

LINCOLN MINERALS LIMITED
ABN 050 50 117 023

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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 2010 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.

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	12	11
AJ Parker	12	11
PE Cox	12	12
RA Althoff	12	12

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	350,000	800,000
A John Parker	300,000	1,800,000
Peter E Cox	133,334	1,000,000
Robert A Althoff	760,000	750,000

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 EL3422 ("Gum Flat") with joint venture partner Mineral Enterprises Australia Pty Ltd ("MEA") until 30th November 2009. Negotiations concluded whereby Lincoln Minerals Limited acquired MEA's 40% interest in Gum Flat for a total cost of \$6,010,600 in April 2010. During the year with further drilling and testing the Company was able to increase the indicated and inferred iron ore resource on the Project to a total of 103 million tonnes. Various scoping and analytical studies were commenced on the Project towards the end of the financial year and are continuing into the next financial year.

At Eurilla on EL 3690 the Company continued exploration for uranium after earlier establishing 0.05% to 0.07% uranium mineralisation plus 0.1% to 0.5% base metal. Further vegetation sampling was undertaken to assess continuity of mineralisation.

During the year IronClad Mining Limited terminated its joint venture arrangement leaving the Company with 100% rights to all minerals including an inferred resource of 21.7 million tonnes (33% Fe).

In Indonesia the Company pursued its iron ore joint venture. However, 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 incurred in seeking alternative exploration projects in Indonesia (\$224,574) were written off in 2010.

Further detail of the Company's operations is set out in the Managing Director's Review of Operations section of the 2010 Annual Report

RESULTS AND DIVIDENDS

The Group made a loss after tax of \$1,968,541 (2009: \$1,708,699). In 2010 the Group capitalised \$7,275,288 (2009: \$2,377,030) of net exploration and evaluation expenditure (which included \$6,010,600 relating to the acquisition of 40% of the Gum Flat project) and expensed \$1,265,821 (2009: \$1,125,964) of such expenditure that was unable to be carried forward. Interest income was \$133,133 (2009: \$199,897) and contributions to overheads from the Group's joint venture partner in South Australia were \$7,833 (2009: \$227,659) for the period from 1 July 2009 until 30 November 2009 when the joint venture was effectively determined.

During the year the Company issued 26,913,427 new shares, including 10,449,775 shortfall shares in July 2009 at 8 cents per share from the June 2009 rights issue, the exercises of 1,463,652 options, and 15 million placement shares at 55 cents per share in April 2010. Altogether net proceeds of \$9,094,529 were achieved from these issues.

During the year the Company formed a wholly owned subsidiary, Lincoln Asia-Pacific Limited, incorporated in Australia. 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 incorporation and the date of this report.

Cash at the end of June 2010 was \$3,456,894 (2009: \$3,463,502)

No dividends were paid and the directors have not recommended the payment of a dividend (2009: 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

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	300,000
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

In August 2010 the Company was granted an option for consideration of \$50,000 to acquire land in the Gum Flat region on Eyre Peninsula in South Australia. If the Company were to exercise the option by the expiry date of 31 October 2010, the consideration payable then would be \$815,000 plus acquisition costs. However, Directors will not exercise the option to acquire land unless comparable capital raising measures have been confirmed.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2011 the Group will be principally engaged in the exploration for minerals on its tenement areas on Eyre Peninsula in South Australia including the assessment of mining opportunities at the flagship Gum Flat project and will continue to evaluate exploration opportunities in Indonesia. 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 elsewhere in the Directors' Report.

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)

Executives

PC Lyons	Senior Geologist
DA Povey	Senior Geologist
DR Bachmann	Project Geologist (2009 only)

Remuneration philosophy

The performance of the Group depends on the quality of its directors and executives. Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives.

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 committee

Due to the relatively small size and complexity of the Group the Board have 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 the senior management team.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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 executive team. 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 and accounting 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 Senior Management 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.

Structure

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

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 executives were granted during 2008 with vesting conditions.

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 until 31 December 2012 contract 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 9% superannuation, subject to annual review by the Board. Senior

staff 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.

Compensation of Key Management Personnel

	Short term		Post employment	Share-based payment	Total	Value of Options as a % of total remuneration
	Salary and fees	Contract payments and professional fees	Superannuation	Options		%
Year ended 30 June 2010	\$	\$	\$	\$	\$	%
<u>Directors</u>						
RV Ryan	-	52,500	-	-	52,500	-
AJ Parker (Executive)	174,675	-	51,706	-	226,381	-
PE Cox (Executive)	104,980	-	28,256	-	133,236	-
RA Althoff	34,402	-	3,098	-	37,500	-
<u>Executives</u>						
PC Lyons	125,000	-	11,250	-	136,250	-
DA Povey	100,000	-	9,000	-	109,000	-
Total Key Management Personnel - 2010	539,057	52,500	103,310	-	694,867	-
Year ended 30 June 2009						
RV Ryan	-	50,000	-	-	50,000	-
AJ Parker (Executive)	145,430	-	80,200	-	225,630	-
PE Cox (Executive)	55,041	-	86,103	-	141,144	-
RA Althoff	26,250	-	8,750	-	35,000	-
<u>Executives</u>						
PC Lyons	123,942	-	11,155	8,350	143,447	5.8%
DA Povey	100,000	-	9,000	3,117	112,117	2.8%
DR Bachmann	91,154	-	8,204	3,117	102,475	3.0%
Total Key Management Personnel - 2009	541,817	50,000	203,412	14,584	809,813	1.8%

No bonuses were earned by or paid to any key management personnel in either 2010 or 2009.

No shares were issued in either 2010 or 2009 as compensation.

Option holdings of Key Management Personnel

30 June 2010	Balance at the beginning of the year	Granted as remuneration	Exercised during the year	Lapsed during the year	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>					
PC Lyons	100,000	-	-	-	100,000
DA Povey	100,000	-	-	-	100,000

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>2009</u> \$	<u>2009</u> \$
<u>Audit services</u>		
Audit and review of financial reports (KPMG Australia)	36,500	38,000
<u>Other services</u>		
Taxation advice and compliance services	34,000	10,400

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 29th day of September 2010 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 2010 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

29 September 2010

LINCOLN MINERALS LIMITED
ABN 050 50 117 023

Financial Statements - 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

		<u>2010</u>		<u>2009</u>
		\$		\$
Financial income - interest		133,133		199,897
Overhead recoveries – joint venture partner		7,833		227,659
Employee benefits expense		(349,954)		(320,349)
Share based payments expense	18	-		(26,664)
Exploration and evaluation written off	8	(1,265,821)		(1,125,964)
Depreciation		(9,198)		(14,028)
Amortisation of intangibles		(2,916)		(5,831)
Foreign exchange loss on USD loan		(3,242)		(15,782)
Provision for bad debt		(58,748)		-
Corporate expenses	3	(732,781)		(652,512)
LOSS BEFORE INCOME TAX		(2,281,694)		(1,733,574)
Income tax benefit	4	313,153		24,875
NET LOSS FOR THE YEAR		(1,968,541)		(1,708,699)
Other comprehensive income		-		-
TOTAL COMPREHENSIVE INCOME		(1,968,541)		(1,708,699)
Basic earnings (loss) per share (cents)	16	(1.86)		(2.22)
Diluted earnings (loss) per share (cents)	16	(1.86)		(2.22)

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	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	11	9,505,078	-	-	9,505,078
Share issue expenses	11	(410,549)	-	-	(410,549)
Loss for the year		-	(1,968,541)	-	(1,968,541)
At 30 June 2010		18,422,597	(4,825,204)	84,696	13,682,089
At 1 July 2008		8,196,928	(1,147,964)	58,032	7,106,996
Share issues	11	1,213,943	-	-	1,213,943
Share issue expenses	11	(82,803)	-	-	(82,803)
Loss for the year		-	(1,708,699)	-	(1,708,699)
Share based payment transactions	18	-	-	26,664	26,664
At 30 June 2009		9,328,068	(2,856,663)	84,696	6,556,101

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	<u>Notes</u>	<u>2010</u> \$	<u>2009</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	3,456,894	3,463,502
Trade and other receivables	6	451,251	311,179
TOTAL CURRENT ASSETS		3,908,145	3,774,681
NON CURRENT ASSETS			
Property plant and equipment	7	228,042	175,126
Exploration and evaluation	8	10,115,354	2,840,066
Intangibles	9	2,916	5,831
TOTAL NON CURRENT ASSETS		10,346,312	3,021,023
TOTAL ASSETS		14,254,457	6,795,704
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	505,177	193,179
Employee entitlements – annual leave		67,191	46,424
TOTAL CURRENT LIABILITIES		572,368	239,603
TOTAL LIABILITIES		572,368	239,603
NET ASSETS		13,682,089	6,556,101
EQUITY			
Contributed equity	11	18,422,597	9,328,068
Reserves	12	84,696	84,696
Accumulated (Losses)		(4,825,204)	(2,856,663)
TOTAL EQUITY		13,682,089	6,556,101

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2010

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	<u>Notes</u>	<u>2010</u> \$	<u>2009</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(862,828)	(816,495)
Interest received		122,618	202,597
Net cash (outflow) from operating activities	5	<u>(740,210)</u>	<u>(613,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(2,350,185)	(4,636,096)
Purchase of joint venture interest		(6,010,600)	-
Less, joint venture contributions		177,802	2,053,243
Less, SA Govt PACE grant received		50,000	50,000
Payments for acquisition of property, plant and equipment		(152,154)	(35,319)
Payments for intangibles		-	(1,630)
Net cash inflow/(outflow) from investing activities		<u>(8,285,137)</u>	<u>(2,569,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	11	9,505,078	1,213,943
Share issue expenses	11	(486,339)	(7,013)
Net cash inflow/(outflow) from financing activities		<u>9,018,739</u>	<u>1,206,930</u>
Net increase/(decrease) in cash and cash equivalents		<u>(6,608)</u>	<u>(1,976,770)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>3,463,502</u>	<u>5,440,272</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u>3,456,894</u>	<u>3,463,502</u>

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - *Financial Statements 2010*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. CORPORATE INFORMATION

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 29th September 2010.

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 2010 the Group had accumulated losses of \$4.83m. However, net assets are \$13.68m and the directors believe the Group has sufficient cash of \$3.45m to pay its debts as and when they fall due and to fund anticipated exploration and corporate activities for 12 months from the date of this report. It is the intention of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. The Directors consider that the Group has the ability to fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets if necessary. The Directors will take appropriate action to ensure these funds are available as and when they are required, and in particular will not exercise the option to acquire land (refer note 15) unless comparable capital raising measures have been confirmed.

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

Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(b) Standards not early adopted

The following standards and amendments have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements.

LINCOLN MINERALS LIMITED - *Financial Statements 2010*

Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

None of the other Standards and Amendments available for early adoption has been adopted by the Group as none is expected to have a significant impact.

(c) Basis of Consolidation

During the year the Company formed a wholly owned subsidiary, Lincoln Asia-Pacific Limited, incorporated in Australia.

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 incorporation 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:

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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.

(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 derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(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.

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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 assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.

(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 short-term deposits 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 Cash Flow Statement, 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.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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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.

(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 4 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 income 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 income 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 items recognised directly in equity, in which case it is recognised 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 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 foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or

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settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

The Group presents basic and diluted earnings per share (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. Earnings per share for the previous year are restated for any rights issues during the current financial year.

(t) Goods and Services Tax ("GST")

Revenues, expenses and assets 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 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).

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(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 derecognised 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 derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(x) 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.

(y) Segment reporting

Determination and presentation of operating segments:

As of 1 July 2009 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. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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.

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. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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3. CORPORATE EXPENSES

	<u>2010</u>	<u>2009</u>
	\$	\$
ASX fees	50,891	31,878
Audit fees	13 36,500	38,000
Directors' fees	127,500	120,000
Head office administration	145,697	119,237
Insurances	36,350	23,559
Legal fees	39,149	39,211
Operating lease payments	57,622	55,205
Payroll tax	19,601	27,253
Public relations	103,595	116,922
Share registry	30,899	32,792
Staff recruitment, re-location, conferences, training	48,940	37,332
Travel	36,037	11,123
	<u>732,781</u>	<u>652,512</u>

4. INCOME TAX EXPENSE

Numerical reconciliation between tax expense and pre-tax net loss

Loss before tax	(2,281,694)	(1,733,574)
Prima facie income tax benefit at 30%	(684,508)	(520,072)
Research and development refund	313,153	24,875
Effect of permanent and temporary differences and tax losses not recognised	684,508	520,072
Income tax benefit attributable to operating loss	313,153	24,875

A deferred tax asset with respect to accumulated tax losses has been recognised to the extent of the Company's net deferred tax liability regarding temporary differences (approximately \$3,035k, relating mainly to capitalised exploration assets). The unrecognised deferred tax asset mainly with respect to accumulated tax losses is approximately \$1,132k tax effected at 30% (2009: \$888k), 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.

5. CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash at bank and in hand	149,052	1,183,256
Short term deposits	3,307,842	2,280,246
	<u>3,456,894</u>	<u>3,463,502</u>

Cash at bank does not earn interest.

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Short term deposits are made for varying periods of between 30 and 120 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 2010 was 4.76% pa. 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 3422 in favour of Primary Industries and Resources SA.

The Company has no available undrawn loan facilities.

RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

Operating (loss) after income tax	(1,968,541)	(1,708,699)
Depreciation and amortisation	12,113	19,859
Foreign exchange loss on USD loan	3,458	-
Provision for bad debt	58,748	-
Share based payments expense	-	26,664
Exploration expenditure written off	1,265,821	1,125,964
Changes in Assets and Liabilities		
Decrease (Increase) in other current operating assets	(202,279)	(6,597)
(Decrease) Increase in operating creditors and accruals	69,703	(70,387)
Decrease (Increase) in annual leave provision	20,767	(702)
Net cash used in operating activities	<u>(740,210)</u>	<u>(613,898)</u>

6. RECEIVABLES

Amounts owing by Joint Venture partners	58,748	188,023
Less, provision for bad debt	(58,748)	-
Accrued interest receivable	13,506	2,991
Bonds and deposits	17,500	2,500
Prepaid expenses	9,391	9,930
GST refundable	88,661	32,860
PACE Grant – SA Government	-	50,000
Research and development grant	313,153	24,875
Other	9,040	-
	<u>451,251</u>	<u>311,179</u>

No receivables are interest bearing. All are receivable within 90 days, except bonds and deposits. \$58,748 (USD 50,000) (2009: \$61,989 (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.

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7. PROPERTY, PLANT AND EQUIPMENT

	Office plant and equipment	Exploration plant and equipment	Motor vehicles	Total
<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
<u>2009</u>				
At cost	44,043	137,005	117,013	298,061
Accumulated depreciation	(29,313)	(66,820)	(26,802)	(122,935)
Closing net book amount	14,730	70,185	90,211	175,126
Opening net book amount	26,758	88,149	108,302	223,209
Additions	2,000	20,800	2,728	25,528
Depreciation charge	(14,028)	-	-	(14,208)
Depreciation charged to exploration	-	(38,764)	(20,819)	(59,583)
Closing net book amount	14,730	70,185	90,211	175,126

8. EXPLORATION AND EVALUATION

	<u>2010</u>	<u>2009</u>
	\$	\$
Opening net book amount	2,840,066	1,589,000
Write-off amounts previously capitalised	(646,447)	(355,457)
Exploration expenditure during the year	2,505,741	4,315,170
Acquisition of joint venture interest	6,010,600	-
Depreciation charged to exploration	90,040	59,583
Less, Joint venture contributions	(65,272)	(1,897,723)
Less, SA Govt PACE grant	-	(100,000)
Write-off amounts expended during the year	(619,374)	(770,507)
Closing net book amount	10,115,354	2,840,066

In April 2010 the Group acquired the 40% interest previously held by Mineral Enterprises Australia Pty Ltd in the Gum Flat tenement (EL3422) for the sum of \$5,700,000. The total cost to the Group comprised consideration \$5,700,000 plus stamp duties and legal fees \$310,600.

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9. INTANGIBLE ASSETS

Computer software

Cost

Balance at beginning of the year	15,870	14,240
Additions	-	1,630
Balance at the end of the year	15,870	15,870

Amortisation and impairment

Balance at beginning of the year	10,039	4,208
Amortisation for the year	2,915	5,831
Balance at the end of the year	12,954	10,039
Closing net book amount	2,916	5,831

10. TRADE AND OTHER PAYABLES

Trade payables	458,722	148,878
Accrued expenses	46,455	44,301
	505,177	193,179

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.

11. CONTRIBUTED EQUITY

	<u>2010</u>	<u>2009</u>
	\$	\$
(a) Share capital		
Fully paid ordinary shares	18,422,597	9,328,068

Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 30 June 2008	75,172,221	8,196,928
Exercise of Director Options, July 2008	200,000	40,000
Rights Issue, June 2009	14,674,290	1,173,943
Less, share issue expenses	-	(82,803)
Balance at 30 June 2009	90,046,511	9,328,068

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	<u>Number</u>	<u>\$</u>
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)
	116,959,938	18,422,597

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 (EL3422) 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.

(b) Options

The following options were outstanding:

<u>Category</u>	<u>Number</u>	<u>Exercise price per option</u>	<u>Expiry date</u>
Outstanding at 30 June 2010			
Directors	4,350,000	20 cents	31 December 2011
Employee (Note 18)	300,000	25 cents	31 December 2011
Employee (Note 18)	110,000	30 cents	31 December 2011
Total outstanding	4,760,000		
Granted during the year			
	Nil		
Exercised during the year	200,000	20 cents	31 December 2011
Exercised during the year	1,263,652	30 cents	30 June 2010
Lapsed during the year	34,513,202	30 cents	30 June 2010

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

12. RESERVES

	<u>2010</u>	<u>2009</u>
	\$	\$
Share-based payments reserve		
Balance at beginning of the year	84,696	58,032
Option expense	18	26,664
Balance at the end of the year	84,696	84,696

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

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13. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG.

Audit or review of financial reports	36,500	38,000
Other services - taxation advice	34,000	10,400
Total remuneration	<u>70,500</u>	<u>48,400</u>

14. 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 at the time of each renewal grant. On the basis of the current level of such expenditure required for each tenement, the total expenditure required to maintain tenure of all of the exploration licences over the next twelve months where the Company is the licence-holder is \$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 and a Supplementary Agreement dated 21 March 2006 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

	<u>2010</u>	<u>2009</u>
	\$	\$
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	251,136
After one year but not more than five years	355,367	94,013
Longer than five years	-	-
	<u>592,279</u>	<u>345,149</u>

Contingencies

At 30 June 2010 there were no contingencies.

15. EVENTS SUBSEQUENT TO BALANCE DATE

In August 2010 the Company was granted an option for consideration of \$50,000 to acquire land in the Gum Flat region on Eyre Peninsula in South Australia. If the Company were to exercise the option by the expiry date of 31 October 2010, the consideration payable then would be \$815,000 plus acquisition costs. The Company does not intend to exercise the option unless comparable capital raising measures have been confirmed.

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16. EARNINGS PER SHARE

Earnings used to calculate basic and diluted earnings per share	(1,968,541)	(1,708,699)
Basic earnings (loss) per share (cents)	(1.86)	(2.22)
Diluted earnings (loss) per share (cents)	(1.86)	(2.22)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share including rights issue adjustment (2009: 6,209,937, 2010: 1,931,258)	105,596,290	81,616,334
Weighted potential ordinary shares on issue including rights issue adjustment (2009: 6,171,287, 2010: 1,601,249)	146,110,800	119,934,125

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.

17. 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(u) 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.

Foreign currency risk

The Group has exposure to foreign currency risk to the extent of receivables measured in US dollars. At 30 June 2010 a receivable amount of USD50,000 was measured in the financial statements at the rate of exchange into Australian dollars appropriate as at that date. An increase/(decrease) in exchange rate of 10% would result in a foreign exchange gain/(loss) of approximately \$6,260. The full amount of that debt however has been provided for in full.

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:

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash and cash equivalents	3,456,894	3,463,502
Trade and other receivables	451,251	311,179
	3,908,145	3,774,681

The Group recorded an impairment loss of \$58,748 during the year (2009: Nil).

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 2010 and 2009 balance dates are the same, except for a receivable at 30 June 2010 which has been measured at fair value as at that date.

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Interest rate risk

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Carrying amounts		
Fixed rate instruments		
Financial assets	3,307,842	2,280,245
	3,307,842	2,280,245
Variable rate instruments		
Financial assets	149,052	1,183,256
	149,052	1,183,256

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by \$27,970 (2009: \$38,650). 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.

18. SHARE-BASED PAYMENTS

In the year ended 30 June 2008 410,000 options were issued as share-based payments to key employees.

The following table lists the inputs to the Black-Scholes model used to determine the value of the payment:

	25 cent options 31/12/2011 (200,000 granted)	25 cent options 31/12/2011 (100,000 granted)	30 cent options 31/12/2011 (110,000 granted)
Expected volatility	64%	123%	109%
Risk-free interest rate	5.5%	5.75%	6.75%
Expected life of option	1,623 days	1,542 days	1,277 days
Average share price at grant date - cents	20.0	17.0	28.0
Value per option – cents	10.11	13.68	20.05

Share-based payments expense for the year was \$Nil

All of the options were granted for no consideration and contain no performance conditions. However, for each grant of options during the year, 50% of the options vested after one year's service and the remainder after two year's service with the Company.

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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	4,550,000	300,000	110,000
Granted during the year and vested by year end	-	-	-
Granted during the year but not vested by year end	-	-	-
Exercised during the year	200,000	-	-
Lapsed during the year	-	-	-
Number outstanding at the end of the year	4,350,000	300,000	110,000

Weighted average exercise price of share-based payments options:

Outstanding at the beginning of the year	20.52 cents each
Lapsed during the year	Nil
Exercised during the year	20 cents each
Granted during the year	Nil
Outstanding at the end of the year	20.55 cents each

19. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors		Executives	
RV Ryan	Chairman (non-executive)	PC Lyons	Senior Geologist
AJ Parker	Managing Director	DA Povey	Senior Geologist
PE Cox	Director	DR Bachmann	Project Geologist (2009 only)
RA Althoff	Director (non-executive)		

Compensation options

No shares were issued on exercise of compensation options during 2010 or 2009.

Compensation of Key Management Personnel by category:

	<u>2010</u>	<u>2009</u>
	\$	\$
Short term	591,557	591,817
Post employment	103,310	203,412
Other long term	-	-
Termination benefits	-	-
Share based payment	-	14,584
Total	<u>694,867</u>	<u>809,813</u>

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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>					
PC Lyons	100,000	-	-	-	100,000
DA Povey	100,000	-	-	-	100,000

Option holdings of Key Management Personnel - 2009

	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	-	-	-	850,000
AJ Parker	2,000,000	-	200,000	-	1,800,000
PE Cox	1,050,000	-	-	-	1,050,000
RA Althoff	1,358,322	-	-	353,332	1,004,990
<u>Executives</u>					
PC Lyons	100,000	-	-	-	100,000
DA Povey	100,000	-	-	-	100,000
DR Bachmann	100,000	-	-	-	100,000

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
<u>Executives</u>			
PC Lyons	-	-	-
DA Povey	-	-	-

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Shareholdings of Key Management Personnel - 2009

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Directors			
RV Ryan	100,000	200,000	300,000
AJ Parker	-	300,000	300,000
PE Cox	100,000	33,334	133,334
RA Althoff	509,980	210,020	720,000
Executives			
PC Lyons	-	-	-
DA Povey	-	-	-
DR Bachmann	-	-	-

No shares were issued in either 2010 or 2009 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 \$4,150 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.

20. 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 incurred in seeking alternative exploration projects in Indonesia (\$224,574) have been written off at 30 June 2010.

As at the date of this report the Group has entered into three heads of agreement for various small projects in Indonesia but these projects are at stages where no assets can be recognised in the financial statements. The Group's financial commitment in regard to these agreements is not material at this stage.

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21. SEGMENT INFORMATION

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

Contributions by geographical segment are:

	<u>Australia</u>	<u>Indonesia</u>	<u>Total</u>
	\$	\$	\$
Total revenue	140,966	-	140,966
Expenses			
Exploration and evaluation written off	(399,513)	(866,308)	(1,265,821)
Depreciation	(9,198)	-	(9,198)
Amortisation of intangibles	(2,916)	-	(2,916)
All other expenditure	(1,144,725)	-	(1,144,725)
Loss before income tax	(1,415,386)	(866,308)	(2,281,694)
Income tax benefit	313,153	-	313,153
Net loss for the year	(1,102,233)	(866,308)	(1,968,541)

Assets

Exploration and evaluation	10,115,354	-	10,115,354
All other assets	4,056,895	82,208	4,139,103
Total assets	14,172,249	82,208	14,254,457
Total liabilities	(572,368)	-	(572,368)
Net assets	13,599,881	82,208	13,682,089

22. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 30 June 2010 the parent company was Lincoln Minerals Limited.

	<u>2010</u>	<u>2009</u>
	\$	\$
Result of the parent entity		
Loss for the period	(1,968,141)	(1,708,699)
Other comprehensive income	-	-
Total loss for the period	(1,968,141)	(1,708,699)

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	<u>2010</u>	<u>2009</u>
	\$	\$
Financial position of parent entity at year end		
Current assets	3,908,145	3,774,681
Non-current assets	10,346,312	3,021,023
Total assets	14,254,457	6,795,704
Current liabilities	572,368	239,603
Total liabilities	572,368	239,603
Total equity of the parent entity comprising of:		
Contributed equity	11 18,422,597	9,328,068
Reserves	12 84,696	84,696
Accumulated (Losses)	(4,825,204)	(2,856,663)
Total equity	13,682,089	6,556,101

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probably that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

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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 2010 and for the performance for the year ended on that date;
 - (ii) complying with Accounting Standards and 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. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.
3. The Directors draw attention to Note 2(a) to the consolidated financial statements which includes a statement of compliance with International Reporting Standards

Signed in accordance with a resolution of the Directors

RV RYAN
Director

Dated this 29th day of September 2010
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 the Group comprising Lincoln Minerals (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 22 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

29 September 2010