

LKA International, Inc. Releases Financial Results for the Quarter Ended June 30, 2006

Royalties on Golden Wonder Production Increase More Than 145% While Pre-Tax Income Rises 178% Due to Strong Gold Prices and Exceptionally High Ore Grade

GIG HARBOR, Wash.--(BUSINESS WIRE)--Aug. 21, 2006--LKA International, Inc. (OTCBB:[LKAI](#) - [News](#)), announced its financial results for the second quarter ended June 30, 2006. These results are contained in LKA's Quarterly Report on Form 10-QSB for the period, which was filed with the Securities and Exchange Commission today. Investors are advised to read the complete text of the Filing to obtain an accurate understanding of the Company's activities.

The following is a summary of certain financial information contained in the current Form 10-QSB:

During the quarter ended June 30, 2006, LKA recorded net income of \$154,292 (\$0.012 per share) on increased royalties from gold production at the Company's Golden Wonder Mine. Net royalties increased to \$587,579 (up 145% from the year-ago period) on the highest-ever ore grade (over 28 ounces of gold per ton) and increased "settlement price" of \$634 per ounce. "Net Income Before Taxes" was \$321,460, which represents a 178% increase over the prior-year period.

"Operating Expenses" for the quarter also increased to \$159,119 (up 21.4% from the year-ago period). Unrealized losses and reduced income on LKA's investment portfolio were the primary contributors to a \$107,000 "Other Income (Loss)" expense for the quarter.

For the six months ended June 30, 2006, LKA's net income rose 128% to \$330,172 on royalties of \$821,637 (a 114% increase over the same period in 2005). Earnings per share increased by 200% (\$0.03 vs. \$0.01) during the same period.

About LKA

LKA currently receives a 10% "net-smelter" royalty on all ore produced from its Golden Wonder mine by the current lessee/operator, Au Mining, Inc.

LKA believes current production levels and general development at the Golden Wonder Mine are still in the early stages and that a considerable expansion of the producing areas within the mine is warranted. By financing the "expansion program" LKA intends to increase its interest in the Golden Wonder's production to 50% while increasing production levels to 60,000 ozs. Au per year from the current level of 25,000 ozs.

Successful expansion of the Golden Wonder depends on a number of factors (geology, gold prices, permits, labor, etc.) which may be beyond the Company's control.

Safe Harbor Statement

Statements made in this press release which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of LKA. Such forward-looking statements include those that are preceded by, followed by or that include the words "may," "would," "could," "should," "expects," "projects," "anticipates," "believes," "estimates," "plans," "intends," "targets" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in this Annual Report: general economic or industry conditions nationally and/or in the communities in which we conduct business; fluctuations in global gold and silver markets; legislation or regulatory requirements, including environmental requirements; conditions of the securities markets; competition; our ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors affecting our operations, products, services and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. LKA does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

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