

# LKA INTERNATIONAL INC /DE/

## FORM 10-Q (Quarterly Report)

Filed 08/14/09 for the Period Ending 06/30/09

Address	3724 47TH STREET NW GIG HARBOR, WA 98335
Telephone	2068517486
CIK	0000831355
Symbol	LKAI
SIC Code	1400 - Mining & Quarrying of Nonmetallic Minerals (No Fuels)
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

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

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 ( d ) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2009**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 000-17106**

**LKA INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

91-1428250  
(I.R.S. Employer Identification No.)

3724 47<sup>th</sup> Street Ct. N.W.  
Gig Harbor, Washington 98335  
(Address of Principal Executive Offices)

(253) 851-7486  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
August 14, 2009 - 14,270,498 shares of common stock.

**PART I**

**Item 1. Financial Statements**

The Financial Statements of the Registrant required to be filed with this 10-Q Quarterly Report were prepared by management and commence below, together with related notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

**LKA INTERNATIONAL, INC.**  
Consolidated Balance Sheets  
(Unaudited)

ASSETS

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 193,456	\$ 182,984
Margin trading account	5	16,941
Prepaid expenses	10,336	10,226
Investments in trading securities	30	172,072
	<u>203,827</u>	<u>382,223</u>
<b>FIXED ASSETS</b>		
Land, equipment and mining claims	718,616	612,274
Accumulated depreciation	<u>(111,291)</u>	<u>(100,450)</u>
	<u>607,325</u>	<u>511,824</u>
<b>OTHER NON-CURRENT ASSETS</b>		
Reclamation Bonds	<u>113,120</u>	<u>113,120</u>
	<u>113,120</u>	<u>113,120</u>
<b>TOTAL ASSETS</b>	<u>\$ 924,272</u>	<u>\$ 1,007,167</u>

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

**LKA INTERNATIONAL, INC.**  
Consolidated Balance Sheets (Continued)  
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 65,493	\$ 121,470
Note payable	10,000	10,000
Notes payable - related party (Note 2)	62,803	62,803
Accrued interest payable - related party (Note 2)	70,329	67,189
	<u>208,625</u>	<u>261,462</u>
<b>NON-CURRENT LIABILITIES</b>		
Asset retirement obligation	<u>109,599</u>	<u>107,088</u>
	<u>109,599</u>	<u>107,088</u>
	<u>318,224</u>	<u>368,550</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock; \$0.001 par value, 50,000,000 shares authorized, no shares Issued or outstanding	-	-
Common stock; \$0.001 par value, 50,000,000 shares authorized, 14,270,498 and 12,890,498 shares issued and 14,183,251 and 12,803,251 shares outstanding, respectively	14,271	12,891
Additional paid-in capital	7,698,580	7,224,062
Treasury stock; 87,247 and 87,247 shares at cost, respectively	(86,692)	(86,692)
Accumulated deficit	<u>(7,020,111)</u>	<u>(6,511,644)</u>
	<u>606,048</u>	<u>638,617</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 924,272</u>	<u>\$ 1,007,167</u>

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

**LKA INTERNATIONAL, INC.**  
Consolidated Statements of Operations  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
<b>REVENUES</b>				
Sales - precious metals	\$ 236,757	\$ -	\$ 236,757	\$ -
<b>OPERATING EXPENSES</b>				
Exploration, development and related costs	175,229	76,883	220,741	135,079
Professional fees	315,049	48,971	350,172	92,425
General and administrative	41,386	36,326	93,010	69,859
Royalty expense	11,247	-	11,247	-
Bad debt expense	-	1,231	-	2,461
Officer salaries and bonus	37,500	37,500	75,000	75,000
Total Operating Expenses	<u>580,411</u>	<u>200,911</u>	<u>750,170</u>	<u>374,824</u>
<b>OPERATING LOSS</b>	<u>(343,654)</u>	<u>(200,911)</u>	<u>(513,413)</u>	<u>(374,824)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(2,541)	(8,137)	(4,596)	(16,627)
Interest income	1	2,467	48	4,969
Realized gain (loss) on Securities	(3)	4,863	1,055	4,863
Unrealized gain on securities	11	175,826	4,038	191,077
Other investment income	692	10,533	4,401	31,510
Total Other Income (Expense)	<u>(1,840)</u>	<u>185,552</u>	<u>4,946</u>	<u>215,792</u>
<b>NET LOSS</b>	<u>\$ (345,494)</u>	<u>\$ (15,359)</u>	<u>\$ (508,467)</u>	<u>\$ (159,032)</u>
<b>BASIC NET LOSS PER COMMON SHARE</b>				
	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
<b>BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	<u>13,815,333</u>	<u>12,890,498</u>	<u>13,119,338</u>	<u>12,890,498</u>

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

**LKA INTERNATIONAL, INC.**  
Consolidated Statements of Cash Flows  
(Unaudited)

	For the Six Months Ended June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss from operations	\$ (508,467)	\$ (159,032)
Items to reconcile net loss to net cash used by operating activities:		
Accretion of environmental remediation costs	2,511	896
Depreciation and amortization	10,841	9,191
Bad debt expense	-	2,461
Unrealized (gain) on investments	(4,038)	(195,877)
Realized (gain) on investments	(1,055)	(4,863)
Investment purchases	(3,528)	(88,375)
Investment sales proceeds	180,663	231,266
Common stock issued for services	160,000	-
Stock warrants issued for services	140,898	-
Changes in operating assets and liabilities		
(Increase) in interest receivable	-	(4,922)
(Increase) decrease in prepaid and other assets	(110)	15,092
(Increase) decrease in money market funds	16,936	(87,574)
(Decrease) in accounts payable	(55,977)	(10,001)
Increase in accrued expenses	3,140	13,112
Increase in deferred gain	-	274,684
Net Cash Used by Operating Activities	(58,186)	(3,942)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and construction work in-process	(106,342)	-
Net Cash Used by Investing Activities	(106,342)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common stock issued for cash	175,000	-
Net Cash Provided by Financing Activities	175,000	-
<b>INCREASE (DECREASE) IN CASH</b>	10,472	(3,942)
<b>CASH AT BEGINNING OF PERIOD</b>	182,984	22,676
<b>CASH AT END OF PERIOD</b>	\$ 193,456	\$ 18,734
<b>CASH PAID FOR:</b>		
Interest	\$ 891	\$ 806
Income taxes	-	-
<b>NON-CASH FINANCING ACTIVITIES:</b>		
Common stock issued for offering costs	\$ 175,000	-

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

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements presented are those of LKA International, Inc. (LKA), a Delaware corporation and its wholly-owned subsidiary (LKA International, Inc.), a Nevada corporation. LKA was incorporated on March 15, 1988, under the laws of the State of Delaware. LKA was engaged in several natural resource projects, but ceased operations shortly thereafter due to high capital investments and the risk of no return. LKA exited the development stage in September 2003 as a result of the reacquisition of its interest in an operating mine near Lake City, Colorado. LKA is currently engaged in efforts to expand mine production and continues to seek additional investment opportunities.

The accompanying unaudited condensed consolidated financial statements have been prepared by LKA pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with LKA's most recent audited financial statements. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

**NOTE 2 - RELATED PARTY TRANSACTIONS**

Related Party Debt

LKA owes Cognitive Associates Limited Partnership \$56,828 in unpaid principal from a note dated December 31, 1986. The note is unsecured, due upon demand, and accrues interest at 10% per annum. No payments have been made during the six months ended June 30, 2009. Accrued interest related to this note totaled \$62,130 and \$59,288 as of June 30, 2009 and December 31, 2008 respectively.

LKA owes Cognitive Intelligence Limited Partnership \$5,975 in unpaid principal from a note dated October 1, 1987. The note is unsecured, due upon demand, and accrues interest at 10% per annum. No payments have been made during the six months ended June 30, 2009. Accrued interest related to this note totaled \$8,199 and \$7,901 as of June 30, 2009 and December 31, 2008, respectively.

Other Related Party Transactions

LKA pays a company owned by an officer and shareholder \$1,500 per month for office rent and expenses. The affiliated Company, (Abraham & Co., Inc. a NASD member and registered investment advisor) also executes LKA's securities transactions and manages its investment portfolio.

NOTE 3 - SIGNIFICANT EVENTS

Fixed Assets

During the six months ended June 30, 2009, LKA continued to invest in the Golden Wonder mine through the construction of a water improvement and diversion project and the purchase of an ore crushing plant. During April 2009, LKA placed the crushing plant into service, capitalizing \$87,414 in total costs to be depreciated over its expected useful life of 15 years. As of June 30, 2009, \$77,673 of to-date expenses related to drainage improvements have been capitalized as construction in process, \$58,745 of which was incurred in 2008. The crushing plant was subsequently placed into service during July 2009.

Common Stock Issuances

During May 2009, LKA entered into a consulting agreement with SDK Investments, LLC (SDK). SDK was engaged to furnish advisory and consulting services to LKA for possible venture capital transactions. As an initial retainer, LKA issued 400,000 shares of its common stock and granted fully vested warrants to purchase 400,000 shares of its common stock for a period of 18 months at a price of \$1.00 per share. Additionally, SDK was afforded the opportunity to earn up to an additional 400,000 shares of common stock upon the completion of a private or public financing. As a result of entering into the consulting agreement, LKA recognized \$160,000 in consulting expense from the issuance of common stock and \$140,898 in consulting expense from the issuance of warrants.

On June 11, 2009, LKA issued 700,000 shares of its common stock for cash in a private financing for \$175,000, or \$0.25 per share. Additionally, LKA issued SDK 280,000 shares of its common stock for stock offering costs valued at \$175,000, which was recognized as an offset to additional paid-in capital as stock offering costs.

Common Stock Warrants

During May 2009, LKA granted fully vested warrants to purchase 400,000 shares of its common stock for a period of 18 months at a price of \$1.00 per share. The warrants were valued at \$140,898 using the Black-Scholes option fair value pricing model using the following assumptions:

Stock price on grant date	\$	0.40
Exercise price	\$	1.00
Expected time to exercise		1.5 years
Risk free interest rate		0.71%
Volatility		288.01%
Expected forfeiture rate		0.00%

LKA analyzed the warrants for derivative accounting consideration under SFAS 133, EITF 00-19 and EITF 07-05. LKA determined the warrants met the criteria for classification in stockholders equity. Therefore, derivative accounting was not applicable for these warrants.

Precious Metals Sales

During May and June 2009, LKA received total payments of \$236,757 from Teck Metals, LTD for net smelter proceeds from the delivery of gold and silver ore from the Golden Wonder mine.

**LKA INTERNATIONAL, INC.**  
Notes to the Consolidated Unaudited Financial Statements  
June 30, 2009

**NOTE 4 - GOING CONCERN**

LKA's consolidated financial statements are prepared using Generally Accepted Accounting Principles applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, LKA has recently accumulated significant losses, has negative working capital and a deficit in stockholders' equity. All of these items raise substantial doubt about its ability to continue as a going concern. Management's plans with respect to alleviating the adverse financial conditions that caused management to express substantial doubt about the LKA's ability to continue as a going concern are as follows:

During 2007, LKA terminated its eight year lease agreement on the Golden Wonder Mine with the previous mine operator and entered into a Letter Agreement with Richmond Mines for joint exploration and development of the Golden Wonder Mine. During the Initial Commitment Period, Richmond was required to invest \$3 million in certain project-related expenditures prior to September 1, 2008. The Initial Commitment Period was extended 60 days until November 1, 2008, when Richmond discontinued its exploration effort at that time and returned control of the mine to LKA. Since November 2008, LKA personnel have been conducting a detailed evaluation program within the Golden Wonder mine to determine if previous producing zones can be extended. During this evaluation period, sampling and analysis of exposed veins yielded encouraging results. While encouraging, no conclusion can be drawn at this time about the commercial viability of the mine. If LKA is not successful in the resumption of mine operations which produce positive cash flows from operations, LKA may be forced to raise additional equity or debt financing to fund its ongoing obligations or risk ceasing doing business.

There can be no assurance that LKA will be able to achieve its business plans, raise any required capital or secure the financing necessary to achieve its current operating plan. The ability of LKA to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if LKA is unable to continue as a going concern.

**NOTE 5 - RECLASSIFICATIONS**

Certain reclassifications have been made to prior period amounts to conform to current year classifications.

**NOTE 6 - SUBSEQUENT EVENTS**

In May 2009, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 165 "Subsequent Events" ("FAS 165") which establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. LKA adopted the provisions of FAS 165 for the interim period ended June 30, 2009. The adoption of FAS 165 had no impact on the LKA's consolidated financial position, results of operations or cash flows.

The following is a summary of subsequent events as of August 14, 2009:

On July 2, 2009, LKA issued a Promissory Note to PanAmerican Capital Group, Inc. in exchange for cash of \$545,090, or an amount equal to the value of 700 troy ounces of gold as determined by the closing spot price of gold on COMEX of \$928.70 per ounce, less \$150 per troy ounce.

The Promissory Note accrues interest at the rate of 10% per annum, is due in five installments, the first due the first business day of January 2010, with the amount of the payment determined at the option of the holder by either (i) the value of 140 ounces of gold as determined by the closing spot price of gold on COMEX on the business day immediately preceding the first installment due date, or (ii) one-fifth (1/5) of the total principal amount, together with accrued interest thereon.

The promissory note is secured by a first charge over LKA mining property and claims located in Hinsdale County, Colorado, including the Golden Wonder mine.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Forward-looking Statements

Statements made in this Quarterly Report 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 our business, including, without limitation, (i) our ability to raise capital, and (ii) statements 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, general economic or industry conditions, nationally and/or in the communities in which we may conduct business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our current or potential business and related matters.

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. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

### Results of Operations

#### For The Three Months Ended June 30, 2009 Compared to The Three Months Ended June 30, 2008.

On May 27, 2009, we formally engaged Underground Specialty Co., LLC, a Colorado limited liability company ("USC"), to provide contract mining services at our Golden Wonder mine. During the quarterly period ended June 30, 2009, we received \$236,757 from ore sales to Teck- Metals, Ltd. During the June 30, 2008, quarter, we conducted no mining operations and received no revenues.

Operating expenses increased from \$200,911 for the three months ended June 30, 2008, to \$580,411 in the three months ended June 30, 2009. This increase was mainly due to increased costs associated with exploration, mine development and bulk sampling activities as well as infrastructure expenditures. Exploration, development and related costs increased to \$175,229 in the three months ended June 30, 2009, from \$76,883 in the year-ago quarter. Professional fees increased from \$48,971 for the three months ended June 30, 2008, to \$315,049 in the three months ended June 30, 2009. The current period expense includes \$160,000 from stock issuances and \$140,898 from warrant grants. None of these types of non-cash expenses were incurred in the prior period. General and administrative expenses increased to \$41,386 from \$36,326 in the three months ended 2009 and 2008. We had a royalty expense of \$11,247 in the three months ended June 30, 2009, with no royalty expense in the three months ended June 30, 2008. We incurred a bad debt expense of \$1,231 in the three months ended June 30, 2008, as compared to no bad debt expense in the three months ended June 30, 2009. Officer salaries and bonus remained \$37,500 in both of these three month periods. We realized an operating loss of \$343,654 during the quarter ended June 30, 2009, as compared to operating loss of \$200,911 in the comparable period in 2008.

Interest income decreased to \$1 in the three months ended June 30, 2009, from \$2,467 in the three months ended June 30, 2008. Interest expense totaled \$2,541 and \$8,137 in the three months ended 2009 and 2008, respectively. We realized a gain on securities in the three months ended June 30, 2008 of \$4,863, as compared to \$3 loss in the 2009 period.

Unrealized gains on securities were \$11 and \$175,826 for the three months ended June 30, 2009 and 2008. We received \$692 in other investment income in 2009, versus \$10,533 in 2008.

Net loss totaled \$345,494, or \$0.03 per share, and \$15,359, or \$0.00 per share in the three months ended June 30, 2009 and 2008.

#### For The Six Months Ended June 30, 2009 Compared to The Six Months Ended June 30, 2008.

During the six months ended June 30, 2009, we received \$236,757 in precious metals ore sales as a result of resumed mining operations. In the comparable period ended June 30, 2008, we received no revenues.

Operating expenses increased from \$374,824 in the six months ended June 30, 2008, to \$750,170 in the six months ended June 30, 2009, due to costs associated with mining and related infrastructure cost at the Golden Wonder mine.

Exploration, development and related costs increased to \$220,741 in the six months ended June 30, 2009, from \$135,079 in the year-ago period. Professional fees increased from \$92,425 in the 2008 period to \$350,172 in the 2009 period, due to expenses associated with stock issuances and warrant grants. We had general and administrative expenses of \$93,010 for the 2009 period compared to \$69,859 in the 2008 period. We had a royalty expense in 2009 of \$11,247 and we had no royalty expense in 2008. We incurred a bad debt expense of \$2,461 in the six months ended June 30, 2008, as compared to no bad debt expense in the six months ended June 30, 2009. Officer salaries and bonus remained \$75,000 in both of these six month periods. We realized an operating loss of \$513,413 during the six months ended June 30, 2009, as compared to operating loss of \$374,824 in the comparable period in 2008.

Interest income decreased to \$48 in the six months ended June 30, 2009, from \$4,969 in the six months ended June 30, 2008. Interest expense totaled \$4,596 and \$16,627 in 2009 and 2008, respectively. We realized a gain on securities in the six months ended June 30, 2009 of \$1,055, as compared to a gain of \$4,863 in the 2008 period. Unrealized gain on securities were \$4,038 and \$191,077 for the six months ended June 30, 2009 and 2008. We received \$4,401 in other investment income in 2009, versus \$31,510 in 2008.

Net loss totaled \$508,467, or \$0.04 per share, and \$159,032, or \$0.01 per share in the six months ended June 30, 2009 and 2008.

### **Liquidity**

On June 11, 2009, we sold 700,000 “unregistered” and “restricted” shares of our common stock for gross proceeds of \$175,000.

Current assets at June 30, 2009, totaled \$203,827. As of that date, we had \$193,456 in cash, as compared to \$182,984 at December 31, 2008.

During the six months ended June 30, 2009, our operating activities used net cash of \$58,186. In 2008, by contrast, operating activities used net cash of \$3,942. There was \$106,342 cash used by investing activities associated with LKA’s placement in service of a crushing plant in April, 2009, and its continued payment for construction of a water diversion and improvement project. Cash provided by financing activities totaled \$175,000 in the six months ended June 30, 2009, with no cash provided by investing activities or financing activities during the six months ended June 30, 2008.

At June 30, 2009, the Company had working capital deficit of \$4,798, as compared to working capital of \$120,761 at December 31, 2008.

Effective as of July 2, 2009, which is subsequent to the end of the period covered by this Report, the Company executed a Promissory Note in the principal amount of \$545,090. See Part II, Item 5 of this Quarterly Report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not required.

### **Item 4T. Controls and Procedures.**

#### **Evaluation of disclosure controls and procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2009, our disclosure controls and procedures were, subject to the limitations noted above, effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules, regulations and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### **Changes in internal control over financial reporting**

Our management, with the participation of the chief executive officer and chief financial officer, has concluded there were no significant changes in our internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

None; not applicable.

### **Item 1A. Risk Factors.**

Not required.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On May 4, 2009, the Company and SDK Investments, LLC, a Georgia limited liability company (“SDK”) executed a Consulting Agreement whereby SDK agreed to provide certain consulting and advisory services to the Company. As a retainer for the performance of these services, on May 11, 2009, the Company: (i) issued to SDK 400,000 “unregistered” and “restricted” shares of its common stock; and (ii) granted to SDK warrants to purchase an additional 400,000 “unregistered” and “restricted” shares of common stock at a price of \$1.00 per share, exercisable for a period of 18 months.

On June 12, 2009, the Company issued 700,000 “unregistered” and “restricted” shares of its common stock to investors who are deemed not to be “U.S. persons” as defined in Rule 902(k) of Regulation S of the Securities and Exchange Commission, for total consideration of \$175,000. On the same date, the Company issued an additional 280,000 such shares to SDK for consulting services valued at \$252,000, of which \$175,000 was recorded as stock offering cost as an offset to the proceeds received in paid-in capital and \$77,000 as offering expenses.

Management believes that all of the above-referenced securities issued to SDK were exempt from the registration requirements of Section 5 of the the Securities Act of 1933, as amended (the “Act”), pursuant to Section 4(2) of the Act and Rule 506 of Regulation D of the Securities and Exchange Commission.

### **Item 3. Defaults Upon Senior Securities.**

None; not applicable.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

None; not applicable.

### **Item 5. Other Information.**

Effective as of July 2, 2009, which is subsequent to the end of the period covered by this Report, the Company executed a Subscription Agreement with PanAmerica Capital Group, a Panama corporation (“Pan America”). Under the Subscription Agreement, the Company issued to Pan America a Promissory Note in the principal amount of \$545,090. The principal terms of the Promissory Note are discussed in the Company’s Current Report on Form 8-K dated July 2, 2009, and filed with the Securities and Exchange Commission on July 8, 2009.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Identification of Exhibit</b>
31.1	Certification of Kye Abraham Pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Nanette Abraham Pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

**LKA INTERNATIONAL, INC.**

*Date:* August 14, 2009

*By:* /s/Kye Abraham  
*Kye Abraham, President, Chairman of the Board  
and Director*

*Date:* August 14,, 2009

*By:* /s/Nanette Abraham  
*Nanette Abraham, Secretary, Treasurer and  
Director*



**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kye Abraham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LKA International, Inc.;
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 Registrant 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 Rule 13a-15(f) and 15d-15(f)) for the Registrant 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 Registrant, 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 (the Registrant's fourth fiscal 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(s) 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 (or persons performing the equivalent functions):
  - 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: August 14, 2009

By: /s/Kye Abraham  
*Kye Abraham, President*

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Nannette Abraham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LKA International, Inc.;
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 Registrant 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 Rule 13a-15(f) and 15d-15(f)) for the Registrant 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 Registrant, 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 (the Registrant's fourth fiscal 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(s) 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 (or persons performing the equivalent functions):
  - 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: August 14, 2009

By: /s/Nannette Abraham  
Nannette Abraham, Treasurer

**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 Quarterly Report of LKA International, Inc., (the "Company") on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kye A. Abraham, President, and Nanette Abraham, Secretary/Treasurer 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:

- (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 result of operations of the Company.

Date: August 14, 2009

By: /s/Kye Abraham  
Kye Abraham, President

Date: August 14, 2009

By: /s/Nanette Abraham  
Nanette Abraham, Treasurer