

IDAHO GENERAL MINES INC  
Form 10QSB  
May 16, 2006

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

**FORM 10-QSB**

**p**

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

**For the quarterly period ended March 31, 2006**

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

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

**Idaho General Mines, Inc.**

(Name of small business issuer in its charter)

**IDAHO**

(State or other jurisdiction

of incorporation or organization)

**000-50539**

Commission File Number

**91-0232000**

(I.R.S. Employer

Identification No.)

**10 North Post St., Suite 610**

**Spokane, WA 99201**

**Telephone: (509) 838-1213**

(Address and telephone number of principal executive offices)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 at least the past 90 days. **YES  NO**

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

**YES  NO**

The number of shares outstanding of registrant's common stock as of May 11, 2006 was 37,087,417.

Transitional Small Business Disclosure Format (check one): **YES  NO**



**PART I****FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS**

**IDAHO GENERAL MINES, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**BALANCE SHEETS**

|   | <b>March 31,</b>   |    | <b>December 31,</b> |
|---|--------------------|----|---------------------|
|   | <b>2006</b>        |    | <b>2005</b>         |
|   | <b>(Unaudited)</b> |    |                     |
| <b>ASSETS</b>                               |                    |    |                     |
| <b>CURRENT ASSETS</b>                       |                    |    |                     |
| Cash and cash equivalents                   | \$ 25,860,966      | \$ | 256,773             |
| Tax refund receivable                       | -                  |    | 29,514              |
| Employee advances                           | -                  |    | 9,000               |
| Prepaid insurance                           | 2,056              |    | 4,113               |
| Total Current Assets                        | 25,863,022         |    | 299,400             |
| PROPERTY AND EQUIPMENT, net                 | 87,488             |    | 53,333              |
| LAND AND MINING CLAIMS                      | 4,956,740          |    | 496,913             |
| TOTAL ASSETS                                | \$ 30,907,250      | \$ | 849,646             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                    |    |                     |
| <b>CURRENT LIABILITIES</b>                  |                    |    |                     |
| Accounts payable and accrued liabilities    | \$ 305,220         | \$ | 815,753             |
| Total Current Liabilities                   | 305,220            |    | 815,753             |
| COMMITMENTS AND CONTINGENCIES               | -                  |    | -                   |

STOCKHOLDERS' EQUITY

|  |                   |                |
|--|-------------------|----------------|
| Preferred stock, Series A, \$0.001 par value;<br>10,000,000 shares<br>authorized, no shares issued and<br>outstanding                          | -                 | -              |
| Common stock, \$0.001 par value; 200,000,000<br>shares authorized,<br>36,577,131 and 16,571,312 shares issued and<br>outstanding, respectively | 36,577            | 16,571         |
| Additional paid-in capital   | 39,792,814        | 7,174,266      |
| Accumulated deficit before exploration stage   | (212,576)         | (212,576)      |
| Accumulated deficit during exploration stage   | (9,014,785)       | (6,944,368)    |
| Total Stockholders' Equity   | 30,602,030        | 33,893         |
| <br>TOTAL LIABILITIES AND STOCKHOLDERS'<br>EQUITY  | <br>\$ 30,907,250 | <br>\$ 849,646 |

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

**IDAHO GENERAL MINES, INC.**  
**(AN EXPLORATION STAGE**  
**COMPANY)**  
**STATEMENTS OF OPERATIONS**

|  | <b>Three Months Ended</b> |                    | <b>January 1, 2002</b> |
|--|---------------------------|--------------------|------------------------|
|  | <b>March 31,</b>          | <b>March 31,</b>   | <b>(Inception of</b>   |
|  | <b>2006</b>               | <b>2005</b>        | <b>Exploration</b>     |
|  | <b>(Unaudited)</b>        | <b>(Unaudited)</b> | <b>Stage)</b>          |
|  |                           |                    | <b>to</b>              |
|  |                           |                    | <b>March 31,</b>       |
|  |                           |                    | <b>2006</b>            |
|  |                           |                    | <b>(Unaudited)</b>     |
| REVENUES                                       | \$ -                      | \$ -               | \$ -                   |
| OPERATING EXPENSES:                            |                           |                    |                        |
| Property research, exploration and development | 1,145,228                 | 545,799            | 5,138,688              |
| General and administrative expense             | 443,516                   | 338,882            | 2,101,224              |
| Professional fees                              | 508,729                   | 22,214             | 1,347,425              |
| Directors fees paid with common stock          | -                         | -                  | 80,025                 |
| Management and administrative fees             |                           |                    |                        |
| paid with options                              | 116,550                   | 132,750            | 575,325                |
| TOTAL OPERATING EXPENSES                       | 2,093,773                 | 1,039,645          | 9,122,437              |
| LOSS FROM OPERATIONS                           | (2,093,773)               | (1,039,645)        | (9,122,437)            |
| OTHER INCOME                                   |                           |                    |                        |
| Interest and dividend income                   | 143,606                   | 655                | 163,048                |
| Realized gain on marketable securities         | -                         | -                  | 5,089                  |
| Realized income from timber sales              | -                         | -                  | 59,764                 |
| TOTAL OTHER INCOME                             | 143,606                   | 655                | 227,901                |
| LOSS BEFORE TAXES                              | (2,070,417)               | (1,038,990)        | (9,014,786)            |

|  |             |             |             |
|--|-------------|-------------|-------------|
| INCOME TAXES                             | -           | -           | -           |
| NET LOSS                                 | (2,070,417) | (1,038,990) | (9,014,786) |
| BASIC AND DILUTED NET LOSS               |             |             |             |
| PER SHARE OF COMMON STOCK                | \$ (0.07)   | \$ (0.09)   |             |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES |             |             |             |
| OUTSTANDING - BASIC AND DILUTED          | 30,910,187  | 11,813,146  |             |

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

**IDAHO GENERAL MINES, INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF CASH FLOWS**

|   | <b>Three Months<br/>Ended<br/>March 31,<br/>2006<br/>(Unaudited)</b> | <b>Three Months<br/>Ended<br/>March 31,<br/>2005<br/>(Unaudited)</b> | <b>January 1, 2002<br/>(Inception of<br/>Exploration<br/>Stage)<br/>to<br/>March 31,<br/>2006<br/>(Unaudited)</b> |
|---|--|--|---|
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES:</b>                        |  |  |   |
| Net loss  | \$ (2,070,417)   | \$ (1,038,990)   | \$ (9,014,786)  |
| Adjustments to reconcile net loss to net<br>cash used                   |  |  |   |
| by operating activities:  |  |  |   |
| Directors' fees paid by<br>issuing common stock                         | -  | -  | 80,025  |
| Depreciation and<br>amortization  | 4,987  | 2,682  | 20,431  |
| Services and expenses paid<br>with common stock                         | 307,855  | 91,375   | 1,450,140   |
| Gain on sale of investments   | -  | -  | (9,245)   |
| Management and<br>administrative fees paid with<br>common stock options | 116,550  | 132,750  | 575,325   |
| Decrease (increase) in<br>employee advances                             | 9,000  | -  | -   |
| Decrease (increase) in<br>prepaid expenses and<br>deposits              | 31,571   | -  | (2,056)   |
| Increase (decrease) in<br>accrued expenses                              | (510,533)  | 94,824   | 305,220   |
| Unrealized loss on securities   | -  | -  | 4,157   |
| Net cash used by<br>operating activities                                | (2,110,987)  | (717,359)  | (6,590,789)   |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES:</b>                        |  |  |   |
| Payments for the purchase of equipment                                  | (39,142)   | (2,985)  | (97,119)  |
| Purchase of securities  | -  | -  | (136,987)   |



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|  |             |          |             |
|--|-------------|----------|-------------|
| Purchase of mining property, claims, options     | (4,459,827) | (15,465) | (4,500,289) |
| Cash provided by sale of marketable securities   | -           | -        | 246,840     |
| Net cash provided (used) by investing activities | (4,498,969) | (18,450) | (4,487,555) |

CASH FLOWS FROM FINANCING ACTIVITIES:

|  |               |            |               |
|--|---------------|------------|---------------|
| Proceeds from issuance of stock                      | 32,214,149    | 1,003,875  | 36,893,097    |
| Net cash provided by financing activities:           | 32,214,149    | 1,003,875  | 36,893,097    |
| Net increase (decrease) in cash and cash equivalents | 25,604,193    | 268,066    | 25,814,753    |
| Cash and cash equivalents, beginning of period       | 256,773       | 700,498    | 46,213        |
| Cash and cash equivalents, end of period             | \$ 25,860,966 | \$ 968,564 | \$ 25,860,966 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

|                   |      |      |      |
|-------------------|------|------|------|
| Income taxes paid | \$ - | \$ - | \$ - |
| Interest paid     | \$ - | \$ - | \$ - |

NON-CASH INVESTING AND FINANCING ACTIVITIES:

|   |      |      |         |
|---|------|------|---------|
| Common stock issued for equipment             | \$ - | \$ - | 10,800  |
| Common stock and warrants issued for property | \$ - | \$ - | 375,000 |

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

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - DESCRIPTION OF BUSINESS**

Idaho General Mines, Inc. ("the Company" or "IGMI") is an Idaho corporation originally incorporated as General Mines Corporation on November 23, 1925. In 1966, the Company amended its articles of incorporation to change its name to Idaho General Petroleum and Mines Corporation, and amended its articles again in 1967 changing its name to Idaho General Mines, Inc. The Company's historic activities have principally consisted of the exploration for nonferrous and precious metals in and around Shoshone County, Idaho. The Company entered a new exploration stage in early January 2002 when it shifted its focus to minerals exploration. Prior to 2003, the Company's business has been confined to periodic timber sales from its mining property holdings and other general and administrative activities. With the listing of the Company on the Over-the-Counter Bulletin Board in May 2004, the Company began a search for substantive mineral properties with a focus on metals such as copper, zinc, silver, gold and specialty metals. IGMI entered into an option to lease the Mount Hope molybdenum property located in Nevada in November 2004 and exercised that option in October 2005 after several phases of feasibility studies and project design studies, which indicated the attractiveness of the project. IGMI similarly optioned the Hall molybdenum-copper property, also in Nevada, in 2005 and exercised that option to purchase the Hall property in March 2006 with the intent of assessing economic feasibility by exploring and assessing the property's potential. Accordingly, IGMI has assumed the role of exploring, and as warranted, developing major mineral deposits which are at a relatively advanced stage and are worthy of economic consideration. IGMI has obtained substantial funding in 2004 through the first quarter of 2006 to carry out the above objectives and plans to carry such projects forward to production as indicated and as success in raising of capital allows.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. The accompanying financial statements should be read in conjunction with the audited financial statements of the Company included in the Company's December 31, 2005 Annual Report. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included. The results of the three months ended March 31, 2006 are not necessarily indicative of the results of operations expected at the year ending December 31, 2006.

#### Accounting Pronouncements-Recent

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets" an amendment of FASB Statement No. 140. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or

**IDAHO GENERAL MINES, INC.**

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations at March 31, 2006.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140 (hereinafter SFAS No. 155). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity (SPE) may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations at March 31, 2006.

In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections, (hereinafter SFAS No. 154) which replaces Accounting Principles Board Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after

December 15, 2005. The Company does not expect SFAS No. 154 to have a material impact on its financial position, results of operations, or cash flows.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47 ( FIN 47 ), Accounting for Conditional Asset Retirement Obligations. FIN 47 clarifies that the term conditional asset retirement obligation, which as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect SFAS No. 154 to have a material impact on its financial position, results of operations, or cash flows.

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, "Accounting for Stock Based Compensation." This statement supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The adoption of this statement has had no impact on the financial statements of the Company.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (hereinafter "SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative instruments and Hedging Activities-Deferral of the Effective Date of FASB No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities," the last of which is effective June 30, 2003. These statements establish and clarify accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Exploration Stage Activities

The Company has been in the exploration stage since January 2002 and has not realized any revenue from operations. It will be primarily engaged in minerals exploration until it enters a development or operations stage.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, accounts payable and accrued liabilities. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at March 31, 2006 and December 31, 2005.

Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted net loss per share for IGMI is the same as basic net loss per share, as the inclusion of common stock equivalents would be antidilutive.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no minable ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in



existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

#### Mining Claims and Land

Costs of acquiring and developing mineral properties are capitalized as appropriate by project area. Exploration and related costs and costs to maintain mineral rights and leases are expensed as incurred. When a property reaches the production stage, the related capitalized costs are 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.

#### Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

Property and Equipment

During the three months ended March 31, 2006 the Company purchased vehicles for \$39,142. The vehicles will be depreciated over useful lives of five years using straight line depreciation.

During the year ended December 31, 2005, the Company purchased equipment costing \$16,873 and computer equipment for \$7,589. The equipment and computer will be depreciated over useful lives of three to seven years using a straight-line depreciation method. Depreciation expense for the year was \$11,215.

Reclamation and Remediation

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience and data released by The Environmental Protection Agency or other organizations. Such estimates are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability. At March 31, 2006, the Company had no accrued liabilities for compliance with environmental regulations.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented. Previously, directors' fees paid by issuing common stock were not disclosed separately in the Company's statement of cash flows. These fees were part of services and expenses paid with common stock.

**NOTE 3 - INVESTMENTS**

The Company accounts for its investments in debt and equity securities in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and reports its investments in available for sale securities at their fair value, with unrealized gains and losses excluded from income or loss and included in other comprehensive income or loss. The Company's investment securities are classified as available for sale securities which are recorded at fair value on the balance sheet as marketable securities and classified as current assets.

At March 31, 2006 and December 31, 2005, the Company had no marketable securities.

**NOTE 4 - LAND AND MINING CLAIMS**

The Company's mining claims and land consist in part of approximately 107 acres of fee simple land in the Pine Creek area of Shoshone County, Idaho, six patented mining claims known as Chicago-London group, located near the town of Murray in Shoshone County, Idaho and 265 acres of private land and 3 unpatented claims in Josephine County, Oregon, known as the Turner Gold project. The carrying value of these properties at March 31, 2006 and December 31, 2005 is as follows:

**IDAHO GENERAL MINES, INC.****(AN EXPLORATION STAGE COMPANY)****CONDENSED NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2006**

|                          | March 31,<br>2006 | December 31,<br>2005 |
|--------------------------|-------------------|----------------------|
| Pine Creek land          | \$ 1,450          | \$ 1,450             |
| High Desert Winds (Hall) | 4,459,826         | -                    |
| Chicago-London group     | 80,001            | 80,001               |
| Turner Gold land         | 415,462           | 415,462              |
| Total                    | \$ 4,956,740      | \$ 496,913           |

The Company reviews the carrying value of its assets annually and whenever events or circumstances indicate that an asset's fair value may not be at least equal to its carrying value.

On November 12, 2004, IGMI entered into an option to lease all property and assets of the Mount Hope Molybdenum Property from Mt. Hope Mines, Inc. Exercise of the option in October 2005 allows IGMI to proceed for the next 30 years with permitting, developing and mining the deposit and for so long thereafter as IGMI maintains an active operation. At December 31, 2004, the Company had paid \$456,286 on the Mount Hope option and issued 500,000 shares of common stock with 500,000 warrants to purchase shares of common stock.

Pursuant to the terms of the lease, the underlying total royalty on production payable to Mt. Hope Mines, Inc., less certain deductions, is 3 percent for a molybdenum price up to \$12 per pound, 4 percent for a molybdenum price up to \$15 per pound, and 5 percent for a molybdenum price above \$15 per pound. IGMI is subject to certain periodic payments totaling \$1,550,000 to be paid as per schedule between January 2006 and October 2010. IGMI has a best efforts obligation, by the third anniversary of the lease, to pay Mt. Hope Mines, Inc. a recoverable periodic payment (advance royalty) of 3 percent of the estimated capital cost of the project. This obligation to pay 3 percent of the construction capital is subject to certain extension provisions through October 2013. Minimum royalty payment after the mine commences operations is \$0.27 a pound of molybdenum if produced and \$500,000 per year if the plant is idle. Additionally, IGMI is obligated to pay Exxon Mineral Company a one percent net smelter royalty on all production.

On June 30, 2005, the Company entered into an option to purchase land and water rights on property located near the Mt. Hope property in Nevada. The option was paid for with cash of \$152,000 and 30,000 shares of restricted common stock. The option will be in effect for two years commencing June 30, 2005. Total purchase price of the property is \$1.8 million.

During the year ended December 31, 2005, the Company purchased acreage at the Turner Gold project for \$15,690. The Company entered into an option agreement with High Desert Winds LLC ( High Desert ) for High Desert s approximately ten square mile property in Nye County, Nevada, including water rights, mineral and surface rights, buildings and certain equipment (the Hall Tonopah Property ). Pursuant to the terms of this agreement, the Company was granted a nine-month option to purchase the Hall Tonopah Property. The Company extended the option agreement with High Desert with payments of \$75,000 in June and \$100,000 in August of 2005. The option was subsequently extended to March 17, 2006 with an \$80,000 payment paid on January 17, 2006. The Company entered into a purchase agreement dated as of March 17, 2006 with High Desert whereby it purchased the Hall Tonopah Property. At closing, the Company paid High Desert a cash payment of \$4.5 million for the Hall Tonopah Property and agreed to make a deferred payment of up to an additional \$1,000,000 in purchase price which is payable, if at all on or before March 17, 2008 depending on the outcome of activities at the property. The Hall Tonopah Property is also subject to a 12% royalty payable with respect to the net revenues generated from the molybdenum or copper minerals removed from the properties purchased.

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 5 - RELATED PARTY TRANSACTIONS**

At December 31, 2005, the Company had an employee receivable in the amount of \$9,000 for cash advances to a corporate officer for expenses and salary. This amount was fully repaid during the three months ended March 31, 2006.

The Company paid professional service fees of \$35,319 during the year ended December 31, 2005, to the Company's legal counsel, who is a shareholder and also serves as the Company's secretary/treasurer.

Additional related party transactions are detailed in Notes 6 and 8.

**NOTE 6 - COMMON STOCK**

During the three months ended March 31, 2006, the Company issued 19,766,269 shares of common stock for cash of \$34,804,703 less placement agent and finder's fees of \$2,470,304. The Company issued 170,550 shares of common stock for finder's fees valued at \$187,605. Additionally, upon the cashless exercise of options, the Company issued 69,000 shares.

During the year ended December 31, 2005, the Company issued 3,853,932 shares of common stock for cash of \$3,059,198, issued 89,611 shares of common stock for services valued at \$90,875, issued 20,000 shares of common stock for management valued at \$23,500, 15,000 shares of common stock for property valued at \$10,800, and issued 30,000 shares of stock for property valued at \$28,500. Additionally, upon the cashless exercise of options, the Company issued 979,830 shares of common stock. At December 31, 2005, some of the shares had not yet been administratively issued. In April 2005, the Company, in a shareholder rights agreement that prevents a hostile takeover, declared a dividend of one right for every common stock share held. The right is exercisable at \$1.03 until December 31, 2007. The exercise price of the right is subject to adjustment.

During 2004, the board of directors and shareholders adopted amended and restated articles of incorporation, which authorized the Company's issuance of 200,000,000 shares of common stock with a \$0.001 par value. Prior to 2004, the Company was authorized to issue 25,000,000 shares of common stock with a par value of \$0.10.

#### **NOTE 7 - PREFERRED STOCK**

On October 28, 2004, shareholders of the Company authorized 10,000,000 shares of no par value preferred stock. The authorized but unissued shares of preferred stock may be issued in designated series from time to time by one or more resolutions adopted by the board of directors. The directors have the power to determine the preferences, limitations and relative rights of each series of preferred stock.

On November 16, 2004, the board of directors unanimously consented to amend the articles of incorporation of the Company. The amendment reclassified 10,000,000 shares of the Company's no par value preferred stock into 10,000,000 shares of \$0.001 par value Series A preferred stock. At December 31, 2004 and 2005, no shares of \$0.001 par value Series A preferred stock were issued or outstanding.

#### **NOTE 8 - COMMON STOCK OPTIONS**

The board of directors and shareholders adopted the Idaho General Mines, Inc. 2003 Stock Option Plan ("Plan") during 2004. The purpose of the Plan is to give the Company greater ability to attract, retain, and motivate its officers and key employees and is intended to provide the Company with ability to provide incentives more directly linked to the success of the Company's business and increases in shareholder value.

**IDAHO GENERAL MINES, INC.**

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The board of directors has determined that options issuable pursuant to the Plan will be utilized solely for the purpose of granting incentive stock options ("ISOs") for employees (pursuant to Internal Revenue Code 422). The maximum number of shares available for issuance under the Plan is currently 3,000,000 shares. Although the Plan permits the issuance of both incentive stock options and non-qualified stock options, the board of directors has opted to issue only incentive stock options under the Plan.

During the year ended December 31, 2005, the Company granted 950,000 incentive stock options (enabling the option holders to purchase 950,000 shares of common stock) under the Plan with an exercise price of \$0.72 and vesting at various dates through 2007 with expirations at various dates through 2012. These options were granted to officers and employees. The fair value of each option is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 4%; volatility of 73%; dividend rate of 0%; and expected life of 2 years. The total value was calculated at \$307,800. Expense was recorded of \$113,400 for the ISOs, which vested in first quarter of 2005.

During the year ended December 31, 2004, the Company granted 1,485,000 non-qualified stock options outside of the Plan and 1,910,000 incentive stock options under the Plan with exercise prices ranging from \$0.15 to \$0.75 and expirations at various dates through 2011. These options were granted to officers, directors, and other related parties. The fair value of each option is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest rate of 4%; volatility of 46%; dividend rate of 0%; and expected life of 2 years. The total value was calculated at \$302,775. Expense was recorded of \$19,350 for the ISOs, which vest in first quarter of 2005. Expense was recorded for \$11,750 for the ISOs, which vest in third quarter of 2005.

During the year ended December 31, 2003, the Company granted 1,150,000 non-qualified stock options outside of the Plan with an exercise price of \$0.11 and an expiration of five years from the date of the grant to officers, directors, and other related parties. In connection with the issue, the Company recorded \$11,500, or \$0.01 per option in compensation expense based upon management's estimate of the value of the services rendered and the value of the options granted. During 2004, 260,000 of these options were exercised for cash.

The following is a summary of the Company's stock option plans:



|  | Number of securities to be issued upon exercise of outstanding options | Weighted average excise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans |
|--|--|--|--|
| Equity compensation plans not approved by security holders | -  | \$ -   | -  |
| Equity compensation plans approved by security holders:    |  |  |  |
| 2003 Stock Option Plan                                     | 1,250,000  | 0.47   | 205,000  |
| Other equity compensation                                  | 2,200,000  | 0.41   | n/a  |
| Total  | 3,450,000  | \$ 0.42  | 205,000  |

**IDAHO GENERAL MINES, INC.****(AN EXPLORATION STAGE COMPANY)****CONDENSED NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2006**

The following is a summary of stock option activity in 2004 and 2005:

|  | Number                     | Weighted<br>Average Exercise<br>Price |
|--|----------------------------|---------------------------------------|
|  | of Shares Under<br>Options |                                       |
| Outstanding at January 1, 2005                             | 4,285,000                  | \$ 0.33                               |
| Granted  | 950,000                    | 0.72                                  |
| Exercised  | 1,195,000                  | -                                     |
| Forfeited  | -                          | -                                     |
| Expired  | -                          | -                                     |
| Outstanding at December 31, 2005                           | 4,040,000                  | \$ 0.43                               |
| Options exercisable at December 31, 2005                   | 2,880,000                  |                                       |
| Weighted average fair value of options granted during 2005 | \$0.32                     |                                       |
| Outstanding at January 1, 2006                             | 4,040,000                  | \$ 0.43                               |
| Granted  | -                          | -                                     |
| Exercised  | 80,000                     | -                                     |
| Forfeited  | -                          | -                                     |
| Expired  | -                          | -                                     |
| Outstanding at March 31, 2006                              | 3,960,000                  | \$ 0.42                               |
| Options exercisable at March 31, 2006                      | 3,450,000                  |                                       |

The following table gives information about the Company's common stock that may be issued upon the exercise of options under the Company's existing stock option plan and upon the exercise of options outside of the Company's existing stock option plan as of March 31, 2006.

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| Exercise Prices                                       | Number of Shares Under Options | Weighted Average                |                             |                    |                                 |
|---|--------------------------------|---------------------------------|-----------------------------|--------------------|---------------------------------|
|   |                                | Weighted Average Exercise Price | Contractual Life (in years) | Number Exercisable | Weighted Average Exercise Price |
| \$0.11  | 790,000                        | \$0.11                          | 0.72                        | 790,000            | \$0.11                          |
| 0.15  | 150,000                        | 0.15                            | 2.96                        | 150,000            | 0.15                            |
| 0.15  | 100,000                        | 0.15                            | 4.96                        | 100,000            | 0.15                            |
| 0.15  | 450,000                        | 0.15                            | 6.96                        | 350,000            | 0.15                            |
| 0.30  | 50,000                         | 0.30                            | 7.30                        | -                  | 0.00                            |
| 0.30  | 100,000                        | 0.30                            | 3.30                        | 100,000            | 0.30                            |
| 0.44  | 600,000                        | 0.44                            | 3.50                        | 600,000            | 0.44                            |
| 0.44  | 60,000                         | 0.44                            | 7.50                        | -                  | 0.00                            |
| 0.70  | 220,000                        | 0.70                            | 3.69                        | 220,000            | 0.70                            |
| 0.72  | 350,000                        | 0.72                            | 3.77                        | 350,000            | 0.72                            |
| 0.72  | 300,000                        | 0.72                            | 4.77                        | 300,000            | 0.72                            |
| 0.72  | 300,000                        | 0.72                            | 5.77                        | -                  | 0.00                            |
| 0.75  | 490,000                        | 0.75                            | 3.62                        | 490,000            | 0.75                            |
|   | 3,960,000                      | \$0.44                          | 3.78 years                  | 3,450,000          | \$0.42                          |
| Unrecognized compensation cost of non-vested options  |                                |                                 | \$108,950                   |                    |                                 |
| Weighted average remaining life of non-vested options |                                |                                 | 6.36 years                  |                    |                                 |

**IDAHO GENERAL MINES, INC.**

**(AN EXPLORATION STAGE COMPANY)**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 9 - COMMON STOCK WARRANTS**

During the three months ended March 31, 2006, the Company granted 1,596,243 common stock warrants (attached to common stock) with an exercise price of \$1.75 and 7,500,000 common stock warrants were issued with an exercise price of \$3.75 with expirations at various dates through 2012. The fair value of each option was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest rate of 4%; volatility of 123.8%; dividend rate of 0%; and expected life of 2 years. The total value of these warrants was estimated at \$24,639,093.

During the nine months ended September 30, 2005, the Company granted 2,998,932 common stock warrants (attached to common stock) with an exercise price of \$1.00 per share and an expiration date of two years. The fair value of each option is estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 4%; volatility of 73%; dividend rate of 0%; and expected life of two years. The total value of these warrants was estimated at \$758,148.

During the last quarter of the year ended December 31, 2005, the Company granted 210,000 common stock warrants with an exercise price of \$1.75 per share and an expiration date of two years. The fair value of each option is estimated using the Black-Scholes option Price Calculation. The following assumptions were made in estimating fair value: risk interest rate of 4%; dividend rate of 0%; volatility of 82% and expected life of two years. The total value of these warrants was estimated at \$64,767.

**NOTE 10 INCOME TAXES**

At March 31, 2006 and December 31, 2005, the Company had deferred tax assets of approximately \$1,704,000 and \$1,040,000, respectively, principally arising from net operating loss carryforwards for income tax purposes multiplied by an expected rate of 34%. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the deferred tax assets, a valuation allowance equal to the deferred tax asset has been established at March 31, 2006 and December 31, 2005. The significant components of the deferred tax asset at March 31, 2006 and December 31, 2005 were as follows:

|  | March 31,    | December 31, |
|--|--------------|--------------|
|  | 2006         | 2005         |
| Net operating loss carryforward        | \$ 5,011,000 | \$ 3,061,000 |
| Deferred tax asset                     | \$ 1,704,000 | \$ 1,040,000 |
| Deferred tax asset valuation allowance | (1,704,000)  | (1,040,000)  |
| Net deferred tax asset                 | \$ -         | \$ -         |

At March 31, 2006 and December 31, 2005, the Company has net operating loss carryforwards of approximately \$5,011,000 and \$3,061,000, respectively, which expire in the years 2022 through 2026. The change in the allowance account from March 31, 2006 to December 31, 2005 was \$664,000.

#### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The Company owns and has owned mineral property interests on certain public and private lands in Shoshone County, Idaho. The Company's mineral property holdings include lands contained in mining districts that have been designated as "Superfund" sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). The Company and its properties have been and are subject to a variety of federal and state regulations governing land use and environmental matters. The Company believes it has been in substantial compliance with all such regulations, and is unaware of any pending action or proceeding action relating to regulatory matters that would affect the financial position of the Company. The Company's management acknowledges, however, that the possibility exists that the Company may be subject to environmental liabilities associated with its properties in the future, and that the amount and nature of any liabilities the Company may be held responsible for is impossible to estimate.

**IDAHO GENERAL MINES, INC.**

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**MARCH 31, 2006**

On June 16, 2005, the Company entered into an agreement to secure the services of a contractor. The terms of the agreement include the issuance of 100,000 restricted shares of common stock to the contractor, vesting in batches of 25,000 through March 1, 2006, and the issuance of an additional 35,000 restricted shares of common stock if a successful deal is consummated.

On August 9, 2005, the Company entered into an agreement with Wachovia Securities to investigate strategic alternatives. The Company is contractually obligated for an advisory fee of \$100,000, payable in three increments, the first of which was paid in August, 2005. The Company has committed to pay a sliding transaction fee payable at the closing of a merger or acquisition. In any event, the fee will not be less than \$1 million dollars. In addition, the Company is obligated to reimburse all reasonable expenses incurred by the advisor.

On September 2, 2005, the Company entered into an agreement with Canaccord Capital Corporation as its financial advisor for proposed equity financing agreements.

On November 8, 2005 the Company entered into a rotary drilling agreement with Lang exploratory drilling. The project consists of drilling six water holes and five condemnation holes.

On November 15, 2005 the Company entered into a contract with MinnovEx-SGS for a progressive grinding circuit design study. The original order was \$81,987.

**NOTE 12 - SUBSEQUENT EVENTS**

In April 2006, the Company entered into a Letter of Intent to purchase certain patented lode mining claims referred to as the Liberty Claims on property adjacent to Hall Tonopah property for cash of \$75,000 and 150,000 shares of restricted common stock.

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**ITEM 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

The following discussion of our financial condition and plan of operations constitutes management's review of the factors that affected our financial and operating performance for the three months ended March 31, 2006 and 2005.

This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report and in our Form 10-KSB, as amended, for the year ended December 31, 2005.

**Overview**

We are in the business of exploration, development and, if warranted, the mining of properties containing molybdenum, as well as silver, gold, base metals and other specialty metals. We have an interest in properties on which we intend to conduct mineral exploration. Our principal asset is the Mount Hope Project (which we hold under lease with Mount Hope Mines, Inc. ( MHMI )), a primary molybdenum deposit located in Eureka County, Nevada, United States.

Based on the positive results of our feasibility study, we intend to proceed with the permitting and development of the Mount Hope Project. The project will include the development of an open pit mine, construction of a concentrator plant, construction of a roaster plant, and construction of all related infrastructure to produce TMO.

We began a feasibility study in November 2004 for the purpose of determining our interest in exercising the long term option to lease the Mount Hope Project. This study, principally accomplished by mining industry consulting firms, was completed in October 2005 and provides a definitive mining and processing plan. Based on the results of the feasibility study, we exercised our option to lease in October 2005 and entered into the Mount Hope Lease. We plan to begin permitting, environmental impact studies, and intermediate stage engineering based upon a tentative two-year permitting schedule. We indicated our intent to proceed with permitting of the project in meetings with the principal regulatory agency, the BLM, and various regulatory agencies of the State of Nevada in the second quarter of 2005.

We plan to file during the second quarter 2006 a formal Plan of Operations with the BLM which would trigger the formal review and dialogue aspects of the NEPA process. Various environmental data and study tasks are ongoing and are expected to assist with the permitting process. We believe that permitting will require approximately 20-30 months from the date of filing of the Plan of Operations, but the timing is dependent on the timing of agency actions over which we have no control. We expect that a feasibility study will be finalized upon the completion of the permitting process. We believe that, based upon the feasibility studies completed to date, once we have completed the permitting process and the feasibility study, construction of the planned facilities would take approximately 20-24 months.

We entered into an asset purchase agreement dated as of March 17, 2006 with High Desert Winds LLC ( High Desert ) whereby we agreed to purchase approximately a ten square mile property in Nye County, Nevada, including water



rights, mineral and surface rights, buildings and certain equipment, pursuant to an option granted to us in February 2005. At closing we paid High Desert a cash payment of \$4.5 million and agreed to make a deferred payment of up to an additional \$1,000,000 in the purchase price which is payable, if at all, on or before March 17, 2008 depending on the outcome of activities at the property. The property is also subject to a 12% royalty payable with respect to the net revenues generated from the molybdenum or copper mined and removed from the properties purchased.

### **Critical Accounting Estimates**

#### **Estimates**

The process of preparing financial statements in conformity with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **Cash and Cash Equivalents**

For the purposes of the statement of cash flows, we consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

### **Basic and Diluted Net Loss Per Share**

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding.

### **Mineral Exploration and Development Costs**

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no mineable orebody is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing mineral deposits, and, in the future, to expand the capacity of operating mines, will be capitalized and amortized on a units of production basis over the economically demonstrated proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. We charge to operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

### **Mining Claims and Land**

Costs of acquiring and developing mineral properties are capitalized as appropriate by project area. Exploration and related costs and costs to maintain mineral rights and leases are expensed as incurred. When a property reaches the production stage, the related capitalized costs are 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.

### **Provision for Taxes**

Income taxes are provided based upon the liability method of accounting pursuant to the Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ( **SFAS No. 109** ). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset if management does not believe we have met the more likely than not standard imposed by SFAS No. 109 to allow recognition of such an asset.

### **Property and Equipment**

Property and equipment are being depreciated over useful lives of three to seven years using straight-line depreciation.

### **Results of Operations for the Three Months Ended March 31, 2006**

#### **Compared to Three Months Ended March 31, 2005**

We are classified as an exploration stage company with no producing mines and, accordingly, we do not produce income. Our net loss for the three months ended March 31, 2006 was \$(1,950,167) as compared to a net loss of \$(1,038,990) for the three months ended March 31, 2005. The increase of \$911,177 is attributable primarily to permitting and associated expenses that significantly contributed to additional operating expenses. We also incurred higher corporate and administrative costs in a number of areas consistent with our substantially increased activity levels. These costs include employee compensation expenses, marketing and investor relations expenses, general legal expenses, and accounting and compliance issues reflecting the greater complexity of our operations.

Exploration and development expenditures of \$1,145,228 were incurred at the Mount Hope Project and the Hall Tonopah Project during the three months ended March 31, 2006 as exploration and development activity

proceeded at a very aggressive pace. This is consistent with our stated objective to complete our Mount Hope Project plans and to focus on the permitting required to bring the project to commercial production. All of the expenditures during the three months ended March 31, 2006 were related to this objective and associated feasibility study costs represent the majority of expenditures at the Mount Hope Project.

### **Liquidity and Capital Resources**

We have limited capital resources and thus have to rely upon the sale of equity and debt securities for the cash required for exploration and development purposes, for acquisitions and to fund our administration. Since we do not expect to generate any revenues in the near future, we must continue to rely upon the sale of our equity and debt securities to raise capital. There can be no assurance that financing, whether debt or equity, will always be available to us in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to us.

Our cash balance as at March 31, 2006 was \$25,860,966 compared to \$968,564 as at March 31, 2005. The increase in cash balance was due to the private placements of our units that were completed on January 10, 2006 and February 15, 2006, offset by the purchase of the Hall Tonopah Property. Total assets as at March 31, 2006 were \$30,907,250 compared to \$1,516,441 as at March 31, 2005. The increase is due to the private placements of our units and the purchase of the Hall Tonopah Property. Liabilities as at March 31, 2006 were \$305,220 compared to \$121,840 as at March 31, 2005. This increase in payables reflects our increase in activity over the past year.

On April 27, 2005, we concluded a private placement of 2,998,932 units at a price of \$0.75 per unit. Each unit consisted of one share of our common stock and one warrant to purchase one share of our common stock. Each warrant is exercisable for 24 months from the date of issuance and carries an exercise price of \$1.00 per share. The gross proceeds of this offering were \$2,249,200 and, after payment of sales commissions and finder's fees, we received net proceeds of \$2,108,150.

On January 10, 2006, we concluded a private placement of 3,441,936 units at a price of \$1.10 per unit. Each unit consisted of one share of our common stock and one-half of one warrant to purchase one share of our common stock. Each whole warrant is exercisable for 24 months from the date of issuance and carries an exercise price of \$1.75 per whole share. The gross proceeds of this offering were \$3,786,129.40 and, after payment of sales commissions and finder's fees, we received net proceeds of \$3,620,730.54.

On February 15, 2006, we concluded a private placement of 15,000,000 units at a price of \$2.00 per unit. Each unit consisted of one share of our common stock and a warrant to purchase one-half of a share of our common stock. Each whole warrant is exercisable for five years from the date of issuance and carries an exercise price of \$3.75 per whole share. The gross proceeds of this offering were \$30,000,000.00 and, after payment of sales commissions and finder's fees, we received net proceeds of \$27,875,000. In the aggregate, we issued 15 million shares of common stock and warrants to purchase an additional 8.3 million shares, including warrants issued as compensation to the placement

agent.

We do not have any contractual obligations for future payments under any long-term debt arrangements or capital lease arrangements. Set forth below is a schedule of our contractual obligations for payments under the Mount Hope lease agreement:

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**Contractual Obligations for Future Payments Under Mount Hope Lease**

| <b>Date</b>   | <b>Fixed Payment</b> | <b>Project Financing Received<br/>by Date Indicated</b>                          | <b>Project Financing Not Received<br/>and Deferral Elected</b>                              |
|---|----------------------|--|---|
| October 19, 2006                                    | \$125,000            |  |   |
| April 19, 2007                                      | \$125,000            |  |   |
| October 19, 2007                                    | \$350,000            |  |   |
| October 19, 2008                                    |                      | Greater of 3% of Construction<br>Capital Cost Estimate (4) or<br>\$2,500,000 (1) | Greater of \$350,000 or 3% of<br>Construction Capital Cost Estimate                         |
| October 19, 2009                                    |                      | \$500,000 (2)(4)   | Greater of \$350,000 or 3% of<br>Construction Capital Cost Estimate                         |
| October 19, 2010                                    |                      | \$500,000 (2)(4)   | Greater of \$2,500,000 or 3% of<br>Construction Capital Cost Estimate<br>(4)                |
| October 19, 2011                                    |                      | \$500,000 (2)(4)   | 3% of Construction Capital Cost<br>Estimate minus \$2,500,000 (if a<br>positive number) (4) |
| October 19, 2012                                    |                      | \$500,000 (2)(4)   | 3% of Construction Capital Cost<br>Estimate minus \$2,500,000 (if a<br>positive number) (4) |
| October 19, 2013<br>and each year<br>thereafter (3) | \$500,000 (2)(4)     |  |   |

(1) If Project Financing is not received by October 19, 2008, we may elect to defer this payment and proceed to make the payments under the column labeled "Project Financing Not Received and Deferral Elected." If prior to making all of the payments under the column "Project Financing Not Received and Deferral Elected" we obtain project financing, we would be required to make this payment and to pay \$500,000 each year thereafter.

(2) Each of these payments is an advance royalty pursuant to the terms of the lease.

(3) In addition to the payments above, we are required to pay to MHMI a production royalty after the commencement of Commercial Production of the greater of (i) \$.20/lb of molybdenum metal (or the equivalent thereof if another Product is sold) sold from the property (not to exceed the amount of Net Returns we receive for those products) or (ii) 3% of the Net Returns, subject to certain adjustments as set forth in the lease.

(4) To be offset from the production royalty described in (3) above. We may recover the aggregate of these payments by retaining 50% of each production royalty payment due to MHMI.

In addition, in connection with our purchase of the Hall Tonopah Property, we agreed to make a deferred payment of up to an additional \$1,000,000 in purchase price which is payable, if at all, on or before March 17, 2008 depending on the outcome of activities at the property. The Hall Tonopah Property is also subject to a 12% royalty payable with respect to the net revenues generated from the molybdenum or copper minerals removed from the properties purchased.

### **Changes in Accounting Policies**

We did not change our accounting policies during the three months ended March 31, 2006.

### Special Note Regarding Forward-Looking Statements

Certain statements in this report may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of our company, the Mount Hope Project and our other projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We use the words *may*, *will*, *believe*, *expect*, *anticipate*, *intend*, *future*, *plan*, *estimate*, *potential* and other similar expressions to identify forward-looking statements. Forward-looking statements may include, but are not limited to, statements with respect to the following:

- the timing and possible outcome of pending regulatory and permitting matters;
- the parameters and design of our planned initial mining facilities at the Mount Hope Project;
- future financial or operating performances of our company and our projects;
- the estimation and realization of mineral reserves, if any;
- the timing of exploration, development and production activities and estimated future production, if any;
- estimates related to costs of production, capital, operating and exploration expenditures;
- requirements for additional capital;
- government regulation of mining operations, environmental conditions and risks, reclamation and rehabilitation expenses;
-



title disputes or claims;

- 

limitations of insurance coverage; and

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the future price of molybdenum, gold, silver or other metals.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. These forward-looking statements are based on our current expectations and are subject to a number of risks and uncertainties, including those set forth below. Although we believe that the expectations reflected in these forward-looking statements are reasonable, our actual results could differ materially from those expressed in these forward-looking statements, and any events anticipated in the forward-looking statements may not actually occur. Except as required by law, we undertake no duty to update any forward-looking statements after the date of this report to conform those statements to actual results or to reflect the occurrence of unanticipated events. We qualify all forward-looking statements contained in this report by the foregoing cautionary statements.

### **Risk Factors**

*Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.*

#### **Our investors may lose their entire investment in our securities**

An investment in our securities is highly speculative and may result in the loss of the entire investment. Only potential investors who are experienced investors in high risk investments and who can afford to lose their entire investment should consider an investment in our securities.

#### **Our profitability depends largely on the success of our Mount Hope Project, the failure of which would have a material adverse effect on our financial condition**

We are focused primarily on the development of our Mount Hope Project. Accordingly, our profitability depends largely upon the successful development and operation of this project. We are currently incurring losses and we expect

to continue to incur losses until molybdenum production begins at the Mount Hope Project. We cannot assure you that we will achieve production at the Mount Hope Project or that we will ever be profitable even if production is achieved. The failure to successfully develop the Mount Hope Project would have a material adverse effect on our financial condition, results of operations and cash flows. Even if we are successful in achieving production, an interruption in operations at Mount Hope that prevents us from extracting ore from the Mount Hope Project for any reason would have a material adverse impact on our business.

**We require and may not be able to obtain substantial additional financing in order to fund our operations and if we are successful in raising additional capital, it may have a dilutive and other adverse effects on our stockholders**

We will require substantial additional capital to develop the Mount Hope Project and to construct the mining and processing facilities at any site chosen for mining. We estimate that following the completion of permitting and engineering at the Mount Hope Project, the initial capital costs for the development of the Mount Hope Project are approximately \$412.6 million, including working capital and contingencies, but excluding reclamation bonding requirements, inflation, interest and other financing costs. The estimated capital costs of the Mount Hope Project are based on the Technical Report, and those estimates could change after the detailed engineering process has been completed. We have limited financial resources, do not generate operating revenue, and must finance our Mount Hope Project development costs by other means. We cannot assure you that we will be able to obtain the necessary financing for the Mount Hope Project on favourable terms or at all. Additionally, if the actual costs to complete the development of the Mount Hope Project are significantly higher than we expect, we may not have enough funds to cover these costs and we may not be able to obtain other sources of financing. The failure to obtain all necessary financing would prevent us from achieving production at the Mount Hope Project and impede our ability to become profitable.

We are currently reviewing the technical merits of some of our interests in properties other than the Mount Hope Project, including the Hall-Tonopah property. See Business Other Properties . We will also require significant additional capital to permit and/or commence mining activities at this or any of our other potential projects. We cannot assure you that we will be able to obtain the financing necessary to exercise this option and we cannot assure you that we will be able to obtain the necessary financing to commence exploration activities on any of our other properties, should we decide to do so.

If additional financing is not available, or available only on terms that are not acceptable to us, we may be unable to fund the development and expansion of our business, attract qualified personnel, take advantage of business opportunities or respond to competitive pressures. Any of these events may harm our business. Also, if we raise funds by issuing additional shares of our common stock or debt securities convertible into common stock, our stockholders will experience dilution, which may be significant, to their ownership interest in us. If we raise funds by issuing shares of a different class of stock other than our common stock or by issuing debt, the holders of such different classes of stock or debt securities may have rights senior to the rights of the holders of our common stock. In December 2005, we filed a Preliminary Prospectus with the OSC to conduct an initial public offering of our common stock in Canada. We have determined not to proceed with the Canadian offering at this time but we may do so at a later date, depending on market conditions and other factors. However, there can be no assurance that we will be successful in conducting such an offering in Canada or elsewhere.

**If we expand our current operations to opportunities other than the Mount Hope Project, any such expansion may divert funds and personnel from the Mount Hope Project**

We are currently focused primarily on the development of our Mount Hope Project. However, we have other properties and will have other opportunities to expand our operations in the future. If we engage in projects other than the Mount Hope Project, it may divert our working capital and management attention away from the Mount Hope Project, which could adversely affect our profitability.

**Fluctuations in the market price of molybdenum and other metals could adversely affect the value of our company and our securities**

The profitability of mining operations is directly related to the market price of the metals being mined. The market prices of base and precious metals such as molybdenum, copper, gold and silver fluctuate widely and are affected by numerous factors beyond the control of any mining company. These factors include fluctuations with respect to the rate of inflation, the exchange rates of the US dollar and other currencies, interest rates, global or regional political and economic conditions and banking crises, global and regional demand, production costs in major molybdenum producing areas and a number of other factors. Any drop in the price of molybdenum and other metals important to our operations would adversely impact our revenues, profits and cash flows. In particular, a sustained low molybdenum price could:

- 

cause suspension of our mining operations at our Mount Hope Project, if such operations become uneconomic at the then-prevailing molybdenum price, thus further reducing revenues;

- prevent us from fulfilling our obligations under our agreements or under our permits and licenses which could cause us to lose our interests in, or be forced to sell, our properties; and
- have a negative effect on the availability of financing to us.

Furthermore, the need to reassess the feasibility of any of our projects if molybdenum prices decline could cause substantial delays or might interrupt operations until the reassessment can be completed. Mineral reserve calculations and life-of-mine plans using significantly lower molybdenum prices could result in reduced estimates of mineral reserves and in material write-downs of our investment in mining properties and increased amortization, reclamation and closure charges.

The volatility in metals prices is illustrated by the quarterly average price ranges from January 2001 through December 2005 for the following metals: Molybdenum (lb) \$2.25 - \$34.00; Gold (oz) \$256.25 - \$494.80; Silver (oz) \$4.24 - \$8.35; Copper (lb) \$0.67 - \$2.05. Average molybdenum prices are quoted in *Platt's Metals Week*. Average gold and silver prices are from the London Metal Exchange, and average copper prices are from Comex, a division of the New York Mercantile Exchange.

**Our profitability is subject to demand for molybdenum, and any decrease in that demand, or increase in the world's supply, could adversely affect our results of operations**

Molybdenum is used primarily in the steel industry. The demand for molybdenum from the steel industry and other industries may decline due to a number of factors. A sustained low molybdenum demand (particularly from China) could cause suspension of our mining operations at our Mount Hope Project. A sustained significant increase in supply could also adversely affect our results. The robustness of the expansion in demand for metals such as molybdenum, is currently fuelled in large part by, and is dependent upon, the growth in Asia.

**We may not be able to obtain or renew licenses, rights and permits required to develop or operate our mines, or we may encounter environmental conditions or requirements which would adversely affect our business**

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. In addition to requiring permits for the development of the mine, we will need to obtain various mining and environmental permits during the life of the project. Obtaining and renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on our part. The duration and success of our efforts to obtain or renew permits will be contingent upon many variables not within our control, including the

environmental conditions at the location of the Mount Hope Project. Obtaining or renewing environmental protection permits, including the approval of reclamation plans, may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. We will be required to make applications to the BLM for the rights to develop our Mount Hope Project. We will also need to successfully complete the National Environmental Policy Act ( **NEPA** ) process of review and public scrutiny and obtain various state and federal permits including water discharge, waste facility and pit dewatering permits before we can mine and produce molybdenum products at our Mount Hope Project. There can be no assurance that all necessary permits will be obtained and, if obtained, will be renewed, or that in each case the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with compliance with such standards and regulations could become such that we would not proceed with the development or operation of a mine or mines.

**The development of the Mount Hope Project may be delayed, which could result in increased costs or an inability to complete the development of the Mount Hope Project**

We may experience delays in developing the Mount Hope Project. These delays may affect the timing of development of the project, and could increase its development costs, affect its economic viability, or prevent us from completing its development.

The timing of development of the Mount Hope Project depends on many factors, some of which are beyond our control, including:

- 
- timely issuance of permits and licenses;
- 
- procurement of additional financing;
- 
- acquisition of surface land and easement rights required to develop and operate the project;



- 
- completion of basic engineering; and
- 
- construction of the project.

In addition, factors such as fluctuations in the market price of molybdenum and in foreign exchange or interest rates, as well as international political unrest, could adversely affect our ability to obtain adequate financing to fund the development of the project on a timely basis.

**Our mineralization and reserve estimates are uncertain, and any material inaccuracies in those estimates could adversely affect the value of our mineral reserves**

There are numerous uncertainties inherent in estimating mineralization and reserves, including many factors beyond our control. The estimation of mineralization and reserves is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing, production, and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of mineralization and reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metals prices have fluctuated widely in the past. Declines in the market price of specialty, base or precious metals also may render mineralization and reserves containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect mineralization and reserves.

**Any material inaccuracies in our production estimates could adversely affect our results of operations**

We have prepared estimates of future molybdenum production. We cannot assure you that we will ever achieve our production estimates or any production at all. Our production estimates depend on, among other things:

- 
- the accuracy of our mineralization and reserves estimates;
- 
- the accuracy of assumptions regarding ore grades and recovery rates;



- ground conditions and physical characteristics of the mineralization, such as hardness and the presence or absence of particular metallurgical characteristics;
- the accuracy of estimated rates and costs of mining and processing; and
- our ability to obtain all permits and construct a processing facility at Mount Hope.

Our actual production may vary from our estimates if any of our assumptions prove to be incorrect. With respect to the Mount Hope Project, we do not have the benefit of actual mining and production experience in verifying our estimates, which increases the likelihood that actual production results will vary from the estimates.

**Mining is inherently dangerous and subject to conditions or events beyond our control, and any operating hazards could have a material adverse effect on our business**

Mining at the Mount Hope Project will involve various types of risks and hazards, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums and some types of insurance may be unavailable or too expensive to maintain. We may suffer a material adverse effect on our business and the value of our securities may decline if we incur losses related to any significant events that are not covered by our insurance policies.

**Our operations make us susceptible to environmental liabilities that could have a material adverse effect on us**

Mining is subject to potential risks and liabilities associated with the potential pollution of the environment and the necessary disposal of mining 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 satisfaction of any such liabilities would reduce funds otherwise available to us and could have a material adverse effect on us. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

**There is no guarantee that legal title to the properties in which we have an interest will not be challenged, which could result in the loss of our rights in those properties**

The ownership and validity, or title, of unpatented mining claims are often uncertain and may be contested. A successful claim contesting our title or interest to a property will cause us to lose our rights to mine that property. In addition, the success of such a claimant could result in our not being compensated for our prior expenditures relating to the property.

**Mineral exploration and mining activities require compliance with a broad range of laws and regulations, and compliance with or violation of these laws and regulations may be costly**

Mining operations and exploration activities are subject to national and local laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection, reclamation obligations and mine safety. In order to comply with applicable laws and regulations, we may be required to make capital and operating expenditures or to close an operation until a particular problem is remedied. In addition, if our activities violate any such laws and regulations, we may be required to compensate those suffering loss or damage, and may be fined if convicted of an offense under such legislation. We may also incur additional expenses and the Mount Hope Project may be delayed as a result of changes and amendments to such laws and regulations.

**Land reclamation requirements for exploration properties may be burdensome and may divert funds from our exploration programs**

Although variable, depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies, as well as companies with mining operations, in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and to reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration, we must allocate financial resources that might otherwise be spent on further exploration programs.

**Non-compliance with our Mount Hope Lease could result in loss of our rights to develop the Mount Hope Project and may adversely affect our business**

We lease the Mount Hope Project from Mount Hope Mines, Inc. under the Mount Hope Lease. The terms of the Mount Hope Lease are described under Business Description of the Mount Hope Project Lease Agreement . Failure to comply with the terms of the Mount Hope Lease (which principally require us to make prescribed payments on or before certain prescribed dates) could result in loss of our rights to develop the Mount Hope Project. Any loss of rights under the Mount Hope Lease would have a material adverse effect on us and our ability to generate revenues.

**Our ability to operate our company effectively could be impaired if we lose key personnel**

We depend on the services of key executives, including Robert L. Russell, our chairman and Chief Executive Officer, and a small number of experienced executives and personnel focused on the development of the Mount Hope Project. Additionally, the number of persons skilled in the development and operation of mining properties is limited and significant competition exists for these individuals. We cannot assure you that we will be able to employ key personnel or that we will be able to attract and retain qualified personnel in the future. We do not maintain key person life insurance to cover our executive officers. Due to the relatively small size of our company, our failure to retain or attract key personnel may delay or otherwise adversely affect the development of the Mount Hope Project, which would have a material adverse effect on our business.

**We may not be able to attract and retain the additional personnel we will need to develop any of our projects, including the Mount Hope Project**

We are a small company with a limited operating history. As of March 10, 2006, we had seven employees. The development of any of our proposed projects, including the Mount Hope Project, will place substantial demands on us. We will be required to recruit additional personnel and to train, motivate and manage these new employees. There can be no assurance that we will be successful in attracting and retaining such personnel.

**The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future**

Mines have limited lives and, as a result, we must continually seek to replace and expand our mineralization and reserves through the acquisition of new properties. Significant competition exists for the acquisition of properties producing or capable of producing copper, gold and other metals. We may be at a competitive disadvantage in acquiring additional mining properties because we must compete with other individuals and companies, many of which may have greater financial resources and larger technical staffs than we have. As a result of this competition, we may be unable to acquire attractive mining properties on acceptable terms.

**New legislation, including the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract officers and directors**

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent changes and currently proposed changes in the rules and regulations which govern publicly-held companies. The Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the SEC that increase responsibilities and liabilities of directors and executive officers. We are a small company with a limited operating history and no revenues or profits, which may influence the decisions of potential candidates we may recruit as directors or officers. The perceived increased personal risk associated with these recent changes may deter qualified individuals from accepting these roles.

**Any adverse results from evaluation of our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002 could result in a loss of investor confidence in our financial reports and have an adverse effect on the price of our common stock**

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we expect that beginning with our annual report on Form 10-KSB for the fiscal year ended December 31, 2007, we will be required to furnish a report by management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal

control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management. Such report must also contain a statement that our auditors have issued an attestation report on our management's assessment of such internal controls. Public Company Accounting Oversight Board Auditing Standard No. 2 provides the professional standards and related performance guidance for auditors to attest to, and report on, our management's assessment of the effectiveness of internal control over financial reporting under Section 404.

While we believe our internal control over financial reporting is effective for our current operations, we will be required to assemble the system and processing documentation and perform the evaluation needed to comply with Section 404, which is both costly and challenging. We cannot be certain that we will be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective as of December 31, 2007 (or if our auditors are unable to attest that our management's report is fairly stated or they are unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on our stock price.

Failure to comply with the new rules may also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage and/or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as executive officers.

**Our common stock has a limited public market, which may adversely affect the market price of our shares and make it difficult for our stockholders to sell their shares**

Although our shares are currently traded on the OTC Bulletin Board in the United States, our common stock currently has a very limited public market. On February 14, 2006, we filed an application to list our common stock on the American Stock Exchange, or AMEX. We also intend to seek to have our common stock listed for trading on the TSX. There is no assurance, however, that we will meet the initial or continued listing criteria for these exchanges. Even if we are successful in listing our common stock on the AMEX and/or TSX, there can be no assurance that an active and liquid trading market will ever develop for our common stock. Such a failure may have a material adverse impact on the market price of our shares and the ability to dispose of our common stock in a timely manner or at all.

**Future sales of our common stock may adversely affect our share price and our financing needs may have a dilutive impact on our shareholders**

Sales of a substantial number of our shares in the public market, or the perception that these sales could occur, could substantially decrease the market price of our common stock. We intend to file a registration statement covering the resale of 39,964,940 shares of our common stock by our stockholders or persons who may become our stockholders through the exercise of warrants, and a registration statement covering shares subject to issuance under our stock plan.

If these securities are covered by an effective registration statement in the United States or resales of these securities are otherwise exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act ), they will be freely tradeable, other than any shares sold by our affiliates. Substantially all of the common stock held by our affiliates is available for resale in the US public market subject to compliance with Rule 144 under the Securities Act. As we register shares of our common stock, and as restrictions on resale end, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. We make no prediction as to the effect, if any, that future sales of common stock, or the availability of common stock for future sale, will have on the market price of our common stock prevailing from time to time.

**We do not anticipate paying cash dividends in the foreseeable future**

We do not plan to pay cash dividends on our common stock in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by our board of directors and will depend upon, among other things, conditions then existing, including our earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions, and other factors.

**Our officers and directors own a significant percentage of our common stock, which may limit the ability of our shareholders to influence corporate matters and discourage third parties from making a tender offer or bid to acquire us**

As of March 10, 2006, Robert L. Russell, our President and Chief Executive Officer and a director, together with R. David Russell, a director and Robert Russell's son, and Matthew F. Russell, our Vice President of Operations and Robert Russell's son, beneficially owned 15.8% of our common stock. As of March 10, 2006, the remaining executive officers and directors collectively beneficially owned 4.6% of our common stock. Together, these shareholders could influence the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, which may discourage third parties from making a tender offer or bidding to acquire us. The interests of these shareholders may differ or conflict with the interests of our other shareholders.

**United States broker-dealers may be discouraged from effecting transactions in our common stock because they are considered a penny stock and are subject to the penny stock rules**

Rules 15g-1 through 15g-9 promulgated under the United States Securities Exchange Act of 1934, as amended (the **1934 Act**) impose sales practice and disclosure requirements on certain United States broker-dealers who engage in certain transactions involving a penny stock. Subject to certain exceptions, a penny stock generally includes any unlisted equity security that has a market price of less than \$5.00 per share. The additional sales practice and disclosure requirements imposed upon United States broker-dealers may discourage United States



broker-dealers from effecting transactions in our common stock, which could severely limit the market liquidity of our common stock and impede the sale of our common stock in the secondary market.

A United States broker-dealer selling penny stock to anyone other than an established customer or accredited investor, generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse, must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the United States broker-dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the United States broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, unless the United States broker-dealer or the transaction is otherwise exempt. A United States broker-dealer is also required to disclose commissions payable to the United States broker-dealer and the registered representative and current quotations for the securities. Finally, a United States broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

### **ITEM 3.**

#### **CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-QSB. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **OTHER INFORMATION**

**ITEM 2****UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

In March 2006, we issued 50,000 shares of common stock to Russell Babcock for consulting services provided to the company. The shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving any public offering.

**ITEM 5****OTHER INFORMATION**

The Company's Board of Directors revised the executive compensation structure in April 2006, to be effective April 1, 2006, based on the recommendations of the compensation committee. Below is a chart reflecting the new salaries for the executive management and the executive management bonus that were awarded for prior year activity. The bonus awards were based on a percent of the 2006 salary for Robert Russell and, for Matthew Russell and Robert Dumont, a percent of an estimated \$150,000 salary for 2006 as their actual salaries for 2006 had not yet been determined. All bonuses were grossed up to provide the cash bonus desired by the Board of Directors.

| <u>Name</u>                     |             |              |
|---------------------------------|-------------|--------------|
| <u>Title</u>                    | <u>Wage</u> | <u>Bonus</u> |
| Robert L Russell                |             |              |
| President/CEO                   | \$225,000   | \$346,154    |
| Matthew F Russell               |             |              |
| Exec VP Operations/COO          | \$210,000   | \$173,077    |
| Robert L Dumont                 |             |              |
| Exec VP Bus Dev & Inv Relations | \$180,000   | \$197,368    |



**ITEM 6.**

**EXHIBITS**

**Exhibit**

**Number**

**Description of Exhibit**

- |      |   |
|------|---|
| 31.1 | <u>Certification of CEO</u> pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 31.2 | <u>Certification of CFO</u> pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 32.1 | <u>Certification of CEO</u> pursuant to 18 U.S.C. Section 1350                                  |
| 32.2 | <u>Certification of CFO</u> pursuant to 18 U.S.C. Section 1350                                  |

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IDAHO GENERAL MINES, INC.

By:

/s/ Robert L. Russell

Robert L. Russell

President and Chief Executive Officer

(Principal Executive Officer)

Dated: May 16, 2006