

LINCOLN MINERALS LIMITED
ABN 050 50 117 023

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Directors present their report together with the consolidated financial report of Lincoln Minerals Limited and its subsidiary company for the financial year ended 30 June 2011 together with the Auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

<i>Name and qualifications</i>	<i>Experience and other directorships</i>
Richard V. Ryan AO FCA Chairman (Non-Executive) Appointed 10 November 2006	Richard Ryan AO has had a long and distinguished career in the mining industry. Mr Ryan is a Fellow of the Institute of Chartered Accountants in Australia, a Companion of the Institution of Engineers, Australia, and a Companion of the Chartered Management Institute, UK. Mr Ryan was made a member of the Order of Australia in 1989 for Services to the Community and was made an Officer of the Order of Australia in 1998 for Services to Indigenous People. Other directorships of listed entities within the last three years: Nil.
Dr Allan John Parker BSc(Hons), PhD, Dipl Comp Sc Managing Director Appointed 16 October 2006	Dr Parker is a geologist and geophysicist. Dr Parker has a broad and extensive knowledge of uranium, gold, iron ore and base metal mineral deposits and mineralizing systems in the Gawler Craton. He also has a strong geophysical background and is a leading geographical information systems (GIS) expert. Other directorships of listed entities within the last three years: Genesis Resources Limited from 12 August 2010 to date.
Peter E. Cox FCA Director Appointed 16 October 2006	Mr Cox is a Chartered Accountant who currently operates a management consultancy business after many years in public practice. He has been involved in the administration of a number of public floats and listed companies, predominantly in the Resources sector. Other directorships of listed entities within the last three years: Nil
Robert A. Althoff B.Tech (Mech. Eng.), MAICD Director (Non-Executive) Appointed 5 July 2005	Mr Althoff is a professional Mechanical Engineer with postgraduate studies in Business Management and 34 years experience in mining, transport and power station operations. Other directorships of listed entities within the last three years: Nil.
Eng H. Lim BSc (Hons) Director (Non-Executive) Appointed 5 October 2010	Mr Lim ordinarily resides in Singapore and has a strong background financial and corporate affairs management in both Australia and South East Asia. He holds a Diploma in Business Studies (Accountancy) and a Bachelor of Science in Economics (Honours). Other directorships of listed entities within the last three years: Nil.

COMPANY SECRETARY

Mr Peter E Cox is Company Secretary (appointed 16 October 2006) and also a non-executive Director. Refer to details above.

DIRECTORS' MEETINGS

The number of directors' meetings held and numbers of meetings attended by each of the directors of the Company during the financial year were:

	<i>Number of meetings held while in office</i>	<i>Number of meetings attended</i>
RV Ryan	10	10
AJ Parker	10	10
PE Cox	10	9
RA Althoff	10	8
EH Lim	8	7

The Board does not operate any separate committees due to its small size.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of directors' interests in the shares of Lincoln Minerals Limited as at the date of this report are as follows:

	<i>Fully paid shares held</i>	<i>Options held</i>
Richard V Ryan	400,000	800,000
A John Parker	360,000	1,800,000
Peter E Cox	160,000	1,000,000
Robert A Althoff	870,000	750,000
Eng H Lim	8,502,000	0

No options were granted to Directors during the year or between the end of the year and the date of this report.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

During the year the Company continued to explore its exploration licences in South Australia, where the majority of its effort was directed to the Gum Flat iron ore project.

Exploration continued on Gum Flat EL4643 (formerly EL3422) and various drilling, scoping and analytical studies were undertaken on the Project. Drilling programs included a hydrogeological program to test groundwater resources and an RC (reverse circulation) program to test potential for further hematite mineralisation at the Barns prospect. Based on a positive scoping study for Stage 1 mining of direct shipping hematite-goethite iron ore, various environmental surveys were undertaken in preparation for a Mining Lease Proposal which was nearing completion towards the end of the financial year. Those studies included flora, fauna, noise, dust, traffic and hydrogeological surveys.

At Eurilla on EL 3690, the Company continued exploration for uranium, base metals and iron ore after earlier establishing up to 0.07% uranium mineralisation at Jungle Dam and an inferred resource of 21.7 million tonnes of iron ore (33% Fe) at Eurilla South. Two drilling programs were completed including an air core program and a PACE-supported diamond core drilling program.

A regional calcrete/soil sampling program was completed on the Dutton River tenement, EL 4361, and the Company maintained ongoing monitoring of drilling programs undertaken by Centrex Metals and

its JV partners at Bungalow and on southern Eyre Peninsula where the Company has the rights to all minerals other than iron.

In Indonesia the Company pursued its manganese joint ventures. Surface mapping and rock chip sampling were undertaken on manganese targets in western Timor.

Further details of the Company's operations are set out in the Managing Director's Review of Operations section of the 2011 Annual Report.

RESULTS AND DIVIDENDS

The Group made a loss after tax of \$1,203,039 (2010: \$1,968,541). In 2011 the Group capitalised \$1,852,356 (2010: \$7,275,288) of exploration and evaluation expenditure and expensed \$339,227 (2010: \$1,265,821) of such expenditure that was unable to be carried forward. Interest income was \$113,654 (2010: \$133,133) and contributions to overheads from the Group's joint venture partner in South Australia were nil (2010: \$7,833).

During the year the Company issued 16,404,034 new shares from the March 2011 rights issue. Net proceeds of \$2,307,112 were achieved from this issue.

Cash at the end of June 2011 was \$1,920,255 (2010: \$3,456,894)

No dividends were paid and the directors have not recommended the payment of a dividend (2010: Nil).

CORPORATE PERFORMANCE

The performance of the Company / Group since becoming a listed entity is:

<u>Year</u>	<u>Net (loss) for the year</u>	<u>(Loss) per share – cents (adjusted for rights issues)</u>	<u>Shareholders' Equity</u>	<u>Number of issued shares - end of year</u>	<u>Share price – end of the year - cents</u>
2007	(346,018)	(0.91)	6,677,390	71,672,221	18.5
2008	(630,704)	(0.78)	7,106,996	75,172,221	24.0
2009	(1,708,699)	(2.22)	6,556,101	90,046,511	9.5
2010	(1,968,541)	(1.86)	13,682,089	116,959,938	26.0
2011	(1,203,039)	(0.98)	14,786,162	133,363,972	12.5

No dividends have been paid, nor have there been any capital reductions or share cancellations over the above periods.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in respect of the mining tenements granted to it and the mining legislation of the states in which the mining tenements are held. The Directors are satisfied that no breaches of the environmental conditions of these licences have occurred as they are continually monitoring the Group's operations. No notices of any such breaches have been received from any authority.

ENVIRONMENT AND SOCIAL POLICY

Environment

The Group is aware of its corporate responsibility to impact as little as possible on the environment and, as necessary, to undertake exploration programs and/or rehabilitate sites in line with detailed procedures and guidelines published by the South Australian Government.

The Group has a policy to monitor performance and improve operational procedures to best environmental practice and minimise the impacts of exploration activities wherever possible.

Social

At Lincoln Minerals we are committed to a working environment that provides equality to all and that respects the rights, cultural beliefs and relevant concerns of all landholders and communities that have a legitimate interest in land upon which we propose to undertake exploration.

This will involve ongoing communication with relevant local residents, farmers, pastoral property owners, Aboriginal groups and local authorities.

The Group has an employment strategy that aims to help improve access to employment for local Aboriginal people and where appropriate, will investigate and assist in the development and implementation of traineeships and/or training programs that will best meet the Group's and industry's future needs.

OPTIONS

Particulars regarding options of Lincoln Minerals Limited as at the date of this report:

<u>Category</u>	<u>Exercisable at any time until</u>	<u>Exercise price</u>	<u>Outstanding</u>
Director	31 Dec 2011	20 cents	4,350,000
Employee	31 Dec 2011	25 cents	100,000
Employee	31 Dec 2011	30 cents	110,000

All options set out above have vested.

None of the above options entitles the holders to participate, by virtue of the options, in any share issue of any other corporation.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 13 September 2011 the Directors completed an Underwriting Agreement with Tigermoth Investments Limited to support a 1 for 6 rights issue to shareholders at 8 cents per share to raise \$1,778,186 before costs of issue. The Agreement is effective if the Company completes an Offer Document by 31 December 2011 (or such other date as may be agreed between the Company and the Underwriter). The Underwriters may withdraw from the Agreement if either of the S&P/ASX 300 Metals and Mining Index or the S&P/ASX Small Ordinaries Index falls for three consecutive days to levels 15% below those of 12 September 2011 respectively. Nevertheless, the Directors are continuing to pursue various project finance avenues to advance the Gum Flat project, and if successful in that context it is unlikely that the Underwriting Agreement will be actioned.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2012, the Group will be principally engaged in obtaining all approvals necessary for the development of an iron ore mine at the Company's flagship Gum Flat project. The Company will also continue exploration for minerals on its other tenement areas on eastern Eyre Peninsula in South Australia and will continue to evaluate exploration opportunities in Indonesia and elsewhere. The only expected sources of Australian income for the coming financial year will be the receipt of interest on cash funds held on deposit.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained in the section entitled "Corporate Governance Statement".

REMUNERATION REPORT - AUDITED

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. This report outlines the remuneration arrangements in place for Key Management Personnel of Lincoln Minerals Limited. The corporate performance summary is disclosed below.

<u>Year</u>	<u>Net (loss) for the year</u>	<u>(Loss) per share – cents (adjusted for rights issues)</u>	<u>Shareholders' Equity</u>	<u>Number of issued shares - end of year</u>	<u>Share price – end of the year - cents</u>
2007	(346,018)	(0.91)	6,677,390	71,672,221	18.5
2008	(630,704)	(0.78)	7,106,996	75,172,221	24.0
2009	(1,708,699)	(2.22)	6,556,101	90,046,511	9.5
2010	(1,968,541)	(1.86)	13,682,089	116,959,938	26.0
2011	(1,203,039)	(0.98)	14,786,162	133,363,972	12.5

Key Management Personnel comprise:

Directors

RV Ryan	Chairman (non-executive)
AJ Parker	Managing Director
PE Cox	Director and Company Secretary
RA Althoff	Director (non-executive)
EH Lim (from 5 October 2011)	Director (non-executive)

Executives

JK Kopias (from 1 December 2011)	Chief Financial Officer
DA Povey	Senior Geologist
PC Lyons (to 6 May 2011)	Senior Geologist

Remuneration philosophy

The performance of the Group depends on the quality of its directors and executives, who are Key Management Personnel (KMP) of the Company. Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and KMP.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

REMUNERATION REPORT (CONTINUED)

Remuneration committee

Due to the relatively small size and complexity of the Group the Board has decided not to form a separate Remuneration Committee, and instead the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and KMP.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and KMP on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and KMP. Share options may form part of a remuneration package and number and terms of such options will be determined in accordance with the above objectives.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre and with the experience and qualification appropriate to the development of the Company, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by shareholders in general meeting. An amount not exceeding the determined aggregate is then divided between the Directors as agreed. The latest determination occurred at an Extraordinary General Meeting held in January 2007 when shareholders approved an aggregate remuneration of \$250,000 per year. The current fee level is \$40,000 per non-executive director per annum and the Chairman \$55,000 per annum, all inclusive of statutory superannuation.

The Board considers fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

All of the Non-executive Directors received directors' fees whilst Mr Cox also received salaried payments for secretarial services rendered at commercial rates.

Non-executive Directors' fees are not linked to the performance of the Group. However, Directors are issued options to provide the necessary incentive to work and grow long-term shareholder value. Issues of options to Directors require approval by shareholders in general meeting.

Executive Director and Key Management Personnel remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for Group and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the group; and
- Ensure total remuneration is competitive by market standards.

REMUNERATION REPORT (CONTINUED)

Structure

It is Board policy that employment contracts are entered into with the Managing Director and other KMP.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established by the Board of Directors. The variable remuneration for Dr Parker, Managing Director, being a share option package comprising 2,000,000 options exercisable at any time on or before 31 December 2011 at 20 cents per option, was approved by shareholders in 2007 (200,000 of these options have since been exercised). Options for KMP were granted during 2008 with half the options vesting within 12 month of issue and the other half within 24 months. The options on issue do not have a performance related measure.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed in accordance with contract terms by the Board of Directors and the process consists of a review of companywide and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Employment contracts

Employees are employed under terms which include annual reviews as to their personal performances and assessment as to general employment market conditions. The Managing Director has been engaged by contract until 31 December 2012 although the contract may be terminated by the Company giving twelve months' notice. As at the date of the report the Managing Director's annual salary is \$217,350 plus superannuation, subject to annual review by the Board. KMP have all been engaged for two year periods although these contracts may be terminated by either the Group or the respective staff member by the giving of four weeks' notice.

The Managing Director is entitled to 12 months termination payment upon termination of his employment by the Company prior to the end of his contract.

No termination payments were made during the period to KMP other than statutory entitlements upon leaving the Company.

REMUNERATION REPORT (CONTINUED)

Compensation of Directors and Key Management Personnel (KMP)

	Short term		Post	Share-	Total	Value of
	Salary	Contract	employment	based		options as a %
	and fees	payments	Super-	payment		of total
	\$	\$	annuation	Options	\$	remuneration
			\$	\$		%
Year ended 30 June 2011						
<u>Directors</u>						
RV Ryan	-	55,000	-	-	55,000	-
AJ Parker	191,802	-	50,000	-	241,802	-
PE Cox	47,095	-	49,100	-	96,195	-
RA Althoff	18,349	-	21,651	-	40,000	-
EH Lim ¹	29,565	-	29,565	-	29,565	-
<u>Executives</u>						
JK Kopias ²	-	37,415	-	-	37,415	-
DA Povey	111,346	-	10,021	-	121,367	-
PC Lyons ³	125,980	-	11,338	-	137,318	-
Total Directors and KMP - 2011	524,137	92,415	142,110	-	758,662	-
Year ended 30 June 2010						
<u>Directors</u>						
RV Ryan	-	52,500	-	-	52,500	-
AJ Parker	174,675	-	51,706	-	226,381	-
PE Cox	104,980	-	28,256	-	133,236	-
RA Althoff	34,402	-	3,098	-	37,500	-
<u>Executives</u>						
DA Povey	100,000	-	9,000	-	109,000	-
PC Lyons	125,000	-	11,250	-	136,250	-
Total Key Management Personnel - 2010	539,057	52,500	103,310	-	694,867	-

¹Mr Lim was appointed to the board on 5 October 2010

² Mr Kopias joined the company on 1 December 2010

³ Mr Lyons resigned on 6 May 2011

REMUNERATION REPORT (CONTINUED)

No bonuses were earned by or paid to any KMP in either 2011 or 2010.

No shares were issued in either 2011 or 2010 as compensation.

It is the Company's policy that Director's do not hedge any share based remuneration. The Company requires all executives and directors to sign annual declarations of compliance with this policy.

Option holdings of Key Management Personnel

30 June 2011	Balance at the beginning of the year or date commenced to be KMP	Granted as remuneration	Exercised during the year	Lapsed during the year	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
RV Ryan	800,000	-	-	-	800,000
AJ Parker	1,800,000	-	-	-	1,800,000
PE Cox	1,000,000	-	-	-	1,000,000
RA Althoff	750,000	-	-	-	750,000
<u>Executives</u>					
DA Povey	100,000	-	-	-	100,000
PC Lyons	100,000	-	-	100,000 ¹	-

¹These options had fully vested prior to lapsing

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditor KPMG, a copy of which is attached to and forms part of this report.

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board considers that those non-audit services provided by the auditor are compatible with and do not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or sharing risks or rewards.

Details paid to KPMG during the year for audit and non-audit services are set out hereunder:

	<u>2011</u> \$	<u>2010</u> \$
<u>Audit services</u>		
Audit and review of financial reports (KPMG Australia)	41,000	36,500
<u>Other services</u>		
Taxation advice and related matters	16,638	34,000

No other auditors were engaged by the Group.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Company entered into agreements to indemnify all current directors of the Company as at the date of this report against all liabilities (subject to certain limited exclusions) to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a director or executive officer unless the liability relates to conduct involving a lack of good faith. The Company has also agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the financial year the Company paid insurance premiums in respect of directors' liability insurance. Disclosure of the nature of the liability and the extent of the premium is prohibited by the confidentiality clause of the contract of insurance.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than Lincoln Minerals Limited) incurred in their position as director unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Dated at Adelaide, South Australia, this 23rd day of September 2011 and signed in accordance with a resolution of the Directors.

RV Ryan, Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Lincoln Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Derek Meates', written in a cursive style.

Derek Meates
Partner

Adelaide

23 September 2011

LINCOLN MINERALS LIMITED
ABN 05 050 117 023

Financial Statements - 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	<u>2011</u>	<u>2010</u>
		\$	\$
Financial income – interest		113,654	133,133
Overhead recoveries – joint venture partner		-	7,833
Employee benefits expense		(290,423)	(349,954)
Exploration and evaluation written off	9	(339,227)	(1,265,821)
Depreciation and amortisation		(22,085)	(12,114)
Provision for bad debt		-	(58,748)
Corporate expenses	3	(854,861)	(736,023)
LOSS BEFORE INCOME TAX		(1,392,942)	(2,281,694)
Income tax benefit	4	189,903	313,153
NET LOSS FOR THE YEAR		(1,203,039)	(1,968,541)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(1,203,039)	(1,968,541)
Basic earnings (loss) per share (cents)	17	(0.98)	(1.85)
Diluted earnings (loss) per share (cents)	17	(0.98)	(1.85)

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2011

	Note	Issued capital	Accumulated losses	Share based payments reserve	Total
At 1 July 2009		9,328,068	(2,856,663)	84,696	6,556,101
Share issues	12	9,505,078	-	-	9,505,078
Share issue expenses	12	(410,549)	-	-	(410,549)
Loss for the year		-	(1,968,541)	-	(1,968,541)
At 30 June 2010		<u>18,422,597</u>	<u>(4,825,204)</u>	<u>84,696</u>	<u>13,682,089</u>
At 1 July 2010		18,422,597	(4,825,204)	84,696	13,682,089
Share issues	12	2,460,606	-	-	2,460,606
Share issue expenses	12	(153,494)	-	-	(153,494)
Loss for the year		-	(1,203,039)	-	(1,203,039)
At 30 June 2011		<u>20,729,709</u>	<u>(6,028,243)</u>	<u>84,696</u>	<u>14,786,162</u>

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	<u>2011</u> \$	<u>2010</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,920,255	3,456,894
Trade and other receivables	7	425,269	451,251
TOTAL CURRENT ASSETS		<u>2,345,524</u>	<u>3,908,145</u>
NON CURRENT ASSETS			
Property plant and equipment	8	719,979	228,042
Exploration and evaluation	9	11,967,710	10,115,354
Intangibles	10	23,900	2,916
TOTAL NON CURRENT ASSETS		<u>12,711,589</u>	<u>10,346,312</u>
TOTAL ASSETS		<u>15,057,113</u>	<u>14,254,457</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	223,943	505,177
Employee entitlements – annual leave		47,008	67,191
TOTAL CURRENT LIABILITIES		<u>270,951</u>	<u>572,368</u>
TOTAL LIABILITIES		<u>270,951</u>	<u>572,368</u>
NET ASSETS		<u>14,786,162</u>	<u>13,682,089</u>
EQUITY			
Contributed equity	12	20,729,709	18,422,597
Reserves	13	84,696	84,696
Accumulated losses		(6,028,243)	(4,825,204)
TOTAL EQUITY		<u>14,786,162</u>	<u>13,682,089</u>

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

	<u>Notes</u>	<u>2011</u> \$	<u>2010</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(978,887)	(862,828)
Interest received		116,620	122,618
Net cash (outflow) from operating activities	6	<u>(862,267)</u>	<u>(740,210)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(2,342,733)	(2,350,185)
Purchase of joint venture interest		-	(6,010,600)
Joint venture contributions		-	177,802
SA Government PACE grant received		-	50,000
Payments for acquisition of property, plant and equipment		(59,930)	(152,154)
Payments for intangibles		(37,655)	-
Purchase of land at Gum Flat		(501,166)	-
Land purchase option fee		(40,000)	-
Net cash (outflow) from investing activities		<u>(2,981,484)</u>	<u>(8,285,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	12	2,460,606	9,505,078
Share issue expenses	12	(153,494)	(486,339)
Net cash inflow/(outflow) from financing activities		<u>2,307,112</u>	<u>9,018,739</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,536,639)</u>	<u>(6,608)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>3,456,894</u>	<u>3,463,502</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u>1,920,255</u>	<u>3,456,894</u>

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - *Financial Statements 2011*

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

1. CORPORATE INFORMATION

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2011 comprise the Company and its subsidiary (together referred to as the "Group") was authorised for issue in accordance with a resolution of the directors on 23 September 2011.

Lincoln Minerals Limited, incorporated in Australia, is a company limited by shares which are publicly traded on ASX Limited, having been listed on 9 March 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial report is a general purpose report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Going concern

The consolidated financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 30 June 2011 the Group had accumulated losses of \$6,028,243 and operating and investing cash outflows of \$3,843,751. However, net assets are \$14,786,162 and the directors believe the Group has sufficient cash of \$1,920,255 to pay its debts as and when they fall due. It is the intention of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. In order to do so the Directors consider that the Group will fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets.

On 13 September 2011 the Directors completed an Underwriting Agreement with Tigermoth Investments Limited to support a 1 for 6 rights issue to shareholders at 8 cents per share to raise \$1,778,186 before costs of issue. The Agreement is effective if the Company completes an Offer Document by 31 December 2011 (or such other date as may be agreed between the Company and the Underwriter). The Underwriters may withdraw from the Agreement if either of the S&P/ASX 300 Metals and Mining Index or the S&P/ASX Small Ordinaries Index falls for three consecutive days to levels 15% below those of 12 September 2011 respectively. Nevertheless, the Directors are continuing to pursue various project finance avenues to advance the Gum Flat project, and if successful in that context it is unlikely that the Underwriting Agreement will be actioned.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

The consolidated financial report has been prepared on an historical cost basis and is presented in Australian dollars, the Company's functional currency.

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(b) Standards basis of preparation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(c) Basis of consolidation

The financial statements of the Company's subsidiary are included in the consolidated financial statements from the date control commenced. The Company retains control as at the date of this report. Lincoln Asia-Pacific Limited has not traded or operated between its registration (during 2009/10) and the date of this report.

Accordingly there are no eliminations on consolidation other than the subsidiary's share capital and its incorporation expense.

(d) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgments, estimates and assumptions of future events. The key judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the dates upon which they are granted. The fair value of options granted is determined using the Black-Scholes valuation method, taking into account the terms and conditions on which the options were granted. Refer note 2(u) for detail.

Recoverability of exploration and evaluation costs

Refer note 2(h).

The accounting policies set out below have been applied consistently to all periods presented.

(e) Joint ventures

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements its share of jointly controlled assets, jointly incurred liabilities/expenses, and its share of income earned from the sale of any goods or services by the joint venture.

(f) Income

Interest is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Overhead recoveries from joint venture partners are brought to account as revenue on the basis of exploration expenditures incurred in accordance with the joint venture agreements.

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(g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Refer to impairment policy at note 2(j).

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as being 5 to 15 years.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is de-recognised.

(h) Exploration and evaluation

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred.

Reimbursements by joint venture partners of expenditure in respect of areas of interest are deducted from the Company's total outlays on the areas prior to carrying forward such expenditure as an asset.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of the exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted or planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision to abandon is made.

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(i) Intangibles

Computer software intangible assets acquired by the Group are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a reducing balance basis over the estimated 3 year useful lives of intangible assets from the date that they are available for use.

(j) Impairment – non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Receivables

Receivables which are generally receivable within 30-90 day terms, are recognised and carried at original amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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(n) Employee benefits

(i) Wages, salaries, annual and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The Group does not currently have a provision for long service leave on the basis that no employee has more than 5 years employment service. The Group reassesses the need for such a provision on an annual basis.

(iii) Share-based payments

Refer note 2(u).

(o) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement over the lease term. The Group does not have any finance leases.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of share proceeds received, net of any related tax benefit.

Ordinary shares - Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related tax benefit.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities (in a transaction that is not a business combination) that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not expected to reverse in the

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foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Any additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(s) Earnings per share (EPS)

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted. EPS for the previous year are restated for any rights issues during the current financial year.

(t) Goods and Services Tax (GST)

Revenues, expenses and non-financial assets and liabilities are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Share-based payments

The Company provides benefits to Directors and Senior Executives of the Group in the form of share-based payments, whereby directors and employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. Measurement inputs include share price on

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measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market conditions attached to the transactions are not taken into account in determining fair value.

The cost of equity-settled transactions is recognised, together with the corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

(v) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(w) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(x) Segment reporting

Determination and presentation of operating segments:

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. CORPORATE EXPENSES

	<u>2011</u>	<u>2010</u>
	\$	\$
ASX fees	26,864	50,891
Audit fees	14 41,000	36,500
Directors' fees	164,565	127,500
Head office administration	291,631	148,939
Insurances	21,464	36,350
Legal fees	46,224	39,149
Operating lease payments	53,963	57,622
Payroll tax	20,005	19,601
Public relations	91,519	103,595
Share registry	23,653	30,899
Staff recruitment, re-location, conferences, training	34,256	48,940
Travel	39,717	36,037
	854,861	736,023

4. INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

Loss before tax	(1,392,942)	(2,281,694)
Prima facie income tax benefit at 30%	(417,883)	(684,508)
Research and development refund	(189,903)	(313,153)
Effect of permanent and temporary differences and tax losses not recognised	417,883	684,508
Income tax benefit attributable to operating loss	(189,903)	(313,153)

A deferred tax asset with respect to accumulated tax losses has been recognised to the extent of the Company's deferred tax liability regarding temporary differences (approximately \$3,590k, relating mainly to capitalised exploration assets). The unrecognised deferred tax asset mainly with respect to accumulated tax losses is approximately \$1,100k tax effected at 30% (2010: \$1,132k), and has not been recognised as an asset as it is not considered probable at this time that future taxable income will be available against which to utilise the tax losses.

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5. CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Cash at bank and in hand	23,507	149,052
Short term deposits	1,896,748	3,307,842
	1,920,255	3,456,894

Short term deposits are made for varying periods of between 30 and 90 days, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates. The effective interest rate on short term deposits in 2011 was 4.37% (2010 4.76%). An amount of \$10,000 of short term deposits remains in place to secure a bank guarantee in respect of a bond for Exploration Licence 4643 (previously 3422) in favour of Primary Industries and Resources SA.

The Company has no available undrawn loan facilities.

6. RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

Operating (loss) after income tax	(1,203,039)	(1,968,541)
Depreciation and amortisation	22,085	12,113
Foreign exchange loss on USD loan	935	3,458
Provision for bad debt	-	58,748
Exploration expenditure written off	339,227	1,265,821
Changes in Assets and Liabilities		
Decrease (Increase) in other current operating assets	(166,525)	(202,279)
(Decrease) Increase in operating creditors and accruals	124,867	69,703
Decrease (Increase) in annual leave provision	20,183	20,767
Net cash used in operating activities	(862,267)	(740,210)

7. RECEIVABLES

Amounts owing by Joint Venture partners	46,559	58,748
Less, provision for bad debt	(46,559)	(58,748)
Accrued interest receivable	5,270	13,506
Bonds and deposits	15,000	17,500
Prepaid expenses	18,448	9,391
GST refundable	67,110	88,661
PACE Grant – SA Government	82,500	-
Research and development grant	189,903	313,153
Other	47,038	9,040
	425,269	451,251

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No receivables are interest-bearing. All are receivable within 90 days, except bonds and deposits. An amount of \$46,559 (USD50,000) (2010: \$58,748 (USD50,000)) due by Indonesian Joint Venture partner Samusa Corp is overdue and provision has been made for the full amount of the debt which is secured by iron ore stockpile at Desa Mirah, Indonesia, but which cannot be accessed due to landholder restraint.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Office plant and equipment	Exploration plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
<u>2011</u>					
At cost	501,166	51,493	335,046	134,809	1,022,514
Accumulated depreciation	-	(43,925)	(198,031)	(60,579)	(302,535)
Closing net book amount	501,166	7,568	137,015	74,230	719,979
Opening net book amount	-	10,982	136,265	80,795	228,042
Additions	501,166	2,000	59,860	9,271	572,297
Depreciation charge	-	(5,414)	-	-	(5,414)
Depreciation charged to exploration	-	-	(59,110)	(15,836)	(74,946)
Closing net book amount	501,166	7,568	137,015	74,230	719,979
<u>2010</u>					
At cost	-	49,492	275,187	125,537	450,216
Accumulated depreciation	-	(38,510)	(138,922)	(44,742)	(222,174)
Closing net book amount	-	10,982	136,265	80,795	228,042
Opening net book amount	-	14,730	70,185	90,211	175,126
Additions	-	5,450	138,181	8,523	152,154
Depreciation charge	-	(9,198)	-	-	(9,198)
Depreciation charged to exploration	-	-	(72,101)	(17,939)	(90,040)
Closing net book amount	-	10,982	136,265	80,795	228,042

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9. EXPLORATION AND EVALUATION

	<u>2011</u>	<u>2010</u>
	\$	\$
Opening net book amount	10,115,354	2,840,066
Write-off amounts previously capitalised	(75,920)	(646,447)
Exploration expenditure during the year	2,191,637	2,505,741
Acquisition of joint venture interest	-	6,010,600
Depreciation charged to exploration	74,946	90,040
Joint venture contributions	-	(65,272)
SA Government PACE grant	(75,000)	-
Write-off amounts expended during the year	(263,307)	(619,374)
Closing net book amount	11,967,710	10,115,354

In April 2010 the Group acquired the 40% interest previously held by Mineral Enterprises Australia Pty Ltd in the Gum Flat tenement EL 4643 (previously EL3422) for the sum of \$6,010,600 including stamp duties and legal fees.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

10. INTANGIBLE ASSETS

Computer software

Cost

Balance at beginning of the year	15,870	15,870
Additions	37,655	-
Balance at the end of the year	53,525	15,870

Amortisation and impairment

Balance at beginning of the year	12,954	10,039
Amortisation for the year	16,671	2,915
Balance at the end of the year	29,625	12,954
Closing net book amount	23,900	2,916

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11. TRADE AND OTHER PAYABLES

	<u>2011</u>	<u>2010</u>
	\$	\$
Trade payables	211,546	458,722
Accrued expenses	12,397	46,455
	223,943	505,177

Trade payables are non-interest bearing and normally settled on 30 day terms. Trade payables and accrued expenses are stated at cost. No adjustment is required for fair value.

12. CONTRIBUTED EQUITY

(a) Share capital

Fully paid ordinary shares	20,729,709	18,422,597
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Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 30 June 2009	90,046,511	9,328,068
Rights issue shortfall, July 2009	10,449,775	835,982
Placement shares	15,000,000	8,250,000
Exercise of unlisted 20 cent options	200,000	40,000
Exercise of listed 30 cent options	1,263,652	379,096
Less, share issue expenses	-	(410,549)
Balance at 30 June 2010	116,959,938	18,422,597
Rights issue March 2011	16,404,034	2,460,606
Less, share issue expenses	-	(153,494)
Balance at 30 June 2011	133,363,972	20,729,709

Holders of fully paid ordinary shares have the right, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Fully paid ordinary shares entitle their holders to vote, either in person or by proxy, at a meeting of the Company. On a poll each fully paid ordinary share is entitled to one vote.

In April 2010, 15 million shares were allotted to High Treasure International Limited, a Hong Kong based subsidiary of Jiangyin Huaxi Steel CO., LTD. ("JHS") (incorporated in China) at 55 cents per share. In conjunction with the allotment, the Group and JHS signed a Heads of Agreement which included a separate offtake agreement whereby JHS can acquire 50% of the Group's share of iron ore production from the Gum Flat (EL4643) Project priced by reference to the Hammersley Benchmark iron ore price. Details of the offtake arrangements have yet not been finalised and will not be binding until such time as they have been.

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(b) Options

The following options were outstanding at 30 June 2011:

<u>Category</u>	<u>Number</u>	<u>Exercise price per option</u>	<u>Expiry date</u>
Outstanding at 30 June 2011			
Directors (note 19)	4,350,000	20 cents	31 December 2011
Employee (note 19)	100,000	25 cents	31 December 2011
Employee (note 19)	<u>110,000</u>	30 cents	31 December 2011
Total outstanding	<u>4,560,000</u>		
Granted during the year	Nil		
Exercised during the year	Nil	-	-
Lapsed during the year ¹	200,000	25 cents	31 December 2011

¹ Options lapsed due to non-fulfillment of certain terms and conditions.

No options have been granted or exercised between the end of the year and the date of this report.

13. RESERVES

	<u>2011</u>	<u>2010</u>
	\$	\$
Share-based payments reserve		
Balance at beginning of the year	<u>84,696</u>	<u>84,696</u>
Balance at the end of the year	<u>84,696</u>	<u>84,696</u>

Share-based payments reserve is used to recognise the fair value of options issued but not exercised.

14. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG Australia.

Audit or review of financial reports	41,000	36,500
Other services - taxation advice and related matters	<u>16,638</u>	<u>34,000</u>
Total remuneration	<u>57,638</u>	<u>70,500</u>

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15. COMMITMENTS AND CONTINGENCIES

Exploration licences

The Company's exploration licence tenements are renewable on an annual basis at various renewal dates throughout the year and the amount of each expenditure covenant is set by the Minister for Mineral Resources Development at the time of each renewal grant.

	<u>2011</u>	<u>2010</u>
	\$	\$
Expenditure required to maintain tenure of all of the exploration licences		
Within one year	685,000	460,000
After one year but not more than five years	-	-
Longer than five years	-	-
	<hr/>	<hr/>
	685,000	460,000

Currently there are a number of tenements for which the Company has incurred exploration and evaluation expenditures but the Company does not hold the license rights for these tenements. The licenses are held by Centrex Metals Limited and its subsidiary South Australian Iron Ore Group Pty Ltd (SAIOG). There is a Heads of Agreement dated 8 July 2005, a Supplementary Agreement dated 21 March 2006 and a Coordination Agreement dated 19 April 2010 between the Company, Centrex Metals Limited and SAIOG whereby Lincoln is granted rights to all minerals and substances on the tenements other than iron ore. The Agreements also grant Centrex Metals the right to all iron ore found on one tenement held by the Company (EL 3498).

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts at the reporting date but not recognised as liabilities, payable		
Within one year	236,912	236,912
After one year but not more than five years	118,455	355,367
Longer than five years	-	-
	<hr/>	<hr/>
	355,367	592,279

Contingencies

As at 30 June 2011 and the date of this report there were no contingencies.

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16. EVENTS SUBSEQUENT TO BALANCE DATE

On 13 September 2011 the Directors completed an Underwriting Agreement with Tigermoth Investments Limited to support a 1 for 6 rights issue to shareholders at 8 cents per share to raise \$1,778,186 before costs of issue. The Agreement is effective if the Company completes an Offer Document by 31 December 2011 (or such other date as may be agreed between the Company and the Underwriter). The Underwriters may withdraw from the Agreement if either of the S&P/ASX 300 Metals and Mining Index or the S&P/ASX Small Ordinaries Index falls for three consecutive days to levels 15% below those of 12 September 2011 respectively. Nevertheless, the Directors are continuing to pursue various project finance avenues to advance the Gum Flat project, and if successful in that context it is unlikely that the Underwriting Agreement will be actioned.

17. EARNINGS PER SHARE

	<u>2011</u>	<u>2010</u>
Earnings / (loss) used to calculate basic and diluted earnings per share - \$	(1,203,039)	(1,968,541)
Basic earnings (loss) per share (cents)	(0.98)	(1.85)
Diluted earnings (loss) per share (cents)	(0.98)	(1.85)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	123,214,213	106,414,364
Weighted potential ordinary shares	127,969,281	146,928,874

The calculation of diluted earnings per share does not include weighted potential ordinary shares on issue as to do so would have the effect of reducing the amount of the loss per share.

18. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bank cash, short term deposits, trade receivables and trade payables. The main purpose of these financial instruments is to finance the Group's exploration operations. It is, and has been throughout the period under review, the Group's policy that trading in financial instruments shall not be undertaken. The main risk arising from the Group's financial instruments is cash flow interest rate risk. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(v) to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relate to its earnings on cash funds held.

Commodity price risk

The Group has not commenced production as yet so in the reporting period there has been no commodity price risk.

Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

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	<u>2011</u>	<u>2010</u>
	\$	\$
Cash and cash equivalents	1,920,255	3,456,894
Trade and other receivables	425,269	451,251
	2,345,524	3,908,145

The Group recorded no impairment loss during the year (2010: \$58,748).

Liquidity risk

The Group has liquidity risk arising from trade and other payables. Trade payables are normally settled within 30 days and the contracted cash flows of trade and other payables equals their carrying amounts.

Fair values

The fair values and carrying amounts for all of the financial assets and liabilities of the group as at the 2011 and 2010 balance dates are the same.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying amounts		
Fixed rate instruments		
Cash and cash equivalents	1,896,748	3,307,842
	1,896,748	3,307,842
Variable rate instruments		
Cash and cash equivalents	23,507	149,052
	23,507	149,052

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have affected the loss for the year by \$26,023 (2010: \$27,970). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. At present, all of the Group's capital is equity funded, and there are no intentions to incur debt financing in the near future. No dividends have been paid since the Company's inception and there are no intentions to pay dividends until at least such time as the Group has commenced revenue-generating activities.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

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19. SHARE-BASED PAYMENTS

Share-based payments expense for the year was Nil.

Summary of share-based payments options.

	20 cent options 31/12/2011	25 cent options 31/12/2011	30 cent options 31/12/2011
Number outstanding at beginning of the year	4,350,000	300,000	110,000
Lapsed during the year	-	(200,000)	-
Number outstanding at the end of the year	4,350,000	100,000	110,000

No options were granted (either vested by year end or not vested by year end) during the year and none were exercised during the year.

Weighted average exercise price of share-based payments options:

Outstanding at the beginning of the year	20.52 cents each
Lapsed during the year	25.00 cents each
Exercised during the year	-
Granted during the year	-
Outstanding at the end of the year	20.34 cents each

20. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors		Executives	
RV Ryan	Chairman	JK Kopias ²	Chief Financial Officer
AJ Parker	Managing Director	DA Povey	Senior Geologist
PE Cox	Director	PC Lyons ³	Senior Geologist
RA Althoff	Director		
EH Lim ¹	Director		

¹ EH Lim appointed as Director on 5 October 2010

² JK Kopias commenced as CFO 1 December 2010

³ PC Lyons resigned 6 May 2011

Compensation options

No shares were issued on exercise of compensation options during 2011 or 2010.

Compensation of Key Management Personnel by category:

	<u>2011</u>	<u>2010</u>
	\$	\$
Short term	616,552	591,557
Post employment	142,110	103,310
Total	758,662	694,867

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Option holdings of Key Management Personnel - 2011

	Balance at the beginning of the year	Granted as remuneration	Exercised	Lapsed	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
RV Ryan	800,000	-	-	-	800,000
AJ Parker	1,800,000	-	-	-	1,800,000
PE Cox	1,000,000	-	-	-	1,000,000
RA Althoff	750,000	-	-	-	750,000
<u>Executives</u>					
DA Povey	100,000	-	-	-	100,000
PC Lyons	100,000	-	-	100,000	-

Option holdings of Key Management Personnel - 2010

	Balance at the beginning of the year	Granted as remuneration	Exercised	Lapsed	Balance at the end of the year
<u>Directors</u>					
RV Ryan	850,000	-	50,000	-	800,000
AJ Parker	1,800,000	-	-	-	1,800,000
PE Cox	1,050,000	-	-	50,000	1,000,000
RA Althoff	1,004,990	-	40,000	214,990	750,000
<u>Executives</u>					
DA Povey	100,000	-	-	-	100,000
PC Lyons	100,000	-	-	-	100,000

Shareholdings of Key Management Personnel - 2011

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
<u>Directors</u>			
RV Ryan	350,000	50,000	400,000
AJ Parker	300,000	60,000	360,000
PE Cox	133,334	26,666	160,000
RA Althoff	760,000	110,000	870,000
EH Lim ¹	7,437,775	1,064,225	8,502,000

Executives - Nil

¹ As at 5 October 2010, the date of appointment as Director

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Shareholdings of Key Management Personnel - 2010

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
<u>Directors</u>			
RV Ryan	300,000	50,000	350,000
AJ Parker	300,000	300,000	300,000
PE Cox	133,334	-	133,334
RA Althoff	720,000	40,000	760,000

Executives - Nil

No shares were issued in either 2011 or 2010 as compensation.

Loans to Key Management Personnel

Nil

Other transactions with Key Management Personnel

Geosurveys Australia Pty Ltd is an entity associated with Dr AJ Parker. During the year Geosurveys Australia Pty Ltd provided vehicle and hire to the Company totaling \$10,727 at equal to or less than commercial rates.

Individual Directors and Executives disclosures

Information regarding individual Directors and Executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report in the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous year and there were no material contracts involving Directors' interests in existence at year end or as at the date of this report.

21. JOINT VENTURE - INDONESIA

Desa Mirah and other projects

On 24th February 2009 the Company entered into a joint venture with Indonesian miner Samusa Corp. whereby the Company could earn a 45% interest in the Desa Mirah iron ore project in Kalimantan, Borneo, Indonesia by expending up to USD2 million on exploration and development.

A drilling and trenching program undertaken in August and September 2009 failed to substantiate earlier identified exploration targets. The joint venture subsequently attempted to remove the stockpile and those easily accessed ores which had been identified but was continually thwarted by the landowners who refused to allow the removal and transport of the ores. The Company subsequently withdrew from the joint venture. All of the expenditure incurred on both the Desa Mirah project (\$287,692 capitalised at 30 June 2009 and \$354,043 expended in 2010) and the costs of \$224,574 incurred in seeking alternative exploration projects in Indonesia had been written off at 30 June 2010.

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During the course of exploration in Indonesia the Group has entered into heads of agreements with other parties for various small projects, but these projects are at stages where no assets can be recognised in the financial statements and expenditure incurred in 2011 of \$138,968 on these projects has been expensed. The Group's financial commitment in regard to these agreements is not material at this stage.

22. SEGMENT INFORMATION

During the year the Group operated in the mineral exploration industry in Australia and Indonesia.

Contributions by geographical segment based upon the location of exploration licence tenements are:

	<u>Australia</u>		<u>Indonesia</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$	\$	\$
<u>Income</u>						
Financial Income	113,654	140,966	-	-	113,654	140,966
<u>Expenses</u>						
Exploration and evaluation written off	(200,259)	(399,513)	(138,968)	(866,308)	(339,227)	(1,265,821)
Depreciation	(5,414)	(9,198)	-	-	(5,414)	(9,198)
Amortisation	(16,671)	(2,916)	-	-	(16,671)	(2,916)
Other expenses	(1,145,284)	(1,144,725)	-	-	(1,145,284)	(1,144,725)
Loss before income tax	(1,253,974)	(1,415,386)	(138,968)	(866,308)	(1,392,942)	(2,281,694)
Income tax benefit	189,903	313,153	-	-	189,903	313,153
Net loss for the year	(1,064,071)	(1,102,233)	(138,968)	(866,308)	(1,203,039)	(1,968,541)
<u>Assets</u>						
Exploration and evaluation	11,967,710	10,155,354	-	-	11,967,710	10,155,354
All other assets	3,035,332	4,056,895	54,071	82,208	3,089,403	4,139,103
Total assets	15,003,042	14,172,249	54,071	82,208	15,057,113	14,254,457
Total liabilities	(270,951)	(572,368)	-	-	(270,951)	(572,368)
Net assets	14,732,091	13,599,881	54,071	82,208	14,786,162	13,682,089

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23. PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2011 the parent company was Lincoln Minerals Limited.

	<u>2011</u>	<u>2010</u>
	\$	\$
Result of the parent entity		
Loss for the period	(1,203,039)	(1,968,141)
Other comprehensive income	-	-
Total loss for the period	(1,203,039)	(1,968,141)
Financial position of parent entity at year end		
Current assets	2,345,524	3,908,145
Non-current assets	12,711,589	10,346,312
Total assets	15,057,113	14,254,457
Current liabilities	270,951	572,368
Total liabilities	270,951	572,368
Total equity of the parent entity comprising of:		
Contributed equity	12 20,729,709	18,422,597
Reserves	13 84,696	84,696
Accumulated (Losses)	(6,028,243)	(4,825,204)
Total equity	14,786,162	13,682,089

Parent entity contingencies

At 30 June 2011 there were no contingencies.

Parent entity commitments

Parent entity commitments are the same as those for the Group which are disclosed in note 15.

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DIRECTORS' DECLARATION

1. In the opinion of the Directors of Lincoln Minerals Limited (the Company):
 - (a) The consolidated financial statements and notes, and the remuneration report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.
3. The Directors draw attention to note 2(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards

Signed in accordance with a resolution of the Directors

RV RYAN
Director

Dated this 23rd day of September 2011
Adelaide, South Australia



Independent auditor's report to the members of Lincoln Minerals Limited

Report on the financial report

We have audited the accompanying financial report of Lincoln Minerals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the director's report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lincoln Minerals Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

23 September 2011