering (8% of Gross Proceeds)		800,000	
	Chandalar placer and lode gold exploration and development		3,500,000	
	Brazil, Mexico & Nevada properties exploration		1,000,000	
	General corporate and capital equipment		3,200,000	
	G & A		1,500,000	
	Total		10,000,000	
Selling Jurisdictions	The Units may be sold in certain jurisdictions outside the United States as solely determined by the Company in accordance with available exemptions. The Securities will be offered in the United States to "accredited investors" (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended ("1933 Act")), pursuant to available exemptions under the 1933 Act and state securities law and outside the United States in off shore transactions to non-U.S. persons in accordance with Regulation S under the 1933 Act.			
Hold Period	The securities comprising the Units (and the Common Shares issuable upon exercise of the Warrants) are "restricted securities" (as defined in Rule 144) and may not be sold absent registration or an exemption from registration.			
Listing	Little Squaw Gold Mining Inc. is listed on the Nasdaq over the counter bulletin board under the symbol "LITS"			
Closing Date	Mid-December, 2007			



March 5, 2008

Via Certified Mail-Return Receipt Requested and by fax and E-mail

Barron Group USA, LLC
c/o Lawrence Berk
444 Madison Avenue
40th Floor
New York, New York 10022

Re: Consulting Agreement dated November 26, 2007

Dear Mr. Berk:

This is to confirm the substance of our telephone conversation of earlier today. During our conversation, you and we agreed that the Consulting Agreement dated November 26, 2007, between Baron Group USA, LLC, and Little Squaw Gold Mining Company is terminated by mutual consent of both parties, effective immediately. Accordingly, Baron shall immediately cease providing any services under that Agreement, and Little Squaw Gold Mining Company shall not be obligated to pay Baron any future compensation of any kind under that Agreement including, but not limited to, any Consideration under any of the provisions of paragraph 5 of the Consulting Agreement. If this accurately reflects the agreement we reached during our conversation, please sign the enclosed copy of this letter and return the signed copy to me as soon as possible. My fax number is (509) 624-5831.

Sincerely,

Richard R. Walters
President

Agreed:

Lawrence Berk
President and CEO
Baron Group USA, LLC

Date

Exhibit 10.34

INVESTOR RELATIONS AGREEMENT

THIS INVESTOR RELATIONS AND MARKETING AGREEMENT (Hereinafter referred to as the "Agreement") , made effective this 19th **day of November 2007** (Hereinafter referred to as the "Effective Date") between:

Coal Harbor Communications Inc.

Suite 701, 555 Jervis Street,
Vancouver BC Canada V6E 4N1
Telephone: 604.662.4505
Fax: 604.662.4547
(Hereinafter referred to as "Provider")

AND:

Little Squaw Gold Mining Co.

3412 South Lincoln Drive
Spokane, Washington 99203-1650 USA
Telephone: 509.624.5831
Fax: 509.624.2878
(Hereinafter referred to as "Public Company")

WITNESS THAT:

WHEREAS:

- A. Public Company requires investor relations and marketing advisory services and desires to employ Provider to provide such services;
- B. Provider is engaged in the business of providing marketing, promotional and public relations services to listed companies and has agreed to provide such services to the Public Company as its "Investor Relations Contractor".

NOW THEREFORE, the parties agree as follows:

I. APPOINTMENT

Public Company hereby engages Provider to provide investor relations and marketing services and hereby retains and employs Provider on the terms and conditions of this Agreement. Provider accepts such appointment and agrees to use its best efforts to perform such services, upon the terms and conditions of this Agreement.

II. TERM

The initial term of this agreement shall begin on the Effective Date of this Agreement and continue for one year. Either party may cancel this Agreement 3 months starting three (3) months after its Effective Date by written notification with thirty (30) days notice.

III. SERVICES OF PROVIDER

Provider shall act generally as the Investor Relations Officer for Public Company and as such shall perform services as follows:

- A. Provider will introduce the Co. to industry professionals and organize meetings for possible financing, analyst and/or newsletter reports and appropriate public relations and advertising venues.

B. Provider will create and maintain a database of investors, brokers, analysts, newsletter writers, etc. on behalf of the Co.

C. Provider will develop for the Public Company appropriate due diligence material that satisfies in-house and regulatory requirements of broker/dealers (both in the United States and Canada) for broker presentations, corporate mailing pieces, brochures, shareholder communications, research reports and other collateral material, and will do so within the guidelines of an approved budget. Provider will propose advertising campaigns designed to increase the audience for the Public Company and to source investor leads.

D. Provider will telephone new contacts and update contacts in the database on corporate developments in an on-going, timely and professional manner. Provider will also target making fifty (50) outgoing calls per day as well as answer incoming calls, answer questions and fulfill requests for investor packages by email/mail/fax/ and courier.

IV. LIMITATIONS ON SERVICES

The parties recognize that certain responsibilities and obligations are imposed by federal, provincial and state securities laws and by the applicable rules and regulations of the Securities Commissions both in Canada and the United States. Accordingly, Provider agrees that:

A. Provider shall not release any financial or other material information or data about Public Company and its business without the consent of approval of Public Company;

B. Provider shall not conduct any meetings with financial analysts regarding Public Company without informing Public Company of the proposed meeting and its general format or agenda;

C. Provider shall not release any information or data about Public Company's affairs to selected limited person(s), entity or group if Provider is aware that such information or data has not been generally released or promulgated.

V. REPRESENTATIONS AND INDEMNIFICATION

A. Public Company shall be deemed to make a continuing representation of the accuracy of any and all material facts, material information and data that it supplies to Provider and the general availability of such information. Public Company is aware that Provider will rely on such continuing representation in disseminating such information and otherwise performing its public relations functions under this Agreement.

B. Provider in the absence of notice in writing from Public Company will rely on the continuing accuracy of material; information and data supplied by Public Company and its general availability.

C. Public Company hereby agrees to indemnify Provider against and to hold Provider harmless from any claims, suits, loss damages, etc. arising out of Provider reliance on the general availability of information supplied to Provider and Provider ability to promulgate such information.

D. Conversely, Public Company may rely on Provider to disseminate and promulgate only such material, information and data as supplied by Public Company for such purposes. Provider hereby agrees to indemnify Public Company against and to hold Public Company harmless from any claims, damages, suits, loss damages, etc. arising out of Public Company's reliance upon Provider to disseminate and promulgate only such facts, material information and data.

VI. COMPENSATION

In consideration of Provider rendering to Public Company the services referred to in section III, Public Company shall pay Provider, upon the Effective Date:

- A. A monthly fee of United States currency of six thousand dollars (US \$6,000.00) payable on the 1st day of each calendar month, with the first payment being prorated for that portion of the month from the Effective Date to the first of the following month.
- B. A quarterly fee of 18,000 common shares of the Public Company beginning on January 1, 2008 and on the first day of every calendar quarter thereafter for so long as this Agreement is in effect, plus for the first payment shares equivalent to the number of shares obtained by dividing the number of days between the Effective Date and December 31, 2007 by 90 days and then multiplying that quotient by 18,000. The shares to be issued are registered, free trading shares covered by the most recent Prospectus the Public Company has on file with the U.S. Security and Exchange Commission (Hereinafter referred to as the "SEC"). These shares will be initially issued with a restrictive legend that the Public Company will approve removal of upon Provider's notice to sell, and will do so strictly within the SEC Rules and Regulations pertaining to such.
- C. An additional quarterly fee of 50,000 common share purchase options starting on January 1, 2008 and ending on December 31, 2008, unless this Agreement is terminated earlier. No additional purchase share options would be issued after the termination date of this Agreement. The stock purchase options are to be issued under and through the Public Company's Restated 2003 Share Incentive Plan (Hereinafter the Plan) and any revision or replacement of it, and are classed as Non Qualified Stock Options (Hereinafter referred to as "NQSO"). There are currently only 100,000 NQSOs available under the Plan. The Public Company intends to replace or replenish the Plan by the required approval of its shareholders at the next annual shareholders meeting, expected to be in the second quarter of 2008. The Public Company will not be obligated to continue payment of the NQSOs should it not be able to obtain shareholder approval for replenishing the Plan or replacing the Plan with a new Plan having enough NQSO (or equivalent) to fulfill this portion of possible payment to Provider. Following a potential event of non-approval by shareholders, either the Public Company or the Provider may terminate this Agreement without a thirty (30) day notice. All NQSOs that would be issued under the current Plan would be issued at Market Price, vest upon being granted and have a ten (10) year Term/Expiration Date. Stock issued as a result of exercising a NQSO comes under SEC Rule 144 that requires a one year hold (this Rule is being changed to a six (6) month hold).
- D. The Company will pay for approved expenses (for mail-outs or production of brochures, etc.). Business trips requiring full-time commitments will be charged at \$300 per day plus expenses.

VII. RELATIONSHIP OF PARTIES

Provider is a contractor, responsible for compensation of its agents, employees and representatives, as well as all applicable withholding therefrom and taxes thereon (including unemployment insurance) and all workers compensation insurance. This Agreement does not establish any partnership, joint venture, or other business entity or association between the parties and neither party is intended to have any interest in the business or property of the other.

VIII. GENERAL

- A. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, U.S.A., which shall be deemed to be the proper law of this contract.
- B. This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto or by their successors or assigns.
- C. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document, and any facsimile signature shall be taken as an original.

D. The provisions herein contained constitute the entire agreement between the parties and supersedes all previous communications, representations and agreements whether oral or written between the parties with respect to the subject matter hereof.

E. Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

F. No condoning, excusing or waiver by any party hereto of any default, breach of non-observance by any other party hereto at any time or times in respect of any covenant, proviso or condition herein contained shall operate as a waiver of that party's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, or so as to defer or affect in any way the rights of the party in respect of any such continuing or subsequent default breach of non-observance, and no waiver shall be inferred from or implied by anything done or omitted to be done by the party having those rights.

G. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, administrators, successors and their respective permitted assigns.

H. Time is of the essence of this agreement.

I. This Agreement is subject to the acceptance of the applicable stock exchanges and regulatory bodies.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their respective hands as of the day and year first written above.

**COAL HARBOR COMMUNICATIONS INC.
PROVIDER**



Dale Paruk, President

**LITTLE SQUAW GOLD MINING CO.
PUBLIC COMPANY**



Richard R. Walters, President

Pacific Rim Geological Consulting, Inc.

P.O. Box 81906, Fairbanks, Alaska, USA 99708

Phone (907) 458-8951 Fax (907) 458-8511 email: Bundtzen@mosquitonet.com

CONSENT OF AUTHOR

Attention: Corporate Finance
United States Securities and Exchange Commission

Attention: Corporate Finance
Little Squaw Gold Mining Company
3412 Lincoln Drive
Spokane, Washington USA 99203

I, Thomas K. Bundtzen, P. Geo. of Pacific Rim Geological Consulting, Inc., at Box 81906, Fairbanks, Alaska, USA, 99708, authored and prepared the Technical Report: *Follow-up 2007 Geologic mapping, Structural Analysis, and Evaluation of Gold Deposits in Chandalar Mining District, Northern Alaska* (hereafter known as 'Report'. This Report was produced by Pacific Rim Geological Consulting, Inc. for Little Squaw Gold Mining Company, Inc. on December 31st, 2007.

I hereby consent to the filing of the report in the public files of the United States Securities and Exchange Commission (hereafter known as USSEC) for use in 10KSB and/or SB-2 filings with the USSEC, and to any use of and reference to the subject matter of the Report. I also consent to the use of my name as author of the report.

I hereby certify that there is no reason to believe that there are any misrepresentations in information derived in the Report, or that the written disclosure contained in the Report contains any misrepresentations.

Dated this day, February 08, 2008



Thomas K. Bundtzen
President, Pacific Rim Geological Consulting, Inc.
Certified Professional Geologist #10912
Alaska Business License #279639



Gary Fitch
Professional Geologist
State of Alaska Lic. AA0124
8330 Little Dipper Avenue
Anchorage, Alaska 99504
907-332-0026
gfitch@alaska.net

Attention:
United States Securities and Exchange Commission

Attention:
Little Squaw Gold Mining Company
3412 Lincoln Drive
Spokane, Washington 99203

March 20, 2008

Consent of Author

As professional geologist and consultant commissioned for this purpose, I authored and produced the technical report, Placer Gold Drilling and Evaluation, Little Squaw Creek and Big Squaw Creek, Chandalar Mining District, Alaska, November 11, 1997. I consent to use of my name as author and to the use of this report and its information by Little Squaw Gold Mining Company, in whole or in part, for purposes chosen at their discretion. These include, among others, filings with the United States Securities and Exchange Commission, filings with any Canadian stock exchange authority for regulatory purposes and electronic publication in the public company files in the United States and Canada or on their websites accessible to the public.

This is an extension and update of the earlier consent and statement of qualifications, dated July 21, 2003 (attached), which remains in effect.

 3/20/08
Gary Fitch

Exhibit 31.1

CERTIFICATION

I, Richard R. Walters, certify that:

1. I have reviewed this annual report on Form 10-KSB of Little Squaw Gold Mining Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 8, 2008

By: /s/ Richard R. Walters
Richard R. Walters, President, Principal Executive Officer

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION

I, Ted R. Sharp, certify that:

1. I have reviewed this annual report on Form 10-KSB of Little Squaw Gold Mining Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 8, 2008

By: /s/ Ted R. Sharp

Ted R. Sharp, Chief Financial Officer, Principal Financial Officer

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Little Squaw Gold Mining Company, (the "Company") on Form 10-KSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard R. Walters, President and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Little Squaw Gold Mining Company.

/s/ Richard R. Walters

Richard R. Walters, President

DATE: April 8, 2008

A signed original of this written statement required by Section 906 has been provided to Little Squaw Gold Mining Company and will be retained by Little Squaw Gold Mining Company to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Little Squaw Gold Mining Company, (the "Company") on Form 10-KSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ted R. Sharp, Chief Financial Officer and Principal Financial Officer of the Company, certify, pursuant to 81 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Little Squaw Gold Mining Company.

/s/ Ted R. Sharp

Ted R. Sharp, Chief Financial Officer

DATE: April 8, 2008

A signed original of this written statement required by Section 906 has been provided to Little Squaw Gold Mining Company and will be retained by Little Squaw Gold Mining Company to be furnished to the Securities and Exchange Commission or its staff upon request.