

IDAHO GENERAL MINES INC
Form 10KSB
April 03, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended December 31, 2006

☐ TRANSITION REPORT PURSUANT TO 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)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT: Common Stock, \$0.001 par value

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT: None

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

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 ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ☒ x

Revenues of the registrant for its fiscal year ended December 31, 2006 were \$0.

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant was \$124,021,777 as of March 23, 2007.

The number of shares outstanding of registrant's common stock as of March 23, 2007 was 43,974,878

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one): YES o NO ☒ x

TABLE OF CONTENTS

		Page
	<u>PART I</u>	
<u>ITEMS 1 & 2.</u>	<u>DESCRIPTION OF BUSINESS AND PROPERTIES</u>	4
<u>ITEM 3.</u>	<u>LEGAL PROCEEDINGS</u>	37
<u>ITEM 4.</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	38
	<u>PART II</u>	
<u>ITEM 5.</u>	<u>MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER OF EQUITY SECURITIES</u>	39
<u>ITEM 6.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</u>	40
<u>ITEM 7.</u>	<u>FINANCIAL STATEMENTS</u>	45
<u>ITEM 8.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	67
<u>ITEM 8A.</u>	<u>CONTROLS AND PROCEDURES</u>	67
<u>ITEM 8B.</u>	<u>OTHER INFORMATION</u>	68
	<u>PART III</u>	
<u>ITEM 9.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE: COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT</u>	68
<u>ITEM 10.</u>	<u>EXECUTIVE COMPENSATION</u>	71
<u>ITEM 11.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS</u>	79
<u>ITEM 12.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	81
<u>ITEM 13.</u>	<u>EXHIBITS</u>	82
<u>ITEM 14.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	84
<u>GLOSSARY OF TECHNICAL TERMS</u>		85
<u>SIGNATURES</u>		87

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-KSB includes forward-looking statements. All statements other than statements of historical facts contained in this Annual Report, including statements of our expectations regarding research and development, revenues, selling, general and administrative expenses, profitability, financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words believe, may, will, estimate, continue, anticipate, intend, expect and similar expressions, as they relate to us, to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in Risk Factors and elsewhere in this Annual Report, including, among other things: the success of the Mount Hope Project, including delays in development; raising sufficient capital to fund our operations; fluctuations in the market price of molybdenum and other metals; demand for molybdenum; obtaining regulatory approvals; inaccuracies in mineralization, reserve and/or production estimates; mining hazards; environmental liabilities; challenges to legal title of any of our properties; governmental land reclamation of our properties; non-compliance with our Mount Hope lease; loss of key personnel or inability to attract skilled personnel; increased operating costs; and shortages of critical parts, equipment or skilled labor.

New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You are urged to consider these factors carefully in evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. We assume no obligation to update any forward-looking statements after the date of this prospectus as a result of new information, future events or developments, except as required by federal securities laws.

PART I

ITEMS 1 & 2. DESCRIPTION OF BUSINESS AND PROPERTIES

References made in this Annual Report on Form 10-KSB to we, our, us, our company and IGMI refer to Idaho General Mines, Inc.

Many of the terms used in our industry are technical in nature. We have included a glossary towards the end of this Annual Report on Form 10-KSB that explains other technical terms we use in this Annual Report on Form 10-KSB.

The mineralization and economic estimates of our 53-year mining plan included in this Annual Report on Form 10-KSB are reported in summary form in our report entitled Phase 2 Mine Feasibility Study - Mount Hope Project dated December 2005, which is also referred to within this Annual Report on Form 10-KSB as the **Technical Report**, which was prepared by and under the supervision of Mr. John M. Marek, an employee of Independent Mining Consultants, Inc. (**IMC**) of Tucson, AZ. Portions of the information in this Annual Report on Form 10-KSB are based on assumptions, qualifications and procedures which are set out in summary form in the Technical Report.

References made in this Annual Report on Form 10-KSB to the **Feasibility Study** refer to both our Phase 1 Mine Feasibility Study for the Mount Hope Project prepared by IMC, the results of which were first reported in a press release on April 25, 2005, and the above-referenced Technical Report, the results of which were first reported in a press release dated October 14, 2005.

For ease of reference, the following conversion factors are provided:

Imperial Measure	Metric Unit	Imperial Measure	Metric Unit
1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric tonne	= 0.0292 troy ounce/ short ton	1 square mile	= 2.59 square kilometers
1 short ton (2,000 pounds)	= 0.9072 tonne	1 hectare	= 100 square kilometers
1 tonne	= 1,000 kg or 2,204.6 pounds (lbs)	1 acre	= 2.471 hectares
1 hectare	= 10,000 square meters		

Overview

We are an Idaho corporation under the Idaho Business Corporation Act (the **IBCA**) originally incorporated under the name General Mines Corporation on November 23, 1925. In 1966, we amended our articles of incorporation to change our name to Idaho General Petroleum and Mines Corporation, and amended our articles again in 1967 changing our name to Idaho General Mines, Inc. Our registered and executive office is located at 10 North Post Street, Suite 610, Spokane, Washington, United States 99201. We hold all our properties and assets directly and have no operating subsidiaries. The Hall-Tonopah royalty and environmental liabilities were purchased under existing legal entities and will be retained as wholly owned subsidiaries Net Smelter, Inc., Moly Royalty, Inc. and Copper Royalty, Inc.

We are in the business of the exploration, development and, if warranted, the mining of properties containing molybdenum, as well as silver, gold, base metals and other specialty metals. We currently have a 30-year renewable lease for the lands related to, possess surface rights for, and own patented and unpatented claims to, the Mount Hope Project, a primary molybdenum property, located in Eureka County, Nevada. In 2006, we acquired a second significant molybdenum project, the Hall-Tonopah project, located in Nye County, Nevada. We also own other properties and mineral rights on which we intend to conduct mineral exploration and evaluation for determining economic viability for further development. We continue to identify, investigate, and acquire other potential properties for future development.

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Prior to 2004, we had not conducted mineral exploration for a number of years and were dormant except for occasional timber harvesting. In 2004, due to increased prices for gold, silver and other metals and a more favorable climate for financing mineral exploration companies, our board of directors decided to engage in assessing the availability of advanced-stage mineral properties.

On July 26, 2004, our Registration Statement on Form 10-SB filed with the SEC was declared effective and our common stock began being quoted on the OTC Bulletin Board under the symbol **IGMI**.

On November 12, 2004, we entered into an option agreement with Mount Hope Mines, Inc., or MHMI. Pursuant to the terms of this agreement, we were granted an exclusive one-year option to lease Mount Hope's previously drilled molybdenum deposit consisting of 13 patented claims and 109 unpatented claims in Eureka County, Nevada, for a lease period of 30 years. See **Business Description of the Mount Hope Project Acquisition**.

On April 25, 2005, we completed a Phase I Mine Feasibility Study with respect to Mount Hope and began the permitting process for placing into production an open pit molybdenum mine, concentrator and processing facility capable of producing 40,000 tonnes (44,093 tons) of ore per day. On October 19, 2005, we exercised the option in regard to the Mount Hope Project and our lease agreement with MHMI (the **Mount Hope Lease**) became effective. See **Business Description of the Mount Hope Project The Mount Hope Lease**.

On June 30, 2005, we entered into an option to purchase a ranch and associated water rights from Art and Frances Gale of Eureka, Nevada (the **Gale Ranch Option**). The Gale Ranch Option gave us the right, for two years, to purchase the Gale Ranch for \$1,800,000, which includes 1,503 acres of deeded land adjacent to the Mount Hope property, 70,000 acres of U.S. Department of the Interior Bureau of Land Management (**BLM**) grazing rights (which overlap the Mount Hope property), and certain ground water and stock water rights associated with the grazing land and the deeded land. The Gale Ranch Option independently gave us the right, for two years, to purchase for \$50,000 approximately 1,200 acre-feet of ground water per annum associated with the deeded land within the Gale Ranch. Consideration paid for the Gale Ranch Option included \$152,000 and 30,000 shares of our common stock. We completed the Gale Ranch purchase on July 19, 2006 and at the same time entered into a 1 year lease of the Gale Ranch to Art and Frances Gale.

In December 2005, we completed the Technical Report which evaluated the potential to profitably extract the deeper portion of the Mount Hope deposit and augmented the mine plan contained in the 2005 Phase I Mine Feasibility Study. The augmented mine plan currently allows for the mining and processing of 920 million tonnes (1.0 billion tons) of molybdenum over a mine production life of 50 or more years. For further details, see **Business Description of the Mount Hope Project**.

On March 17, 2006, we entered into a purchase agreement with High Desert Winds LLC (**High Desert**) whereby we purchased High Desert's approximately 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. The property includes the former Hall molybdenum and copper deposit which was mined by open pit methods between 1982 and 1985 by the Anaconda Minerals Company and between 1988 and 1991 by Cyprus for molybdenum. Equatorial Tonopah, Inc. mined copper from 1999 to 2000 on this property. Much of the deposit was drilled but not developed or mined. At closing, we paid High Desert a cash payment of \$4.5 million for a portion of the property, and in November 2006, made an additional payment of \$989,789 for the remainder of the property.

In August 2006, our common stock began trading on the American Stock Exchange.

On January 30, 2007, we purchased 100% of the Stock in Equatorial Mining North America, Inc. and its two subsidiaries, which owned a 12% net smelter returns royalty on the Hall-Tonopah property, from

Equatorial Mining Pty. Limited. The consideration paid for the Equatorial acquisition was \$4.85 million with an additional deferred payment of \$6 million due upon commercial operation of the property. The acquisition included the royalty as well as \$1.24 million in cash accounts and the assumption of all environmental liabilities on the reclaimed site.

We are currently in the process of developing a new bankable feasibility study with respect to the Mount Hope Project, which is scheduled to be completed by July 2007. The bankable feasibility study will include optimized mine and waste rock placement plans as well as revised estimates for capital and operating costs in light of industry wide increases in input commodity, labor and construction costs over the last two years. See Description of Mount Hope Project Project Feasibility.

Corporate Strategy and Objective

Our corporate strategy is to acquire and develop highly profitable advanced stage mineral deposits. Our near-term corporate objective is to profitably develop and operate the Mount Hope and Hall Tonopah Projects.

We believe we have the following business strengths which will enable us to achieve our objectives:

- A strong, proven management team with experience in exploration, mine development and operations.
- Our Mount Hope project, currently in the permitting and bankable feasibility stage, has high grades in the early years of production and is anticipated to be one of largest and lowest cost primary molybdenum producers in the world.
- Current drilling at our second molybdenum project, Hall Tonopah, indicates the potential for significant expansion of the original 150 million tonnes (165 million tons) of mineralization estimated by former owner Cyprus Amax.
- Mount Hope and Hall-Tonopah are located in Nevada, which is geopolitically safe and has a long and ongoing history of large-scale, open pit mining operations.
- Strong molybdenum supply and demand market fundamentals.

Products

We do not currently produce any products. We are in the process of developing the Mount Hope molybdenum project. When in production, we expect Mount Hope to produce an average of approximately 30 to 35 million pounds of molybdenum per year over the first five years of production and approximately 1.2 billion pounds of molybdenum over the 50+ year life of the project. Mount Hope will primarily focus on producing Technical Grade Molybdenum Oxide (**TMO**) because generally downstream processing begins with TMO. TMO is the most widely marketed molybdenum product.

Molybdenum is a primary alloying agent in steel and stainless steel products, including construction steel, stainless steel, oil and gas pipelines and tool steel. Molybdenum enhances steel strength and corrosion resistance. Other uses include fuel desulfurization catalysts, lubricants and alloy element in gas turbine engine components. Molybdenum has few substitutes.

The steel industry is a primary consumer of molybdenum and will be the primary market target for Mount Hope TMO. We will also consider the production of higher grade products suitable for use as catalysts in petroleum and other energy products.

The supply of Molybdenum comes from both primary molybdenum mines, such as our proposed Mount Hope project and as a byproduct of porphyry copper production.

Description of the Mount Hope Project

Overview

We are proceeding 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 Technical Grade Molybdenum Oxide (TMO), the most widely marketed molybdenum product. We completed a preliminary mine feasibility study in April 2005 primarily based on Exxon data for the purpose of evaluating the value in exercising the long term option to lease the Mount Hope Project. This study provided a study of the economics and capital cost estimates for development of the project and developed a preliminary mine 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 with MHMI. Subsequently, we accomplished a detailed mine feasibility study in December 2005 which verified existing drill hole data and refined the block model and mine plan. In 2006, we initiated the baseline studies necessary for development of an EIS. We completed a Plan of Operations which was accepted by the Battle Mountain office of the Bureau of Land Management in September, 2006. In December 2006, the BLM selected an environmental firm to complete the EIS for the Mount Hope project. Various environmental data and study tasks are ongoing in connection with the permitting process. The current BLM and contractor schedule demonstrates a Record of Decision in November of 2008. In January 2007, we selected a contractor to accomplish a bankable feasibility study for the project. This study is contracted to be complete by mid 2007. Based on the current estimated timelines for permitting, construction and long-lead equipment, we are targeting initial production at Mount Hope in 2010.

The Mount Hope Lease

We currently have a 30-year renewable lease for the Mount Hope Project. Located in Eureka County, Nevada, the Mount Hope Project consists of 13 patented claims, one millsite claim, and 1,374 unpatented claims, of which 109 unpatented claims are owned by MHMI and 1,265 unpatented claims are owned by IGMI. Although there are no current plans to stake additional claims, it is possible that we could be required to stake additional claims as part of the permitting of Mount Hope. The Technical Report contains a current claim map of the property.

The 30-year term of the Mount Hope Lease is subject to the payment of certain royalties. See Business Description of the Mount Hope Project Royalties, Agreement and Encumbrances below. In addition to the royalty payments, we are obliged to maintain the property and its associated water rights, including the payment of all property taxes and claim maintenance fees. We must also indemnify MHMI against any and all losses incurred as a result of any breach or failure by us to satisfy any of the terms of the Mount Hope Lease or any activities or operations on the Mount Hope property.

We are not permitted to assign or otherwise convey our obligations under the Mount Hope Lease to a third party without the prior written consent of MHMI, which consent may be withheld in its sole discretion. However, if the assignment takes the form of a pledge of our interest in the Mount Hope property for the purpose of obtaining financing for the Mount Hope Project, MHMI's consent may not be unreasonably withheld. The Mount Hope Lease further provides that we are to keep the property free and clear of all liens, encumbrances, claims, charges and burdens on production, including if and when we obtain project financing.

With respect to project financing, the Mount Hope Lease provides that the terms of such financing must stipulate that: (i) any principal amount of debt can only be repaid after we have paid all of the periodic payments as set out in the Mount Hope Lease; (ii) the lenders may not prohibit or interfere with any advance royalty payments due to MHMI under the Mount Hope Lease; and (iii) no cash sweeps or payments of excess cash flow may be made to the lenders in priority of such advance royalty payments.

The Mount Hope Lease also contains an after acquired property clause, which provides that any property acquired by us within two miles of the boundary of the Mount Hope property must be conveyed to MHMI if requested within a certain time period following notification of such acquisition. MHMI has requested that we at this time maintain ownership of all new claims filed by IGMI. This now includes 1,374 unpatented mineral claims.

The Mount Hope Lease may be terminated upon the expiration of its 30-year term, earlier at our election, or upon our material breach and failure to cure such breach. If we terminate the lease, termination is effective 30 days after receipt by MHMI of our written notice to terminate the Mount Hope Lease. If MHMI terminates the lease, termination is effective upon our receipt of a notice of termination if we materially breach a representation, warranty, covenant or term contained in the Mount Hope Lease and then fail to cure such breach within 90 days of receipt of a notice of default. MHMI may also elect to terminate the Mount Hope Lease if we have not cured the non-payment of our obligations under such lease within 10 days of receipt by us of a notice of default. We may continue the lease beyond 30 years if we are in production or intend to resume production and have provided notice accordingly.

Property Description and Location

The Mount Hope Project is located on the eastern flank of Mount Hope approximately 35 km north of Eureka, Nevada, United States. The Mount Hope Project is located at the southern end of the northwest-trending Battle Mountain-Eureka mineral belt. Mount Hope is approximately 3.7 km due west of State Route 278, and the Mount Hope Project centers in sections 1 and 12, T22N-R51E and sections 12 and 13, T22N-R51½E.

Nature and Extent of Company's Title

The land package for the Mount Hope Project contains 13 patented lode claims, one patented mill site, and 1,374 unpatented lode claims. The total surface area covered by the Mount Hope Project land package is 7,311 hectares. MHMI owns all of the patented claims and 109 of the unpatented lode claims. These claims are the subject of the Mount Hope Lease. We own the remaining 1,265 unpatented lode claims. The patented claims and unpatented claims comprising the Mount Hope Project are listed by number and ownership in the Technical Report. Patented claims are owned real property and unpatented claims remain valid for as long as the holder pays the applicable fees.

Royalties, Agreements and Encumbrances

Under the Mount Hope Lease, we have the following royalty and other payment obligations:

Periodic Payments

1. We are required to pay MHMI a total of \$850,000 in set cash payments under the Mount Hope Lease. We paid the first installment of \$125,000 installment payments due on January 31, 2006 and a second and third installment of \$125,000 on April 19, 2006 and October 19, 2006, respectively. We are obligated to make a fourth payment of \$125,000 on April 19, 2007, and a final \$350,000 installment payment on October 19, 2007.
2. We are required to pay MHMI the greater of \$2,500,000 or 3% of the construction capital cost estimate for the Mount Hope Project calculated in accordance with the Mount Hope Lease. The timing of this payment depends on whether we will be able to secure Project Financing before October 19, 2010. Project Financing means the securing of funds dedicated to the development of the Mount Hope Project in accordance with the mechanism set out in the Mount Hope Lease to put the Mount Hope Project into commercial production. If we are able to secure Project Financing on terms that are satisfactory to us, we will be required to make this payment to MHMI on or before October 19, 2008. If we are unable to secure Project Financing on terms that are satisfactory to us by October 19, 2008, we may elect to defer this payment until we obtain Project Financing or until October 19, 2010, whichever is earlier by paying the greater of \$350,000 or 3% of the construction capital cost estimate for each year of deferral.
3. If we defer the \$2,500,000 or 3% of the construction capital payment until October 19, 2010 as described in (2) above, we must elect to either make the deferred payment of \$2,500,000 or, if 3% of the construction capital estimate is greater than \$2,500,000, then we pay 50% of the difference between 3% and \$2,500,000 on each of October 19, 2011 and October 19, 2012.

Advance Royalty

On the anniversary of the effective date after we secure Project Financing or at the very latest on October 19, 2013, we must begin paying yearly advance royalty payments of \$500,000 per year to MHMI.

Production Royalty

Following commencement of commercial production, we will be required to pay a production royalty to MHMI and Exxon Corporation (**Exxon**), as follows:

(a) MHMI Production Royalty

After commencement of commercial production at the Mount Hope Project, we will be required to pay to MHMI a production royalty equal to the greater of: (i) \$0.20 per pound of molybdenum metal (or the equivalent of some other product) sold or deemed to be sold from the Mount Hope Project; or (ii) 3% of net returns (the **Base Percentage**), if the average gross value of products

sold is equal or lower than \$12.00 per pound, or the Base Percentage plus 1% of net returns if the average gross value of products sold is higher than \$12.00 per pound but equal or lower than \$15.00 per pound, or the Base Percentage plus 2% of net returns if the average gross value of products sold is higher than \$15.00 per pound. As used in this paragraph, the term *products* refers to ores, concentrates, minerals or other material removed and sold (or deemed to be sold) from the Mount Hope Project; the term *gross value* refers generally to proceeds received by us or our affiliates for the products sold (or deemed to be sold); and the term *net returns* refers to the gross value of all products, less certain direct out of pocket costs, charges and expenses actually paid or incurred by us in producing the products.

(b) Exxon Production Royalty

Exxon will receive a perpetual 1% royalty interest in and to all ores, metals, minerals and metallic substances mineable or recoverable from the Mount Hope Project, equal to 1% of total amount of gross payments received by us from the purchaser of ores mined/removed/sold from property less: (i) deductions made by the purchaser for sampling, assays attributable to Exxon's 1% interest; (ii) cost of freight, transportation and haulage to and for the purchaser away from the mill, smelter, roaster or other refining facility operated by or for us attributable to Exxon's 1% interest; and (iii) any taxes attributable to Exxon's 1% interest. This royalty applies to any and all after-acquired title including mining claims staked or obtained within the bounds of the Mount Hope Project (and more particularly described in the Technical Report). The royalty must be paid within 60 days after each month of production and Exxon is permitted to enter the property to take delivery of royalty concentrates or refined products, and examine or audit the operations and books. Exxon is required to pay one-third of the reasonable direct cost of the minimum annual assessment work required to maintain the unpatented mining claims remaining subject to the royalty payment not to exceed \$13,300 and Exxon has the right to eliminate this obligation per claim by quitclaiming royalty payment to that particular claim.

There are no encumbrances to the Mount Hope property with the exception that we are obligated to provide certain minimal environmental mitigation of surface waste and old equipment which may cost an estimated total of \$50,000 to remediate. There is no time limit on accomplishing this work except as may be potentially agreed with the Nevada regulators.

Environmental Regulations and Permits

Our projects are subject to numerous state and federal environmental regulations and permitting processes. See *Applicable Mining Laws* and *Permitting* below for a detailed description of these requirements.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access

The Mount Hope Project has year-round access from Nevada State Route 278. The land package includes the land between the project site and State Route 278.

Climate

Climatic conditions in the site area vary significantly with cold air temperatures in the winter months (December through February), and hot and dry conditions in the summer months (June through September). During the winter months, average temperatures range from -2.3 to -0.8°C and in the summer months, from 15.1 to 20.6°C. Average monthly precipitation data recorded from the Eureka meteorological station ranges between 13 and 35 mm. Generally, the wettest month is May and the driest month is July. The average annual precipitation is 311 mm. Operations at the site are planned to continue year-round.

Local Resources and Infrastructure

The town of Eureka, Nevada, approximately 21 miles to the south, will provide the primary support for the Mount Hope Project. Local to the Mount Hope Project, the infrastructure requirements to support the mine and concentrator consist of bringing nearby power to the property, developing a water well field within the adjacent Kobeh Valley area, site access roads, and constructing maintenance shops for the mine and plant administrative offices.

Surface Rights

Surface rights on the Mount Hope property include BLM open range grazing rights and stock water rights. To date, approximately 80% of the grazing and stock water rights which overlap the Mount Hope property have been secured by way of the Gale Ranch purchase. See General Development of the Business Overview. We are currently negotiating for the remaining 20% and expect to complete those transactions in 2007.

Two power line easements cross within the property boundaries. A 345 kV transmission line operated by Sierra Pacific Power runs north-south on the western edge of the property and the other easement is a non-operating, medium-voltage power line that runs from the old mill facilities east along State Route 278 to the eastern property boundary.

Physiography

The Mount Hope area lies within an area of north-south trending mountains separated by alluvial valleys. The primary mountain ranges in the Mount Hope area include the Roberts Mountains, Sulphur Spring Range, Diamond Mountains, Simpson Park Range and the Cortez Mountains. Elevations of the mountains range from over 3,050 meters (10,000 feet) for the Roberts Mountains to approximately 2,070 meters (6,800 feet) for the crests of the Sulphur Spring range.

The major valleys in the Mount Hope region are Diamond Valley to the east of Mount Hope, Garden Valley to the north of Mount Hope, and Kobeh Valley to the west. Diamond and Garden Valleys are elongated in a north-south direction. Kobeh Valley is roughly equidimensional in form.

The upper portions of the valleys are similar in nature and are characterized by slightly incised stream channels with no significant associated floodplain. The uplands and mountains have slopes ranging from moderate to steep (over 30 percent) with shallow to deep, moderately alkaline to medium acidic soils. Bedrock is often within 0.5 meters of the surface, particularly on the steep upland slopes.

Lake sediments make up the largest areas in the valleys. The slopes range from smooth to rolling (0 to 15 percent), and the soils vary from shallow to deep and mildly to strongly alkaline. The surface textures range from silty clay loams to gravelly sandy loams and local sand. The permeability of these soils ranges from slow to rapid.

The natural vegetation of the region consists of pinion juniper and sagebrush with grass. The pinion juniper occupies the higher elevations of the mountain slopes, with the lower areas in the valley covered predominantly with sagebrush and shrubs with perennial bunchgrasses.

Mount Hope, located in the lower foothills of the southeast flank of the Roberts Mountains, stands approximately 2,440 meters (8,000 feet) in elevation. Areas to the east and south east slope gently to elevations from 1,950 to 2,410 meters (6,400 to 7,900 feet). Diamond Valley, situated to the south and east of Mount Hope, is approximately 1,660 meters (5,450 feet) in elevation.

History

Prior Ownership and Results of Exploration Work Ownership

Lead-zinc ores were discovered at Mount Hope in 1870, and small scale mining carried out sporadically until the 1970s. Zinc and adjacent copper mineralization were the focus of drilling activities by Phillips Petroleum in the early 1970s and by ASARCO and Gulf (**ASARCO**) in the mid-1970s which outlined further zinc mineralization. The last drill hole of this series encountered significant molybdenum mineralization at depth west of the zinc deposits. The significance of this mineralization was first recognized by ASARCO in 1976, but ASARCO was apparently unable to reach an agreement with MHMI to test this potential.

Exxon recognized molybdenum potential at Mount Hope in 1978 and acquired an option on the property from MHMI. By 1982, Exxon had completed 69 holes, which partially defined a major molybdenum deposit underlying the east flank of the Mount Hope property. Exxon conducted a +/-25% feasibility study of the Mount Hope prospect in 1982. The Exxon study focused on an ore production rate of 27,500 tpd starting in 1985. In December of 1983, Exxon completed an optimization study, which generally involved a reduced capital and operating cost estimate based on more aggressive project parameters. An extensive environmental database of multiple assessments by consultants formed the basis of the environmental assessment and was utilized in the Exxon permitting process for their intended BLM land exchange. The Exxon feasibility study calculated a sizable molybdenum deposit. A draft EIS was completed on the project, and public hearings were held in early 1985. Exxon drilled an additional 60 holes on the property between 1983 and 1988 but did not update their deposit block model with data from the post 1982 holes. Cyprus Metals Company (**Cyprus**) drilled four holes on the property in 1989-90 under an agreement with Exxon but apparently did not pursue the project.

Kennecott (**Kennecott**) executed an agreement in 1995, which allowed them to study the prospect and, if desired, execute a purchase by April 30, 1996. Kennecott reviewed the property and data, but did not drill any new holes. Kennecott conducted the economic evaluations but did not exercise the option on the property. The property rights remained with MHMI after the Exxon and Kennecott efforts.

We established an agreement with MHMI in 2004 as outlined in *Business Description of the Mount Hope Project Acquisition* . We obtained access to previous work completed by previous parties including drill core and drill data, which we used as the basis for developing a feasibility evaluation of the Mount Hope deposit. The feasibility study conducted by seven consulting groups acting in consortium provided the basic engineering, plant design and other aspects of analysis of the Mount Hope Project. The feasibility study outlined a positive operating process, waste disposal, mine design and plan, environmental, permitting plan, operating and capital cost estimates, and other inputs to a significant feasibility study and the corresponding estimates of mineralized material reported in the Technical Report.

Geology

Central Nevada represents a band of north-south trending mountain ranges and is made up of rock units characterized into three groups: (1) Western Assemblage rocks made up of carbonaceous shale, mudstone, chert, and volcanic rocks; (2) Eastern Assemblage rocks consisting of thick rock sequences of carbonate rocks; and (3) overlap assemblages of mixed carbonate and coarse to fine siliciclastic rocks.

The Western Assemblage were thrust faulted eastward over the Eastern Assemblage sequence. This area of thrusting is known as the Roberts Mountain Thrust Zone. Materials shed off the fore front of the thrust sheet formed the overlap assemblage. Mount Hope is located on the leading edge of this zone on the west side of the overlap group of rocks.

The Mount Hope deposit is located on the eastern edge of a mineral belt linking deposits of diverse ages along a northwest-southeast trending line. The Battle Mountain-Eureka mineral belt, 240 miles long,

has served to localize intrusive and mineralizing activity and has resulted in major deposits of gold, silver, copper, and molybdenum.

The Mount Hope deposit is centered in an elevated area of igneous rock exposure 1.6 by 2 km (1 by 1.2 miles) in size. The complex contains extrusive igneous rocks derived from a common volcanic source.

Quartz porphyry, the principal molybdenum host rock, is commonly veined with quartz in the deposit area, and a quartz vein stockwork is well developed in the subsurface. The molybdenum deposit occurs as two dome shaped intrusions or stocks about 457 meters (1,500 feet) in diameter, the tops of which approach but do not reach the surface. These stocks are important centers of molybdenum mineralization. The mineralization, which is symmetrical about the overlapping domes, is differentiated into separate western and eastern mineral systems.

The Mount Hope deposit is a molybdenum porphyry, is classified as a low fluorine, sub-Climax type deposit. This type of deposit has well zoned molybdenum mineralization. The molybdenum mineral content, termed grade zoning, surrounds the central area of the deposit and forms geometries that are circular in plan and arch (inverted bowl) shaped in section. This feature of mineral grade zoning is illustrated in the cross sectional areas delineated in red below.

The mineral zones or shells consist of quartz porphyry cross-cut by quartz stockwork veining containing molybdenite. The higher grade shells are near the surface.

Mineralization

The main form of molybdenum mineralization is molybdenite (molybdenum disulfide) and occurs within the intrusive Quartz Porphyry rocks of the Mount Hope complex and to a lesser extent in the Vinini sedimentary formation adjacent to the southern margin of the mineralized domes. Much of the known molybdenite is distributed around two mineralized systems consisting of two dome shaped zones of mineralized stockworks. The top of the mineral system has, however, been sliced off with little ore remaining above the Mount Hope fault shown above.

A concentration of higher grade mineralization, averaging approximately 0.15% molybdenum, is present between the eastern and western mineral systems. Referred to as the overlap zone, this zone is roughly 366 meters (1,200 feet) in diameter and varies from 91 to 274 meters (300 to 900 feet) deep. The top is 91 meters (300 feet) below the ground surface. This zone is the nucleus of the open pit mineralization to be mined in the first 20 years with lower grade mineralization being mined in the succeeding 30 years.

Exploration

Since acquiring access to the property, we have completed additional exploration drilling for molybdenum and have initiated the next stage of development drilling at Mount Hope. During the first and second quarter of 2007 we are completing additional drilling for the purposes of obtaining engineering information for items such as geotechnical design, hydrology, and condemnation for waste dumps and tailings ponds as well as infill drilling for ore calculation purposes.

Drilling

Mount Hope has been extensively drilled and all core and assay results are available. Accordingly IGMI has been able to analyze and quantify the mineral resource based on an extensive high quality database.

The drilling at Mount Hope has been predominately performed by utilizing diamond core methods, although two reverse circulation (**RC**) rotary holes were drilled by Cyprus during 1989, and 31 RC holes for waste and tailing site condemnation were drilled by Exxon (within the 31 Exxon RC holes, there were only four assay intervals above the cutoff grade applied in the calculation of the mineralized material described in this Annual Report on Form 10-KSB).

The majority of the Exxon holes are NQ and HQ sizes (4.7625 and 6.35 cm (1.875 and 2.5 inch) respectively). The total drill hole database used for the estimation of the mineralized material described in this Annual Report on Form 10-KSB contains 165 drill holes representing 66,486 meters (218,000 feet) of core, of which 21,647 sample intervals have been assayed for molybdenum. The core has been meticulously preserved from all previous drill programs. The half of the core not used for analysis has been available to our contractors.

The Mount Hope database is comprised of 165 drill holes (the majority of which were completed by Exxon) containing 218,000 ft (66,486 m) of core with 21,647 sample intervals, of which 20,986 intervals have been assayed for molybdenum (percent (%) elemental molybdenum (Mo)). We have compared the database information with check assay results on 49 samples which confirm the historic sample and assay procedures used at Mount Hope prior to our involvement and give us confidence in the integrity of the Mount Hope Geologic database.

Mineralization to Be Mined

The table below summarizes the mineralized material and head grades we expect to be mined under our current mine plans for Mount Hope.

Mill Feed Ore Statistics

Category	Cutoff Grade Mo %	Ktonnes	Average Grade Mo %	Mo Recovery %
Ore in Years 1-5	0.054	160,601	0.111	89.3
Ore in Years -1-10	0.054	759,590	0.101	89.3
Ore in Years 1-20	0.047	324,922	0.087	89.3

The modeled pit, including the above mineralized material, contains an estimated 2.5 billion tonnes (2.7 billion tons) of total material, including the anticipated direct mill feed from the pit and the stockpile rehandling during the last eleven years of operation after mining of the ore body concludes. The total production is based on a life of mine and has an average 0.042 Mo cutoff grade.

Mining

The Mount Hope Project is planned for production by conventional large-scale, hard-rock, open-pit mining methods. A large mine is being proposed and large-scale mining equipment is to be used.

The current mine plan provides for primary loading by initially one and, ultimately two, electric cable shovels with 43.5 cubic meter (57 cubic yard) shovels. Clean up and support loading will be provided by an 18 cubic meter (23.5 cubic yard) capacity front end loader, and hauling by 232 tonne (255 ton) capacity haul trucks. The mine fleet is expected to grow from eight trucks initially to 20 trucks in year six.

Mineralized material will be hauled directly to the crusher at the southeast side of the pit. Waste will be delivered to one of four approved waste sites located around the mine. One low grade stockpile will be located on the south of the pit. Although much of the stockpile grade material is expected to go directly to the mill, some will be temporarily stockpiled depending on the cutoff grade. This material will be re-handled and processed through the plant at various times during the 51-year mine life. The planned capacity of the stockpile is 60,000 tonnes (66,139 tons).

Process Overview

The process circuit will include:

- **Primary Crusher & Coarse Ore Stockpile** The primary crusher (62x75 superior gyratory) will be located adjacent to the pit and crushed ore will be fed to a 60,000 tonne (66,139 tons) live capacity stockpile.
- **SAG & Ball Mill Circuit** Ore will be reclaimed from the stockpile from one of four feeders and related conveyors located in a tunnel under the stockpile. The coarse ore will be fed by conveyor to the SAG mill. Following the SAG mill, the ore will be ground to 80% passing 150 microns (0.006 in.) in the ball mill.
- **Conveyors, stockpile feeders and the SAG mill** are currently expected to handle 40,000 tonnes (44,093 tons) per day. Additional surface space will be provided for to allow the installation of an additional ball in year 11 to bring the throughput up to 50,000 tonnes (55,116 tons) per day starting in year 12.
- **Flotation Circuit** Following the grinding circuit, the ore will be processed in the flotation plant at a rate of 40,000 tonnes (44,093 tons) per day in years 1-11. An additional 160 cubic meter (210 cubic yards) flotation cell will be added to the rougher circuit in year 11 to bring the capacity up to 50,000

tonnes (55,116 tons) per day in year 12. The molybdenum ore will be treated through one stage of a rougher/scavenger followed by five stages of cleaner flotation to produce the final molybdenum concentrate. Recent metallurgical results on IGMI ore, indicated that an estimated mill recovery of approximately 90% is achievable across grades ranging from 0.04% through 0.1% Mo with final concentrate grades ranging from 53-55% Mo.

- **Roaster Circuit** We are currently planning to construct a multi-hearth roaster to process our molybdenum concentrates to produce a final technical grade molybdenum oxide product, with the molybdenum contained in the TMO ranging from 62% to 64%. We believe there is currently a shortage of global molybdenum roasting facilities. Having our own roasting facility enable us to be fully integrated and potentially generate toll-roasting revenue from third parties.

Metallurgical Testing

The metallurgical profile for the project is based on test work conducted in 2005 and 2006 which demonstrated that the Mount Hope ores are metallurgically uncomplicated. These tests confirmed that recovery of approximately 90% Mo at final concentrate grades of 53-55% Mo are achievable across all expected project ore grades. We are currently conducting additional metallurgical testing scheduled to be completed in the second quarter of 2007 that will determine geostatistics for grinding, recovery and concentrate grade across various ore lithologies and alteration types. These results will be used to predict the metallurgical performance for the first ten years of operation and to predict the grinding circuit design more accurately. The grinding circuit is a key capital and operating cost component of the project.

Tailings Facility

The proposed mining and processing operation is expected to produce approximately 14.6 million tonnes (16.1 million tons) of tailings (including SO₂ scrubber residue) per year during years 1-11 and 18.29 million tonnes (20.2 million tons) per year during years 12-53. Approximately 920 million tonnes (1,014 million tons) of tailings will be produced under the current mine plan. The Tailings Storage Facility (**TSF**) layout provides for the construction of two tailings impoundments. These TSF's were relocated from Diamond Valley where the larger TSF was next to the main highway, SR278, southeast of the mine area, and placed behind a hill in Kobeh Valley, which is south of the mine area. The TSF's will each have a membrane liner. These changes were made to mitigate environmental concerns, such as potential ground water contamination and visual impacts.

Project Feasibility

We completed the Phase I Feasibility Study and the subsequent Technical Report between November 2004 and December 2005. We are currently in the process of developing a new bankable feasibility study which we anticipate will be completed by July 2007. The bankable feasibility study will include optimized mine and waste rock placement plans as well as revised estimates for capital and operating costs in light of industry wide increases in input commodity, labor and construction costs over the last two years.

Based on initial work done in conjunction with the feasibility study update, as of March 30, 2007, we estimate the initial capital for the Mount Hope project (including the roaster) to be between \$600 million and \$700 million and project cash operating costs for the first five years to be between \$4.00 per lb and \$4.50 per lb and between \$4.00 and \$5.00 for the first 10 years. We expect that these costs will continue to evolve over time based on changes in the industry-wide cost structure as well as changes in our operating strategies and initiatives for the project.

The current overall capital cost estimate for the Mount Hope project is summarized below and includes capital for roasting facilities which will enable us to be fully integrated and potentially generate toll-roasting revenue from third parties.

Estimated Capital Costs	\$ Millions		
Mine Preproduction Stripping	\$ 33	-	\$ 39
Initial Mine Mobile Equipment	\$ 66	-	\$ 77
Process Plant and Infrastructure (excluding Roaster)	\$ 334	-	\$ 390
Roaster Facilities	\$ 55	-	\$ 61
Owners Costs	\$ 33	-	\$ 39
Contingency	\$ 80	-	\$ 94
Total Estimated Initial Capital	\$ 600	-	\$ 700

Ongoing replacement and sustaining mine equipment and process plant capital over the 50+ year operating life plus three year reclamation period is currently estimated to be approximately \$500 and \$550 million. We anticipate that additional detail regarding capital and operating cost estimates will be included in the updated bankable feasibility study.

Economic Analysis

Assuming the mid-point of the total initial capital ranges provided in the table above and a molybdenum price of \$15.00 per pound, we estimate that the Mount Hope project has an after-tax net present value (NPV) of approximately \$840 million at a 10% discount rate and an after-tax return on investment (ROI) of approximately 27%. The charts below show the estimated sensitivities of our NPV and ROI calculations (after-tax) to changes in assumed molybdenum prices, operating costs and capital costs.

Other Properties

Hall-Tonopah

On March 17, 2006, we entered into a purchase agreement with High Desert Winds LLC (High Desert) whereby we purchased High Desert s approximately 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. The property includes the former Hall molybdenum and copper deposit which was mined by open pit methods between 1982 and 1985 by the Anaconda Minerals Company and between 1988 and 1991 by Cyprus for molybdenum. Equatorial Tonopah, Inc. mined copper from 1999 to 2000 on this property. Much of the deposit was drilled but not developed or mined. At closing, we paid High Desert a cash payment of \$4.5 million for a portion of the property, and in November 2006, made an additional payment of \$989,789 for the remainder of the property

On January 30, 2007, we purchased 100% of the Stock in Equatorial Mining North America, Inc. and its two subsidiaries, which owned a 12% net smelter returns royalty on the Hall-Tonopah property, from Equatorial Mining Pty. Limited. The consideration paid for the Equatorial acquisition was \$4.85 million with an additional deferred payment of \$6 million due upon commercial operation of the property. The acquisition included the royalty as well as \$1.24 million in cash accounts and the assumption of all environmental liabilities on the reclaimed site.

In January 2007, we began a drilling program at Hall-Tonopah on the molybdenum mineralization of the existing molybdenum pit developed by Cyprus and an east extension mineralized area near the top of the east side of the existing pit. \$2.2 million was budgeted for exploratory and mineralization confirmation drilling. This program includes 13 RC drill holes and six diamond drill holes. We expect completion and results of this drilling program in the second quarter of 2007. Assay data will be confirmed through our geological quality control program and then incorporated into the existing geologic model.

History

In 1955, Anaconda leased and optioned the Hall Tonopah molybdenum prospect and mine in order to evaluate extensive Molybdenum and copper occurrences. From 1956 thru 1966, Anaconda explored or delineated molybdenum mineralization over an approximate one mile square area. Drilling indicated extensive mineralization from the surface to a depth of approximately 2,000 feet. Drilling delineated approximately 200 million tons of mineralization grading 0.091 percent molybdenum which was included in a long term mining plan. Mine construction began in 1979 with production from the Hall Mine starting in 1981. Anaconda ceased operations in 1985 due to low metal prices. Between 1982 and 1991, a total of 50 million tons of ore grading 0.11 percent molybdenum were mined by Anaconda and successor mine operator Cyprus Minerals. No further molybdenum mining took place after 1991, leaving 150 million tons of the plan un-mined at a grade of 0.09 percent molybdenum. Our current interest in Hall Tonopah is to review and confirm the mineralization contained in the previous mining plan and to extend the molybdenum zone by additional drilling. A 100 million ton copper zone independent of the molybdenum was the subject of copper leach operation by Equatorial between 1995 and 2002. Approximately 10 million tons were mined before operations ceased in 2002. The copper zone is not of current interest to the Company.

The plant area was generally reclaimed after the 2002 closure. The molybdenum mine remains open and un-reclaimed and is easily accessed for mining. Various facilities and improvements continue to exist on the property that may be of future use for molybdenum operations including a tailing pond, power supply, water rights, water and well system, office and truck and vehicle shops, thickening tanks, coarse ore stockpile reclaim system, water and fuel tanks, roads and other structures. Concentrator facilities were removed from the property and would have to be replaced along with other infrastructure if current feasibility studies indicate attractive economics.

Following the completion of confirmation drilling, the company intends to undertake a feasibility study in order to assess future efforts in bringing Hall Tonopah into production. Our current evaluation program is principally directed toward confirming the drill results of previous operators.

Our combined purchases of the assets and mineral rights at Hall Tonopah included all of the lands required for future operations and all of the mineral rights without reservations or royalties. A new molybdenum operation and mine on this property will be entirely on fee lands owned by the Company. As a result, permitting will be through state agencies, including the Nevada Department of Environmental Quality (NDEP), and we will not be required to go through the Federal NEPA permitting process. Based on this and because we will be seeking to permit what has been a previous mining operation, we expect to have an expedited permitting procedure compared to other start-up projects.

Geology

The ore body at Hall-Tonopah is geometrically displayed as a cylinder, roughly coincident with and draped across, the igneous contact of a Cretaceous quartz porphyry stock and the metamorphosed volcanic host rock. The cylinder plunges -35° to the southeast. Molybdenite occurs as selvages on stockwork quartz veins and on bedding planes and tensional shears in the country rock with the majority of the molybdenum resource is located in the intrusive. Current estimated contained resource is 136 million tonnes (150 million tons) of 0.091% molybdenum.

Host rocks consist of fine grained volcanoclastic rocks, formerly identified as schists and quartzites, intruded by a Cretaceous coarse grained quartz-feldspar porphyry. These are overlain by Tertiary volcanic rocks varying from rhyolitic welded ash-flow tuffs to dacitic and basaltic lava flows. Tertiary andesite dikes intrude the welded tuffs.

The Cretaceous quartz-feldspar porphyry is extensively altered by quartz-muscovite and K-spar flooding. Internal textures are often obscured by overprinting alteration.

The deposit is cross-cut and offset by a number of post mineral faults. Major structural trends are north-south and east by northeast-west by southwest.

Molybdenum mineralization is concentrated in molybdenite, molybdenum di-sulfide, with lesser amounts of molybdenum oxide. Copper is concentrated in a blanket of chalcocite above the REDOX boundary and in chalcopyrite below the oxide zone. Pyrite is a common constituent of most of the ore body.

Molly Star

The Molly Star project consists of 99 unpatented claims located in Sanders County, Montana. The property contains both a copper-silver and a molybdenum-tungsten porphyry signature. Extensive geologic mapping, geophysical, and geochemical studies have been conducted at the site, and thirteen core holes drilled by ASARCO and Noranda Inc. identified three mineralized zones. Future exploration activities would target the high grade core in the large porphyry system as well as the precious metals component.

We consider Molly Star to be an early stage exploration project. We estimate the cost of this project to date to be approximately \$30,000 for claim staking, recording fees, and other work.

Margaret and Red Bonanza

Margaret: On September 28, 2004, we entered into a real estate purchase agreement with Janet Leigh for a 50% interest in 11 mining claims in Skamania County, Washington in exchange for \$100,000 and 400,000 shares of common stock. Extensive geologic mapping, geophysical and geochemical studies were completed by certain exploration companies in the late 1970s and early 1980s. More than 80 drill holes delineating three mineralized zones at shallow depth have indicated gold, silver, copper, zinc and cobalt mineralization. The primary copper mineralization is chalcopyrite, which is the primary sulfide for copper worldwide and normally produces good metallurgical recoveries. We are in possession of the previous drilling records and assay records. On March 24, 2005, we applied for government leases for the portion of the mineral deposit that we do not own. On March 14, 2007, the BLM, in consultation with the U.S. Forest Service, released an Environmental Assessment for public comment to support a decision issuing a federal mineral lease for the Margaret mineral deposit located on Gifford Pinchot National Forest lands in Skamania County, Washington. Without the necessary government leases, the property cannot be developed because the BLM owns the surface rights and controls development of the surface and mineral rights.

Red Bonanza: Located two miles north of the Margaret deposit, the Red Bonanza property consists of 75 unpatented claims held by us. The cost of this project was approximately \$20,000 which represented the cost of claim staking, recording fees, and documenting the property. This work was accomplished during October and November of 2004. The property is currently untested by diamond drilling. The Red Springs Breccia overlying the claims is similar to the eroded breccia cap overlying the Margaret Deposit. Historic copper and molybdenum surface anomalies indicated the potential of a significant porphyry system similar to the Margaret deposit.

Turner Gold

On January 14, 2004, we completed the acquisition from Barretta Mining Inc., Hansa Corporation and Americas Mining Corporation of the Turner Gold project consisting of 265 acres of private land and three unpatented claims in Josephine County, Oregon. The volcanogenic massive sulfide deposit was explored by a number of major companies in the 1980s. More than 80 drill holes delineating three mineralized zones at shallow depth have indicated gold, silver, copper, zinc and cobalt mineralization. Attention will be given to extending mineralized zones by drilling with an emphasis upon diamond drill holes where higher gold values are indicated. We are in possession of the drill core and studies from previous efforts.

As consideration for the Turner Gold project, we made cash payments of \$24,272 and issued 500,000 shares of common stock and warrants to purchase an additional 500,000 shares of common stock at a price of \$0.80 per share for a period of two years, which exercise period was subsequently extended for two additional years. We also paid a finder's fee by issuing 25,000 shares of common stock and warrants to acquire an additional 25,000 shares of common stock. The warrants were exercisable at a price of \$0.80 per share for a period of two years.

Detroit Copper

Located in Marion County, Oregon, the Detroit Copper project consists of 34 unpatented claims. Extensive geologic mapping, geochemistry, and geophysics conducted in the 1970s located a tourmaline-copper breccia pipe, which contains a low-grade core surrounded by a high grade shell with a ring of sheeted veins. Drilling results from 45 holes have indicated copper, gold and silver mineralization.

The primary copper minerals are chalcopyrite and bornite, and the deposit is distinguished by a significant lack of pyrite. These mineralogical characteristics are ideal for mineral concentration by flotation and will likely produce good metallurgical recoveries. We acquired the property by staking unpatented lode claims in October and November of 2004, and expenditures were principally for claim staking and recording fees. We possess drill core and logs and other technical data for this property.

Gazelle Gold

The Gazelle Gold project consists of 119 unpatented claims and is located in Madison County, Montana. The Gazelle Gold project is characterized by a banded iron formation with gold in sulfide species. We identified five gold anomalies from 891 soil samples collected over a three-mile strike length during the 2004 exploration season. The cost of acquisition included costs for staking claims, recording fees, and data acquisition, which amounted to approximately \$50,000.

Other Properties

We currently own two properties located on Little Pine Creek and Prichard Creek (the **Chicago-London**), Shoshone County, Idaho. Further exploration of the properties would be required before making a determination as to the economic feasibility. We do not intend to conduct mineral exploration on either property at this time. The properties are being held for the value of their timber and real estate.

Environmental Issues

Shoshone County, Idaho

Our mineral property holdings in Shoshone County, Idaho include lands contained in mining districts that have been designated as Superfund sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act. A Superfund site is an area which can contain many properties owned by many different persons, with each area possibly affected in varying degrees by environmental damage. This

Superfund Site was established to investigate and remediate primarily the Bunker Hill properties of Smelterville, Idaho, a small portion of Shoshone County where a large smelter was located. However, because of the extent of damage caused by this large smelter, the Superfund Site covers the majority of Shoshone County including our Chicago-London and Little Pine Creek properties (which are distant from the original smelter location) as well as many small towns located in Northern Idaho. We are unaware of any pending action or proceeding relating to any regulatory matters that would affect our financial position due to our inactive mining claims in Shoshone County.

During the fall of 2003, we retained a consultant, W.B. Rust, Consulting Metallurgist to conduct a property environmental investigation of the Chicago-London and Little Pine Creek properties. The study was revised in February of 2004. The study revealed no potential for adverse environmental effects at Chicago London other than approximately 8,000 tons of mine waste rocks. These contain metals with a potential for adverse environmental effects. No evidence was observed that there had been any significant adverse environmental effects from the mine waste rock piles. At Little Pine Creek, the investigation revealed no potential for adverse environmental effects other than the General Mine Waste Dump and portal water discharge. The approximately 8,500 tons of mine waste was identified only insofar as it contains metals which thus far have had no adverse environmental effects. The portal discharge was identified because it may contain dissolved metals but because the flow of water is less than 20 gallons per minute; no evidence was observed of any significant adverse environmental effects.

Applicable Mining Laws

Mining in the State of Nevada is subject to federal, state and local law. Three types of laws are of particular importance to the Mount Hope Project: those affecting land ownership and mining rights; those regulating mining operations; and those dealing with the environment.

The Mount Hope Project is situated on lands owned by the United States (**Federal Lands**). Our company, as the owner or holder of the unpatented mining claims, has the right to conduct mining operations on the lands subject to the prior procurement of required operating permits and approvals, compliance with the terms and conditions of the Mount Hope Lease, and compliance with applicable federal, state, and local laws, regulations and ordinances. On Federal Lands, mining rights are governed by the General Mining Law of 1872 as amended, 30 U.S.C. UU 21-161 (various sections), which allows for the location of mining claims on certain Federal Lands upon the discovery of a valuable mineral deposit and on proper compliance with claim location requirements. Historically, the holder of an unpatented mining claim could, upon strict compliance with legal requirements, file a patent application to obtain a full fee title to the surface and mineral rights within the claim; however, continuing Congressional moratoriums have precluded new mining claim patent applications since 1993.

Aside from environmental regulations, the operation of mines is governed by both federal and state regulatory programs. The predominant non-environmental Federal regulatory program affecting operation of the Mount Hope Project is the mine safety regulations administered by Mine Safety and Health Administration. Additional federal laws, such as those governing the purchase, transport or storage of explosives, and those governing communications systems, labor and taxes also apply. State non-environmental regulatory programs affecting operations include the permitting programs for drinking water systems, sewage and septic systems, water rights appropriations, Department of Transportation, and dam safety (engineering design).

Environmental regulations require various permits or approvals before any mining operations on the Mount Hope Project can begin. Federal environmental regulations are administered primarily by the BLM. The EPA has delegated authority for the Clean Water Act and Clean Air Act to the State of Nevada. Thus, the NDEP has primacy for these programs and is responsible for administering the associated permits for the Mount Hope Project. The Bureau of Mining Regulations and Reclamation (**BMRR**) within NDEP also administer the permits for Water Pollution Control and reclamation. The NDEP also administers the permit program for onsite landfills. The Nevada Division of Wildlife administers the artificial industrial pond permit program.

Local laws and ordinances may also apply to such activities as waste disposal, road use and noise levels.

Permitting

Permit Acquisition and Fundamental Environmental Permitting Considerations

We have initiated a plan to obtain the required principal environmental operating permits in anticipation of a possible construction start in late 2008 or early 2009. A staged permit acquisition program is in progress. Baseline studies and data acquisition to support permitting was initiated in the fourth quarter of 2005. Facility designs and operational plans are being refined as data is collected and reviewed to minimize environmental impacts and facilitate the permitting process. The Mount Hope Project is very large, even in the context of the extensive levels of mining in Nevada. In addition, the proposed 53-year project life compares to typical open-pit mine plans of 10 to 15 years. However, the permits for a large, long-lived mine are the same as that for smaller mines, and the same regulations, regulatory agencies and standards apply. The planned mining and processing operations are consistent with numerous other

permitted projects in Nevada, in terms of methods, facility design, equipment, and related engineering plans.

Permitting Process Overview

The development, operation, closure and reclamation of mining projects in the United States require numerous notifications, permits, authorizations and public agency decisions. This section does not attempt to exhaustively identify all of the permits and authorizations that need to be granted, but instead focuses on those that are considered to be critical for project start-up.

Environmental Inventories

There are certain environmental evaluations that routinely must be completed in order to provide the information against which project impacts are measured. Both the U.S. Forest Service (**USFS**) and the Nevada Division of Environmental Protection, BMRR have requirements to profile existing conditions and to evaluate what effects will result from implementing the project plans on the Mount Hope mineralization within the Mine Plan.

Background information on geology, air quality, soils, biology, water resources, social and economic conditions, and cultural resources is currently being assembled for us and will be submitted to the appropriate regulatory agencies.

Mount Hope Permitting Requirements

As noted previously, numerous environmental permits are required to initiate operations at the Mount Hope Project. However five of these permits are most significant permits in terms of the level of analysis and support documentation required, the potential for associated environmental impacts, review time and associated costs. These are the Plan of Operations approval, Water Appropriations Permits, the Water Pollution Control Permit, the Reclamation Permit and the Air Quality Permit.

Plan of Operations Approval Bureau of Land Management

Prior to the BLM's approving the Plan of Operations and the commencement of our project related operations on public lands, the BLM must comply with the requirements of the United States National Environmental Policy Act Process (the **NEPA Process**). The NEPA requirements include preparation of an Environmental Impact Statement (**EIS**), which is a complete review of the environmental impacts associated with the project as well as alternatives to the project. Preparation of an EIS will require the completion of several baseline studies in the Mount Hope Project area, including but not limited to: cultural, biological, ground water and geochemical studies.

The Plan of Operations has been submitted to the BLM and preliminary plans to support other required permits have been developed and conceptually reviewed with regulatory agencies. Some potential environmental issues associated with the proposed operations have been identified. IGMI anticipates that the mine plan can be refined to address these issues and minimize impacts. This will support permitting efforts and will also reduce potential environmental liability.

Issues of concern are primarily related to geochemistry and the associated potential for acid generation from waste rock, the water quality in the post-mining pit lake, and the potential mobilization of constituents in the tailings. Other significant potential impacts include effects of groundwater pumping on existing water rights and the population influx to the community of Eureka. Extensive laboratory testing has been conducted and is underway to fully evaluate the geochemistry of all material types that will be mined. The waste rock disposal facilities and tailings impoundment designs incorporate components to minimize potential impacts, consistent with accepted and demonstrated industry practices. State of the art

hydrological and geochemical computer modeling is being conducted to determine if treatment of the post-mining pit lake will be required. Water rights are being acquired to eliminate the potential for impacts to existing water rights holders. Finally, IGMI is working with the Eureka County staff to identify opportunities to mitigate impacts from the anticipated population increase.

Baseline studies to completely characterize the existing environmental conditions have been nearly completed. These baseline studies will support a full analysis of impacts, as required by the BLM review process. IGMI has two Notice-level (less than 5 acres of disturbance) approvals from BLM to conduct drilling and other surface activities to further define the geology, collect metallurgical samples, evaluate slope stability and collect other information needed to refine operational plans and designs. Additional permit support activities such as expanded baseline surveys, hydrologic modeling and air dispersion modeling are being conducted per regulatory requirements and standards.

Environmental regulations related to reclamation require that the cost for a third party contractor to perform reclamation activities on the mine site be estimated. This reclamation cost estimate, once approved by BLM and the Nevada Division of Environmental Protection (NDEP) will be the required bond amount. We will be required to post a financial instrument to provide a guarantee that this amount will be available to BLM and NDEP for use in conducting reclamation should we become insolvent or default on our reclamation obligations. The bond amount for a large mining operation, such as the Mount Hope Project, is significant. Although the Reclamation Permit is administered by the NDEP-BMRR, BLM review is required and the reclamation cost estimate must be approved in conjunction with completion of the EIS.

Although the Plan of Operations describes anticipated activities at the mine for the entire mine life, IGMI intends to phase the reclamation bond to reduce bond maintenance costs. The phased reclamation cost estimate will only address the anticipated activities for a three-year period from the point of Plan of Operations approval. The bond estimate must then be recalculated every three years to include the current activities and those activities anticipated to be completed during the subsequent three-year period. It is estimated, based on project assumptions that the project reclamation costs during the first three-year period will be between \$30 and \$40 million. The estimated cost of reclamation will increase with every three-year update in conjunction with the growth of the waste rock pile and the tailings impoundments. It is estimated that bond costs could reach \$100 million at the end of the project (year 53).

Water Appropriation Permits Nevada Division of Water Resources

Mount Hope is centered between two water basins: the Kobeh Basin and the Diamond Basin. Development of the Mount Hope Project will involve significant water demand in an arid region of Nevada. The Nevada Division of Water Resources (**NDWR**) is the responsible agency for granting water rights permits. We have applied to the NDWR for twelve water rights permits for a total of 16,130 acre feet per annum within the Kobeh Basin. Our water needs are estimated by us in our Plan of Operations to be 2,904 acre feet per annum, providing a difference of 12,904 acre feet in excess of our estimated water needs. However, because the NDWR estimates that the existing water rights in Kobeh Basin already equal or exceed the perennial yield, these rights will probably not be granted unless IGMI is able to demonstrate that the yield is greater than that estimated by NDWR.

In an effort to ensure adequate water, we are preparing the studies to support an increase in the perennial yield and is soliciting water rights from existing water rights holders in Kobeh Basin. Water rights from existing users will likely be the most expeditious method to secure the required water, and efforts to date have resulted in IGMI obtaining rights to approximately 60% of the required amount (based on current projected requirements). These rights can be transferred within the basin to locations that are thought to be productive and efficient with respect to pumping and pipeline design. Exploratory drilling to prove out these productive areas is scheduled for April 2007.

Water Pollution Control and Reclamation Permits Nevada Division of Environmental Protection Bureau of Mining Regulation and Reclamation

The BMRR administers the programs for the Water Pollution Control (WPC) Permit and the Reclamation Permit, both of which are required for the Mount Hope Project. The WPC Permit program specifies design criteria for containment of process fluids and mandates development of monitoring, operational and closure plans. Because the standards for facility design are well-defined, there is essentially no opportunity for the WPC permitting process to be side-tracked by non-technical issues. In addition, the permit review process is well-defined, including timelines, and is codified in regulation. This results in a reliable permitting timeline of approximately nine months. Permit application submittal in mid-2007 is anticipated. Reclamation permit requirements are discussed in the BLM section above.

Air Quality Permit Nevada Division of Environmental Protection Bureau of Air Quality

Prior to the commencement of construction activities and in conjunction with facility operations, an air quality permit will be necessary. The Nevada Bureau of Air Quality regulations categorize permit types as Class 1 or Class 2, based on the estimated emissions amounts. The Mount Hope Project is anticipated to be subject to Class 2 permit (smaller emissions) based on preliminary emissions estimates. The permit applications will require completion of an emissions inventory and dispersion modeling to demonstrate that emissions from the project will not result in an exceedance of established air quality standards. This modeling has been initiated and it is expected that modeled concentrations will be well within the standards. Emissions are primarily associated with the crush/grind circuit (particulate matter) and the roaster (sulfur oxides). The project is over 100 miles from a National Park or Monument, which greatly reduces the potential for concerns regarding increased haze in those viewsheds. Roaster emissions will be controlled with a 99+% removal efficiency for sulfur oxides.

The Mount Hope roaster is consistent with and allowed by, the current regulatory and permitting program in Nevada. Naturally occurring mercury concentrations are minor, and mercury emissions will be accordingly small. The permitting duration for this permit is approximately six to nine months, and application submittal in mid- to late 2007 is anticipated.

Hall Tonopah Permitting Requirements

We anticipate that the permitting requirements for the Hall Tonopah mine will be substantially less burdensome than for the Mount Hope Project, due to the extensive private land component of the land package. We control over 14,000 acres, including 5,054 acres of fee land, 946 acres of patented lode claims, 63 acres of patented mill site claims and 7,984 acres of unpatented lode claims. By locating proposed operations entirely on private lands the requirement to prepare an Environmental Impact Statement or other environmental analysis to satisfy NEPA could be avoided. Any other Federal action, including the need to obtain a federal environmental permit would trigger NEPA requirements; we anticipate that no federal actions would be undertaken assuming that the project is located entirely on private lands. Other permits as described in previous sections would be required for the Hall Tonopah Project and the level of analysis and time required is anticipated to be consistent with those described for Mount Hope. However, at this time drilling is being conducted to fully define the mineral resource. Thus, a mine plan has not been developed and permitting can not be initiated.

In addition to land ownership, two other factors distinguish this property from Mount Hope with respect to environmental permitting. First, water consumption is not as significant an issue at Hall Tonopah. Unlike Mount Hope, the areas surrounding Hall Tonopah are not extensively irrigated. In addition, we own significant water rights at the Hall Tonopah site. Second, the area has been mined previously which has resulted in significant surface disturbance. By conducting exploration drilling on pre-existing disturbance to the extent possible, the amount of disturbance created by exploration drilling is

greatly reduced, and permitting requirements to support exploration are reduced. Furthermore, there is extensive environmental information developed to support permitting of the previous mine operation. We believe this information can be used to streamline the permitting process for us by reducing the amount of baseline studies and other technical information that must be developed.

United States Regulatory Matters

General

All of our exploration activities in the United States are subject to regulation by governmental agencies under various mining, mine safety and environmental laws. The nature and scope of regulation depends on a variety of factors, including the type of activities being conducted, the ownership status of land on which the operations are located, the nature of the resources affected, the states in which the operations are located, the delegation of federal air and water-pollution control and other programs to state agencies, and the structure and organization of state and local permitting agencies. We evaluate our projects in light of the cost and impact of regulations on the proposed activity, and evaluate new laws and regulations as they develop to determine the impact on, and changes necessary to, our operations.

Generally, compliance with environmental and related laws and regulations requires us to obtain permits issued by regulatory agencies and to file various reports and keep records of our operations. Some permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to our proposed operations may be encountered.

U.S. Federal and State Environmental Law

Our past and future activities in the United States may cause us to be subject to liability under various federal and state laws. Proposed mining activities on federal land trigger regulations promulgated by the USFS, the BLM, and potentially other federal agencies, depending on the nature and scope of the impacts. For operations on federal public lands administered by the BLM that disturb more than five acres, an operator must submit a Plan of Operations to BLM. On USFS-administered lands, the USFS requires the submission of a notice for all mining operations, regardless of size, and a Plan of Operations if the USFS determines that there will be any significant disturbance of the surface.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (**CERCLA**), imposes strict, joint, and several liability on parties associated with releases or threats of releases of hazardous substances. Liable parties include, among others, the current owners and operators of facilities at which hazardous substances were disposed or released into the environment and past owners and operators of properties who owned such properties at the time of such disposal or release. This liability could include response costs for removing or remediating the release and damages to natural resources. We are unaware of any reason why our undeveloped properties would currently give rise to any potential CERCLA liability. We cannot predict the likelihood of future CERCLA liability with respect to our properties, or to surrounding areas that have been affected by historic mining operations.

Under the Resource Conservation and Recovery Act (**RCRA**) and related state laws, mining companies may incur costs for generating, transporting, treating, storing, or disposing of hazardous or solid wastes associated with certain mining-related activities. RCRA costs may also include corrective action or clean up costs.

Mining operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, such as crushers and storage facilities, and from mobile sources such as trucks and heavy construction equipment. All of these sources are subject to review, monitoring, permitting, and/or control requirements under the federal Clean Air Act and related state air quality laws. Air quality permitting rules may impose limitations on our production levels or create additional capital expenditures in order to comply with the permitting conditions.

Under the federal Clean Water Act and delegated state water-quality programs, point-source discharges into Waters of the State are regulated by the National Pollution Discharge Elimination System (**NPDES**) program, while Section 404 of the Clean Water Act regulates the discharge of dredge and fill material into Waters of the United States, including wetlands. Stormwater discharges also are regulated and permitted under that statute. All of those programs may impose permitting and other requirements on our operations.

NEPA requires an assessment of the environmental impacts of major federal actions. The federal action requirement can be satisfied if the project involves federal land or if the federal government provides financing or permitting approvals. NEPA does not establish any substantive standards; it merely requires the analysis of any potential impact. The scope of the assessment process depends on the size of the project. An Environmental Assessment (**EA**) may be adequate for smaller projects. An EIS, which is much more detailed and broader in scope than an EA, is required for larger projects. NEPA compliance requirements for any of our proposed projects could result in additional costs or delays.

The Endangered Species Act (**ESA**) is administered by the U.S. Department of Interior's U.S. Fish and Wildlife Service. The purpose of the ESA is to conserve and recover listed endangered and threatened species and their habitat. Under the ESA, endangered means that a species is in danger of extinction throughout all or a significant portion of its range. Threatened means that a species is likely to become endangered within the foreseeable future. Under the ESA, it is unlawful to take a listed species, which can include harassing or harming members of such species or significantly modifying their habitat. We conduct wildlife and plant inventories as required as part of the environmental assessment process prior to initiating exploration projects. We currently are unaware of any endangered species issues at any of our projects. Future identification of endangered species or habitat in our project areas may delay or adversely affect our operations.

We are committed to fulfilling our requirements under applicable environmental laws and regulations. These laws and regulations are continually changing and, as a general matter, are becoming more restrictive. Our policy is to conduct our business in a manner that safeguards public health and mitigates the environmental effects of our business activities. To comply with these laws and regulations, we have made, and in the future may be required to make, capital and operating expenditures.

U.S. Federal and State Reclamation Requirements

We are subject to land reclamation requirements under state and federal law, which generally are implemented through reclamation permits that apply to exploration activities. These requirements often mandate concurrent reclamation and require the posting of reclamation bonds or other financial assurance sufficient to guarantee the cost of reclamation. If reclamation obligations are not met, the designated agency could draw on these bonds and letters of credit to fund expenditures for reclamation requirements.

Reclamation requirements generally include stabilizing, contouring and re-vegetating disturbed lands, controlling drainage from portals and waste rock dumps, removing roads and structures, neutralizing or removing process solutions, monitoring groundwater at the mining site, and maintaining visual aesthetics. We believe that we currently are in substantial compliance with and are committed to maintaining all of our financial assurance and reclamation obligations pursuant to our permits and applicable laws.

Employees

We presently lease an office that consists of 2,000 square feet and, as of December 31, 2006, we had eight full-time employees. In January 2007, we hired Bruce D. Hansen as our Chief Executive Officer. We plan to add several more employees during 2007, including a Chief Financial Officer and other financial and technical professionals necessary to further the Mount Hope project's technical progress and permitting. We intend to utilize the services of consultants and contractors to provide additional services to us, particularly with regard to the Mount Hope Project.

Risk Factors

You should carefully consider the risks described below and elsewhere in this report, which could materially and adversely affect our business, results of operations or financial condition. If any of the following risks actually occurs, the market price of our common stock would likely decline.

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 shareholders

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 could be between \$600 million and \$700 million, including contingencies, but excluding working capital, reclamation bonding requirements, inflation, interest and other financing costs. 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 favorable 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 shareholders 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.

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

The profitability of our mining operations will be directly related to the market price of the metals we mine. The market prices of base and precious metals such as molybdenum, copper, gold and silver fluctuate wid