



Gold Production in Colorado

- ❖ LKA International, Inc. (“LKA” or the “Company”) is a public United States natural resources development company listed on the OTC:BB under the symbol LKA1. The Company is currently focused on its Golden Wonder mine project, a producing, high-grade gold property located near Lake City, Colorado.
- ❖ Beginning in 1997, Au Mining, Inc. conducted and is currently conducting mining operations and producing commercial quantities of ore from the Golden Wonder mine’s fourth, fifth and sixth levels. To date, over 101,000 ounces of gold valued at more than \$30 million has been recovered.
- ❖ No formal reserve studies have been conducted on the Golden Wonder mine project, although Au Mining estimates that at the current rate of production, approximately 2,500 ounces of gold per quarter, there is another 14 months of ore in the fourth, fifth and sixth levels with grades consistent with, or slightly higher than, the previous seven years of production (a weighted average of 13.47 ounces of gold per ton). At a gold price of \$420 per ounce, the gross value of this potential ore grade material is approximately \$5.3 million. LKA derives a 10% net smelter return royalty from all ore produced.
- ❖ Based on the continuity of the Golden Wonder vein structure from levels two through six as well as the exploration carried out below the sixth level by Au Mining, LKA believes that the major ore reserve potential in the Golden Wonder mine lies below the sixth level. The Company is planning to permit and develop a new drift and working pad approximately 1,000 vertical feet below the sixth level of the mine. In doing so, LKA expects to develop a reserve of at least 300,000 additional ounces at grades substantially above the current production weighted average of 13.47 ounces of gold per ton. At current grades and gold prices, this reserve is expected to yield gross values in excess of \$120 million.
- ❖ The Golden Wonder mine is classified as a vein type deposit associated with volcanic activity occurring millions of years ago. The Golden Wonder vein is not a single vein, but a multiple vein system comprised of a number of en echelon veins, both in the vertical and horizontal dimensions. Additional mineralized veins have been encountered on the sixth level of the mine with widths ranging up to four feet. Initial assay samples have yielded gold values of up to 39 ounces of gold per ton.
- ❖ The Golden Wonder mine project lies within the Colorado Mineral Belt, which hosts the majority of the historic mining camps of Colorado with over 25 million ounces of gold having been extracted from mines within this belt.
- ❖ In 1984, LKA conducted a five month pilot production program that resulted in the sale of approximately \$590,000 of gold concentrates to ASARCO LLC. The average grade of the ore produced/milled was 0.96 ounces of gold per ton at an average gold price of \$325 per ounce. The majority of this production was derived from two stopes on the mine’s fourth level, which consistently average 1.0 ounces of gold per ton.
- ❖ LKA is seeking to raise up to \$3.5 million in financing to extend the size and productivity of the Golden Wonder mine as well as for working capital purposes. The financing may take the form of an offering of common shares, or other mutually acceptable arrangement.

TABLE OF CONTENTS

A. THE COMPANY	1
B. GOLDEN WONDER MINE PROJECT, COLORADO	2
C. HISTORICAL MINING DISTRICTS OF COLORADO	11
D. PROGRAM	12
E. STOCK MARKET STATISTICS	13
F. MANAGEMENT	14

PREAMBLE

The Executive Summary has been prepared to assist interested parties in making their own assessment of the Company and its mineral properties and does not purport to contain all of the information that a prospective investor may desire. In all cases, interested parties should conduct their own investigation and analyses of the Company, its assets and the information provided in this Executive Summary. Any and all statements, forecasts, projections and estimates contained in this Executive Summary are based on management's current knowledge and no representation or warranty is made as to their accuracy and/or reliability.

IBK Capital Corp. has not independently verified any of the information contained herein. IBK Capital Corp. makes no representation or warranty as to its accuracy and completeness and shall not be liable to any recipients of the Executive Summary if such information or any part thereof is untrue or misleading or if any information is omitted there from which is necessary to make any information contained herein not false or misleading in light of the circumstances in which it is presented.

Note: all amounts are in United States dollars unless otherwise indicated

A. THE COMPANY

LKA International, Inc. ("LKA" or the "Company") is a public United States natural resources development company listed on the OTC:BB under the symbol "LKAI". The Company is currently focused on the Golden Wonder mine project, a producing, high-grade gold property located near Lake City, Colorado. The Golden Wonder mine project lies within the Colorado Mineral Belt, which hosts the majority of the historic mining camps of Colorado.

Beginning in 1997, Au Mining conducted and is currently conducting mining operations and producing commercial quantities of ore from the mine's fourth, fifth and sixth levels. To date, Au Mining has recovered over 101,000 ounces of gold valued at more than \$30 million. No formal reserve studies have been conducted on the Golden Wonder mine project to date, although Au Mining estimates that at the current rate of production, approximately 2,500 ounces of gold per quarter, there is another 14 months of ore in the fourth, fifth and sixth levels with grades consistent with, or slightly higher than, the previous seven years of production (a weighted average of 13.47 ounces of gold per ton). At a gold price of \$420 per ounce, the gross value of this potential ore grade material is approximately \$5.3 million. LKA derives a 10% net smelter return royalty from all ore produced.

Based on the continuity of the Golden Wonder vein structure from levels two through six as well as the exploration carried out below the sixth level by Au Mining in 1998, LKA believes the major ore reserve potential in the Golden Wonder mine lies below the sixth level. The Company is planning to permit and develop a new drift and working pad approximately 1,000 vertical feet below the sixth level of the Golden Wonder mine. In doing so, LKA expects to develop a reserve of at least 300,000 additional ounces at grades substantially above the current production weighted average of 13.47 ounces of gold per ton. At current grades and gold prices, this reserve is expected to yield gross values in excess of \$120 million.

The Golden Wonder mine is classified as a vein type deposit associated with volcanic activity occurring millions of years ago. The Golden Wonder vein is not a single vein, but a multiple vein system comprised of a number of en echelon veins, both in the vertical and horizontal dimensions. On the sixth level of the mine, several additional mineralized veins have been encountered in addition to the Golden Wonder vein system with widths ranging up to four feet. Initial assay samples have yielded gold values of up to 39 ounces of gold per ton.

In 1984, LKA conducted a five month pilot production program that resulted in the sale of approximately \$590,000 of gold concentrates to ASARCO LLC. The average grade of the ore produced/milled was 0.96 ounces of gold per ton at an average gold price of \$325 per ounce. The majority of this production was derived from two stopes on the mine's fourth level, which consistently averaged 1.0 ounces of gold per ton.

The Company is seeking to raise up to \$3.5 million in financing to extend the size and productivity of the Golden Wonder mine as well as for working capital purposes. The financing may take the form of an offering of common shares and common share purchase warrants or other mutually acceptable arrangement.

B. GOLDEN WONDER MINE PROJECT, COLORADO

1. Property and Ownership

LKA owns 100% of the Golden Wonder mine project, which consists of three patented and 18 unpatented mining claims located approximately 2.5 miles southeast of Lake City, Colorado in Hinsdale County.

The Golden Wonder mine lies at the head of Deadman Gulch, on Gold Hill, overlooking Lake San Cristobal and the Lake Fork of the Gunnison River. Access to the property is via Colorado State Highway 149, south of Lake City, to the Vickers Ranch and then by following an easement over unimproved road through the ranch to the mine.

The terrain of the area is one of high mountains with relatively gentle slopes. The portal elevation of the third level of the Golden Wonder mine is 10,323 feet. The area is covered with aspen, pine and spruce forests with native grasses. In the immediate vicinity of the Golden Wonder mine, vegetation is sparse, except for native grasses.

Summers in the area are relatively short with moderate temperatures having daytime highs around 70 degrees Fahrenheit. Nights are always cool, sometimes dropping to the freezing point. Frosts are not uncommon and can occur in all months of the year. Winter temperatures are more severe and usually one or more extended periods of cold are experienced each winter. Precipitation in the area is moderate, averaging about 20 inches per year. Most of this falls as snow during the winter months, but summer thunderstorms contribute considerable rain during June, July and August. The Golden Wonder mine can be operated year-round.

Lake City, the nearest community to the mine, has a stable population of several hundred residents and offers all amenities needed to carry out a mining operation.

2. Ownership

In December 1982, LKA's predecessor, LKA Holdings, Inc. ("LKA Utah"), a Utah corporation, acquired a 51% interest in the Golden Wonder mine and the Ute-Ule silver mine and milling facility (the "Properties") from Lake City Mines, Inc., a Colorado corporation, which retained the remaining 49% interest. Immediately after the acquisition, LKA Utah assigned 90% of its interest in the future proceeds that it had the right to receive from the Properties to Caldera Partners Limited Partnership ("Caldera"), a Washington limited partnership, in return for approximately \$1.6 million, which LKA used to develop the Properties. As a result, Caldera owned 45.9% interest in the future proceeds that LKA Utah had the right to receive on the Properties. LKA's President, Kye A. Abraham, is Caldera's Managing Partner.

On December 15, 1993, LKA acquired Lake City Mines' 49% interest in the Properties, giving LKA 100% ownership of the Properties, with an assignment of 45.9% of revenues to Caldera.

On July 1, 1997, LKA entered into a Lease Purchase Agreement with Au Mining Inc. (“Au Mining”), a Colorado corporation, whereby Au Mining agreed to lease the Properties, with the option to purchase them. Au Mining entered into the lease for the purpose of exploring, developing and commercially producing ore from the Properties, specifically the Golden Wonder mine, in exchange for payment to LKA of certain minimum annual royalties and net production royalty payments based on the amount of ore removed from the mines. These royalties totalled 10% of all proceeds received, or which Au Mining was entitled to receive, less deductions for assaying, transportation costs, smelting charges and penalties, severance taxes and any state and federal royalties.

On September 18, 2003, LKA and Au Mining entered into a new lease agreement whereby the previous option to purchase the Properties was terminated and all related debts and deeds were cancelled. The provisions of the new lease agreement provide for Au Mining to lease the current workings of the Golden Wonder mine and also for the possible expansion of that project over the next several years. The term of the new lease agreement is five years and requires a minimum lease payment of \$50,000 per quarter. In addition, Au Mining is also required to remit a 10% net smelter royalty on all ore produced. The new lease agreement specifically excludes the Ute-Ule mine and milling facility. Also, under the terms of the new agreement with Au Mining, LKA has the option to increase its current 10% net smelter interest as the property owner to a 40% working interest on all ore produced below the sixth level of the Golden Wonder mine, pending successful completion of its permitting and expansion plans.

On March 10, 2005, LKA announced that it has completed the acquisition of the Caldera interest in the Properties. Under the terms of the transaction, LKA issued approximately 6.4 million shares (50.4%) of LKA’s common stock to Caldera in exchange for Caldera’s 45.9% interest in the Properties and certain receivables due from LKA approximating \$850,000. Caldera will also be relieved of any future obligations to contribute further exploration and development funds. As a result of the agreement, LKA is now entitled to receive all of the lease and royalty payments from the Properties.

3. Geology and Mineralization

The Golden Wonder mine project lies within the Colorado Mineral Belt (“CMB”), a 250 mile long by 50 mile wide lineament stretching northeast from the San Juan Mountains in Southwestern Colorado to the Front Range near Boulder, Colorado. The CMB is highly mineralized and hosts the majority of the historic mining camps of Colorado. Over 25 million ounces of gold has been extracted from mines of the CMB.

A highly altered rhyolite and rhyolite porphyry outcrops in the vicinity of the Golden Wonder mine. Physical, structural and petrologic characteristics of this rhyolitic unit indicate that it is of intrusive origin, is white to grey in colour and contains phenocrysts of glassy sanidine and smoky quartz with occasional white phenocrysts of plagioclase and biotite in an aphanitic groundmass. The sanidine is completely rounded from resorption and is kaolinized, while the

quartz is frequently embayed. The groundmass appears to be a fine-grained granophyric intergrowth of quartz, orthoclase and albite. Alteration by sericitization is widespread throughout this rock unit, with localized areas of silicification. Gas vesicles, ranging from 0.1 to 1.0 inch in diameter are prevalent throughout the rock unit. These vesicles are generally partially or completely filled with clear euhedral quartz crystals or white to grey chalcedony. The Golden Wonder mine rhyolite and rhyolite porphyry exhibit very unique structural characteristics, which are seen in the underground workings of the mine. A very distinct and conspicuous flow banding is universally present with no consistent direction. A second feature of the Golden Wonder mine rhyolite is its brecciation. Extensive brecciation exists within this rock unit and is most noticeable on the fourth and sixth levels of the mine, although it is not restricted to these levels.

The Golden Wonder mine is classified as a vein type deposit associated with volcanic activity occurring millions of years ago during the Tertiary age. The ore occurs within a rhyolite flow-dome complex that was emplaced along the ring fracture of the Uncompahgre caldera. Productive portions of the vein were emplaced in a zone of closely spaced en echelon fractures. There are two ore assemblages: gold-bearing chert (chert-type) and pyrite-marcasite-sulfosalt (sulfide-type). The chert-type occurs in pods bounded by the fracture surfaces in areas where hydrothermal waters could pond and the sulfide-type is found along the vein structure between the high grade chert-type pods where the vein structure was more constricted. Two types of hydrothermal breccias are also present: the silicified dikes with fragments of sulfide and chert veins locally contain gold, the argillically altered dikes do not.

The Golden Wonder vein is not a single vein, but a multiple vein system comprised of a number of en echelon veins, both in the vertical and horizontal dimensions. The component veins are roughly parallel to each other, however, rapid deflections within a vein are often observed. The character of the vein, including its structure, texture and mineralogy changes dramatically with depth. An argillaceous envelope often surrounds the vein on the upper levels of the mine. This kaolinized envelope is surrounded by a highly silicified zone. In other instances, the argillized envelope is not present and extensive silicification surrounds the vein structure. Argillic alteration of the rhyolite is pervasive throughout the mine, even on the lowest levels.

The physical, mineralogical and textural character of the vein system varies greatly. In many places the vein appears as a typical fracture filling and in other places the vein exhibits definite replacement characteristics. In the upper levels of the mine, the vein is mainly a single continuous vein of non-uniform width, ranging from a few inches to more than 5.5 feet in width. Geological mapping on the second and third levels of the mine revealed that the northeast extent of mineralization along the vein is controlled by a minor fault. On both the second and third levels of the mine the vein makes a sharp deflection southwest of the stoped area.

The characteristics of the Golden Wonder vein system have been studied in the SUPCO winze, a steeply inclined passageway connecting the mine workings. In the interval extending from the No. 3 level to a depth of 53 feet, the vein varies in width from three feet to five feet and consists of a dense fine-grained jasperoid and chert, with discontinuous sulphide

mineralization. The footwall of the vein is usually not well defined and consists of a one to two foot zone of kaolinized and sericitized country rock containing small pyrite stringers. Similarly oxidized kaolinized rock, usually one to one and a half feet thick forms the hanging wall of the vein to a depth of 25 feet below the third level. At a depth of 41 feet below the third level the vein splits into two segments, separated by country rock. Brecciated fragments of country rock are also contained within the vein material. On the northeast wall of the SUPCO winze, the vein does not split, but is continuous to a depth of 53 feet below the No. 3 level, at which point it disappears. Below the 55 foot depth in the winze many intersecting fractures are noted, with two sets being dominant and slightly mineralized with pyrite. Vein mineralization is also noted along the fracture system at a depth of 69 feet below the third level. Exposures in a cross-cut reveal that the vein makes an abrupt bend to the north and at this point extremely high grade gold mineralization is found, which yielded assay values of up to 19.0 ounces of gold per ton in channel samples. Northeast of the winze, the vein enlarges greatly in width and is flanked by a thick envelope of kaolinite. To the northwest the vein, carrying high grade gold values, trends northwesterly. Drifting to the north of the vein has revealed extensive brecciation. Finely disseminated pyrite mineralization is pervasive throughout this brecciated rock. The northeast sector of the vein on the fourth level is quite wide, three to four feet, mineralized with abundant brown chert and jasperoid, tetrahedrite, galena, sphalerite, chalcopyrite and gold-silver tellurides. Thick deposits of kaolinite surround the vein. On this level the direction of the fault changed from that noted in the upper levels of the mine. Drifting along this fault has shown a pervasive breccia zone, often highly mineralized with pyrite. Several smaller brecciated areas and sulphide veins have also been encountered.

The southwest drift on the fourth level encountered numerous large vugs and massive alunite associated with very high grade telluride mineralization, which may be a major fissure zone along which gold-silver telluride mineralization may be concentrated. On the sixth level, several additional mineralized veins have been encountered in addition to the Golden Wonder vein system with widths ranging up to four feet. Initial assay samples have yielded gold values of up to 39 ounces of gold per ton.

The primary mineralization within the Golden Wonder mine consists of gold and silver tellurides, native gold, pyrite, marcasite, sphalerite, galena, tetrahedrite, tennantite and hinsdalite, in addition to a number of other sulphide minerals existing in very minor quantities; the major secondary minerals include iron oxides, covellite, tellurite, cerussite, anglesite and native gold. Major gangue minerals of the vein include jasperoid, chert, sericite, calcite, alunite and kaolinite. This mineralogical suite is, which is similar to that of the nearby Golden Fleece mine that was discovered in 1874 and produced considerable high grade gold telluride ore, is indicative of epithermal mineralization.

4. Past Exploration

The Golden Wonder mine has been worked intermittently since its discovery in 1880. The initial discovery was made after finding high grade float in the surface containing free gold. Initial work on the Golden Wonder vein consisted of a shaft 10 to 15 feet deep being sunk and

a limited body of ore was mined prior to 1889. The No. 3 level of the mine was driven between 1900 and 1909 followed by the No. 2 level in 1930.

Following 1930, work at the Golden Wonder property was sporadic. The Creel winze was sunk around 1934 and some production was achieved from the property in 1937. In 1939, Golden Mammoth, Inc. built a truck road to the property, repaired buildings, re-timbered the mine and shipped considerable crude ore to a smelter.

From 1939 to 1969, sporadic mining and development efforts were conducted, some of which resulted in the extraction of ore. No details of work carried out or production during this period are available.

During the summer of 1969, Southern Union Production Company ("Supron") began an exploration program at the Golden Wonder mine including reopening and re-timbering portions of the No. 3 level and during 1970 the company drove an access crosscut to the vein structure on the third level. The SUPCO winze (was started in the winter of 1970 and completed to a depth of approximately 150 feet below the third level of the mine, with lateral drifting along the course of mineralization off the winze on the fourth level. Work was halted on the property in 1972 when Supron decided to discontinue all of its metallic mineral operations in the western United States and South America in order to concentrate activity on oil and gas.

In 1973, Rocky Mountain Ventures leased the property and shipped a small tonnage of dump material to the Peanut Mill at Crested Butte, Colorado, for processing.

In June 1977, Lake City Mines, Inc. acquired the Golden Wonder mine and adjacent properties, including the Ute-Ule property and mill. During the winter of 1977-78, Lake City Mines advanced the fourth level of the mine, following the vein structure, attempting to extend this level to the surface. The company abandoned this project before reaching the surface due to new regulations requiring a secondary emergency exit for underground mining operations. In early 1980, a trackless haulage crosscut tunnel level (1,087 feet in length) was driven to tap the Golden Wonder vein system at depth, to serve as the main haulage level for production from the mine and to provide the required second access to the mine workings. In August 1980, this access level penetrated the Golden Wonder vein system and after a limited amount of drifting along the vein structure on this level a production raise was driven upward from the sixth level to intersect the fourth level workings of the mine.

5. Company Exploration

In December 1982, LKA's predecessor, LKA Utah, acquired the Golden Wonder mine and the Ute-Ule silver mine and milling facility. In 1984, after approximately two years of exploration and development work, LKA Utah conducted a five month pilot production program that resulted in the sale of approximately \$590,000 of gold concentrates produced at the Ute Mill to ASARCO LLC. The average grade of the ore produced/milled during the pilot program was 0.96 ounces of gold per ton at an average gold price of \$325 per ounce. The majority of this

production was derived from two stopes on the mine's fourth level, which consistently averaged 1.0 ounces of gold per ton. Commercial quantities of gold were also taken from the mine's fifth level. LKA Utah was forced to discontinue its operations in early 1985 due to depressed gold prices and was merged into LKA International, Inc. in August 1988. Between 1982 and 1988, LKA Utah and LKA expended approximately \$1.6 million on exploration and development.

In 1986, LKA commissioned International Geoscience Inc. to prepare a report on the geology of the Golden Wonder mine. International Geoscience carried out a detailed sampling of the Golden Wonder vein during the preparation of this report in order to understand the nature, extent and value of the mineralization within the mine. Assay values of channel samples were collected by chiselling a continuous chip sample across the entire width of the Golden Wonder vein. The individual chips averaged about one inch in all dimensions and the weight of the entire chip sample across the vein varied from one to five pounds. Following are some of the significant results obtained from various sections across the second, third and fourth levels of the mine:

Level	Gold (oz/t)	Silver (oz/t)
Second	0.46	1.06
	0.51	3.37
	1.80	2.80
	0.12	0.79
	0.30	0.70
	1.02	1.49
Third	0.49	1.00
	1.00	4.30
	0.56	8.14
	0.10	4.06
	0.73	3.37
	2.20	2.16
Fourth	0.56	7.64
	0.59	12.14
	4.20	1.96
	8.66	1.22
	3.88	13.22
	11.40	7.40
	6.50	12.56
	12.00	9.74
	25.20	16.40
	29.60	9.30
	42.20	9.90

International Geoscience's report stated that the total reserves in the Golden Wonder mine could be significant based on the following factors:

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- On most of the levels the total strike distance of the vein has not been determined by drifting or other exploration and development.
 - The vein structure has been continuous from the surface outcrop to the lowermost existing level of the mine. The average width of the vein has remained relatively uniform with depth.
 - The tenor of the ore increased dramatically from the third to the fourth levels of the mine (from 0.5 ounces of gold per ton to 4.2 ounces of gold per ton). Sampling of the vein exposed on the fifth level demonstrated very high grade gold mineralization, comparable to that which exists on the fourth level of the mine and sampling of the vein exposed on the sixth level showed assay values ranging from minimal to 39.0 ounces of gold per ton.
 - A limited amount of diamond drilling and cross-cutting have shown that multiple vein structures are present within the Golden Wonder vein system.
 - Surface examination above the Golden Wonder mine has revealed telluride vein mineralization uphill from the present workings.
 - The bottom of the Golden Wonder structure has not been penetrated. High grade gold mineralization on the sixth level indicates the Golden Wonder vein system continues downward to an undetermined depth.
 - The Golden Wonder mine exhibits a striking mineralogical similarity to the nearby Golden Fleece mine, which produced considerable high grade gold telluride ore. It is believed that the gold mineralization in the two mines is genetically interrelated.

6. Recent Exploration

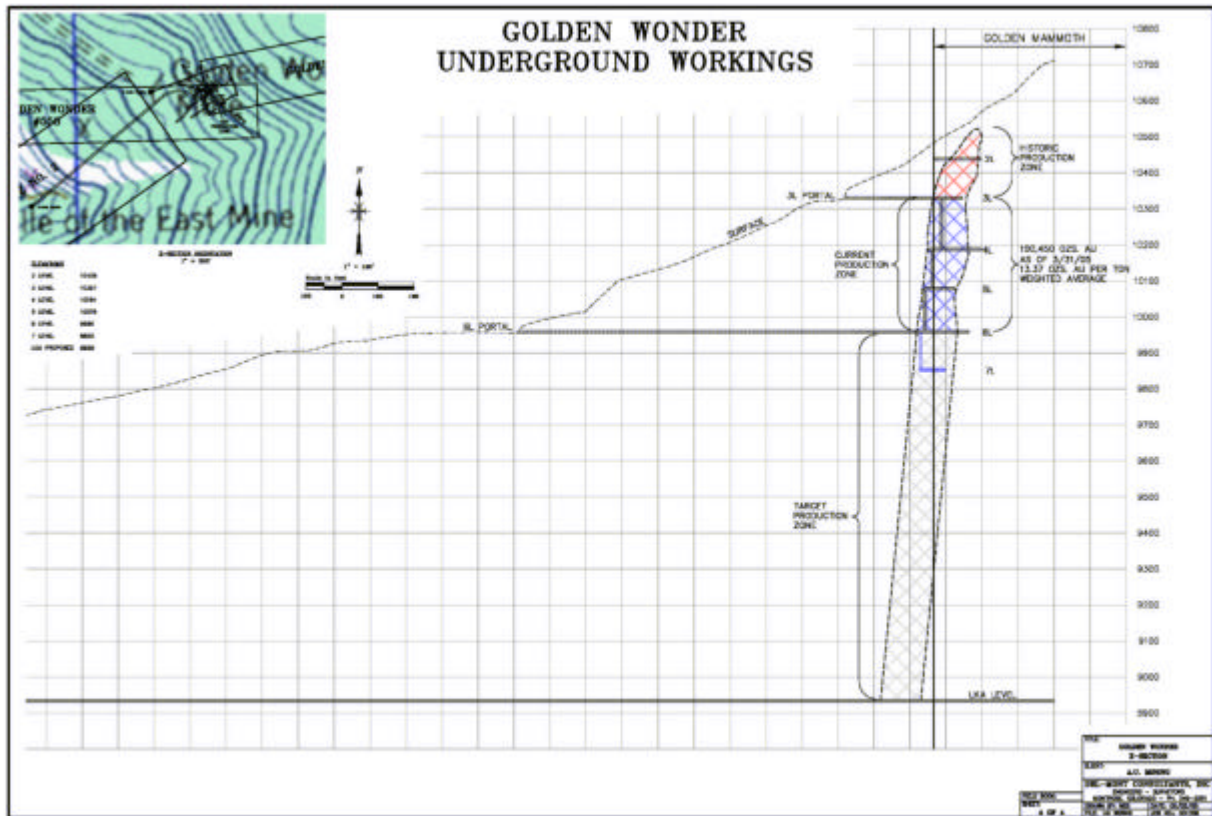
Beginning in 1997, Au Mining conducted and is currently conducting mining operations and producing commercial quantities of ore from the Golden Wonder mine's fourth, fifth and sixth levels. From late 1997 through early 1998, Au Mining sunk a winze approximately 100 feet below the sixth level, on structure, and drifted approximately 50 feet along the vein. In addition to confirming the continuity of the structure below the sixth level, the ore produced from this effort totalled 103.51 Dry Weight Tons ("DWT") with an average grade of 18.87 ounces of gold per ton.

To date, Au Mining has recovered over 101,000 ounces of gold valued at more than \$30 million (at today's prices). Au Mining is also conducting a limited amount of exploration at the fourth, fifth and sixth levels for the purpose of extending the known strike length of the vein and exploring crossing structures.

7. Reserve and Resource Estimates

No formal reserve studies have been conducted on the Golden Wonder mine project to date, although Au Mining estimates that at the current rate of production, approximately 2,500 ounces of gold per quarter, there is another 14 months of ore in the fourth, fifth and sixth levels with grades consistent with, or slightly higher than, the previous seven years of production (a weighted average of 13.47 ounces of gold per ton). At a gold price of \$420 per ounce, the

gross value of this potential ore grade material is approximately \$5.3 million. LKA derives a 10% net smelter return royalty from any ore produced.



8. Potential and Proposed Mine Production

Based on the continuity of the Golden Wonder vein structure from levels two through six as well as the exploration carried out below the sixth level by Au Mining in 1998, LKA believes the major ore reserve potential in the Golden Wonder mine lies below the sixth level.

LKA is planning to permit and develop a new drift and working pad approximately 1,000 vertical feet below the sixth level of the Golden Wonder mine. The objective of the new drift will be to intersect the vein structure (s) currently being mined at levels four, five and six in order to significantly extend the size and productive capacity of the mine. In doing so, LKA expects to develop a reserve of at least 300,000 additional ounces at grades substantially above the current production weighted average of 13.47 ounces of gold per ton. At current gold prices, the gross value of this additional reserve is expected to yield in excess of \$120 million.

To date, production from the relatively small area, approximately 320 vertical feet, between the third and sixth levels has exceeded 101,000 ounces of gold with the majority of that production, 58,942 ounces, being produced within the last three years between the fourth and

sixth levels. The last two years of production totalled approximately 39,184 ounces of gold with a weighted average grade of 15.26 ounces of gold per ton.

LKA estimates that the horizontal distance of the new drift will be approximately one mile and take roughly 18 months to complete at a cost of more than \$3.0 million.

9. Program and Budget

LKA has budgeted \$3.475 million for the Golden Wonder mine project to develop a new drift below the current workings at the Golden Wonder mine in order to significantly extend the size and productive capacity of the mine. The budget is as follows:

Permits & bonding	\$575,000
Site Preparation	250,000
Drilling & exploration	100,000
Construction development of new drift	<u>2,550,000</u>
Total	<u>\$3,475,000</u>

C. HISTORICAL MINING DISTRICTS OF COLORADO

The Golden Wonder mine project lies within the Colorado Mineral Belt, a 250 mile long by 50 mile wide lineament stretching northeast from the San Juan Mountains in Southwestern Colorado to the Front Range near Boulder, Colorado. The CMB is highly mineralized and most of the historic mining camps of Colorado, with the exception of the Cripple Creek District, lie within this area with over 25 million ounces of gold having been extracted from mines of the CMB.

Gold deposits were first discovered in 1858 and further finds in 1859 prompted a gold rush lasting until 1867. Over 1.25 million ounces of gold were produced between 1859 and 1867. By 1874, most of the significant deposits in the CMB had been found, although Cripple Creek was not discovered until 1891.

Major historic mining site within the CMB include Central City in the Front Range, west of Denver. Central City was the first major mining district discovered in Colorado in 1859 and one of the most productive, yielding 4.2 million ounces of gold between 1859 and 1960. Gold and silver were the main metals mined, but copper, lead, zinc and uranium ores were also found. Leadville, on the Arkansas River, was the most prolific metal mining district in Colorado, producing vast quantities of lead, zinc, silver, gold and some copper. The last significant mine to operate in the district, the Black Cloud, ceased mining in 1999. Gold was first mined from placer deposits in California Gulch. The Leadville District had a total production of 2.97 million ounces of gold. In the San Juan Mountains the major gold mines were at Ouray, Silverton, Mount Sneffels and Telluride where over 10 million ounces of gold was mined. In addition, extracting gold from river gravel placers yielded considerable quantities of gold from sites such as Breckenridge and Fairplay. The Breckenridge District had a total production of 1.0 million ounces of gold and the Fairplay District produced 202,000 ounces of placer gold.

Cripple Creek is the largest single gold-producing district in Colorado. Over 22 million ounces of gold has been produced since its discovery in 1891. In 2003, the Cresson mine, which is a joint venture between AngloGold Ashanti, Cripple Creek and Victor Mining Company ("CC&V") and Golden Cycle Gold Corporation, produced 283,886 ounces of gold and was the only large-scale gold mine operating in Colorado. As of December 25, 2003, CC&V estimated the ore reserve for the Cresson mine to be 130,763,000 tons with an average grade of 0.03 ounces of gold per ton, containing 3,980,638 ounces of gold. In addition to the estimation of ore reserves, CC&V models other mineralized material which is additional to its ore reserves. Non-reserve mineralized material for 2003 was estimated at approximately 11.6 million tons of mineralized material, which may contain approximately 754,000 ounces of gold. This brings CC&V's total inventory of non-reserve mineralized material to approximately 142 million tons of material which may contain approximately 4.5 million ounces of gold.

D. PROGRAM

LKA is seeking to raise up to US\$3.5 million to extend the size and productivity of the Golden Wonder mine as well as for working capital purposes.

Golden Wonder mine project	US\$3,475,000
Working capital and fees	<u>25,000*</u>
Total	<u>US\$3,500,000</u>

* Additional working capital will come from royalty income as well as LKA's current reserves.

E. STOCK MARKET STATISTICS

1. Summary Market Data

Exchange:	OTC:BB
Symbol:	LKAI
Recent Share Price:	US\$0.40 ¹
52 Week High-Low:	US\$0.50 - US\$0.10 ²
Primary Common Shares Outstanding:	12,750,317 ³
Market Capitalization:	US\$5.1 million
Fully Diluted Shares:	12,750,317 ⁴

2. Major Shareholders

Management and Directors	11.57% ⁵
Caldera Partners Ltd. Partnership	50.46%

¹ Source: Yahoo! Finance

² Source: Yahoo! Finance

³ The Company

⁴ There are 1,000,000 options at \$0.25 per share and 1,000,000 options at \$0.55 per share that have been authorized but not yet issued. There are no outstanding warrants.

⁵ Source: The Company. Based on Common Shares Outstanding

F. MANAGEMENT

Kye A. Abraham, Chairman, President and Director, has been an officer, director and major shareholder of LKA International, Inc. since its formation in 1979. He has served as an officer and general partner of several LKA sponsored limited partnerships and corporations, which were engaged in several oil and gas projects in North America and various precious metals and precious gem exploration/mining operations in North America, Africa and Indonesia. Since 1982, Mr. Abraham has served as President and sole shareholder of Abraham & Co., Inc., a NASD member Broker-Dealer and Registered Investment Advisor.

Nanette K. Abraham, Secretary and Director, has served as an officer and director of LKA since 1989. Additionally, Mrs. Abraham is the Secretary and a director of Abraham & Co., Inc. and is employed as a Research Assistant for the Frank Russell Company, Inc., a worldwide investment management and consulting firm headquartered in Tacoma, Washington.

Lance Barker, President of Au Mining, is a geologist with over 25 years of exploration experience. Prior to joining Au Mining, he was employed by several companies engaged in exploration and production of precious metals and uranium in Utah, Colorado and California. He was also employed by LKA as the on-site geologist at the Golden Wonder mine during the exploration/development of the mine in the early 1980s. Mr. Barker received a B.A. in Geology from Western State College of Colorado.

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