

**LINCOLN MINERALS LIMITED**  
**ABN 50 050 117 023**

**DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

The Directors present their report together with the financial report of Lincoln Minerals Limited for the half year ended 31 December 2009 together with the Auditor's review report thereon.

**DIRECTORS**

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

<i>Name</i>	<i>Period of directorship</i>
Non-executive	
Richard V. Ryan	Appointed 10 November 2006 and Chairman from that date
Peter E. Cox	Appointed 16 October 2006
Robert A. Althoff	Appointed 5 July 2005
Executive	
Dr A John Parker	Appointed 16 October 2006 as Managing Director from that date

**REVIEW OF OPERATIONS**

**Australian operations**

During the half year the Company continued to explore its priority mineral targets with a drilling campaign commenced at Gum Flat (EL3422) in November 2009. Further exploration and sampling for uranium have been carried out at Wilcherry (EL3690) and the Centrex Metals Limited held tenement Mount Hill (EL3877).

Gum Flat

Drilling recommenced during the quarter to define additional magnetite and hematite resources. At the end of December, the following drilling had been completed:

- 1,928m reverse circulation (RC) drilling targeting hematite direct shipping ore (DSO) on the central Barns Prospect; and
- 786m diamond core drilling targeting deeper magnetite ore on the Barns Prospect but also including a metallurgical hole on the hematite DSO.

Drilling stopped over the Christmas period but recommenced the second week in January 2010 and was completed in February 2010.

Down dip from the central B1 zone of the Barns Prospect, good magnetite mineralisation has been shown to extend to at least 325m below ground level which is some 75m deeper than previously identified. There are also additional zones of magnetite iron formation (BIF).

The Exploration targets for magnetite and hematite (including already defined resources) are:

- Magnetite 125-200 Mt at 20-25% Fe
- Hematite 3-10 Mt at 45-60% Fe (incl. 1-2 Mt DSO at 55-60% Fe)

The EL is also prospective for polymetallic minerals including gold, uranium, base metals (copper, lead, zinc, nickel) and graphite.

A detailed metallurgical study of magnetite iron ore from the Barns Prospect was prepared during the period as a precursor to a scoping study to evaluate appropriate mining and beneficiation procedures. Several bulk hematite and magnetite samples were tested. This work generally indicated that all of the magnetite samples could reach a suitable blast furnace (BF) grade. One of the samples required a P<sub>80</sub> grind of 32 microns while the other two from the central

Barns Prospect could easily make a blast furnace grade at P<sub>80</sub> 70 micron and likely make a direct reduction (DR) grade at P<sub>80</sub> of 32 micron.

If the samples are weighted as equal parts in the whole of the plant feed, then an approximate final grind P<sub>80</sub> of 40 micron would be required. An indicative BF concentrate grade would be:

% Wt	%Fe	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>	%CaO	%MgO	%P	%S	%Mn
28.2	66.90	4.38	0.49	0.55	0.58	0.01	0.02	0.44

Note that the CaO, MgO and Mn may not necessarily be considered deleterious.

The Company has a joint venture agreement with Indian iron ore miner, Mineral Enterprises Limited (MEL) and its subsidiary Mineral Enterprises Australia Pty Ltd (MEA). MEA earned a 40% participating interest in EL 3422 by spending \$2.5 million on exploration in April 2009 and has continued to fund its share of exploration expenditure since that date.

Recently the Company entered into negotiations to purchase back the 40% interest earned by MEA. Agreement terms have been reached in principle and will be subject to the Company obtaining the necessary finance.

In conjunction with this option, Lincoln is negotiating an investment and offtake agreement with a Chinese steel mill. A non-binding Letter of Intent has been received to finance the above purchase from MEA.

#### Wilcherry

The Wilcherry Project area is along strike from the Weednanna magnetite (gold) and Menninnie Dam zinc-lead-silver deposits to the northwest and has potential for iron ore, uranium, gold and/or base metal mineralisation possibly with associated hydrothermal iron oxide and/or sericite alteration.

Lincoln Minerals had a Heads of Agreement (HoA) with IronClad Mining Limited (ASX: IFE) under which IFE could earn up to 80% of the rights to explore for and mine iron ore (only) within EL 3690. EL 3690 straddles the southern extension of IFE's Hercules iron ore target.

IronClad did not meet the required expenditure commitments by 31 December 2009 to earn the Stage 2 interest in the rights for iron ore on EL 3690. Consequently LML now retains 100% of the iron ore rights.

As previously announced, the *in situ* Inferred Mineral Resource outlined by Golder Associates for that part of the Hercules target within EL 3690 is 21.7 Mt @ 33.3% Fe. LML considers the exploration target for the Hercules South deposit is 50-100 Mt @ 30-35% Fe.

#### Other areas

During the quarter, one new exploration license (EL 4361) was granted in the Dutton Bay area west of Port Neill on Eyre Peninsula.

Otherwise, no significant exploration was undertaken on the Company's other South Australian tenements.

#### Centrex Metals Limited – rights to non-ferrous minerals

Lincoln Minerals has been involved in ongoing negotiations with Centrex Metals Limited (CXM) regarding CXM's proposed joint ventures and assignment of interest in the iron ore rights on various Eyre Peninsula ELs to Chinese companies, Wuhan Iron and Steel Group (WISCO) and the Baogang Group. Lincoln has the rights for all metals and minerals other than iron ore on the majority of CXM ELs on Eyre Peninsula. Lincoln, under the terms of its agreement with CXM, is required to give its approval for any transfer of interest in the iron ore rights to a third party. Lincoln has agreed to give its approval subject to all parties signing Deeds of Consent and Assumption to ensure that none of Lincoln's existing rights are diminished in any way. Lincoln and CXM have signed the Deeds but await signing by their joint venturers.

In addition, the Company is progressing a Coordination Agreement with CXM to clarify and set out details for co-operative mining on the CXM tenements where Lincoln has the rights for all metals and minerals other than iron ore.

## **Indonesian operations**

In Indonesia the Company experienced difficulty at Desa Mirah where palm oil plantation owner on whose land the mine is located has refused to allow further exploration and mining activity. However, the Company remains optimistic that shipment of the stockpiled ore can be made during the next half year.

A number of projects in Indonesia and South East Asia have been offered to the Company and negotiations by way of Heads of Agreements with some of the owners of these projects have been commenced. A bilingual Heads of Agreement has been drafted by the company's legal representatives in Jakarta.

Some of the projects being considered by the Company include:

- Manganese in western Timor;
- Iron ore and iron sands in west Kalimantan and Flores;
- Mineral sands in west Kalimantan; and
- Iron ore with copper-gold in Sulawesi.

The Company is focussing on areas close to established infrastructure, including existing port facilities, and has been undertaking due diligence research and field reconnaissance on these projects.

The Company formed a new wholly-owned subsidiary during the period, Lincoln Asia-Pacific Limited to manage and operate projects in Indonesia and the greater Asia-Pacific region in the future.

## **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.

Dated at Adelaide, South Australia this 11<sup>th</sup> day of March 2010 and signed in accordance with a resolution of the Directors.

R V Ryan, Director

*Information in this report that relates to exploration activity and results was compiled by Dr A J Parker who is a Member of the Australasian Institute of Geoscientists. Dr Parker is Managing Director of Lincoln Minerals Limited and has sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as a Competent Person as defined by the JORC code, 2004. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.*



***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 review for the interim period ended 31 December 2009 there have been:

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

*KPMG*

KPMG

A handwritten signature in blue ink, appearing to read 'Derek Meates'.

Derek Meates  
*Partner*

Adelaide

11 March 2010

**LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY**  
**ABN 50 050 117 023**

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the half year ended 31 December 2009**

	Notes	<u>Half year ended</u> <u>31 December 2009</u>	<u>Half year ended</u> <u>31 December 2008</u>
		\$	\$
Overhead recoveries – joint venture partner		7,833	197,702
TOTAL REVENUE		7,833	197,702
Exploration and evaluation expenditure previously capitalised written off		(909,173)	-
Exploration and evaluation expenditure not capitalised – current period		(571,664)	(912,708)
Corporate and administrative expenses	5	(519,362)	(535,500)
RESULTS FROM OPERATING ACTIVITIES		(1,992,366)	(1,250,506)
Finance income - interest		57,846	148,398
LOSS BEFORE INCOME TAX		(1,934,520)	(1,102,108)
Income tax expense	6	-	-
NET LOSS FOR THE PERIOD		(1,934,520)	(1,102,108)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,934,520)	(1,102,108)
Basic earnings / (loss) per share (cents)		(1.78)	(1.35)
Diluted earnings / (loss) per share (cents)		(1.78)	(1.35)

The accompanying Notes form part of these Financial Statements

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half year ended 31 December 2009

	<u>Issued capital</u>	<u>Share based payments reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
	\$	\$	\$	\$
Balance at 1 July 2009	9,328,068	84,696	(2,856,663)	6,556,101
Total comprehensive income for the period				
Loss for the half year	-	-	(1,934,520)	(1,934,520)
Total comprehensive income for the period	-	-	(1,934,520)	(1,934,520)
Transactions with owners, recorded directly to equity				
Share issues	837,482	-	-	837,482
Share issue expenses	(39,299)	-	-	(39,299)
Total transactions with owners	798,183	-	-	798,183
Balance at 31 December 2009	10,126,251	84,696	(4,791,183)	5,419,764
Balance at 1 July 2008	8,196,928	58,032	(1,147,964)	7,106,996
Total comprehensive income for the period				
Loss for the half year	-	-	(1,102,108)	(1,102,108)
Total comprehensive income for the period	-	-	(1,102,108)	(1,102,108)
Transactions with owners, recorded directly to equity				
Share issues	40,000	-	-	-
Share based payment transactions	-	8,604	-	-
Total transactions with owners	40,000	8,604	-	-
Balance at 31 December 2008	8,236,928	66,636	(2,250,072)	6,053,492

The accompanying Notes form part of these Financial Statements

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2009

	<u>Notes</u>	<u>31 December 2009</u> \$	<u>30 June 2009</u> \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	2,923,210	3,463,502
Trade and other receivables		192,550	311,179
TOTAL CURRENT ASSETS		<u>3,115,760</u>	<u>3,774,681</u>
NON CURRENT ASSETS			
Property plant and equipment		168,613	175,126
Exploration and evaluation	8	2,536,486	2,840,066
Intangibles		4,374	5,831
TOTAL NON CURRENT ASSETS		<u>2,709,473</u>	<u>3,021,023</u>
TOTAL ASSETS		<u>5,825,233</u>	<u>6,795,704</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		353,112	193,179
Employment entitlements – annual leave		52,357	46,424
TOTAL CURRENT LIABILITIES		<u>405,469</u>	<u>239,603</u>
TOTAL LIABILITIES		<u>405,469</u>	<u>239,603</u>
NET ASSETS		<u>5,419,764</u>	<u>6,556,101</u>
<b>EQUITY</b>			
Contributed equity	9	10,126,251	9,328,068
Reserves	10	84,696	84,696
Accumulated Losses		<u>(4,791,183)</u>	<u>(2,856,663)</u>
TOTAL EQUITY		<u>5,419,764</u>	<u>6,556,101</u>

The accompanying Notes form part of these Financial Statements

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2009

	<u>Half year ended</u> <u>31 December 2009</u>	<u>Half year ended</u> <u>31 December 2008</u>
<u>Notes</u>	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(481,357)	(638,084)
Overhead recoveries – joint venture partner	13,503	190,391
Interest received	50,989	151,110
Income tax R&D grant received	24,875	-
Net cash (outflow) from operating activities	(391,990)	(296,583)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(1,013,999)	(2,808,592)
Less, exploration expenditure – joint venture contributions	112,530	1,586,047
Less, SA Govt PACE Grant received	50,000	-
Payments for acquisition of property, plant and equipment	(19,226)	(35,804)
Payments for acquisition of intangibles	-	(1,630)
Net cash inflow/(outflow) from investing activities	(870,695)	(1,259,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	837,482	40,000
Share issue expenses	(115,089)	-
Net cash inflow/(outflow) from financing activities	722,393	40,000
Net increase/(decrease) in cash and cash equivalents	(540,292)	(1,516,562)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,463,502	5,440,272
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,923,210	3,923,710

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The accompanying Notes form part of these Financial Statements



# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

Lincoln Minerals Limited is a company domiciled in Australia and whose shares are publicly traded on ASX Limited.

The consolidated interim financial report of the Company for the six months ended 31 December 2009 comprises the Company and its wholly owned subsidiary Lincoln Asia-Pacific Limited which was incorporated in Australia on 9 November 2009 (together referred to as the "consolidated entity").

### 2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not contain all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2009. The 2009 annual financial report is available from the Company's registered office at 28 Greenhill Road, Wayville SA 5034 or at [www.lincolnminerals.com.au](http://www.lincolnminerals.com.au)

The consolidated interim financial report was approved by the Board of Directors on 11 March 2010.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2009.

None of the Australian Accounting Standards or Interpretations available for early adoption has been early adopted by the Company as none is considered to have a significant impact on the Consolidated Entity.

#### (i) Presentation of financial statements

The Consolidated Entity applies revised AASB 101 *Presentation of Financial Statements*, which became effective as 1 July 2009. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas non-owner changes in equity are presented in the consolidated changes in comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months ended 31 December 2009.

Comparative information has been re-presented to conform to the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no effect on earnings per share.

#### (ii) Basis of consolidation – subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Group. In the Company's financial statements, investments in subsidiaries are carried at cost. Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated in the consolidated financial statements.

#### (iii) Determination and presentation of operating segments

As of 1 July 2009 the Consolidated Entity determines and presents operating segments based on the information that is internally provided to the Managing Director, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. The accounting policy in respect of segments is presented as follows:

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

An operating segment is a component of the consolidated entity that engages in business activities that may earn revenues and incur expenses that relate to transactions with any of the consolidated entity's other components. An operating segment's operating results are reviewed regularly by the 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, corporate 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 intangibles other than goodwill.

Adoption of this standard only impacts presentation and disclosure and has no effect on earnings per share.

### 4 GOING CONCERN

The 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 31 December 2009 the Consolidated Entity had net current assets of \$2,710,291 and the Directors believe that the Consolidated Entity has sufficient cash to pay its debts as and when they fall due, and to fund near term anticipated exploration and corporate activities. It is the intention of the Directors to continue to explore the Consolidated Entity's areas of interest for which rights of tenure are current. In order to achieve this, further cash injections by way of debt or equity may be necessary. Subject to market conditions, the Directors consider that Lincoln Minerals Limited could raise cash by way of equity or debt to fund anticipated activities. The Directors will take appropriate action to ensure funds are available if and when they may be required.

### 5. CORPORATE AND ADMINISTRATIVE EXPENSES

	<u>Half year ended</u> <u>31 December 2009</u>	<u>Half year ended</u> <u>31 December 2008</u>
	\$	\$
ASX fees	29,453	16,910
Audit fees	11,000	15,500
Depreciation and amortisation of non-current assets	5,034	9,929
Directors' fees	60,000	60,000
Employee benefits expense	144,436	167,421
Employee benefits expense – share based payments	-	8,604
Head office administration	127,015	90,043
Legal fees	15,206	26,617
Payroll tax	12,783	14,599
Operating lease payments	28,561	27,854
Public relations and shareholder report costs	67,050	74,156
Share registry	18,824	23,867
	<u>519,362</u>	<u>535,500</u>

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. INCOME TAX EXPENSE

The Consolidated Entity has no income tax expense for the period. Deferred tax assets in excess of the consolidated entity's deferred tax liability arising mainly from evaluation and exploration expenditure have not been recognised in respect of tax losses and deductible temporary differences (net of taxable temporary differences) because it is not probable that future taxable profit will be available against which the Consolidated Entity will be able to utilise the benefits.

### 7. CASH AND CASH EQUIVALENTS

	<u>31 December 2009</u>	<u>30 June 2009</u>
	\$	\$
Cash at bank and in hand	80,672	1,183,256
Short term deposits	<u>2,842,538</u>	<u>2,280,246</u>
	<u>2,923,210</u>	<u>3,463,502</u>

The Company has no available undrawn loan facilities.

### 8. EXPLORATION AND EVALUATION

Balance at 1 July 2009	2,840,066
Expenditure for the half year	1,242,529
Less, Joint venture contributions	(65,272)
Less, impairment write off	<u>(1,480,837)</u>
Balance at 31 December 2009	<u>2,536,486</u>

In Indonesia, the Company experienced difficulty at Desa Mirah where the palm oil plantation owner on whose land the mine is located has refused to allow further exploration and mining activity. Although the Company remains optimistic that shipment of the stockpiled ore can be made during the next half year, the costs (brought forward \$373,857 and current period \$350,116) relating to the project at Desa Mirah in Indonesia have been included in the impairment write off amount. In respect of the Desa Mirah project the Company has no outstanding commitment in respect of the joint venture agreement that it entered into in February 2009 with Samusa Corp, as insufficient reserves of iron ore were established in accordance with the terms of that agreement.

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 9. CONTRIBUTED EQUITY

	<u>31 December 2009</u>	<u>30 June 2009</u>
(a) Share capital		
Fully paid ordinary shares	10,126,251	9,328,068

Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2008	75,172,221	8,196,928
Issue 11 July 2008	200,000	40,000
Balance at 31 December 2008	75,372,221	8,236,928
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
Rights issue shortfall, issued July 2009	10,449,775	835,982
Less, share issue expenses	-	(39,299)
Exercise 30c options	5,000	1,500
Balance at 31 December 2009	100,501,286	10,126,251

### 10. RESERVES

	<u>Half year ended</u> <u>31 December 2009</u>	<u>Year ended</u> <u>30 June 2009</u>
	<u>\$</u>	<u>\$</u>
Share-based payments reserve		
Balance at beginning of the period	84,696	58,032
Option expense	-	26,664
Balance at the end of the period	84,696	84,696

### 11. SEGMENT INFORMATION

During the half year ended 31 December 2009 the Consolidated Entity operated in the mineral exploration industry in Australia. In addition the Consolidated Entity contributed to a joint venture seeking iron ore and sought to obtain other exploration opportunities in Indonesia. In the comparative period ending 31 December 2008 all of the Company's operations were in Australia.

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Contributions by geographical segment for the half year ended 31 December 2009 are:

	<u>Australia</u> <u>exploration</u> \$	<u>Indonesia</u> <u>exploration</u> \$	<u>Unallocated</u> \$	<u>Total</u> \$
Segment revenue	7,833	-	57,846	65,679
Segment result	(621,464)	(851,540)	(461,516)	(1,934,520)
Segment assets	2,671,287	61,496	3,092,451	5,825,233

### 12. RELATED PARTY TRANSACTIONS

#### Transactions with Key Management Personnel

Geosurveys Australia Pty Ltd is an entity associated with Dr AJ Parker. During the half year ended 31 December 2009 Geosurveys Australia Pty Ltd provided vehicle and equipment hire to the Consolidated Entity totaling \$700 at equal to or less than commercial rates in connection with the business of the Company.

### 13. EVENTS SUBSEQUENT TO BALANCE DATE

On 11 March 2010, the Company signed an agreement with the Mineral Enterprises Limited Group whereby the Company will acquire the 40% interest held by Mineral Enterprises Australia Pty Limited ("MEA") in the EL 3422 Gum Flat project, subject to the Company raising the necessary funds for the purpose. The consideration for the transaction is \$5,700,000 and is deemed effective as of 30 November 2009 (which means that MEA has not contributed to its share of exploration costs for Gum Flat since that date). Completion date for the transaction is 30 April 2010. If the conditions of the agreement are not satisfied and the transaction is not completed, then MEA will either contribute its share of costs from 1 December 2009 or suffer dilution of interest in accordance with the terms of the Joint Venture Agreement.

On 1 February 2010 the Board resolved to extend the employment contract of Managing Director Dr John Parker from 30 November 2010 till 31 December 2012. The revised contract extends the period of payment of salary in lieu of notice by the Company where it terminates the contract for reasons other than employee malpractice from six months to twelve months or to the end of the contract period, whichever period comes first. Effective as from 1 January 2010, Dr Parker's salary was increased by 5% to \$217,350 plus 9% superannuation.

Effective as from 1 January 2010, Directors' fees per annum have been increased from \$50,000 and \$35,000 for the Chairman and other Directors (excluding the Managing Director) to \$55,000 and \$40,000 respectively. This increase is the first since the Company listed in March 2007.

# LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the six months ended on that date;
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board

Richard V Ryan  
Chairman

Dated this 11<sup>th</sup> day of March 2010.  
Adelaide, South Australia



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Lincoln Minerals Limited, which comprises the statement of financial position as at 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year period ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lincoln Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Derek Meates'.

Derek Meates  
*Partner*

Adelaide

11 March 2010