



LINCOLN MINERALS LIMITED

LINCOLN MINERALS LIMITED

ANNUAL REPORT TWO THOUSAND AND TEN





LINCOLN MINERALS LIMITED

ABN 50 050 117 023

CORPORATE DIRECTORY

Directors

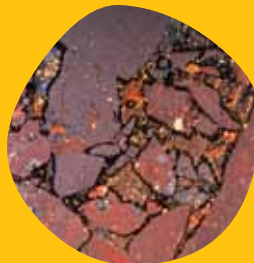
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Peter E Cox

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LML

HIGHLIGHTS FOR 2009 - 2010 FINANCIAL YEAR

Solid Future Growth Path

- Undertaking mine optimisation studies on advanced Gum Flat iron ore project in SA
- Undertaking baseline studies for Mining Lease Application over Gum Flat resources
- New drilling programs at Gum Flat and Eurilla to target additional hematite iron resources
- Option to acquire land for development of Gum Flat
- Commencing Stage 1 exploration of manganese projects in west Timor, Indonesia

Gum Flat Iron Ore Project (SA's Eyre Peninsula)

- Now 100% owned by Lincoln Minerals
- In situ Indicated and Inferred Mineral Resources increased to total 101 million tonnes (Mt):
 - 99 Mt Magnetite Inferred Resource at 24.4% Fe (20.6% DTR concentrate)
 - 3.6 Mt Hematite Inferred and Indicated Resource at 46.2% Fe including 0.9 Mt DSO hematite at 54.2% Fe (50% Fe cut-off) or 58% CaFe
- 3-17 Mt hematite exploration target at 45-60% Fe
- 150-250 Mt magnetite exploration target @ 22-28% Fe adjacent to Inferred Resources plus additional targets to east
- Potential to commence mining DSO hematite in 2012 subject to upgrade of mineable reserves, regulatory approvals and project finance:
 - Start-up mining operation targeting 0.5 Mtpa hematite DSO
 - Operating cost less than A\$20 per tonne FOB ex Port Lincoln (★)
 - Estimated margin A\$45-55 per tonne FOB before tax
 - Capital cost A\$50-55 million including pre-strip of overburden, roads, storage shed at port & other facilities
 - Positive cashflow after 1st year of operation
- Potential to mine and beneficiate magnetite after hematite DSO:
 - Target production 2 Mtpa magnetite concentrate
 - Blast furnace grade concentrates average 67% Fe, with low silica and very low alumina and phosphorous
 - Operating cost less than A\$65 per tonne + mining cost (★★) FOB ex Port Lincoln
 - Estimated margin A\$40-60 per tonne FOB less mining cost (★★) before tax
 - Capital cost A\$235-290 million depending on transport option (road, rail, slurry pipeline)
 - Significant employment opportunities for the Port Lincoln region
- Groundwater monitoring wells established
- Ongoing interest from Asian investors:
 - Heads of Agreement signed with Chinese Huaxi Steel group for offtake agreement to buy at least 50% of Lincoln's iron ore production from Gum Flat



HIGHLIGHTS FOR 2009 - 2010 FINANCIAL YEAR *continued***Eurilla Iron Ore and Uranium (SA's Eyre Peninsula)**

- Lincoln Minerals has retained 100% ownership of all mineral rights
- In situ Iron Ore Inferred Resource of 21.7 Mt @ 33.3% Fe and 50-100 Mt exploration target @ 30-35% Fe
- Uranium up to 0.05%-0.07% U_3O_8 + 0.1%-0.5% base metal
 - 5 hectare zone of mineralisation open to north and south along strike

Cockabidnie Nickel-Cobalt, Base Metals and Gold (SA's Eyre Peninsula)

- Lateritic nickel-cobalt up to 1.15% Ni and 0.33% Co in Campoona Syncline
- Extensive base metal anomalism up to 2.4% lead+zinc (+ minor gold and silver)

Bungalow Vanadium (SA's Eyre Peninsula)

- Up to 0.4-0.6% V_2O_5 in magnetic concentrates

Louth Bay – White Flat Uranium and Vanadium (SA's Eyre Peninsula)

- Reconnaissance field mapping identified significant uranium and up to 0.3% vanadium

Timor Manganese and Flores Iron (Indonesia)

- Heads of Agreements signed on three manganese projects in West Timor and an iron project in Flores
- Evaluating additional projects

Desa Mirah Iron Ore (south-central Kalimantan, Indonesia)

- Drilling and trenching program completed but proposed iron ore mine cannot proceed due to landowner constraints

Corporate

- Exploration Licenses in South Australia total 4,679 km²
- Raised \$8.5 million through share placement and conversion of options
- New Coordination Agreement and revised Deeds of Consent and Assumption established with Centrex Metals Limited:
 - Re-affirms Lincoln's rights to all non-ferrous metals and minerals on on Centrex ELs on Eyre Peninsula
 - Sets out framework for exploration and co-development of coincident resources
 - Lincoln to benefit from extensive drilling and other programs by Centrex and its JV partners at Bungalow, Carrow, Koppio and Greenpatch on Eyre Peninsular.

FOB = Free on Board or Freight on Board DSO = Direct Shipping Ore

Mtpa = million tonnes per annum

★ Potential to ship hematite DSO iron ore from Port Lincoln in 2012 is subject to proposed 3rd party port development, project finance and subject to getting all requisite mining and development approvals following community engagement

★★ Mining cost for magnetite operation has yet to be determined

It is emphasized that exploration target tonnage estimates given in this report are entirely conceptual in nature. There has been insufficient drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource

Information in this report that relates to exploration activity and results was compiled by Dr A John 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.

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LINCOLN MINERALS LIMITED



CHAIRMAN'S REPORT

This has been another successful year in the progress of your Company.

During 2009 and 2010, Lincoln Minerals has continued to make progress on a number of its projects with particular emphasis on its flagship Gum Flat iron ore project which it now owns 100%.

The Gum Flat iron ore project 20km from Port Lincoln on southern Eyre Peninsula had been operating under a Joint Venture Agreement (JVA) with Indian iron ore mining company Mineral Enterprises Limited and its subsidiary Mineral Enterprises Australia Pty Ltd. However, in May 2010 Lincoln bought back the 40% interest in the project earned by them to regain 100% ownership of the project.

Earlier in 2010, Lincoln retained 100% ownership of iron ore rights at Eurilla (formerly Wilcherry) after IronClad Mining Limited withdrew from a JV with Lincoln.

Lincoln Minerals has maintained its extensive tenement holdings on Eyre Peninsula close to infrastructure and within the world class Gawler Craton mineral province. In addition to the above projects, the Company has significant vanadium, uranium, nickel-cobalt and gold-base metal prospects at White Flat, Bungalow, Eurilla, Kimba Gap and Cockabidnie. This area will continue to be a focus of the Company's ongoing exploration program.

At Gum Flat, ongoing reverse

circulation (RC) and diamond core drilling has enabled the Company to expand its JORC-compliant Inferred and Indicated magnetite and hematite iron ore Resources to a total of 103 million tonnes. This was an important milestone for the project.

Metallurgical and scoping studies were also undertaken on Gum Flat to examine the feasibility and costs to produce a magnetite iron ore concentrate with a hematite direct shipping (DSO) iron ore by-product. Subject to regulatory approvals, identifying enough mineable reserves, and availability of ship loading infrastructure at Port Lincoln, DSO hematite can be potentially mined and exported for less than \$20 per tonne operating cost Free or Freight on Board (FOB). This would make it one of the cheapest iron ore operating costs in Australia.

Baseline environmental and groundwater studies will continue at Gum Flat and drilling will commence shortly then continue throughout the remainder of 2010 with the objective of defining further iron ore resources and preparing a Mining Lease Application.

In February 2009, Lincoln Minerals agreed to invest in a Joint Venture to develop a small iron ore mine at Desa Mirah in south-central Kalimantan, Indonesia. An exploration and resource definition program was undertaken at Desa Mirah but the project failed to realise any production due mainly to landowner difficulties and the small resource size. However,

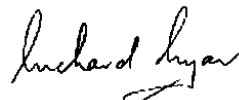
it opened up doors to other prospects in Indonesia and the Company is now examining manganese and iron projects on the islands of Flores and West Timor.

In early 2010, Lincoln Minerals completed a Share Placement to a subsidiary of the Jiangyin Huaxi Steel group to raise a total of \$8.25 million before expenses. The funds were used to buy back the interest held by Mineral Enterprises Limited in the Gum Flat project and for scoping studies, resource definition and further exploration at Gum Flat. Lincoln Minerals and Jiangyin Huaxi Steel are currently negotiating an offtake agreement for iron ore from Gum Flat.

In making preparations for and undertaking its exploration program, we appreciate the significant contribution made by the local communities including traditional inhabitants, farmers and pastoralists both in Australia and in Indonesia. We have made good progress in our investigations and I look forward to the Company moving towards developing its first mining operation and successful delineation of further economic mineral deposits.

Finally, I would like to thank all our staff and my fellow directors for their support and enthusiasm during the year.

Yours sincerely,


Chairman

2. REVIEW OF OPERATIONS



2.1 STRATEGY AND OBJECTIVES

Lincoln Minerals' mission is to provide capital growth through exploration, discovery, development and mining of economic mineral deposits.

The strategy is to focus on highly endowed, world class metallogenic provinces close to established infrastructure. The Company will continue to divest in or generate new projects to maximise exploration and development opportunities for its investors.

Lincoln Minerals has several iron ore, uranium, copper, gold, zinc-lead-silver, vanadium, manganese and nickel-cobalt exploration projects on Eyre Peninsula.

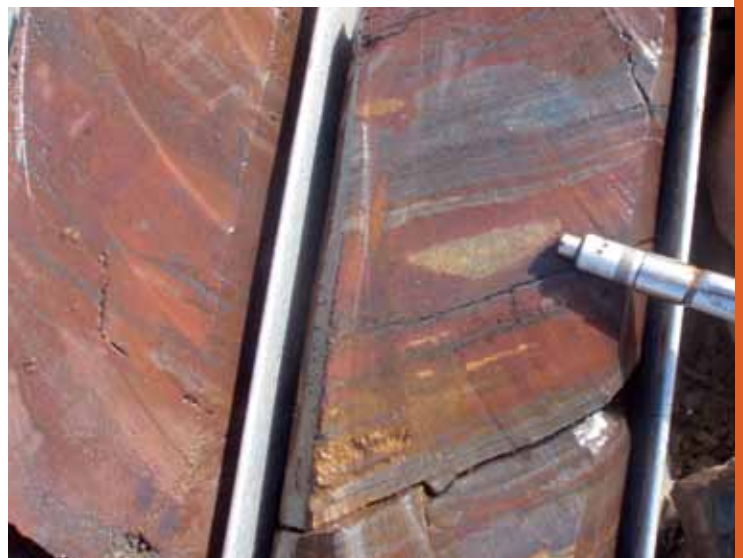
Eyre Peninsula is part of the highly endowed,

world class, Gawler Craton mineral province that not only hosts iron ore mines of the Middleback Ranges but also the Olympic Dam and Prominent Hill iron oxide copper gold uranium (IOCGU) mines. The Gawler Craton is also host to the former copper mines of the Moonta-Wallaroo area southeast of where a new copper deposit has recently been discovered by Rex Minerals Limited.

In addition, Lincoln Minerals has signed Heads of Agreement to explore and evaluate several mineral prospects in Indonesia. These include iron in Kalimantan and Flores and manganese in West Timor. The Company sees ongoing opportunities in Indonesia not only in iron and manganese but also in copper and gold.

Lincoln Minerals' exploration methodology is based on application of both proven and innovative exploration techniques while ensuring a systematic approach to effective target testing. The Company utilizes sophisticated exploration techniques, in particular advanced geophysical, remote sensing and geochemical techniques including innovative vegetation sampling to detect concealed mineralisation and field-based XRF mineral analysis. These techniques are combined with computerised geographic information systems (GIS) and modelling software to interpret data for exploration, target generation and mine planning. This is followed up by systematic drilling along with state-of-the-art field and laboratory sample analysis to test targets and define resources.

In South Australia, the Company is focusing on areas close to existing infrastructure that includes rail networks, established highways suitable for bulk haulage, existing power and water services and established or proposed bulk handling ports.



2. REVIEW OF OPERATIONS *continued*



2.2 PORT INFRASTRUCTURE OPTIONS

During 2009-10 there has been continuing media and community attention focused on potential port infrastructure options for Eyre Peninsula.

The Company believes that the long term viability of mining operations on southern Eyre Peninsula will depend on low operating costs. Being very close to a port capable of loading bulk ore carriers is essential.

Lincoln Minerals has been interested in examining port facilities at Port Lincoln since that port is only 20km from Gum Flat. Although it is the deepest port in SA and very much under-utilized, it has not yet been used for iron ore export.

In early October 2009, Centrex Metals Limited (CXM) announced that approval had been received regarding its Development Application to export hematite through the Port Lincoln main wharf. While there were several conditions attached to this approval, it may open up an opportunity for Lincoln Minerals to use the port subject to the same regulatory approval process.

Lincoln Minerals has also lent its support to a proposal by CXM to establish a new deep-water port at Sheep Hill on southern Eyre Peninsula between Tumby Bay and Port Neill. Deep water comes in close to the coast in this area and it is claimed by CXM that Cape-sized ships could be loaded from a relatively short jetty and wharf about 450m long.

Although not as close to Gum Flat as Port Lincoln, this alternative, if developed as an independently

operated multi-user port, could benefit Lincoln's long-term potential iron ore operations at Gum Flat. Gum Flat is about 80km from the proposed port site. Planning and development of a new port would likely take 4-5 years.

2.3 EYRE PENINSULA MINING ALLIANCE

In mid 2010, Lincoln Minerals joined with three other companies working on Eyre Peninsula to form the Eyre Peninsula Mining Alliance to pursue common priorities in infrastructure development and community engagement.

Its objectives are to promote the case for appropriate infrastructure developments for its own projects, the mining industry generally and for the benefit of the broader community; and to work with Eyre Peninsula communities and other regional stakeholders to create and maintain a positive profile for the mining industry there so that communities can appreciate the benefits arising from mining.

Its vision primarily targets the provision of power, water, transport (road and rail) and port infrastructure on Eyre Peninsula.



2. REVIEW OF OPERATIONS *continued*

2.4 PROJECT PORTFOLIO

The Company holds exploration rights to lease holdings totalling 4,679 km².

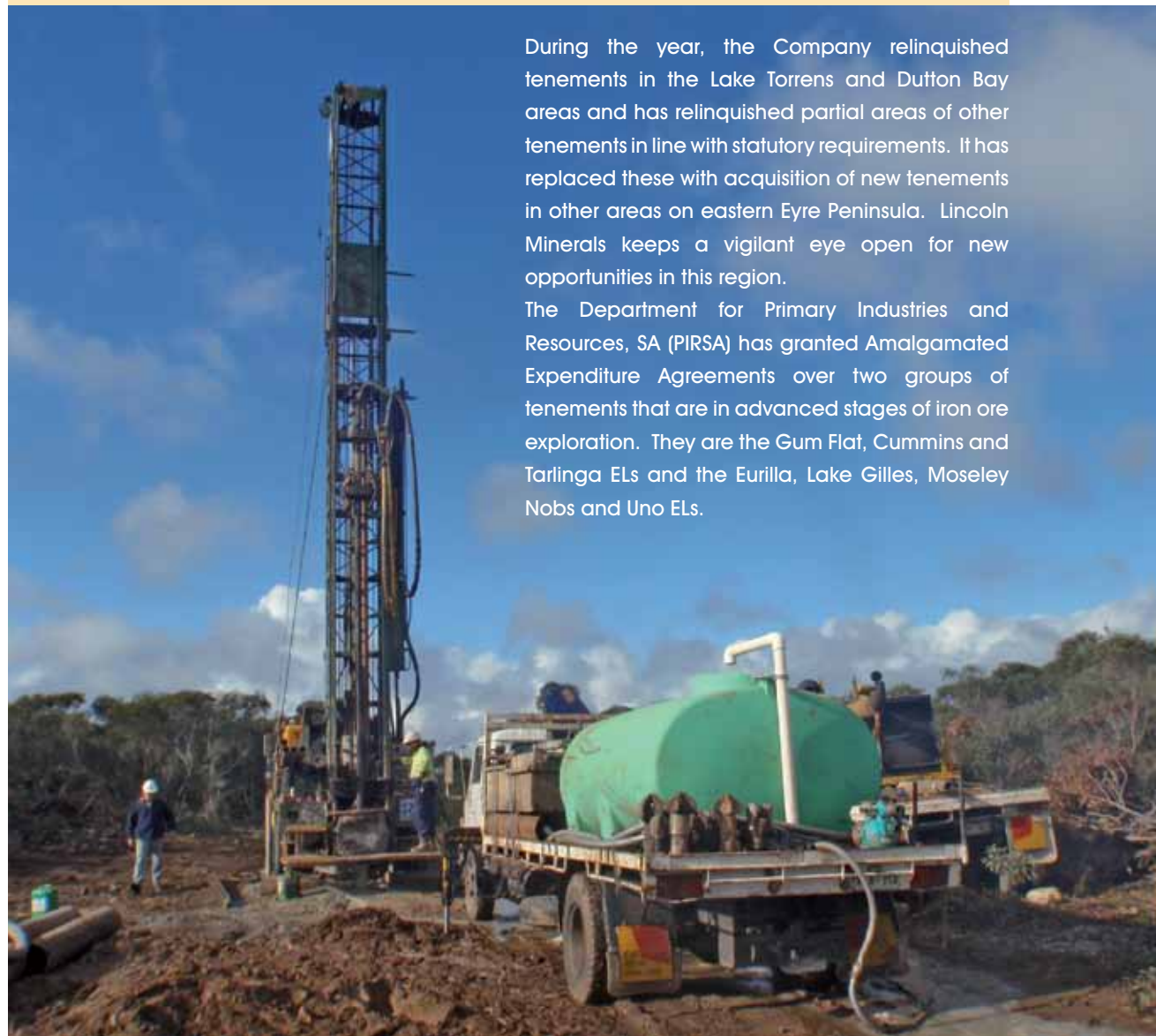
Lincoln Minerals has exclusive rights to all minerals including iron ore on Exploration Licenses (ELs) totalling 1,248 km².

Lincoln Minerals is also joint operator with Centrex Metals Limited (and CXM's 100% owned subsidiary, South Australian Iron Ore Group Pty Ltd (SAIOG)), on leases totalling 1,947 km² with exclusive rights to all minerals excluding iron ore, and has a joint venture with International Metals Pty Ltd (a subsidiary of InterMet Resources Limited and Hillgrove Resources Limited) on one lease totalling 1,000 km² to earn 80% of the rights for all minerals except uranium in conjunction with JV partner Mineral Enterprises Australia Pty Ltd.

Current Exploration License applications total 484 km² including application for a replacement EL for EL3422. Regulations under the Mining Act (1971) require companies to go through the EL application process when renewing ELs that reach their maximum term of five years.



Tenements	Exclusive Rights	Area(sq km)
7	All minerals	1,248
15	All minerals except iron ore	1,947
1	All minerals except uranium	1,000
2	License application – all minerals	484
	TOTAL	4,679



During the year, the Company relinquished tenements in the Lake Torrens and Dutton Bay areas and has relinquished partial areas of other tenements in line with statutory requirements. It has replaced these with acquisition of new tenements in other areas on eastern Eyre Peninsula. Lincoln Minerals keeps a vigilant eye open for new opportunities in this region.

The Department for Primary Industries and Resources, SA (PIRSA) has granted Amalgamated Expenditure Agreements over two groups of tenements that are in advanced stages of iron ore exploration. They are the Gum Flat, Cummins and Tarlinga ELs and the Eurilla, Lake Gilles, Moseley Nobs and Uno ELs.

2. REVIEW OF OPERATIONS *continued*

Figure 1: Location of Lincoln Minerals' tenements and project areas

2. REVIEW OF OPERATIONS *continued*

Table 2: Lincoln Minerals Limited tenement summary (as at 30 September 2010)

Tenement	Granted	Expiry	Area (km ²)	Expenditure Commitment	Locality	Licensee	Operator **
LINCOLN MINERALS HAS OWNERSHIP OF ALL MINERAL RIGHTS							
ELA 221/10 (former EL 3422)	27/09/05	26/09/10	208	\$50,000	Gum Flat	LML	LML
EL 3690	30/01/07	29/01/11	98	\$40,000	Eurilla (Lake Gilles)	LML	LML
EL 3703	13/02/07	12/02/12	163	\$45,000	Cummins	LML	LML
EL 3704	13/02/07	12/02/11	406	\$80,000	Lake Gilles (Stony Hill West)	LML	LML
EL 3884	06/08/07	05/08/10	57	\$35,000	Campoona	LML	LML
EL 4049	25/02/08	24/02/12	237	\$55,000	Tarlinga	LML	LML
EL 4093	03/03/08	02/03/11	147	\$50,000	Moseley Nobs	LML	LML
EL 4310	29/09/09	28/09/10	26	\$35,000	Uno	LML	LML
EL 4361	03/11/09	04/11/10	114	\$40,000	Dutton River	LML	LML
ELA 174/10			276		Yeelanna	LML	LML
LINCOLN MINERALS HAS OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE **							
EL 4539 (former EL 3498)	23/08/10	22/08/12	11	\$30,000	Cockabidnie North	LML	LML jointly with CXM
EL 3609	31/05/01	13/08/10	154	\$45,000	Cockabidnie	CXM	LML jointly with CXM
EL 3610	31/05/01	13/08/10	117	\$40,000	Minbrie	CXM	LML jointly with CXM
EL 3611	31/05/01	13/08/10	79	\$40,000	Greenpatch	CXM	LML jointly with CXM
EL 3731 (former EL 2887)	12/04/07	11/04/10	272	\$60,000	Tumby Bay (Carrow)	SAIOG	LML jointly with CXM
EL 3877 (former EL 2905)	06/08/07	05/08/10	476	\$75,000	Mount Hill (Tod River)	SAIOG	LML jointly with CXM
EL 3968 (former EL 3018)	05/11/07	04/11/10	106	\$40,000	Kimba Gap	SAIOG	LML jointly with CXM
EL 3999 (former EL 3048)	12/12/07	11/12/10	26	\$35,000	Pondooma	SAIOG	LML jointly with CXM
EL 4185 (former EL 3125)	18/09/08	17/09/10	52	\$35,000	Ironstone Hill	SAIOG	LML jointly with CXM
EL 4384 (former EL 3269)	27/10/04	26/10/10	141	\$45,000	Wanilla	CXM	LML jointly with CXM
EL 4451 (former EL 3287)	15/03/10	14/03/11	155	\$45,000	Stony Hill	SAIOG	LML jointly with CXM
EL 4467 (former EL 3317)	19/04/10	18/04/11	104	\$40,000	Tooligie Hill (Wilgerup)	CXM	LML jointly with CXM
ELA 98/10 (former EL 3375)	08/07/05	07/07/10	150	\$45,000	Gilles Downs	CXM	LML jointly with CXM
ELA 171/10 (former EL 3401)	19/08/05	18/08/10	73	\$40,000	Lock	CXM	LML jointly with CXM
ELA 195/10 (former EL 3421)	16/09/05	15/09/10	31	\$35,000	Dutton Bay	CXM	LML jointly with CXM
LINCOLN MINERALS IS EARNING 80% RIGHTS FOR ALL MINERALS EXCLUDING URANIUM *							
EL 3702 *	13/02/07	12/02/11	1000	\$130,000	Wanilla	International Metals Pty Ltd	LML jointly with ITT

** On Centrex Metals Limited (CXM) and South Australian Iron Ore Group Pty Ltd (SAIOG) tenements, Lincoln Minerals (LML) is operator of its own projects independently of Centrex Metals iron ore exploration. On CXM and SAIOG tenements, LML contributes to the expenditure commitment but is not required to maintain that expenditure commitment.

2. REVIEW OF OPERATIONS *continued*

2.5 CENTREX METALS LIMITED COORDINATION AGREEMENT

Lincoln Minerals has the rights for all metals and minerals other than iron ore on the majority of Exploration Licenses on Eyre Peninsula for which Centrex Metals Limited and its subsidiary South Australian Iron Ore Group Pty Ltd are the licensees.

During the year, Lincoln Minerals was involved in ongoing negotiations with Centrex regarding their 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 is required under the terms of its original agreements with Centrex to give its approval for any transfer of interest to a third party (which shall not be unreasonably withheld). Therefore, Lincoln sought all the Chinese parties to sign Deeds of Consent and Assumption to ensure that none of Lincoln's existing rights were diminished in any way.

As part of this process, Lincoln and Centrex negotiated a new Coordination Agreement to re-affirm Lincoln's rights to all non-ferrous metals and minerals on Centrex/SAIOG ELs and to set out a revised framework for exploration and co-development of coincident resources. This agreement was signed on 19 April 2010.

Subsequent to the signing of the Coordination Agreement, WISCO signed a Deed of Consent and Assumption recognising Lincoln's rights over the tenements that are the subject of their JV. This has enabled Centrex to assign an interest in the iron ore rights on those tenements to WISCO and has facilitated completion of their JV agreement. Centrex and WISCO are now undertaking a major drilling program combined with other surveys on the southern tenements.

Although the Baogang Group has yet to formally sign the Deed of Consent and Assumption, Centrex and Baogang are undertaking drilling on the Bungalow project.

Lincoln Minerals will maintain an active role in monitoring these drilling and aeromagnetic programs for other minerals including copper and vanadium that might be of interest.

It is an ideal opportunity for Lincoln to obtain valuable subsurface information in key areas at little or no cost to the Company.



2.6 JOINT VENTURES

INDONESIA

Heads of Agreement with Samusa Corp

In February 2009, Lincoln Minerals established a Heads of Agreement (HoA) with Samusa Corp to establish a new iron ore joint venture to explore and exploit Samusa's Desa Mirah Iron Ore Mine and surrounding exploration concession in the south-central area of the Indonesian island of Kalimantan (Borneo).

The project was being developed jointly by Lincoln Minerals and Samusa Corp through an Indonesian mining company, PT. Samusa Bintang Mandiri, jointly owned by Lincoln Minerals (45%) and Samusa Corp (55%).





Since, under the terms of the HoA the mining concession contains less than 250,000t of iron ore (with an average grade of at least 63% Fe), Lincoln's obligations to spend the balance of the \$2 million expenditure on exploration and development have ceased.

Heads of Agreements in Flores and West Timor

Lincoln Minerals has reviewed and undertaken due diligence on a number of projects in Indonesia offered to the Company's subsidiary, Lincoln Asia-Pacific Pty Ltd (LAP).

Some of the projects considered include:

- Iron and copper in Sulawesi;
- Manganese in West Timor;
- Manganese, copper, iron ore and iron sands in Flores;
- Mineral sands and iron in Kalimantan.

Bilingual Heads of Agreement have now been signed on projects in Timor and Flores and Stage 1 exploration and legal due diligence have commenced. Lincoln has retained the services of an Indonesian geologist who has also assisted the Company with work on southern Eyre Peninsula as part of a training program. LML-LAP has also established a Memorandum of Understanding with an Indonesian consultancy PT. Indo Mineratama to provide advice and services to LAP (other than legal services).

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

SOUTH AUSTRALIA

Gum Flat - EL 3422 (ELA 221/10)

Former Joint Venture with diversified Indian iron ore and metals miner, Mineral Enterprises Limited and its subsidiary Mineral Enterprises Australia Pty Ltd.

In December 2007, Lincoln Minerals signed a Joint Venture Agreement with Mineral Enterprises Limited (MEL) of Bangalore, India and Mineral Enterprises Australia Pty Ltd (MEA) in respect of LML's Gum Flat tenement (EL3422) near Port Lincoln.

MEA contributed over \$2,500,000 towards the initial drilling programs at Gum Flat thereby earning 40% equity in the project. This was achieved following completion of drilling programs in 2007, 2008 and early 2009.

MEL advised Lincoln in 2009 that as it is developing a number of projects in India, including a hematite beneficiation plant and a deep sea port, it wished to sell its interest in Gum Flat to help fund MEL's Indian initiatives.

In early 2010, Lincoln Minerals and Mineral Enterprises settled a Contract of Sale at a cost of A\$5.7 million which enabled Lincoln to re-acquire the 40% interest in the Gum Flat Iron Ore Project previously earned by Mineral Enterprises. This has enabled Lincoln to regain 100% ownership of this valuable iron ore project in the Company's bid to develop an operating iron ore mine just west of Port Lincoln by 2012.



2. REVIEW OF OPERATIONS *continued*

Wanilla - EL 3702

Joint Venture between Lincoln Minerals, Mineral Enterprises Australia Pty Ltd and International Metals Pty Ltd.

Lincoln Minerals has a Joint Venture Agreement with International Metals Pty Ltd (ITM) a subsidiary of InterMet Resources Limited, and Mineral Enterprises Australia Pty Ltd in respect of ITM's EL 3702 (Wanilla) tenement near Port Lincoln.

EL 3702 is 1000 km² in area and has considerable potential for iron ore in addition to base metals and gold. It links LML's Gum Flat (EL 3422) and Cummins (EL 3703) tenements on which LML is actively exploring for iron ore.

Under the joint venture, Lincoln Minerals and MEA can jointly earn up to an 80% interest in EL 3702 by expending \$2 million on exploration by 31 December 2012.

Eurilla - EL 3690 (formerly known as Wilcherry)

Former Heads of Agreement with iron ore explorer IronClad Mining Limited.

In early February 2008, Lincoln Minerals signed a Heads of Agreement (HoA) with IronClad Mining Limited (IFE) under which IFE could earn up to 80% of the rights to explore for and mine iron ore within EL 3690. LML retained the sole rights to explore for and mine all minerals and substances excluding iron ore.

EL 3690 lies immediately to the south and east of IFE's Hercules iron ore target and covers the extension of the BIF sequence, including the interpreted synclinal fold axis structure.

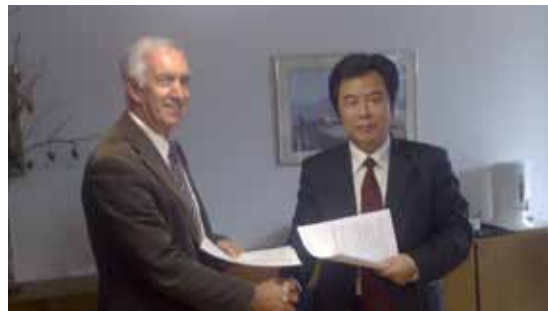
Under the terms of the Heads of Agreement, IronClad was required to spend A\$500,000 by 31 December 2009 to earn a 50% interest in the rights for iron ore on EL 3690.

During the period of the joint venture, IronClad undertook an aeromagnetic survey, a detailed gravity survey and drilled 10 Reverse Circulation (RC) drillholes. However, IronClad did not meet the required JV expenditure commitments by 31 December, 2009 and in February 2010 withdrew from the joint venture.

Consequently, Lincoln now retains 100% of the iron ore rights on its Eurilla Project and all associated resource estimates and drill data funded and assembled by IronClad.

The in situ Inferred Mineral Resource outlined by Golder Associates for that part of the Hercules target within Lincoln's EL 3690 (Eurilla South), is 21.7 million tonnes (Mt) @ 33.3% Fe.

2.7 CHINA STEEL MILL INJECTS A\$8.2M INTO LINCOLN MINERALS



Lincoln Minerals Managing Director Dr John Parker and Jiangyin Huaxi Steel Chairman and General Manager Mr Yang Yongchang

Chinese steel mill, Jiangyin Huaxi Steel Co., Ltd (JHS) through its subsidiary Hong Kong-based High Treasure International Limited (HTI) subscribed \$8,250,000 for 15,000,000 shares at 55 cents each under a two part Heads of Agreement (HOA) signed in early April 2010.

The share issue makes JHS-HTI Lincoln's largest single shareholder with approximately 13% of total Lincoln shares after the placement.

For the second part of the HOA, Lincoln will establish an Off-take Agreement with JHS for 50% of Lincoln's share of any future hematite Direct Shipping Ore (DSO) and 50% of Lincoln's share of any other hematite and/or magnetite iron ore production from its Gum Flat Iron Ore Project.

Proceeds from the direct investment by JHS, were used to:

- Regain 100% ownership of the Gum Flat Iron Ore Project; and
- Fast track exploration and scoping studies at Gum Flat.

Lincoln and JHS agreed that the placement shares be voluntarily escrowed for a period of 12 months from the date of issue.

The terms and conditions applying to the Offtake Agreement proposed in the HOA, include:

- Off-take shall commence from start-up of hematite DSO and/or magnetite production

2. REVIEW OF OPERATIONS *continued*

for a minimum period of 2 years, with JHS having the right to extend for a further 3 years, subject to availability of mineable reserves and a minimum price no less than an agreed economically viable price and Iron Ore Reference Product Specification;

- Price to be referenced to the Hamersley Benchmark iron ore price current at the time of shipment but with flexibility should that pricing mechanism be replaced;
- Payment for shipments to be made immediately on delivery Free-on-Board (FOB) at a South Australian port, based on an independent Bill of Lading.

Final details of the Off-take Agreement will be negotiated and agreed directly between Lincoln and JHS, and these arrangements will not be binding until such details are agreed.

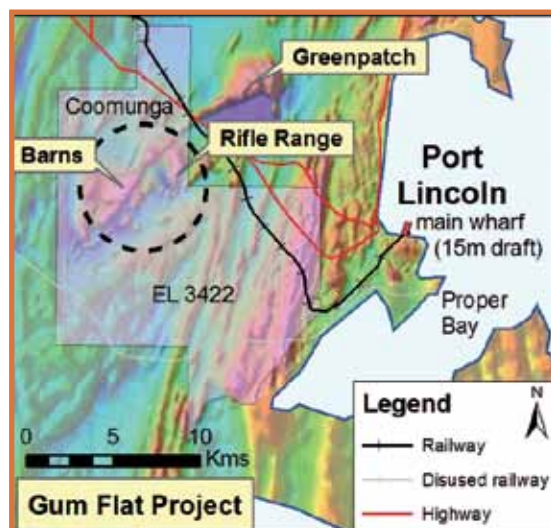
Background on Jiangyin Huaxi Iron & Steel Co., Ltd

JHS is a subsidiary of the Huaxi Group and employs 3,400 people.

The Huaxi Group is one of the most prestigious and largest township enterprises in China and has 57 subsidiary companies.

JHS was established in September 2002, commencing steel mill operations in February 2004, and iron ore imports from 2005. Its main plant at Jiangsu, just west of Shanghai, comprises an Oxygen Plant, Sintering Plant, Ironworks and Steel Plant.

It has emerged since as a Sino-foreign joint venture with an annual output of 1.85 million tons of sinter, 500,000 tons of pellets, 1.25 million tons of molten iron, and 1.25 million tons of continuous cast billets. In calendar year 2009, Huaxi Steel produced 3.09 Mt of steel.



2.8 EXPLORATION – SOUTH AUSTRALIA

Gum Flat Iron Ore – EL 3422 (ELA 221/10)

(LML has exclusive rights to all minerals)

The Gum Flat Iron Ore Project is located on SA's southern Eyre Peninsula within 20km of Port Lincoln. It is Lincoln's flagship iron ore project.

The high priority exploration targets (**) close to existing Inferred Resources for magnetite and hematite are:

- Magnetite 150-250 Mt at 22-28% Fe (20-25% DTR)
- Hematite 3-17 Mt at 45-60% Fe (incl. 1-3 Mt DSO at 55-60% Fe)

In addition to these exploration targets there is about 25km in strike length of lower amplitude magnetic anomalies that represent lower order exploration targets. There are no drillholes into these targets so the Company has refrained from estimating target tonnages. However, the magnetic targets on the eastern edge of EL 3422 are of similar magnitude to the Barns anomaly and could contain significant resources if access is possible.

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

Extending west from Port Lincoln with a railway line and major highway running through the area, EL3422 is ideally located with respect to infrastructure and proximity to a major shipping port. The approval given to Centrex Metals Limited to ship iron ore from Port Lincoln may open the door for Lincoln Minerals to also export iron ore from Port Lincoln.



2. REVIEW OF OPERATIONS *continued*

Drilling Results

The third stage of drilling was completed at Gum Flat during the March 2010 quarter to define additional magnetite and hematite resources. This drilling has defined extensions to both the magnetite and hematite mineralisation.

Hematite mineralisation extends down to ~70m below ground level whence magnetite becomes the dominant iron ore mineral. The lower section of hematite mineralisation is variably magnetic and could be amenable to upgrading by magnetic and/or gravity separation.

Depth to the top of mineralisation varies from 20m to 25m below ground level.

Significantly, the drill results have extended the magnetite resources 30% deeper to at least 330m below ground level. This is 80m deeper than previously identified. There are also additional zones of magnetite mineralisation southwest along strike.

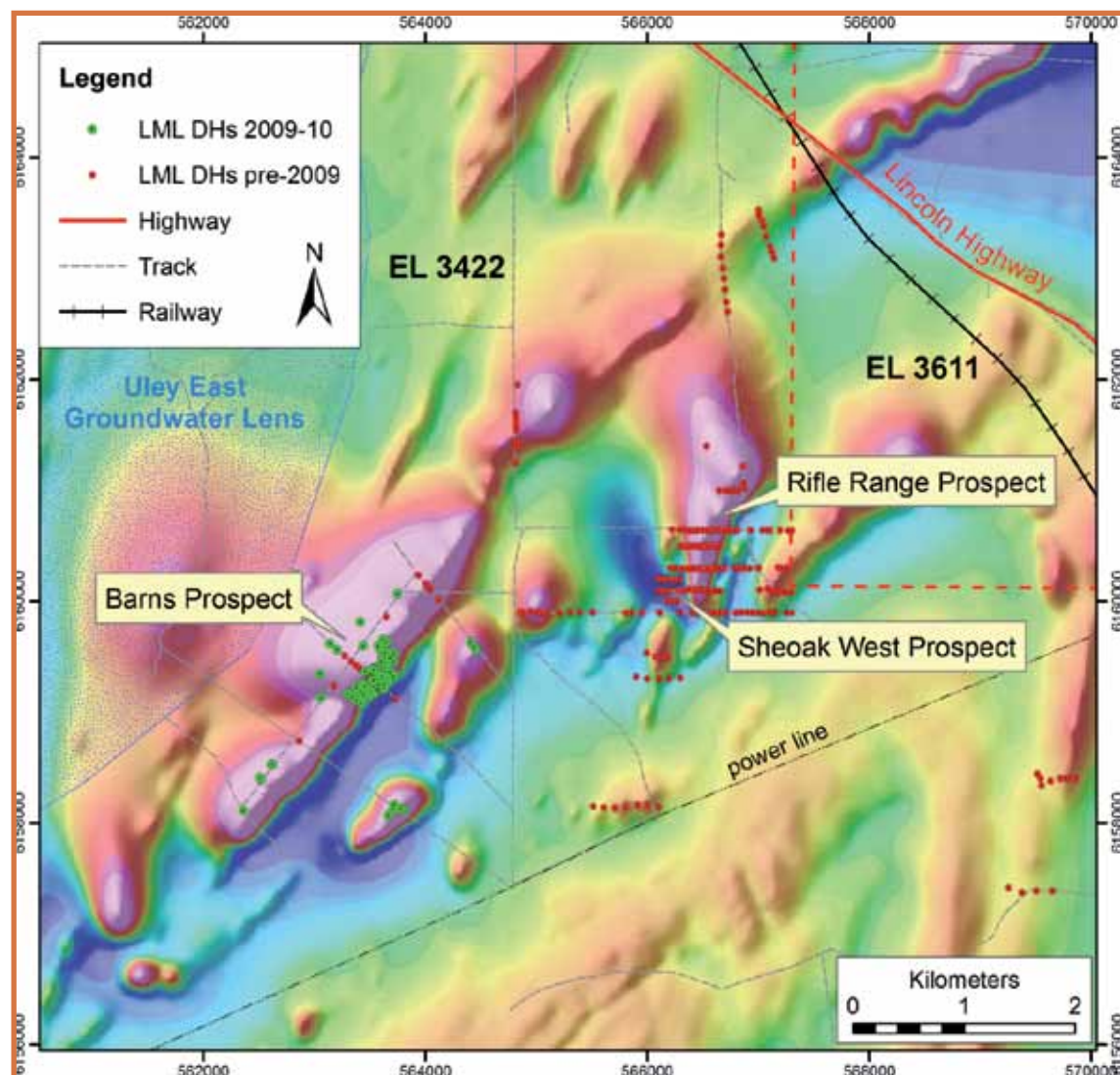


Figure 6: Total magnetic intensity map and location of prospects, Gum Flat

2. REVIEW OF OPERATIONS *continued*

New Gum Flat Iron Ore Mineral Resources

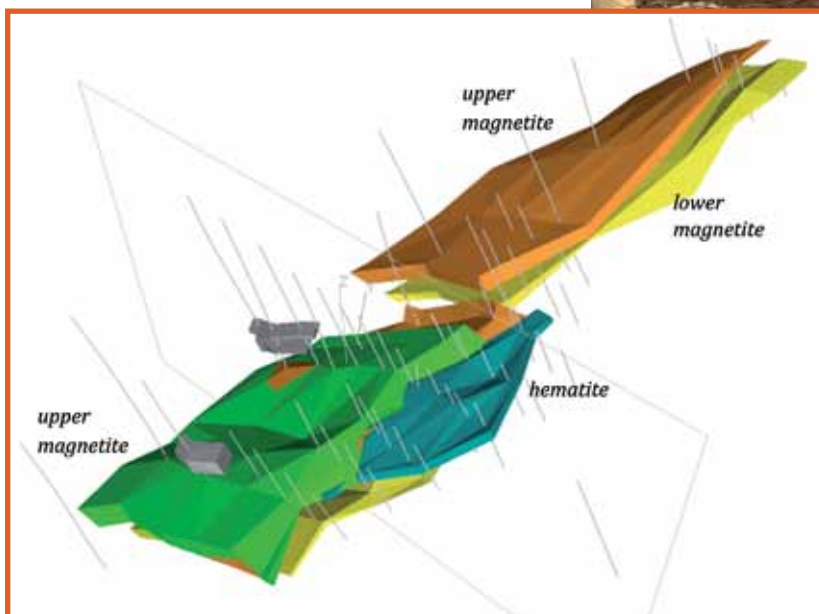
Based on drilling results received during the April – June 2010 quarter, the Company has been able to almost double its iron ore Inferred and Indicated Mineral Resources at Gum Flat to 103 million tonnes (Mt).

The estimate is an 87% increase on the initial Inferred Mineral Resource for the combined hematite and magnetite Gum Flat deposit.

Prospect	Status	Million Tonnes (Mt)	Head Grade (% Fe)
Barns magnetite (upper >15% DTR)	Inferred	33.3	24.8
Barns magnetite (lower > 15% DTR)	Inferred	33.9	23.4
Barns magnetite (other > 15% DTR)	Inferred	21.4	24.7
Barns magnetite (upper 10-15% DTR)	Inferred	7.2	24.8
Rifle Range magnetite (>15% DTR)	Inferred	3.5	27.1
Barns hematite (>50% Fe)	Indicated	0.9	54.2
Barns hematite (45-50% Fe)	Indicated	0.9	46.9
Sheoak West hematite (>35% Fe)	Inferred	1.1	41.5
Rifle Range hematite other (>35% Fe)	Inferred	0.6	41.8
Total		102.8	

Table 3: Inferred and Indicated Iron Ore Mineral Resources for Gum Flat

The Mineral Resource assessment also confirms the potential for high grade magnetic blast furnace concentrates of around 67% Fe. The concentrates are potentially self-fluxing.



2. REVIEW OF OPERATIONS *continued*

Assay data including Davis Tube magnetic separation results (DTRs) were released on 18 May 2010 and were jointly processed by Lincoln Minerals and AMC Consultants Pty Ltd (AMC) to define a new magnetite Inferred Mineral Resource for parts of the orebody. The upper and lower magnetite bands were modelled down to 330m below ground level along the length of the main zone of mineralisation but all indications are that they continue at a ~35° northwesterly dip to much deeper levels.

3D modelling of the iron mineralisation was undertaken by AMC under Lincoln's guidance and grade estimates were computer generated using inverse distance squared averaging of drillhole data.

The new Inferred Mineral Resources for the Barns Prospect and associated peripheral zones of mineralisation are presented below in Table 4.

In conjunction with 3D modelling of the magnetite resources, the previously published hematite resources at Barns, Sheoak West and Rifle Range prospects were revised as shown in Table 5.



Pump testing water bores in the Barns area

Description	Million Tonnes	HFe %	DTR %	CFe %	CSiO ₂ %	CAI ₂ O ₃ %	CP %	CMn %	CS %	CCaO %
Barns upper magnetite (>15% DTR)	33.3	24.8	20.7	66.8	4.9	0.53	0.01	0.36	0.02	0.53
Barns lower magnetite (>15% DTR)	33.9	23.4	20.0	66.9	5.2	0.52	0.01	0.20	0.11	0.39
Barns magnetite (other >15% DTR))	21.4	24.7	23.7	67.6	4.4	0.60	0.01	0.11	0.08	0.39
Rifle Range magnetite (>15% DTR)	3.5	27.1	22.6	68.0	3.4	0.46	0.01	0.16	0.03	0.52
Total Magnetite Mineral Resource >15% DTR	92.1	24.3	21.2	67.1	4.8	0.54	0.01	0.23	0.07	0.45
Barns upper magnetite (10-15% DTR)	7.2	24.8	12.8	62.3	9.6	0.64	0.02	0.44	0.04	0.87
Total Magnetite Mineral Resource	99.3	24.4	20.6	66.7	5.2	0.55	0.01	0.25	0.07	0.48

Table 4: Inferred Magnetite Mineral Resources for the Barns and Rifle Range Prospects (SG=3.15))

Head grade HFe = total rock XRF assay prior to magnetic separation; DTR = Davis Tube Recovery from magnetic separation;

Concentrate grades CFe, CSiO₂ etc = XRF assay of DTR magnetic concentrate

NB Totals may not add up exactly due to rounding of individual components to appropriate significant figures.



2. REVIEW OF OPERATIONS *continued*

Description	Million Tonnes	HFe	HSiO ₂	HA ₂ O ₃	HP	HLOI	HMn	HCaO	HS	CaFe
Barns Hematite DSO >50% HFe	0.9	54.2	11.2	1.12	0.48	6.37	1.06	0.84	0.01	57.9
Barns Hematite DSO 45-50% HFe	0.9	46.9	19.8	2.10	0.41	6.79	1.28	1.09	0.02	50.3
Total Barns Hematite Mineral Resource	1.8	50.5	15.5	1.62	0.44	6.58	1.17	0.97	0.02	54.1
Sheoak West Hematite (>35% HFe)	1.1	41.5	24.1	1.57	0.41	6.50	1.25	3.32	0.06	44.4
Rifle Range Hematite other (>35% HFe)	0.6	41.8	25.4	2.98	0.32	5.94	0.87	1.41	0.01	44.5
Total Hematite Mineral Resource	3.6	46.2	19.9	1.83	0.41	6.45	1.15	1.79	0.03	49.4

Table 5: Indicated Hematite Mineral Resources for the Barns Prospect and Inferred Hematite Mineral Resources for Sheoak West and Rifle Range Prospects (SG=3.15)

Note that the CaO and Mn may not necessarily be considered deleterious; LOI = Loss on Ignition
 $CaFe = \text{calcined Fe} = Fe / (100 - LOI) \times 100 = \text{removal of volatiles at ca. } 1400^{\circ}\text{C}$; DSO = Direct Shipping Ore
 NB Totals may not add up exactly due to rounding of individual components to appropriate significant figures.

Scoping Study

On the basis of ongoing good drilling results, Lincoln Minerals has undertaken a scoping study to examine the potential for mining, development and export of both the DSO and magnetite iron ore.

Options considered include:

Hematite

- Mine & export 0.5 Mtpa DSO fines (~55% Fe)
- Mine 1 Mtpa low grade hematite and process to produce ~0.4 Mtpa upgraded fines (55% Fe)

Magnetite

- Mine 5 Mtpa or 10 Mtpa ore and process onsite to produce, respectively, 0.97 Mtpa or 1.95 Mtpa high grade concentrate (67% Fe)
- Mine 5 Mtpa or 10 Mtpa ore and part process to produce a coarse low grade concentrate (~35-40% Fe) for sale to a third party

Transport

- Road to Port Lincoln
- Rail to Port Lincoln
- Slurry pipeline to Port Lincoln
- Road to planned new Sheep Hill bulk commodities port 70km northeast of Port Lincoln
- Road to Lucky Bay (near Cowell)

The Scoping Study was jointly undertaken by WorleyParsons Pty Ltd (calculation of operating and capital expenditures),

AMC Consultants Pty Ltd (resource modelling and mine optimisation), Aldam Geoscience Pty Ltd (groundwater), Calibre Projects Pty Ltd (hematite metallurgy) and Ferrum Consultants Pty Ltd (marketing advice) with input from Lincoln Minerals' own staff as and where appropriate.

Review of Potential Prices for DSO Hematite and Magnetite FOB from Port Lincoln

Iron ore prices are mainly influenced by three factors: market environment, freight and ore quality/grade. Ferrum Consultants provided Lincoln with a review of how these factors might affect the sale of ore from Port Lincoln taking into account the potential growth/demand of the Chinese steel industry, ship-borne freight rates for Panamax vessels and the expected DSO and magnetite iron ore products from Gum Flat.

Although DSO hematite from Gum Flat is relatively low grade and has high phosphorous, Lincoln has an off-take Heads of Agreement with the Chinese Huaxi steel group for sale/purchase of at least 50% of such ore from the project.

The outcome of this review was a forward-looking table for the next 5-7 years of iron ore prices in US\$, FOB at Port Lincoln, against the backdrop of possible fluctuations in the AUD\$ exchange rate.

Staged Development

Because of the physical attributes of the iron orebodies at Gum Flat where hematite overlies

2. REVIEW OF OPERATIONS *continued*

magnetite iron formation, Lincoln Minerals has evolved a staged development plan:

- Stage 1 – mine and export DSO hematite fines from Port Lincoln commencing about 2012
- Stage 1b – mine and beneficiate low grade hematite ore and export a >55% Fe hematite fines product
- Stage 2 – mine and beneficiate the underlying magnetite iron formation and export either a high grade 67% Fe magnetite concentrate or sell a 35–40% Fe coarse magnetite partial-concentrate to a local 3rd party.

Stage 1 – Hematite DSO

This stage of development would comprise mining the Barns central hematite deposit and exporting about 0.5 Mtpa DSO fines (55% Fe) from Port Lincoln. Ore would be transported to Port Lincoln, stored on the wharf in a new negatively pressurised shed to retain any potential dust, then shipped out from the main wharf (about 1 ship every 5–6 weeks).

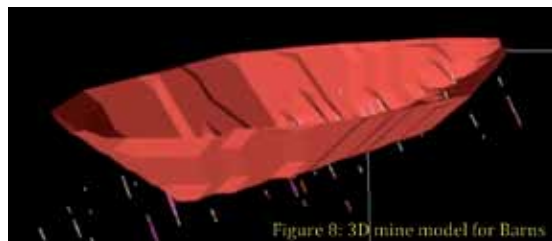


Figure 8: 3D mine model for Barns

Cost estimates to the level of detail ascribed to a Scoping Study ($\pm 50\%$) indicate that DSO ore from Gum Flat could be mined and loaded FOB onto a Panamax ship for an operating cost (Opex) about A\$16 per tonne from Port Lincoln (or about A\$26 per tonne from the proposed new Sheep Hill bulk commodities export port). This Opex includes estimated mining, crushing, transport, storage and loading costs but assumes there is a 3rd party operating a ship loader at either port.

Capital expenditure (Capex) to remove the mine overburden, upgrade roads and construct a 70,000 tonne shed along with conveyors etc at either port would be about A\$50–55 million including a 20% contingency factor. Lincoln Minerals believes there is scope to reduce that cost.

The estimated margin on the Opex is about A\$45–55 per tonne FOB ex Port Lincoln before tax and the project would generate a positive cashflow after the first year of operation. However, a much

larger resource is required to cover the Capex for a stand-alone hematite DSO operation.

Stage 1b – Hematite Beneficiation

In addition to potential DSO at Gum Flat, there is also some lower grade hematite (45–55% Fe) and a low grade hematite cap above the magnetite ore that could potentially be upgraded to produce a >55% Fe fines product.

Metallurgical testwork has shown that dry magnetic separation and gravity separation using a jig are both effective in upgrading the hematite. A combination of dry magnetic separation and gravity separation can effectively upgrade 45–50% Fe weakly magnetic ore to:

- >50% Fe by low intensity dry magnetic separation (LIMS) with 70% recovery at a grainsize of minus 3mm
- Then to >55% Fe with a jig (50% recovery scenario) to give a total 35% recovery.

The process is summarised in Figure 9. The Capex for such a procedure has not yet been established but the Opex is estimated at about A\$27 per tonne hematite concentrate ex Port Lincoln.

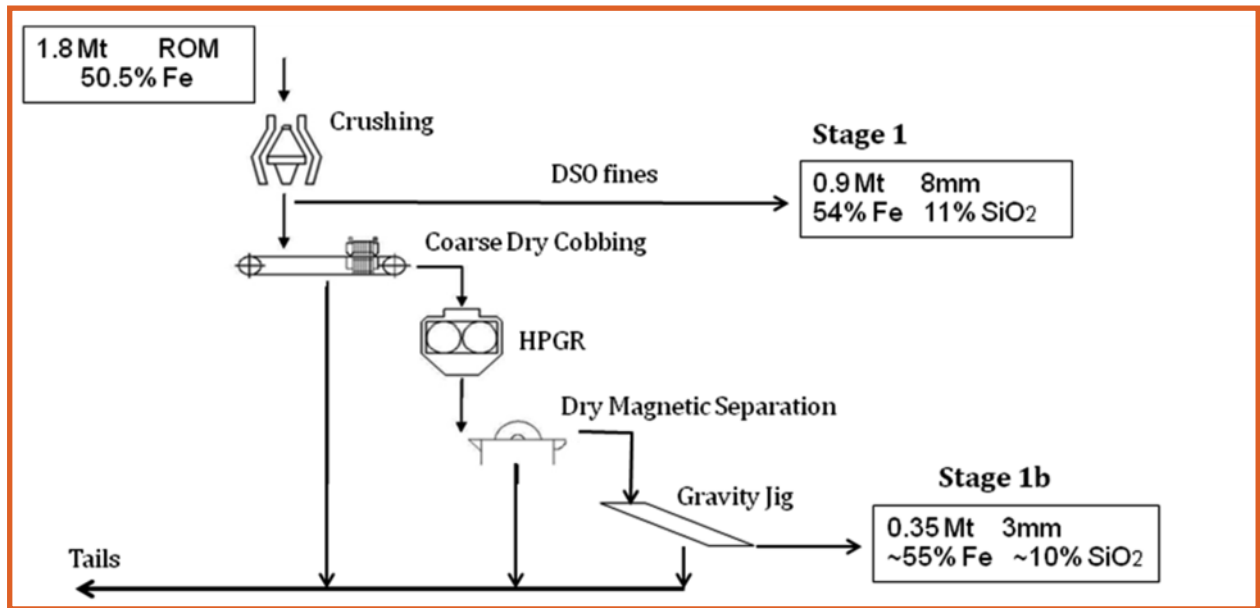
Stage 2 – Magnetite Beneficiation

This stage of development would follow mining of the Barns central hematite deposit and extend the mine at depth. It would comprise mining the magnetite iron formation (24% Fe), crushing, grinding and magnetically separating the magnetite to produce a high grade magnetite concentrate which would be exported from Port Lincoln or possibly Sheep Hill. Ore would be transported to the port, stored in the same shed used for the initial hematite DSO then shipped out.

Various options and their corresponding Opex and Capex costs that were considered for the Stage 2 magnetite process are outlined in the table below. Only the 10 Mtpa (ore mined) case is presented in Table 5. Mining Opex costs are not included since these are still subject to ongoing valuation and optimisation.

The high Opex for production of a high grade concentrate is due largely to the cost of power. For a 10 Mtpa operation, power requirements are estimated to be about 20–25 Mw. This is not currently available from the local grid so would have to be generated onsite at a cost of about A\$32/t of concentrate for diesel power generation (25–30 Mw installed capacity).

2. REVIEW OF OPERATIONS *continued*



	Low Grade Concentrate	High Grade Magnetite Concentrate (67% Fe)		
10 Mtpa ore	7 Mtpa con	2 Mtpa concentrate		
Concentrate Grade	35-40% Fe	67% Fe		
Transport	Road	Road to PL	Rail to PL	Slurry Pipeline to PL
Capex	A\$80 million	A\$235 million	A\$250 million	A\$290 million
Opex (beneficiation + transport only)	~A\$15/t _{con}	A\$60-65/t _{con}		

Table 5: Opex and Capex for various transport options based on mining 10 Mtpa magnetite ore (stage2)
(PL = Port Lincoln t_{con} = tonne concentrate)

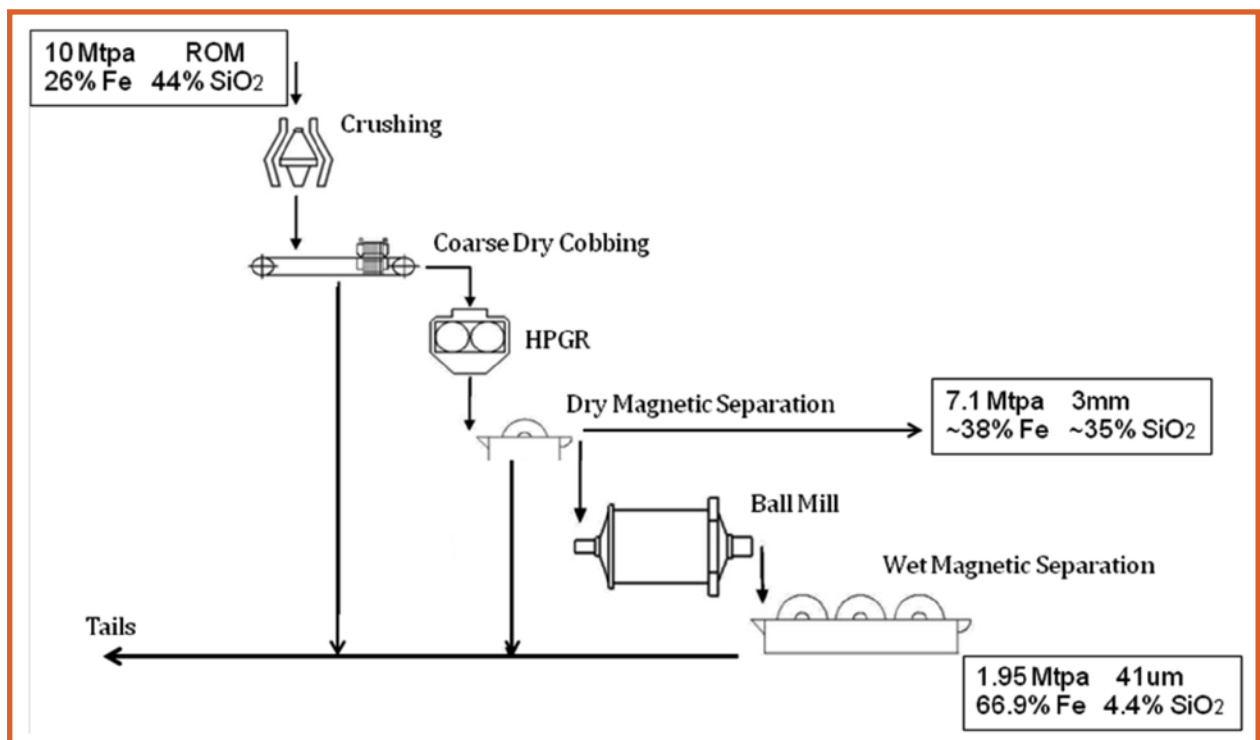


Figure 10: Simplified Stage 2 process flow sheet to upgrade magnetite iron ore

2. REVIEW OF OPERATIONS *continued*

Based on a FOB price ~A\$100-120/t of concentrate at Port Lincoln this suggests a margin ~A\$40-60/t of concentrate, less mining costs.

Hydrogeological Study

A detailed hydrogeological or groundwater survey, construction of groundwater monitoring bores and pump testing were completed during the April-June 2010 quarter to ensure that any proposed mining will not affect groundwater in the region. This will be essential for approval to mine since the iron ore deposit is located adjacent to the Uley East groundwater basin within a Prescribed Wells Area. The main aquifer used for groundwater extraction in the Uley South Basin is dry in the proposed mine area. Groundwater modelling is being undertaken on the lowermost bedrock aquifer.

Forward Planning

A 3km long zone of potential hematite alteration and enrichment has been identified at the Barns Prospect. Not all of this zone may be enriched but the exploration target(**) for hematite along this zone is 2.4 Mt to 13.8 Mt at an average grade of 45-60% Fe including some DSO. During the October-December 2010 quarter it is planned to undertake a reverse circulation (RC) drilling program to test this zone and exploration targets for potential DSO hematite and to establish Inferred and/or Indicated Mineral Resources for such.

Lincoln is also undertaking baseline studies in preparation for a Mining Lease Application at Gum Flat. Studies will include ongoing groundwater observations and modelling, environmental baseline studies in regard to flora and fauna, establishing dust monitoring stations, community engagement and more detailed planning and engineering work to optimise mine development.

Eurilla Iron Ore and Uranium - ELs 3690, 3704, 4093 and 4310

(LML has exclusive rights to all minerals)

The Eurilla Project area is along strike from the Wilcherry Hill or Weednanna gold-magnetite, Hercules iron ore and Menninnie Dam zinc-lead-silver deposits to the northwest and has potential for iron ore, uranium, manganese, gold and/or base metal mineralisation possibly with associated hydrothermal iron oxide and/or sericite alteration. The in situ Inferred Mineral Resource for that part

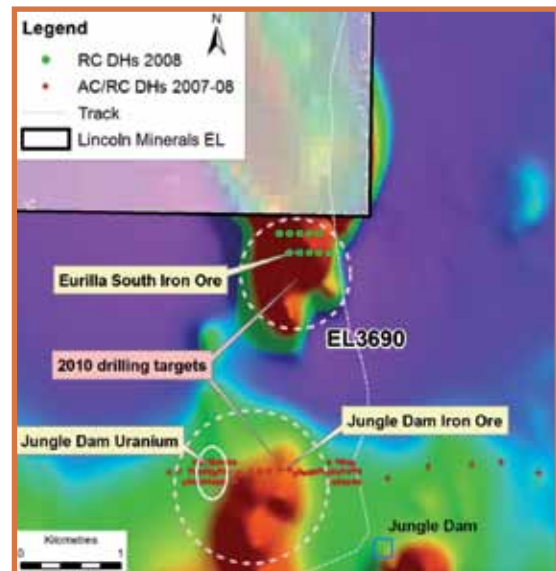


Figure 12: Location of Eurilla South and Jungle Dam prospects in relation to total aeromagnetic intensity anomalies, EL 3690

of the Hercules iron ore deposit within EL 3690 (Eurilla South) is 21.7 Mt @ 33.3% Fe. Based on a 1.6km strike length of high intensity aeromagnetic anomalies, Lincoln considers the combined exploration target (**) for the Eurilla South and Jungle Dam prospects is 50-100 Mt @ 30-35% Fe with potential for a small amount of direct shipping iron ore (DSO).

In addition to iron ore at Eurilla, Lincoln has previously identified within EL 3690, a zone of uranium mineralisation approximately 200m wide and at least 200m long open both to the north and south along strike. Drilling results from 2007 and 2008 include intervals grading up to 0.07% U accompanied by up to 0.5% base

** Note, the potential quantity and grade of this exploration target is conceptual in nature, since there has been insufficient drilling so it is uncertain if drilling will result in the determination of a Mineral Resource.

2. REVIEW OF OPERATIONS *continued*

metal (Zn+Pb+Ni+Cu+Co) in a weathered cap rock overlying pyritic and graphitic units of the Middleback Subgroup.

An aircore (or slimhole RC) drilling program was started in mid-2010 but abandoned due to rig breakdown and rescheduled for later in 2010. The drilling will focus on extending the iron ore resources along strike and evaluating the strike and depth extent of the uranium and base metal mineralisation.

Diamond core drilling at Eurilla is also scheduled within the next year. A PACE (Plan for Accelerating Exploration) grant up to the level of \$75,000 has been awarded to the Company by the South Australian Government for the proposed diamond core drilling. This is part of the South Australian Government's PACE Initiative under Theme 2 – Drilling Collaboration between PIRSA and Industry.

Cummins-Wanilla Iron Ore - ELs 3702, 3703 and 4049

(LML has exclusive rights for all minerals on ELs 3703 & 4049 and, with MEA, is earning an 80% interest for all minerals except uranium on EL 3702)

The Cummins-Wanilla project area is prospective for a large range of polymetallic minerals including iron ore.

Calcrete and soil sampling programs have been completed across most of EL 3703 and detailed gravity surveys along with follow-up aircore and slimhole RC drilling have been completed over selected targets on ELs 3702 and 3703.

The purpose of the gravity surveys and drilling was to identify direct shipping (DSO) style hematite iron ore but no significant hematite iron ore was intersected. Trace to minor (<0.2%) copper, lead and/or zinc was recorded by preliminary in-field XRF measurements.

Field reconnaissance and mapping were undertaken during 2009-10.

Cockabidnie Nickel-Cobalt - ELs 3609, 3884 and 4539

(LML has exclusive rights to all minerals except iron on ELs 4539 (formerly EL 3498) and 3609 and exclusive rights to all minerals on EL 3884)

The Cockabidnie Project is located on central Eyre Peninsula and is prospective for a large range of polymetallic minerals including gold,



unconformity uranium and base metals (copper, lead, zinc, nickel-cobalt).

Aircore and slimline RC drilling completed on EL 3609 near Darke Peak in 2007 and 2008 outlined a new lateritic nickel-cobalt discovery grading up to 1.15% Ni and 0.33% Co along with base metal, gold and uranium mineralisation.

These results have identified a zone of scattered lateritic and saprolitic nickel-cobalt mineralisation over a strike length of ~3 km. The mineralisation occurs to depths of 50 m beneath shallow soil and sand cover 5-15 m thick and is locally enriched in cobalt relative to typical lateritic nickel deposits.

During the year Centrex Metals Limited completed an airborne gravity survey over the tenements. Under the terms of the Coordination Agreement between Lincoln and Centrex, this data has been made available to Lincoln for interpretation and target generation.

The Campoona Syncline region is a highly prospective area not only for nickel-cobalt but also for zinc-lead-silver, copper, gold, uranium and manganese. Within and immediately west of the Campoona Syncline, drilling in 2007 identified significant base metal, gold and silver mineralisation up to 2.4% Zn+Pb, 0.26 ppm Au and 26 ppm Ag. see Figure 14.

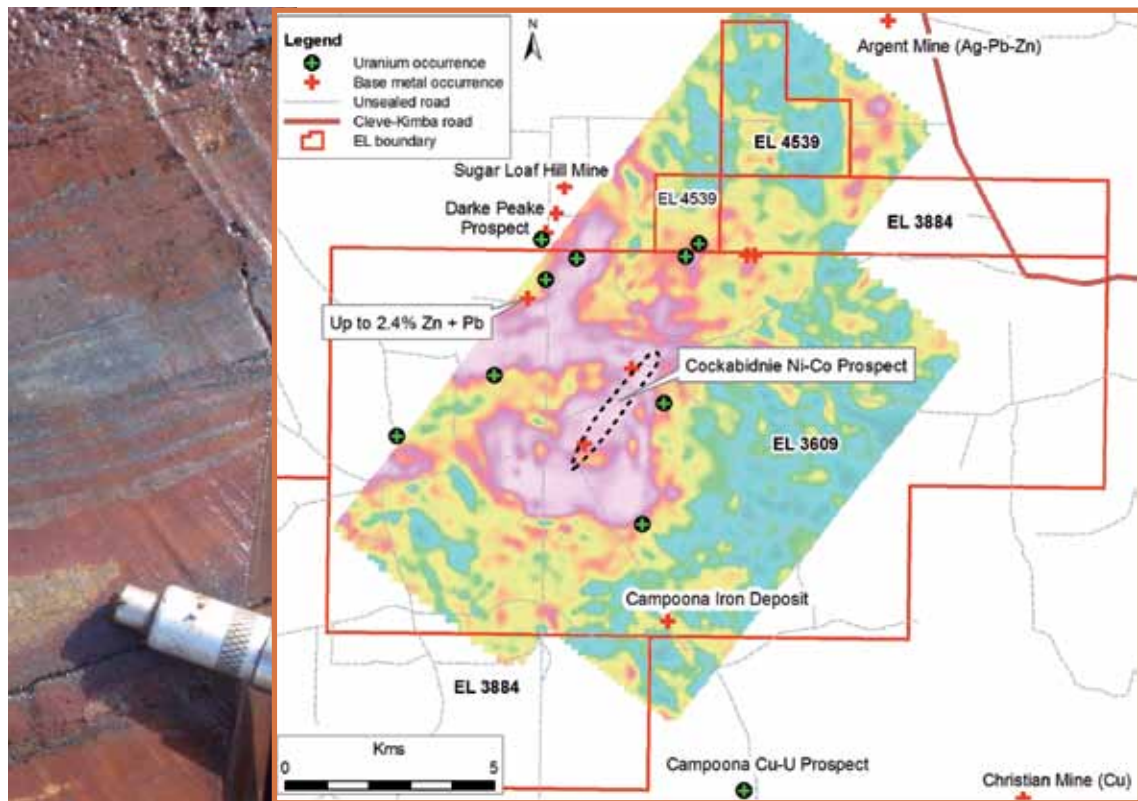
2. REVIEW OF OPERATIONS *continued*

Figure 14: Airborne gravity map (2D-tasa) of Ni-Co mineralisation at Cockabidnie

Stony Hill Project - ELs 3375, 3968, 3999, 4185, and ELA 315/09 (former EL 3287)

(LML has exclusive rights to all minerals except iron)

The Stony Hill project is located in north eastern Eyre Peninsula, immediately west of the Middleback Ranges within the Middleback Subdomain. It contains scattered banded iron formation (BIF), marble and calcsilicate gneiss surrounded by Lincoln Complex granite gneiss. BIF, marble and gneiss are overlain by extensive sand and sandy clay with local playa lakes.

Granite gneiss in the region is locally uraniferous with numerous mylonitic shear zones similar to southern Eyre Peninsula. There is potential for uranium mineralisation within the granite gneiss, particularly within shear zones, and in palaeodrainage channels that drain from the gneisses.

There is a significant uranium anomaly with a high U/Th ratio in lakes near Kimba Gap.

Vegetation sampling on EL 3968 in the Kimba Gap area around the margins of one of the lakes with high U/Th ratios has located a zone of uranium anomalism that is interpreted to represent a potential uraniferous palaeodrainage channel but no field work was undertaken in 2009-10.

**Tumby Bay-White Flat-Mount Hill-Dutton River Project - ELs 3611, 3731, 3877, 4361 and 4384**

(LML has exclusive rights to all minerals on EL 4361 and all minerals except iron on ELs 3611, 3731, 3877 and 4384)

This project area is located on southern Eyre Peninsula and has been previously explored for uranium, gold, base metals, iron ore, graphite and various other minerals largely on a reconnaissance basis. It contains sporadic outcrops of Hutchison Group quartzite, marble, calcsilicate gneiss, BIF, garnet gneiss, and amphibolite. Its eastern margin is bound by a major mylonitic shear zone and a granitic gneiss complex.

2. REVIEW OF OPERATIONS *continued*

Much of the region is capped by intense Tertiary weathering and lateritic ferricrete that mask basement lithologies.

Anomalous uranium, gold and base metal results have been locally recorded and the eastern region near Tumby Bay contains several historic mines. The Tumby Bay, Flinders, and Port Lincoln mines are located mainly within outcropping marble and BIF of the lower Hutchison Group immediately adjacent to and just within the Kalinjala Mylonite Zone. Each of these mines produced a few tonnes of mainly high-grade copper carbonate ore but copper sulphides have been recorded from deeper levels.

The uranium potential of the region is still largely untested.

During the year, Lincoln Minerals undertook regional reconnaissance, mapping and sampling of areas of interest surrounding the old mines noted above and also in an area of gneiss near Louth Bay where uranium anomalism had previously been identified. Preliminary mapping in this area using a field portable Niton XRF analyser identified uranium mineralisation grading up to 1.08% U over a strike length of about 300m.

Further to the west on the upper parts of the Lincoln Uplands, reconnaissance sampling of laterite in the White Flat-Todd Reservoir area has identified anomalous vanadium mineralisation ranging up to 0.3% V.

Centex Metals and its JV partner WISCO are planning to fly a low-level aeromagnetic survey over Tumby Bay mines - White Flat area and have commenced a major diamond core drilling program that includes Carrow (initial 15,000m), Greenpatch (initial 1,750m) and Koppio (initial 10,500m) plus additional RC drilling. These programs will be of significant value to Lincoln Minerals at little or no cost to the Company.

Bungalow – EL 3610

(LML has exclusive rights to all minerals except iron)

Following confirmation of Lincoln's rights to other minerals and metals on ELs shared with Centrex Metals Limited, Lincoln has reviewed Centrex drilling data from Bungalow on central Eyre Peninsula to outline an occurrence of vanadium associated with magnetite iron ore. Centrex has the rights to iron at Bungalow but there is a sub-vertical zone of ferrovanadium mineralisation that

yields a magnetic concentrate (7% to 11.4% DTR) averaging 0.4% to 0.6% V_2O_5 with 59% to 65% Fe and 0.7% to 1.5% TiO_2 .

Centrex Metals in conjunction with its JV partner Baotou Iron & Steel Co, Ltd have commenced a drilling program at Bungalow. Lincoln will be monitoring this drilling, under the terms of its agreements with Centrex, for vanadium, copper and other non-ferrous metals.

2.9 MINE DEVELOPMENT AND EXPLORATION - INDONESIA

Desa Mirah Iron Ore Mine

Lincoln (45%) Samusa (55%)



Lincoln Minerals has a Heads of Agreement with Samusa Corp of Jakarta, to jointly explore and exploit Samusa's Desa Mirah iron ore mine and surrounding exploration concession in the south-central area of Kalimantan (Borneo).

About 7,000-10,000 tonnes (t) of high grade iron ore was stockpiled during trial mining and selected samples range from 63.9% to 68.7% Fe. The average grade of these run-of-mine (ROM) samples is:

Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
66.2	2.02	1.31	0.04	1.85

Drilling and trenching programs at Desa Mirah were undertaken within the mining exploitation concession during August 2009 to define the extent, depth, thickness and Fe grade of the resource. The drilling was not sufficient to define a JORC Inferred Resource but the defined exploration target(**) for high grade lump iron ore within the

2. REVIEW OF OPERATIONS *continued*

immediate vicinity of the trial mine was 27,000–47,000 metric tonnes at 60–66% Fe. Mineralisation covers an area ca. 1 hectare at an average thickness of 0.6–1.2m. On this basis a conceptual small scale mine plan was drawn up.

In addition to the above resources, it was estimated that there is a further 50,000 to 150,000 metric tonnes of iron ore (60–66% Fe) defined as an exploration target(**) in the exploration concession immediately west of the mining concession.

Drilling and trenching failed to substantiate the exploration targets identified from interpretation of ground magnetic data. This was mainly due to identification of a deeper, lower grade magnetic source rock. Below the surface gravel, iron-rich caprock and weathered bedrock, drilling intersected magnetite- and pyrite/pyrrhotite-bearing diorite with up to 30–40% Fe associated with minor copper (up to 0.3% Cu) and trace gold based on field XRF analyses. This mineralisation is of iron-oxide-copper-gold (IOCG) style.

Lincoln Minerals was notified on 16 April 2010 that the palm oil plantation owner on whose land the resource and trial mine are located, refused access to that part of the exploration and mining concessions that it owns. This reduces the area available for exploration and development to

approximately 1,600 Ha and excludes the known resources.

Sulawesi and West Timor

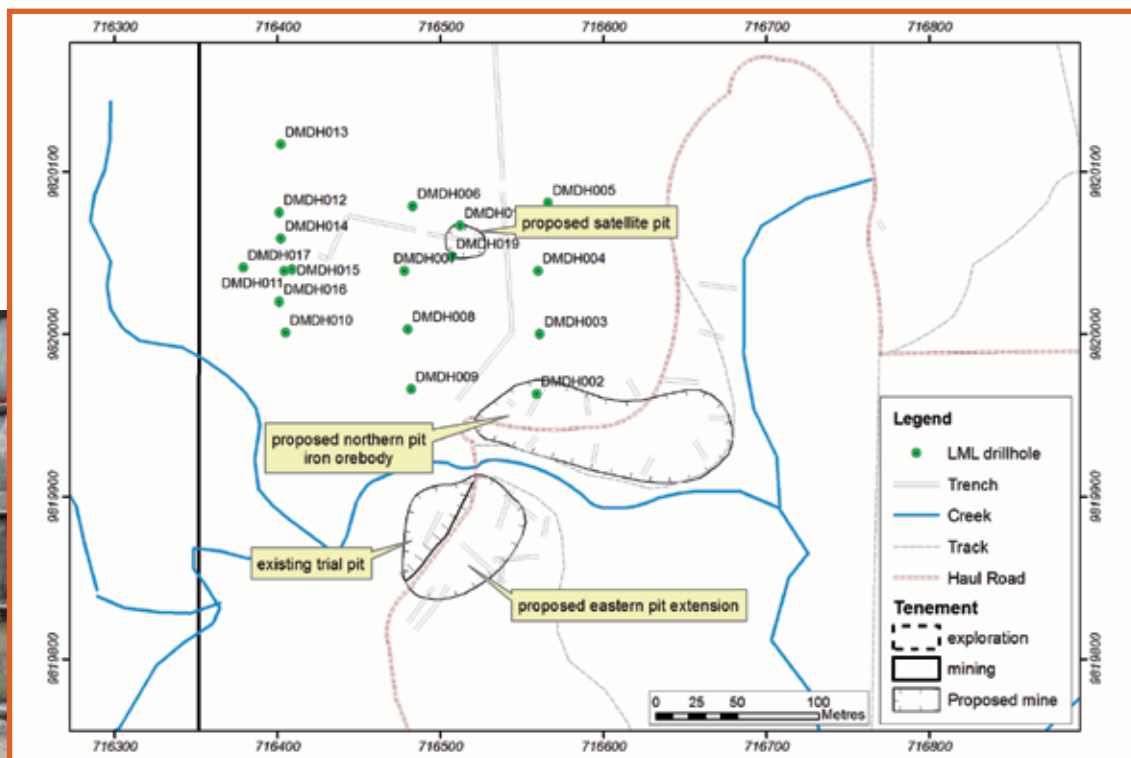
During the year Lincoln geologists visited several areas in Sulawesi and West Timor to undertake geological reconnaissance including field XRF analysis and selective sampling for laboratory analysis and thin-section work.

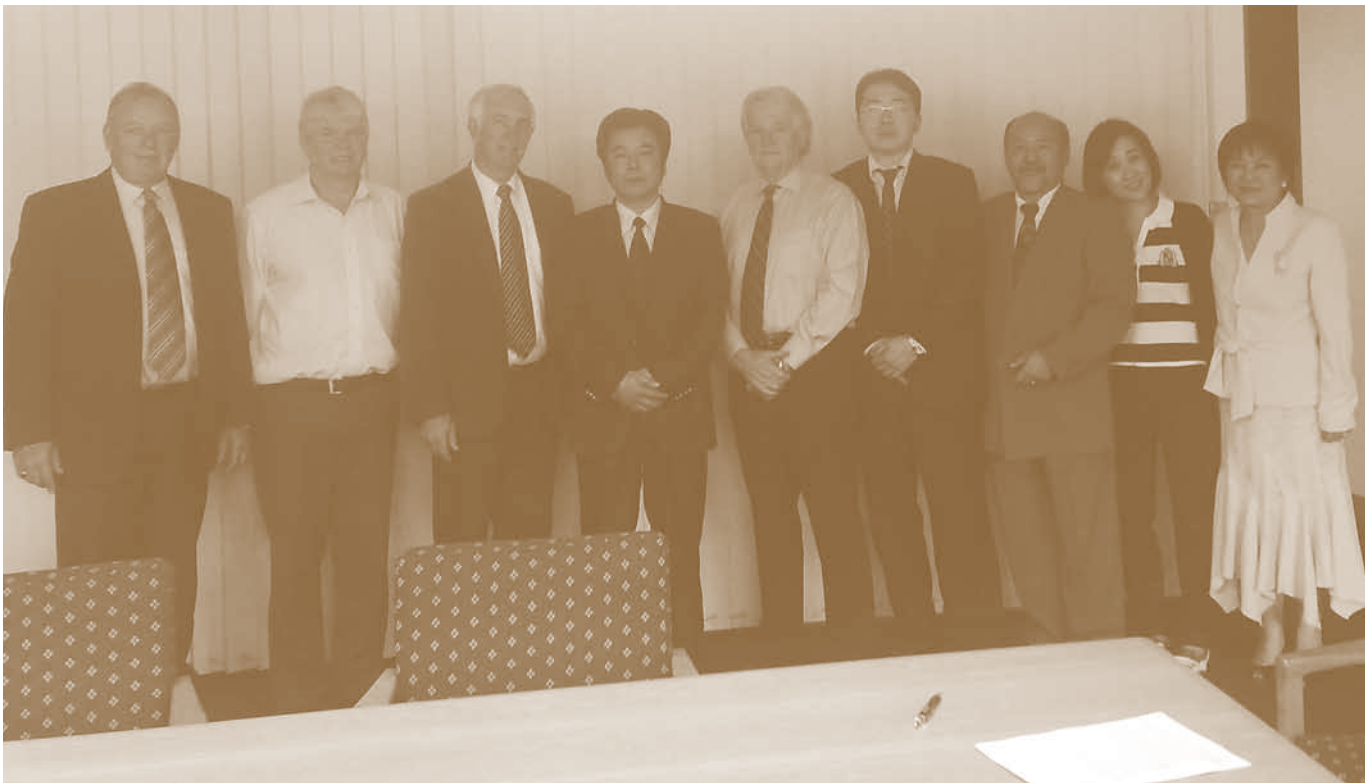
The highlands of central Sulawesi (Tana Toraja area) are host to magnetite-copper-gold (base metal) systems where old workings or adits and previous exploration has recorded total iron in the range 56.1–67.3% Fe, copper up to 2.59% Cu, gold up to 13.1 g/t Au plus silver, lead and zinc.

In central West Timor, there are numerous small manganese occurrences many of which are being mined by local villagers and other miners. Manganese grades range up to 58% Mn.

The manganese occurs in thin layers intercalated with slaty shale and limestone of ocean floor origin plus local pods and lenses of massive manganese.

LML-LAP is focussing on areas close to established infrastructure including existing port facilities.





The Board of Lincoln Minerals and Executives of Jiangyin Huaxi Steel CO., LTD in Adelaide in April 2010 for the signing of the Heads of Agreement regarding offtake at Gum Flat and the subscription of placement share capital.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The Directors present their report together with the financial report of Lincoln Minerals Limited 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 (Non-Executive) 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 Director.

Refer to details above.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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

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 projects.

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 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 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 terminated.

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 exercise 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:

Year	Net (loss) for the year	(Loss) per share – cents (adjusted for rights issue June 2009)	Shareholders' Equity	Number of issued shares -end of years	Share price – end of the year – cents
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)	(2.09)	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:

Category	Exercisable at any time until	Exercise price	Outstanding
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 Group 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 the land unless comparable capital raising measures have been confirmed.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2011 the Company 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".

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

REMUNERATION REPORT - AUDITED

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. 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 Company 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 has decided not to form a separate Remuneration Committee, and instead the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and 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 Group, whilst incurring a cost which is acceptable to shareholders.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Director 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 at a 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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 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						
Directors						
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	-
Executives						
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						
Directors						
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	-
Executives						
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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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
Directors					
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
Executives					
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:

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

No other auditors were engaged by the Group.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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.

A stylized, handwritten signature of the KPMG firm, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature in black ink, which appears to read 'Derek Meates'.

Derek Meates
Partner

Adelaide

29 September 2010

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lincoln Minerals Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Lincoln Minerals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement follows the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Lincoln Minerals Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1 – Lay solid foundations for management and oversight

Principle 2 – Structure the board to add value

Principle 3 – Promote ethical and responsible decision making

Principle 4 – Safeguard integrity in financial reporting

Principle 5 – Make timely and balanced disclosure

Principle 6 – Respect the rights of shareholders

Principle 7 – Recognise and manage risk

Principle 8 – Remunerate fairly and responsibly

1. Lay solid foundations for management and oversight

Governance Roles to achieve the Vision

The skills, experience and expertise relevant to the position of each Director and Secretary in office at the date of the annual report is included in the Directors' Report.

The determination of materiality requires consideration of both quantitative and qualitative elements.

The Board has determined those matters which are the province of the Board, clearly separating them from the responsibilities of the Managing Director.

The Board's role includes the following:

- Setting and reviewing the vision, goals and strategy
- Approving the annual strategic plan and major operating plans
- Approving budgets
- Reviewing and providing feedback on the performance of the Managing Director
- Reviewing the performance of the Board and individual directors
- Reviewing the half-year and full year financial statements and reports and quarterly cash-flow statements
- Determining policies and ensuring adequate procedures are in place to manage the identified risks
- Having regard to the size of the company the full Board will carry out the functions sometimes delegated to a nominations committee and remuneration committee

Role of the Managing Director

The role of the Managing Director includes:

- Vision/Strategy. Formulating with the Board the vision and strategy, developing action plans to achieve the vision and reporting regularly to the Board on progress.

CORPORATE GOVERNANCE STATEMENT

- Management team and employees. Providing leadership, appointing and negotiating terms of employment of senior executives (with Board approval where necessary), developing a succession plan, ensuring procedures are in place for education and training to ensure compliance with laws and policies.
- Successful implementation of the Company's exploration programme.
- Board. Responsible for bringing all matters requiring review/approval to the Board, advising on the changes in risk profile, providing certification regarding the financial statements for the half-year and full year, reporting to the Board on a monthly basis the performance of the Company and for ensuring education of Directors on relevant matters.

The Board will annually review the performance of the Managing Director having regard to performance measures set out at the commencement of each year. These will include financial measures, achievement of strategic objectives and other key performance indicators, and compliance issues.

Role of the Chairman

The role of the Chairman includes:

- Vision/Strategy – Ensuring leadership in setting and reviewing vision;
- Board meetings – Setting agenda with the Managing Director/Company Secretary, ensures directors receive all relevant information, chairs meetings and deals with conflicts;
- AGM – Chairing the AGM and ensures shareholders as a whole have an opportunity to speak on relevant matters, ensures audit partner attends;
- External matters – Being spokesperson with the Managing Director, on company matters;
- Managing Director – Being the primary point of contact between the Board and the Managing Director.
- Being kept fully informed on major matters by the Managing Director, chairing the performance appraisal of the Managing Director, and providing mentoring;
- Initiating Board and committee performance appraisal and ensuring agreed Board composition is maintained and director induction plans are in place.

2 Structure the Board to Add Value

Composition and Balance of Skills of Directors

The composition of the Board is critical for the success of the Company and the number of directors and their skills will vary from time to time depending on the circumstances of the Company:

- The Board believes that the number of directors will range from four to six but have currently determined that the number will be four, including the Managing Director;
- The Board will comprise a variety of persons with diverse skills and experience relevant to the Company and its circumstances at the time;
- The CEO will be a director and will also have the title of Managing Director.

Independence of Directors

The Board believes that the best interests of the Company will be served if a majority of the Directors are independent, as defined in the ASX Corporate Governance Guidelines. The Chairman is an independent director. Directors of Lincoln Minerals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could (or could reasonably be perceived to) materially interfere with the exercise of their unfettered and independent judgement. At present the Company does not have a majority of non-independent Directors, although the Chairman has a casting vote. Mr Cox, as Company Secretary and CFO, acts only on a part-time basis and has a limited management role.

CORPORATE GOVERNANCE STATEMENT

The status of each director is as follows:

		Term in office
Richard V Ryan - Chairman	Independent	Since November 2006
Dr A John Parker – Managing Director	Non-independent	Since October 2006
Peter E Cox	Non-independent, but also acts as Company Secretary/CFO on part-time employment basis	Since October 2006
Robert A Althoff	Independent	Since July 2005

The definition of independence is that as set out in the ASX Corporate Governance Guidelines.

The Board believes in the renewal of Board members to ensure the ongoing vitality of the Company. Generally, Directors will serve for 10 years and will not seek re-election at the next AGM at which they retire by rotation, unless unanimously agreed otherwise by the other non-executive Directors. The best interests of the Company at the time, will significantly influence any such decision.

Appointment of Directors

If the Board determines that there is a need to appoint another Director for any reason they will:

- determine the skills, experience, qualifications appropriate, having regard to those of the existing Directors
- agree the process to seek such a person
- set a timetable to appoint, having regards to the timing of the AGM and requirements of the Constitution
- prepare a short list and meet the candidates

Performance Evaluation

The Board, through the Chairman, will carry out an evaluation, at least every three years, to:

- review the role of the Board
- assess the performance of the Board with a view to assisting the Board to better perform its duties
- review the type and timing of information provided to Directors
- review the performance and contribution of each of the non-executive Directors.

The Board may, from time to time, use an independent adviser to assist in the reviews.

Access to Independent Advice

Directors may obtain independent experts' advice to enable them to fulfil their obligations, at the expense of the Company and after obtaining approval of the Chairman.

3. Promote Ethical and Responsible Decision-making

Code of Conduct of Directors

The Directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the Company.

To meet this obligation they must act honestly and should:

- execute due care and diligence;
- not misuse information or their position for their own gain;
- avoid or fully disclose conflicts;
- ensure that the market is fully informed of all matters that require disclosure;
- actively promote the reputation of the Company.

CORPORATE GOVERNANCE STATEMENT

Conflicts of interest that arise must be immediately disclosed and addressed by eliminating the conflict, abstaining from participation or, in exceptional cases, resigning.

Directors must comply with the law on disclosure of benefits and related party transactions. Directors must have access to all relevant information on the Company and this is to be sought through the Managing Director or agreed arrangements.

All Directors must maintain strict confidentiality in relation to Company matters.

Directors must be aware of insider trading laws and strictly abide by the law and Company policies.

Directors are to ensure that the financial statements are drawn up to comply with Australian Corporations Law and Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and well-being of their employees.

Deeds of access, indemnity and insurance will be entered into with the directors to the extent permitted by law.

Trading in securities

The Company's constitution permits the Directors to acquire securities in the Company. However, the Company policy prohibits Directors and senior management from trading the Company's securities whilst in possession of price sensitive information.

Directors, employees and associates may trade where they have obtained approval of the Chairman. The Company's trading policy is discussed with each new employee as part of their induction. In accordance with the provisions of the Corporations Act and the ASX Listing Rules, the Company will advise the ASX of any transaction conducted by the Directors in the Company's securities.

This policy relates to Directors' and executives' spouses and other parties over whom they have significant influence.

Interaction with the media

To ensure clear and consistent messages to the Stock Exchange and media, unless specifically approved otherwise, the Chairman and Managing Director are the only authorised spokespersons of the Company.

Interests of Stakeholders

The Company observes the principles recommended by the ASX Corporate Guidance Council. The Company addresses environmental, logistical and operating issues associated with its exploration activities.

The Company observes all of the rehabilitation requirements which may attach to its exploration activities.

The Company acknowledges community and legal standards with respect to anti-discrimination at all levels, particularly with respect to employees and contractors.

The Company acknowledges community and legal standards with respect to occupational safety and health.

CORPORATE GOVERNANCE STATEMENT

4. Safeguarding Integrity in Financial Reporting**Audit Committee**

The Board has not established an audit committee because of the small size of both the Board and the Company. Instead the whole Board monitors performance of the Company closely and in conjunction with the external auditors is satisfied that the reporting systems in place provide accurate and timely reports of the Company's activities and position. In addition, detailed financial reports are reviewed at monthly Board meetings

Contracts and Transactions between the Consolidated Entity and its officers

Any proposed contract between an officer (including associates of the officer) and Lincoln Minerals Limited must be approved by the Board prior to its execution.

5. Make Timely and Balanced Disclosure**Continuous Disclosure**

The Board's established policy is to make timely reports to all stakeholders by way of public announcements and direct reports. Lincoln Minerals Limited maintains a website which is regularly updated to provide the wider community with all of the available information that is released.

6. Respect the Rights of Shareholders**Communication Policy**

The Board seeks to ensure that shareholders are informed of all major developments affecting the Company's state of affairs through:

- the Annual Report
- the Interim Report
- disclosures made to ASX
- notices and explanatory memorandum of Annual General Meetings
- the Company's website, www.lincolnminerals.com.au

It is the Company's policy that the engagement partner of its auditors, KPMG, be present at the AGM and be available to answer relevant questions.

7. Recognise and Manage Risk**Risk Management and Internal Compliance and Control**

The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policy. The Board also reviews all major strategies for their impacts on the risks facing the Company and takes appropriate action. The Board also reviews all aspects of the Company's operations for changes to its risk profile on an annual basis.

The Company complies with the ASX recommendation that the Company should establish a sound system of risk oversight and management and internal control.

This includes:

- establishing and monitoring the Company's strategies, goals and objectives
- identifying and measuring risks that might impact upon the achievement of those strategies, goals and objectives
- formulating risk management strategies to manage the identified risks
- monitoring and improving the effectiveness of risks and internal compliance controls.

The Board's current policy requires all cash which is surplus to immediate requirements to be deposited with recognised Australian Banks and does not permit trading in derivatives with Company funds.

CORPORATE GOVERNANCE STATEMENT

The Chairman and Company Secretary/Chief Financial Officer have stated to the Board in writing that the financial risk management, operational and associated compliance controls and other risk management compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations of the Company.

8. Remunerate Fairly and Responsibly

The Company has not established a separate remuneration committee because of the small size of both the Board and the Company.

Non-Executive Directors

Fees plus statutory superannuation paid to non-executive Directors will generally be around the market average.

Directors will not otherwise be entitled to retirement benefits.

Directors will not participate in share or option plans except with the approval of the shareholders.

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 total amount that may be payable by the Group by way of Directors' fees is subject to approval by shareholders and is currently set at a maximum of \$250,000 per annum.

The Managing Director and each non-executive Director holds options.

Senior Executives

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company.

Further information will be set out in the Remuneration Report included in the Directors' Report each year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

	Note	2010 \$	2009 \$
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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2010

	Note	2010 \$	2009 \$
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

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 June 2010

	Note	2010 \$	2009 \$
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	(740,210)	(613,898)
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		(8,285,137)	(2,569,802)
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		9,018,739	1,206,930
Net increase/(decrease) in cash and cash equivalents		(6,608)	(1,976,770)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,463,502	5,440,272
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	3,456,894	3,463,502

The accompanying Notes form part of these Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 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. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

(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:

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.

Reimbursements by joint venture partners of expenditure in respect of areas of interest are deducted from the Group'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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

(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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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 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).

(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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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.

3. CORPORATE EXPENSES

		2010 \$	2009 \$
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
		732,781	652,512

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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

Cash at bank and in hand	149,052	1,183,256
Short term deposits	3,307,842	2,280,246
	3,456,894	3,463,502

Cash at bank does not earn interest.

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

	2010 \$	2009 \$
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	(740,210)	(613,898)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

6. RECEIVABLES

	2010	2009
	\$	\$
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	-
	451,251	311,179

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.

7. PROPERTY, PLANT AND EQUIPMENT

	Office plant and equipment	Exploration plant and equipment	Motor vehicles	Total
2010	\$	\$	\$	\$
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
2009				
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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

8. EXPLORATION AND EVALUATION

	2010 \$	2009 \$
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.

9. INTANGIBLE ASSETSComputer softwareCost

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
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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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

11. CONTRIBUTED EQUITY

	2010 \$	2009 \$
(a) Share capital		
Fully paid ordinary shares	18,422,597	9,328,068
Movements in share capital:	Number	\$
Fully paid ordinary shares		
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
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

(b) Options

The following options were outstanding:

Category	Number	Exercise price per option	Expiry date
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

12. RESERVES

	2010 \$	2009 \$
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.

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	70,500	48,400

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

Centrex Metals the right to all iron ore found on one tenement held by the Company (EL 3498).

Remuneration commitments

	2010 \$	2009 \$
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	-	-
	592,279	345,149

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.

16. EARNINGS PER SHARE

	2010 \$	2009 \$
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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:

	2010 \$	2009 \$
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.

Interest rate risk

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

Carrying amounts		
Fixed rate instruments		
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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.

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

eighted 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

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:

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

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

Executives

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

Executives

PC Lyons	100,000	-	-	-	100,000
DA Povey	100,000	-	-	-	100,000
DR Bachmann	100,000	-	-	-	100,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

Shareholdings of Key Management Personnel – 2010

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Directors			
RV Ryan	300,000	50,000	350,000
AJ Parker	300,000	300,000	300,000
PE Cox	133,334	-	133,334
RA Althoff	720,000	40,000	760,000
Executives			
PC Lyons	-	-	-
DA Povey	-	-	-

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 June 2010

22. PARENT ENTITY DISCLOSURES

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

		2010 \$	2009 \$
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)
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 probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

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*.

A stylized signature of the KPMG firm, written in a cursive script.

KPMG

A handwritten signature of Derek Meates, written in a cursive script.

Derek Meates
Partner

Adelaide

29 September 2010

SHAREHOLDERS' INFORMATION

1. Distribution as at 30 September 2010

Spread of Equity Security Holders

	Number of Holders Fully paid shares	Number of Holders Unlisted options
0 – 1,000	21	-
1,001 – 5,000	192	-
5,001 – 10,000	242	-
10,001 – 100,000	466	5
100,001 and over	131	4
	1,052	9

Security holders holding less than a marketable parcel

Fully paid shares	Unlisted options
62	N/A

Percentage held by the 20 largest holders

Fully paid shares	Unlisted options
62.45	100

2. Voting rights

At a general meeting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

3. Substantial shareholders

South Cove Limited (associated with Lodge Limited)	18,859,176 shares
Lodge Limited (associated with South Cove Limited)	18,859,176 shares
High Treasure International Ltd	15,000,000 shares
Eng Hoe Lim (associated with Sui Lan Ling)	8,529,375 shares

4. Taxation

The Company is taxed as a public company.

5. Statement of quoted securities

	Shares	Unlisted options expiry 31 Dec 2011
Quoted on ASX	116,959,938	-
Unquoted	-	4,760,000
Total	116,959,938	4,760,000

List of the 20 largest Shareholders – Fully Paid Ordinary Shares

	<i>Shareholder</i>	<i>Number of Shares</i>	<i>%</i>
1	High Treasure International Ltd	15,000,000	12.82
2	South Cove Limited	14,084,176	12.04
3	Eng Hoe Lim	7,437,775	6.36
4	Keng Chuen Tham	5,250,000	4.49
5	Tigermoth Investments Ltd	4,900,000	4.19
6	Lodge Limited	4,775,000	4.08
7	Sakura Capital Ltd	3,629,646	3.10
8	HSBC Custody Nominees (Australia) Limited	3,474,724	2.97
9	Mr Hock Guan Ng	2,400,000	2.05
10	Wynnwood Pty Ltd	1,773,249	1.52
11	Ms Lai Yoong Lim	1,600,000	1.37
12	Commodity Traders (NZ) Ltd	1,315,999	1.13
13	Helen Ma Pty Ltd	1,222,636	1.05
14	Sui Lan Ling	1,091,600	0.93
15	Kok Bin Wee	1,050,000	0.90
16	Mr Pak Yang Chang	838,609	0.72
17	Davan Nominees Pty Ltd	831,102	0.71
18	Estarleece Pty Ltd	803,000	0.69
19	Creative Vision Finance Pty Ltd	800,000	0.68
20	Robert Arthur Althoff & Deborah Joy Althoff	760,000	0.65



Notes

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