



**LINCOLN
MINERALS**



ANNUAL REPORT
2011





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COMPANY HIGHLIGHTS

Solid Future Growth Path

- Feasibility studies support Stage 1 DSO iron ore operation at Gum Flat in SA
- Mineral Claim lodged and Mining Lease Application prepared over Gum Flat Barns deposit
- Aiming to commence mining in late 2012 (*)
- Acquired land for development of Gum Flat
- High grade manganese identified in west Timor, Indonesia

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

- 100% owned by Lincoln Minerals
- *In situ* Indicated and Inferred Mineral Resources total 103 million tonnes (Mt):
 - 99 Mt Magnetite Inferred Resource at 24.4% Fe (20.6% DTR concentrate)
 - 1.8 Mt Hematite Indicated Resource at 50.5% Fe (45% Fe cut-off) including 0.9 Mt DSO hematite at 54.2% Fe (50% Fe cut-off) or 58% CaFe
- Additional 250-750 Mt exploration targets @ 20-35% Fe plus some possible DSO
- Potential to commence mining Barns DSO hematite-goethite in 2012 subject to finance and regulatory approvals:
 - Start-up mining operation targeting 0.5 Mtpa hematite-goethite DSO
 - Operating cost less than A\$40 per tonne FOB ex Port Lincoln (*)
 - Mine capital cost A\$18 million including roads, containers and 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 (*) depending on power availability
 - 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

Eurilla – Jungle Dam (Iron Ore, Uranium and Manganese)

- Lincoln Minerals has 100% ownership of all mineral rights
- *In situ* Iron Ore Inferred Resource of 21.7 Mt @ 33.3% Fe
- Iron ore exploration targets 50-100 Mt at 30-35% Fe
- Uranium up to 0.05%-0.07% U with up to 0.1% Pb, 0.7% Zn and 0.5% Cu
- 5 hectare zone of mineralisation open to north and south along strike
- Up to 66% MnO in surface outcrops near Uno (EL 4310)



Nantuma (Iron Ore)

- ELA adjacent to Iron Road Limited's 1 billion tonne Murphy South magnetite deposit (EL 3699)
- Large exploration target

Cockabidnie (Nickel-Cobalt-Scandium, Base Metals and Gold)

- Lateritic nickel-cobalt up to 1.15% Ni and 0.33% Co in Campoona Syncline with associated scandium (up to 50 ppm) and base metals
- Extensive base metal anomalism up to 2.4% lead+zinc and up to 26g/t Ag with minor Au
- Potential for high grade graphite

Bungalow (Copper and Vanadium)

- Up to 0.4-0.6% V_2O_5 and up to 0.6% Cu in magnetic concentrates

Tumby Bay – Louth Bay – White Flat (Base Metals, Uranium, Graphite and Vanadium)

- Copper mined from oxidised ore during period 1840s to ~1915 recorded grades up to 30% Cu
- Prior exploration concentrated around known deposits – little or no drill testing at depth or along-strike
- Nickel in Coultas Gabbro, up to 0.3% vanadium in laterite near White Flat and uranium near Louth Bay and Carinya
- Extensive graphite mineralisation along strike from historic mining at Koppio Graphite Mine

Timor Manganese (Indonesia)

- High grade manganese up to 55% Mn identified in western Timor
- Evaluating additional projects in Flores (iron, manganese and copper-gold)

Corporate

- Exploration Licenses in South Australia total 5,103 km²
- New Coordination Agreement and revised Deeds of Consent and Assumption established with Centrex Metals Limited and its JV partners:
- Re-affirms Lincoln's rights to all non-ferrous metals and minerals on Centrex-SAIOG ELs
- Sets out framework for exploration and co-development of coincident resources

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 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.



CHAIRMAN'S REPORT

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

During 2010 and 2011, Lincoln Minerals has continued to make progress on developing its flagship Gum Flat iron ore project.

In 2010, the Company completed metallurgical and scoping studies on the Gum Flat iron ore project which is only 20km from Port Lincoln on southern Eyre Peninsula in South Australia. Subject to regulatory approvals and availability of finance, the studies showed that, albeit small, the direct shipping hematite-goethite iron ore (DSO) can be potentially mined and exported for less than \$40 per tonne operating cost Free on Board (FOB).

On this basis Lincoln Minerals has prepared a Mining Lease proposal (MLP) for Stage 1 of the Gum Flat project to mine up to 0.5 million tonnes per annum of DSO and export it out through Port Lincoln using a containerised system. The container system has the advantage of reducing capital costs to less than \$20 million and providing an environmentally friendly transport and ship loading operation.

As part of the preparation of the MLP, baseline environmental and groundwater studies were completed and reverse circulation (RC) and diamond core drilling programs were undertaken for geotechnical studies, to identify additional resources and confirm existing resources. A key component of the proposed mining operation is to get groundwater approvals since the project is located within a prescribed wells area. Applications have been lodged for licenses to extract groundwater and re-inject surplus water back into the aquifer system.

In late 2010, Lincoln Minerals acquired the Barns Estate land on which the Main Gum Flat iron ore deposits are located. This gives the Company freehold title to the land encompassing the proposed Mining Lease.

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-scandium 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.

Since early 2009, Lincoln Minerals has been exploring prospects in Indonesia and looking further afield for other opportunities. Although the Kalimantan iron ore project didn't materialise, the Company has continued exploration manganese and iron sands on the islands of Flores and West Timor.

In early 2011, Lincoln Minerals completed a rights issue to raise \$2.46 million less costs. The funds were used to purchase the Barns Estate and for preparation of the MLP and further drilling at Gum Flat.

In making preparations for and undertaking its exploration and proposed development 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 the MLP is ready to be lodged with the SA State Government for approval. This process will take at least 6 months but I look forward to the Company moving towards developing its first mining operation in late 2012 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



1 Review of Operations

1.1 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 and 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 formed Heads of Agreement to explore and evaluate several mineral prospects in Indonesia. These include iron sand in Flores and manganese in western Timor. The Company sees ongoing opportunities in Indonesia and other SE Asian countries 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 system (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.





1.2 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 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.

1.3 Project Portfolio

The Company holds exploration rights to lease holdings totalling 5,103 km².

Lincoln Minerals has exclusive rights to all minerals including iron ore on leases totalling 2,646 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.

Current Exploration License applications total 510 km².

Tenements	Exclusive Rights	Area (sq km)
11	All minerals	2,646
15	All minerals except iron ore	1,947
1	License application – all minerals	510
TOTAL		5,103

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, Wanilla, Yeelanna and Tarlinga ELs and the Eurilla, Lake Gilles, Moseley Nobs and Uno ELs.



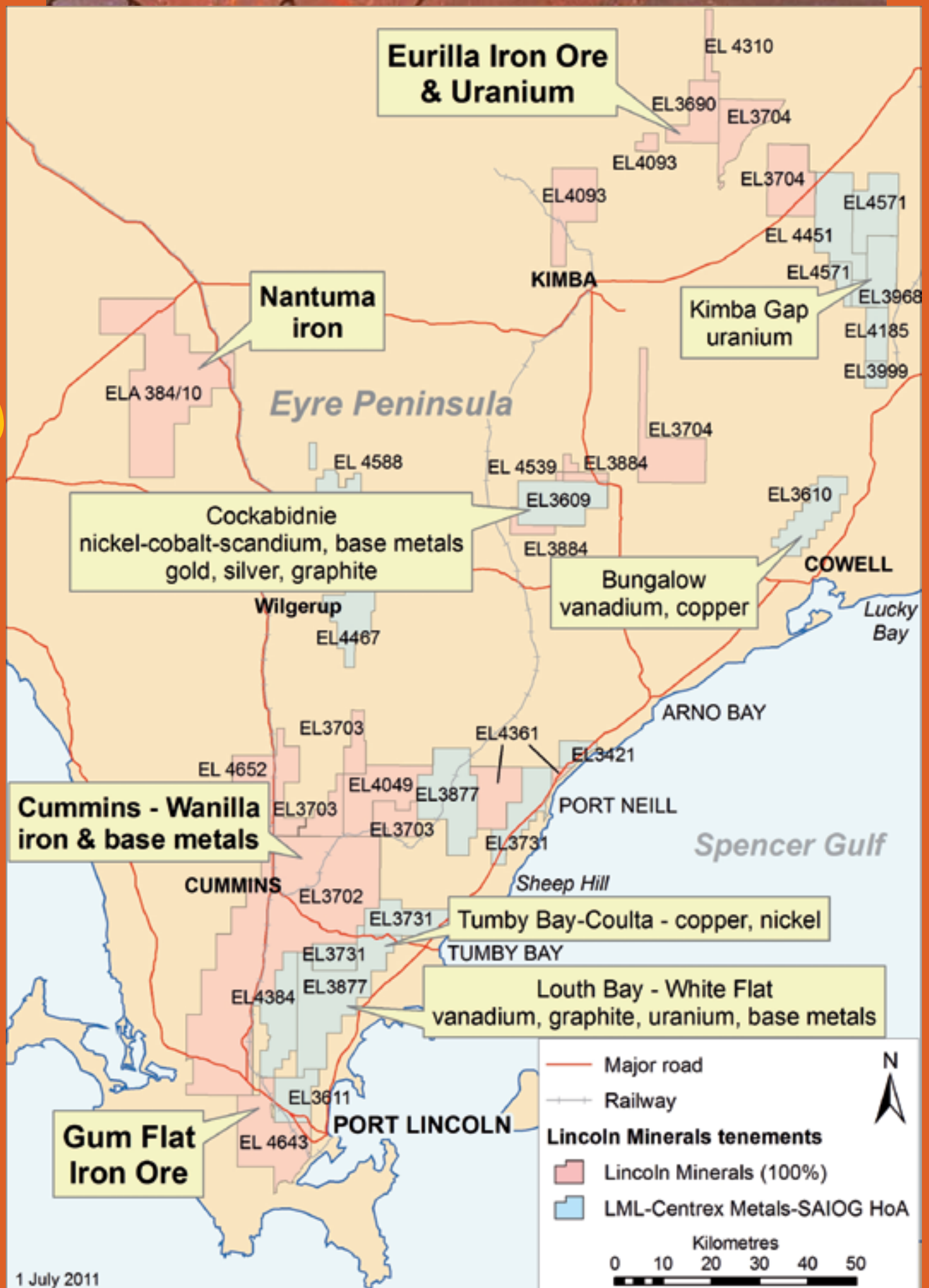


Figure 1: Location of Lincoln Minerals' tenements and project areas

Tenement	Granted	Expiry	Area (km2)	Expenditure Commitment	Locality	Licensee	Operator **
LINCOLN MINERALS HAS OWNERSHIP OF ALL MINERAL RIGHTS							
EL 3690	30-Jan-07	29-Jan-12	98	\$40,000	Eurilla (Lake Gilles)	LML	LML
EL 3702 *	13-Feb-07	12-Feb-12	1000	\$130,000	Wanilla	LML	LML
EL 3703	13-Feb-07	12-Feb-12	163	\$45,000	Cummins	LML	LML
EL 3704	13-Feb-07	12-Feb-12	406	\$70,000	Lake Gilles (Stony Hill West)	LML	LML
EL 3884	06-Aug-07	5-Aug-12	40	\$40,000	Campoona	LML	LML
EL 4049	25-Feb-08	24-Feb-12	168	\$55,000	Tarlinga	LML	LML
EL 4093	03-Mar-08	2-Mar-13	147	\$45,000	Moseley Nobs	LML	LML
EL 4310	29-Sep-09	28-Sep-12	26	\$35,000	Uno	LML	LML
EL 4361	04-Nov-09	3-Nov-11	114	\$40,000	Dutton River	LML	LML
EL 4643 former EL 3422	07-Jan-11	6-Jan-14	208	\$50,000	Gum Flat	LML	LML
EL 4652	25-Jan-11	24-Jan-13	276	\$55,000	Yeelanna	LML	LML
ELA 384/10			510	\$80,000	Nantuma	LML	LML
		Subtotal	3,156	\$685,000			
LINCOLN MINERALS HAS OWNERSHIP OF ALL MINERAL RIGHTS EXCEPT IRON ORE **							
EL 3609	14-Aug-06	13-Aug-11	154	\$45,000	Cockabidnie	CXM	LML jointly with CXM
EL 3610	14-Aug-06	13-Aug-11	117	\$40,000	Minbrie	CXM	LML jointly with CXM
EL 3611	14-Aug-06	13-Aug-11	79	\$40,000	Greenpatch	CXM	LML jointly with CXM
EL 3731	12-Apr-07	11-Apr-12	272	\$60,000	Tumby Bay (Carrow)	SAIOG	LML jointly with CXM
EL 3877	06-Aug-07	05-Aug-11	476	\$75,000	Mount Hill (Tod River)	SAIOG	LML jointly with CXM
EL 3968	05-Nov-07	04-Nov-12	106	\$40,000	Kimba Gap	SAIOG	LML jointly with CXM
EL 3999	12-Dec-07	11-Dec-12	26	\$35,000	Pondooma	SAIOG	LML jointly with CXM
EL 4185	18-Sep-08	17-Sep-12	52	\$35,000	Ironstone Hill	SAIOG	LML jointly with CXM
EL 4384	16-Nov-09	15-Nov-12	141	\$45,000	Wanilla	CXM	LML jointly with CXM
EL 4451	15-Mar-10	14-Mar-12	155	\$45,000	Stony Hill	SAIOG	LML jointly with CXM
EL 4467	19-Apr-10	18-Apr-13	104	\$40,000	Tooligie Hill (Wilgerup)	CXM	LML jointly with CXM
EL 4539	23-Aug-10	23-Aug-12	11	\$30,000	Cockabidnie North	LML	LML jointly with CXM
EL 4571	08-Jul-05	07-Jul-12	150	\$45,000	Gilles Downs	CXM	LML jointly with CXM
EL 4588	19-Aug-05	04-Oct-12	73	\$40,000	Lock	CXM	LML jointly with CXM
EL 4605	16-Sep-05	16-Nov-12	31	\$35,000	Dutton Bay	CXM	LML jointly with CXM
		Subtotal	1947	\$650,000			
		Grand total	5,103	\$1,335,000			

Table 2: Lincoln Minerals Limited tenement summary (as at 31 August 2011)

** 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, the expenditure commitment is shared between CXM and LML.



1.4 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 Limited are the licensees.

Centrex has joint ventures with Chinese companies, Wuhan Iron and Steel Group (WISCO) and the Baogang Group, in which those companies may have been assigned an interest in the respective ELs. Under the terms of its original agreements with Centrex, Lincoln Minerals has given its approval for such transfers of interest subject to the Chinese parties signing Deeds of Consent and Assumption to ensure that none of Lincoln's existing rights are diminished in any way.

In April 2010, as part of this process, Lincoln and Centrex formed a Coordination Agreement to re-affirm Lincoln's rights to all non-ferrous metals and minerals on Centrex ELs and to set out the framework for exploration and co-development of coincident resources.

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 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 is maintaining an active role in monitoring these drilling programs for other minerals including copper and vanadium that might be of interest.



1.5 Joint Ventures

Heads of Agreements in Indonesia

Heads of Agreements in Flores and Western 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 (LAP).

Some of the projects considered include:

- Manganese in western Timor;
- Manganese, copper, iron ore and iron sands in Flores.

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.



Wanilla, South Australia – EL 3702

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

Lincoln Minerals had 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 potential for iron ore in addition to base metals, gold and uranium. It links LML's Gum Flat (EL 4643) and Cummins (EL 3703) tenements on which LML is actively exploring for iron ore.

In late 2010, ITM and MEA withdrew from the JV and the EL was transferred to LML. LML now has 100% rights to all minerals and metals.

1.6 China steel mill injects A\$8.2m into Lincoln Minerals

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 Memorandum of Understanding (MOU) 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 MOU, 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 MOU, include:

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

1.7 Exploration – South Australia

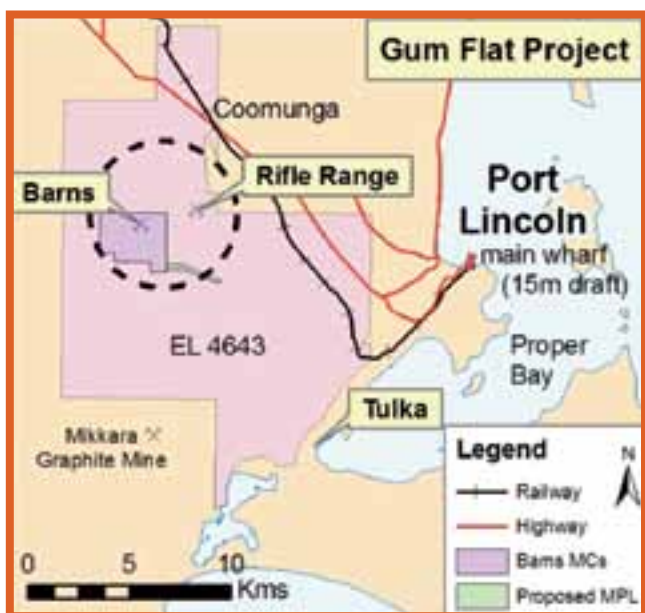
Gum Flat Iron Ore – EL 4643 (formerly EL 3422)

(LML has exclusive rights to all minerals)

Lincoln Minerals' flagship Gum Flat Iron Ore Project on southern Eyre Peninsula is within 20 km of Port Lincoln, an existing port capable of handling Panamax ships up to 15 m draft.

The Project offers significant employment and commercial opportunities for people and businesses in Port Lincoln and southern Eyre Peninsula.

Gum Flat contains more than 100 million tonnes of iron ore, most of it magnetite but with some hematite-goethite suitable for direct shipping. Magnetite ore needs to be processed into a high grade concentrate before it can be exported.



Subject to mineable reserve definition, mine planning, obtaining finance and getting all necessary approvals, Lincoln Minerals proposes to begin exporting direct shipping ore (DSO) in 2012 via the main wharf at Port Lincoln.

The company is currently considering a two-stage development option:

- Stage 1 – mine and export up to 500,000 tonnes per annum hematite DSO via Port Lincoln including upgrade of medium grade hematite-goethite-magnetite fines
- Stage 2 – mine up to 10 Mtpa magnetite ore and process onsite to produce ~2 Mtpa high grade concentrate for export via Port Lincoln or Sheep Hill.

Timing:

- Late 2011 – lodge Mining Lease Application and establish groundwater allocation
- Early 2012 – PEPR and development approvals
- Mid 2012 – start mining
- Late 2012 – start exporting from Port Lincoln
- 2013 – construct Stage 1 upgrading plant
- 2015 – commence Stage 2

The EL is also prospective for polymetallic

minerals including gold, uranium, base metals (copper, lead, zinc, nickel) and, in particular, graphite. The Mikkara Graphite Mine is located immediately south of EL 4643.

Extending west from Port Lincoln with a railway line and major highway running through the area, EL 4643 is ideally located with respect to infrastructure and proximity to a major shipping port.

Mineral Claim (Stage 1)

Mineral Claims for the proposed Stage 1 Barns iron ore mine have been pegged and include an area set aside for water injection wells to preserve valuable water resources excess to mine requirements.

Mining Lease Application (Stage 1)

During the year, Lincoln Minerals commenced preparation of a Mining Lease Application (MLA) over the Barns DSO deposit at Gum Flat.

Golder Associates Pty Ltd has prepared the MLA and has undertaken a number of ancillary studies in relation to noise, dust, traffic, transport options and mine closure, and engineering work to optimise mine development. Groundwater studies were completed by Aldam Geoscience.

Baseline studies completed for the MLA included environmental baseline studies in regard to flora and fauna.

The flora and fauna surveys were undertaken by EBS Ecology during spring 2010 and included:





- establishing trap sites in the Barns Prospect area to trap and record the main fauna communities;
- establishing survey sites in representative locations to define and map vegetation associations, assess the condition, and maximise the species diversity observed;
- identifying the diversity, abundance, and distribution of exotic weed species;
- mapping the vegetation associations of the proposed Haul Road alignment; and
- conducting a fauna habitat assessment of the proposed Haul Road alignment.

Fourteen vegetation sites were established and eight sites were surveyed for mammals, reptiles, frogs, and birds for up to four consecutive nights. The final report has been included with the MLA but has also been included in an EPBC Referral prepared by Wallbridge & Gilbert and lodged in August 2011. The EPBC Referral included an additional EPBC Protected Matters Search.

Community engagement is ongoing along with more detailed planning and engineering work to optimise mine development. Various meetings have been held with State and Local Government authorities and with representatives of the seafood industry.

The MLA is complete and is waiting to be lodged with Primary Industries and Resources Department, SA (PIRSA), subject to continuing discussions with that department.

Subject to approval of the MLA and granting of a Mining Lease by PIRSA, a Program for Environmental Protection and Rehabilitation (PEPR) will need to be prepared. It is planned to prepare the PEPR ready for submission in early to mid 2012. Lincoln Minerals is anticipating project approvals to be finalised in mid 2012.

Mining and Processing (Stage 1)

The proposed mine plan for Stage 1 mining of the Barns DSO hematite-goethite

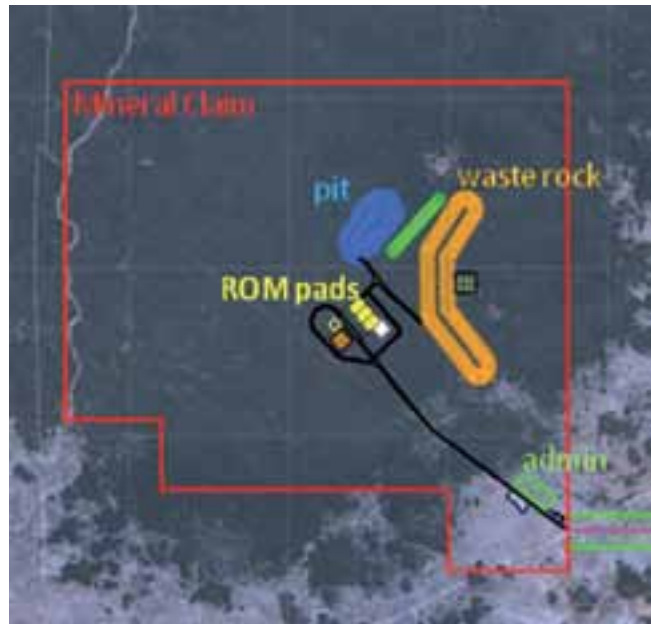


Figure 2: Proposed mine plan and site layout for Stage 1 mining of Barns DSO deposit

(± magnetite) deposit has been refined. That plan is shown below and is based on the following:

- Mine 0.5 Mtpa DSO hematite from open cut pit
- Crush, screen and transport ore by double road trains in covered containers to Port Lincoln for export in Handimax ships
- Stage 1b would involve constructing a dry magnetite/gravity concentration plant at Barns to produce a fines concentrate for export

Transport

For Stage 1, the transport option is to move DSO ore from Gum Flat to Port Lincoln via road on double road trains customised to carry 30 tonne covered containers.

Approximately 10 km of Duck Pond Road would be upgraded and the intersection on Western Approach Road would be upgraded with a passing lane. Stage 1



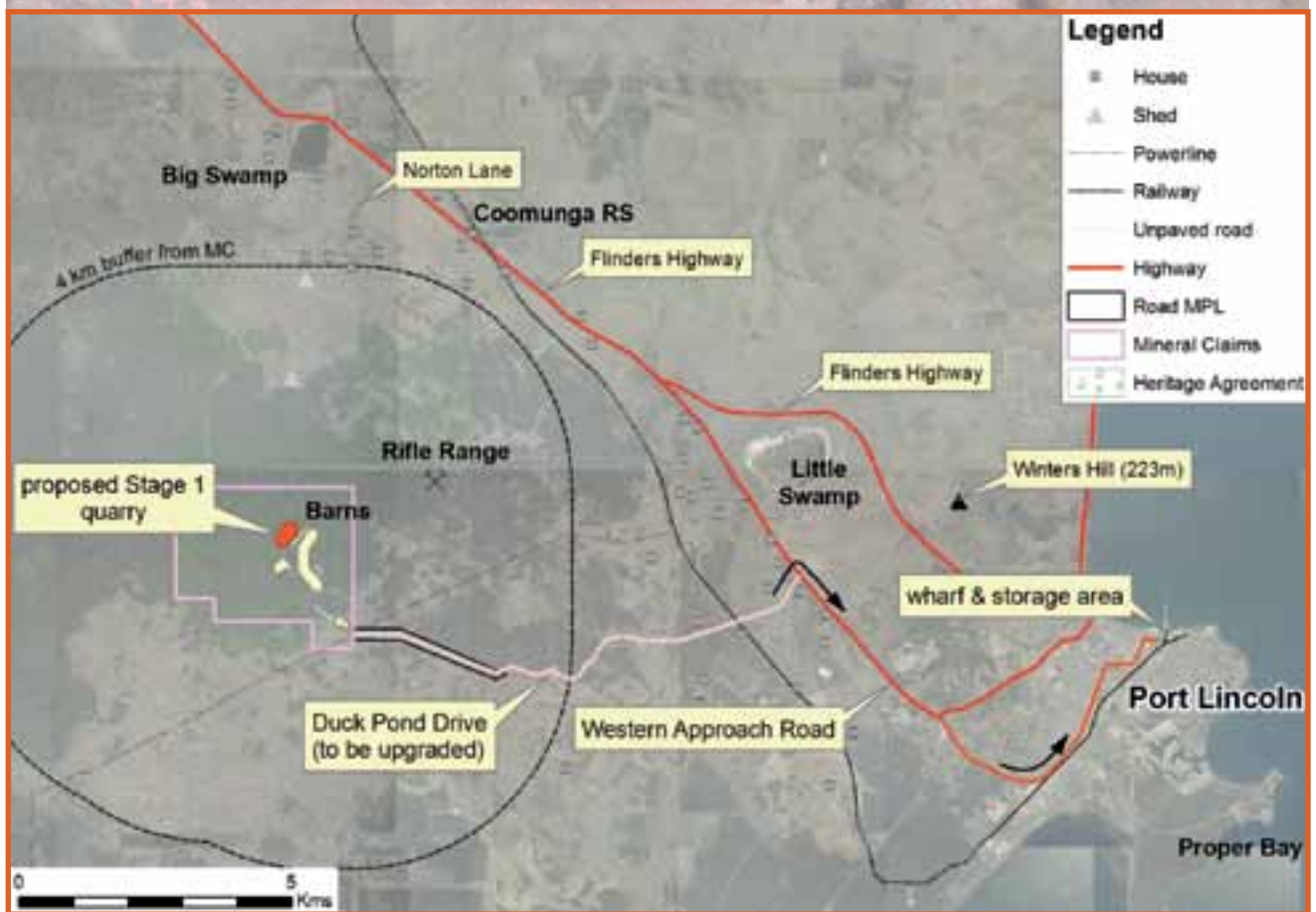


Figure 3: Conceptual transport route for Stage 1 mining of Barns DSO deposit

would typically involve 2 double road trains per hour (+ return trips), 16 hours/day, 5 days/week or, alternatively 4 double road trains per hour, 8 hours per day.

Material Storage and Handling

The storage and handling option for Port Lincoln is to use covered containers and a Rotainer or Rotator system similar to that being used successfully at Port Adelaide. Containerised ore would be stored in the wharf precinct and loaded into ships' holds using a tippler system with mist spray to control any dust. Stage 1 production would load one Handimax ship (about 45,000 tonnes) every 4-6 weeks.

The alternative option to truck bulk iron ore into Port Lincoln, unload and store ore in a negatively-pressured shed in the wharf precinct, and load it directly into ships' holds via a negatively-pressured, fully enclosed

conveyor system which has a very high capital expenditure compared to the container option.

Resource Drilling Programs 2010-2011

A 5,360 m Reverse Circulation (RC) drilling program was completed in February 2011 to test a 3 km long zone of potential hematite alteration at the Barns Prospect, other exploration targets for potential DSO hematite and to establish inferred and/or indicated Mineral Resources for such.

A number of zones were identified but only was found.

Drilling intersected numerous iron enriched intervals along the 3 km zone with iron content greater than 45% Fe and one small pod of potential DSO just southwest of the proposed Barns quarry. However, due to the nature and positioning of drill traverses this round of drilling was unable to define the full extents to this mineralisation. Results were detailed in the January-March 2011 Quarterly Report.

Geotechnical and metallurgical drilling within the proposed Barns quarry site was also completed in early 2011 to finalise pit wall slopes and pit design. Metallurgical tests will be undertaken to optimise the preferred processing flow sheet to upgrade 40-55% Fe ore to DSO grade (>55% Fe).



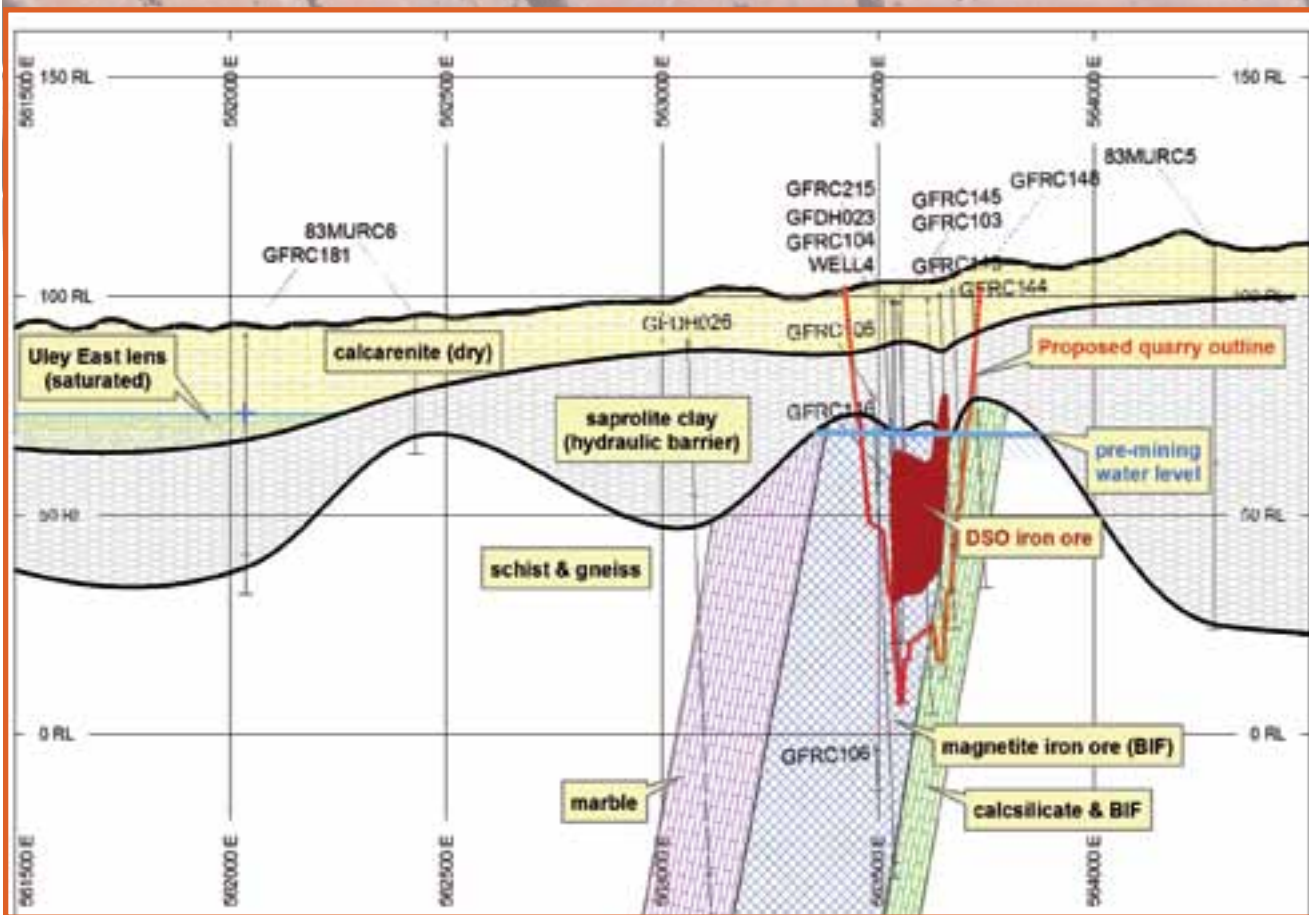


Figure 4: East-west geological section through Barns DSO deposit

Hydrogeological Study

Groundwater is the main concern for the Barns mine plan since the proposed mine site is within a Prescribed Wells Area used for groundwater extraction by the Eyre Peninsula community.

Lincoln Minerals has devoted considerable time and resources to ensure that any proposed mining activities will not have a detrimental effect on the aquifer system.

Expanding on Lincoln's previous groundwater studies a detailed hydrogeological survey, construction of further groundwater monitoring bores, pump testing and modelling were completed during February-March 2011. A detailed hydrogeological report has been completed and applications have been lodged with the SA Department for Water for licenses to extract water to dewater the proposed mine.

Investigations carried out to date have provided sound basic information regarding the aquifers on site, including lithology, potentiometric surface, water quality, transmissivity and the presence of hydraulic barriers. They indicate that the main calcarenite aquifer used for groundwater extraction in the Uley East lens and Uley South lens (12-15 km southwest of the proposed mine) is dry or unsaturated in the

proposed mine area and is separated from an underlying fractured bedrock aquifer system by several tens of metres of saprolite clay. This material varies in thickness and acts as a confining layer to the basement aquifer.

Due to the presence of saprolite clay and unsaturated conditions in the Quaternary Bridgewater Formation (calcarenite), it is concluded that the basement aquifer system at the Central Barns Deposit is not hydraulically connected to the Uley East groundwater lens. It is also likely that the saprolite will preclude hydraulic connection between the basement aquifer and the Tertiary/Quaternary aquifers of the Uley South groundwater lens.

Proposed mining will require extraction of groundwater from the lowermost bedrock aquifer to dewater the quarry. It is estimated that the dewatering rate to lower and maintain the water level to below the proposed pit floor will initially be about 2.1 GL per annum but would decrease to 1.2 GL per annum once a steady state water level has been achieved.

Some of this water, about 200-300 ML, will be used on site for dust suppression, truck wash down facilities, revegetation and general consumption but it is proposed that excess groundwater, up to 1.7 GL per annum, will be injected back into the aquifer system away

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

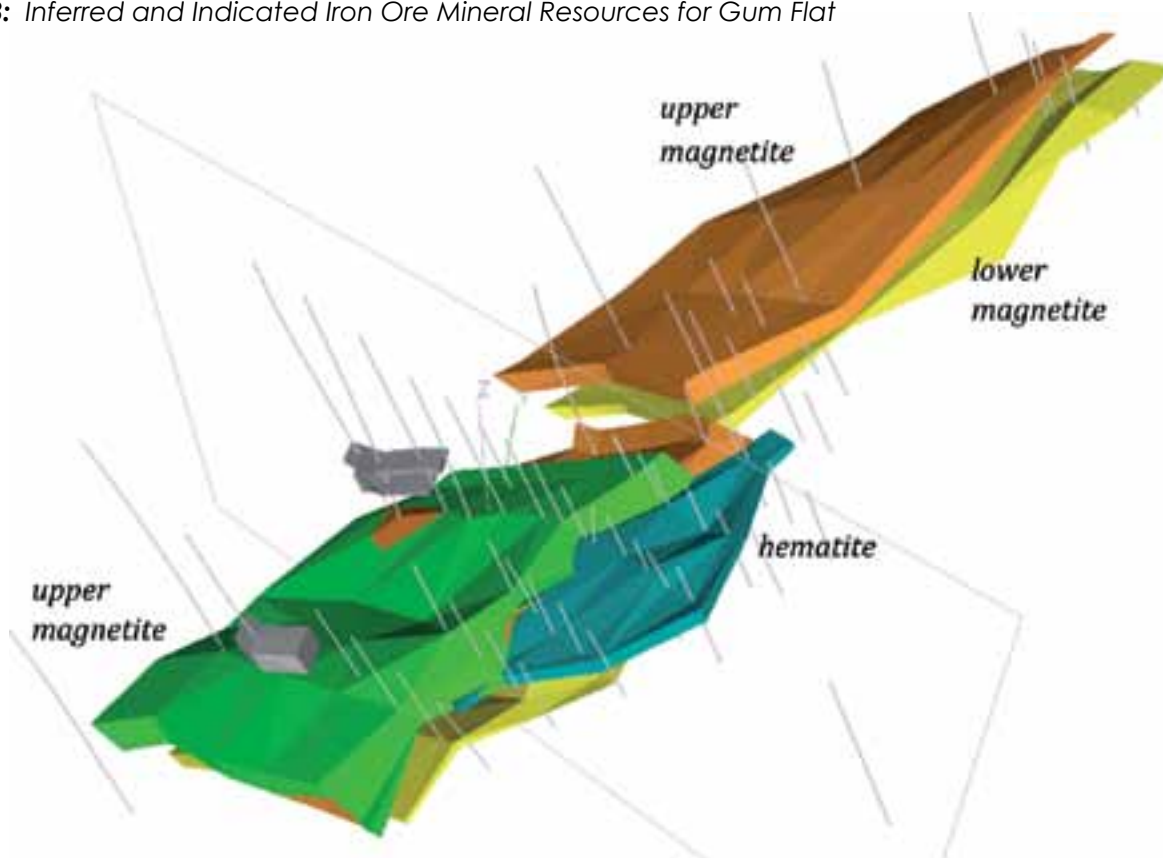


Figure 5: Oblique 3D model of Inferred Mineral Resources, Barns Prospect (looking north)

from the mine site. Other alternatives for use of this excess water include providing the water to SA Water and/or other third party users for general reticulation or irrigation.

Independent groundwater modelling has been undertaken on the lowermost bedrock aquifer and shows little or no expected effect on groundwater quality and quantity in the adjacent Uley East lens nor on existing users of the bedrock aquifer.

Gum Flat Iron Ore Mineral Resources

Inferred and Indicated iron ore Mineral Resources as defined by drilling at Gum Flat total 103 million tonnes (Mt).

Assay data including Davis Tube magnetic separation results (DTRs) were jointly processed by Lincoln Minerals and AMC Consultants Pty

Ltd (AMC) to define a magnetite Inferred Mineral Resource for parts of the orebody. The upper and lower magnetite bands were modelled down to 330 m below ground level along the length of the main zone of mineralisation but all indications are that they continue at a ~35° north-westerly 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 Inferred magnetite Mineral Resources for the Barns Prospect and associated peripheral zones of mineralisation are presented in Table 4.

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 Prospect (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.

The Mineral Resource assessment confirms the potential for high grade magnetite blast furnace concentrates of around 67% Fe with very low impurities. The concentrates are potentially self-fluxing.

3D modelling of hematite resources at Barns, Sheoak West and Rifle Range prospects are

shown in Table 5.

There are several high priority exploration targets (**) for magnetite and hematite on Gum Flat both in the Barns-Rifle Range area and also immediately west of Port Lincoln township extending down to Tulka. The combined exploration targets for these areas are 250-750 Mt at 20-35% Fe (20-30% DTR) including some potential hematite-goethite DSO at 55-60% Fe.

The magnetic anomalies along the eastern boundary of the EL are high amplitude similar to the Barns Prospect and potentially represent a significant exploration target. The cumulative strike length of these is approximately 17 km but part of this (approx. 5 km) is close to areas of low-

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 = calcined Fe = $Fe / (100 - LOI) \times 100$ = removal of volatiles at ca. 1400°C; DSO = Direct Shipping Ore

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

density residential or potential residential development immediately west of Port Lincoln. Therefore only 12 km is considered here as an exploration target (**):

It is planned to test sections of this exploration target during the next drilling program.

In addition to these exploration targets there is about 25 km in strike length of lower amplitude magnetic anomalies that represent lower order exploration targets. There are no drillholes into these targets so

Average true thickness	25-50m
Vertical extent of cover below ground level	20-40m
Assumed dip of BIF	50°-80° West
Potential depth extent	250m
Strike length (based on aeromagnetic interpretation)	12,000m
BIF rock density (gm/cc)	3.1-3.4
Exploration Target (Port Lincoln-Tulka area)	200-600 Mt
Potential Grade	20-35% Fe

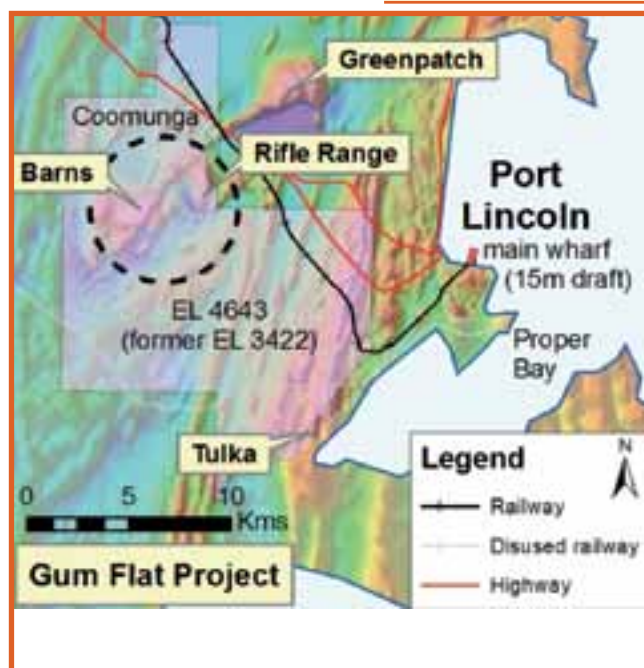


Figure 6: location of Barns, Rifle Range and Port Lincoln-Tulka aeromagnetic anomalies (shades of red)

the Company has refrained from estimating target tonnages.

Scoping and Feasibility Studies

On the basis of ongoing good drilling results, Lincoln Minerals undertook a scoping study in mid 2010 followed by a more detailed review of the DSO options to examine the potential for mining, development and export of both the hematite-goethite DSO and magnetite iron ore.

Options considered included:

Hematite-Goethite

- Mine and 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

Table 6: Estimated exploration targets for the Tulka-Port Lincoln area

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.

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 70 km 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.

The review into the Stage 1 DSO operation was undertaken by Golder Associates Pty Ltd.

Staged Development

Because of the physical attributes of the iron orebodies at Gum Flat where hematite-goethite overlies magnetite iron formation, Lincoln Minerals has evolved a staged development plan:

- Stage 1 – mine and export DSO hematite lump and fines from Port Lincoln commencing mid to late 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-goethite deposit and exporting up to 0.5 Mtpa DSO lump and fines (55% Fe) from Port Lincoln. Ore would be transported to Port Lincoln in

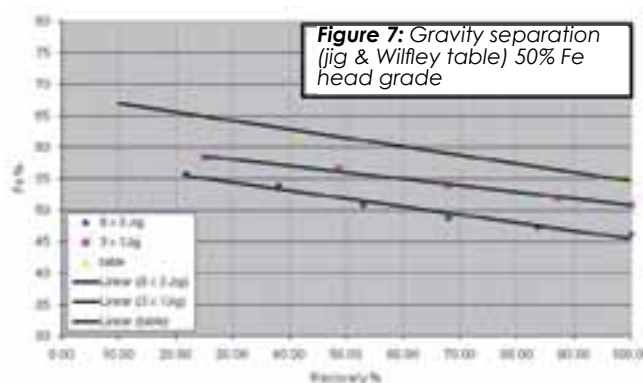


Figure 7: Gravity separation (jig & Wilfley table) 50% Fe head grade

covered containers, stored in the containers in the wharf precinct then loaded into Handimax ships using a Rotainer or Rotator system on the main wharf (about 1 ship every 5-6 weeks).

Cost estimates indicate that DSO ore from Gum Flat could be mined and loaded FOB onto a Handimax ship using containers for an operating cost (Opex) about A\$37 per tonne from Port Lincoln. This Opex includes estimated mining, crushing, transport, storage and loading costs.

Capital expenditure (Capex) to upgrade roads, purchase containers and establish mine and port facilities would be about A\$18 million. Lincoln Minerals believes there is scope to reduce that cost to less than A\$10 million by leasing containers.

The project would generate a positive cashflow after the 1st year of operation.

Stage 1b – Hematite-Goethite Beneficiation

In addition to potential DSO at Gum Flat, there is also some lower grade hematite-goethite \pm magnetite (45-55% Fe) above

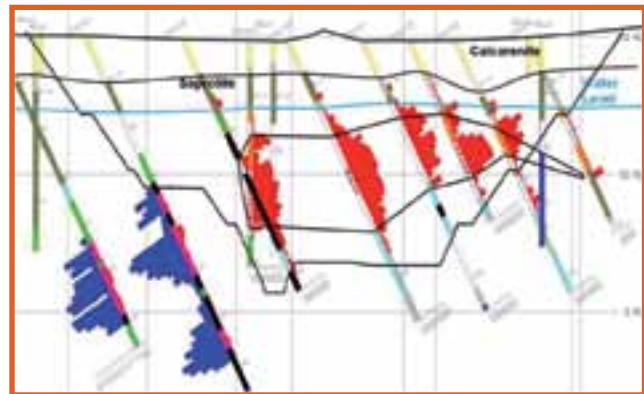


Figure 8: Cross section Barns DSO deposit

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 the following figure.

The Capex for such a procedure has not yet been firmly established but is estimated to be less than A\$5 million.

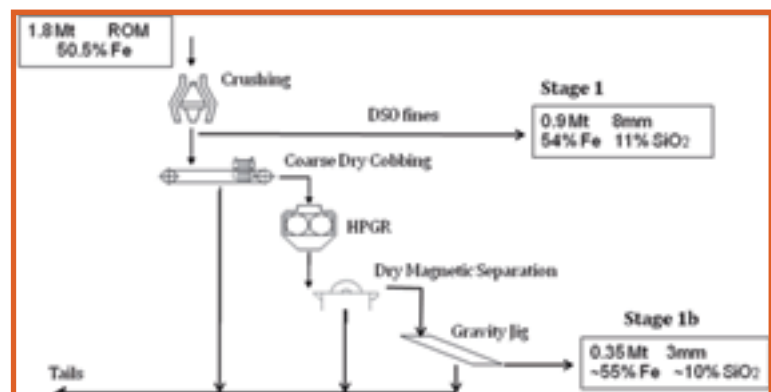


Figure 9: Simplified process flow sheet to upgrade hematite iron ore

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

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 maybe Sheep Hill. Ore would be transported to the port, stored in a negatively pressurised shed 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 above. Only the 10 Mtpa (ore mined) case is presented here.

The high Opex for production of a high

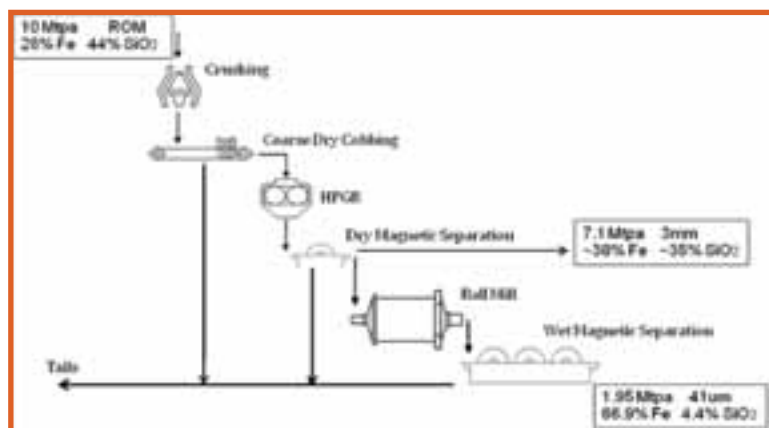


Figure 10: Simplified Stage 2 process flow sheet to upgrade magnetite iron ore

grade concentrate is due largely to the cost of power. For a 10 Mtpa operation, power requirements are estimated to be about 25 Mw. This is not currently available from the local grid so would have to be generated onsite at a cost of about A\$27/t of concentrate for diesel power generation (25-30 Mw installed capacity).

Nantuma Iron Ore Project – ELA 384/10

(LML has applied for the rights to all metals)

Lincoln Minerals is set to expand its iron ore footprint on South Australia's Eyre

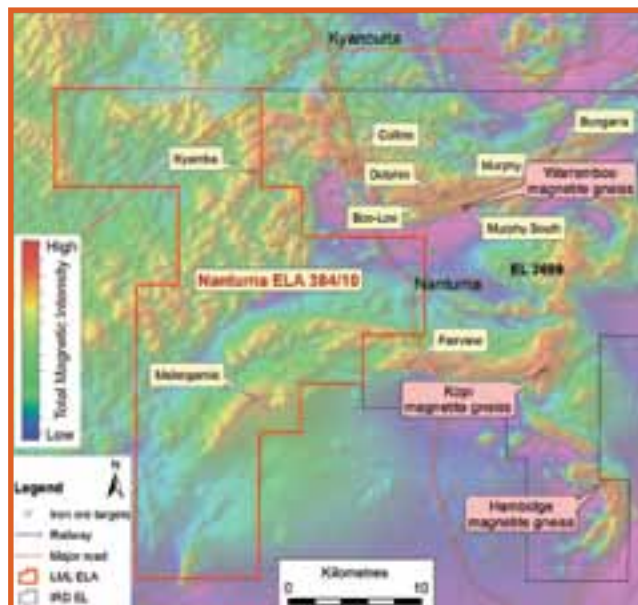


Figure 11: TMI aeromagnetic imagery showing location of Nantuma ELA relative to Iron Road targets and resources

Peninsula and has applied for a licence area immediately west of Iron Road Limited's Warramboe-Central Eyre Iron Project.

The target area, Nantuma ELA 384/10, comprises 510 square kilometres and includes the western extensions of the Warramboe and Kapi suites of magnetic anomalies.

There is a total of at least 25 km of moderate to high intensity aeromagnetic anomalies within ELA 384/10. This represents a significant exploration target for iron ore at similar grades to what Iron Road has identified at Warramboe. Iron Road has identified magnetite iron ore resources at Warramboe (Murphy South) in excess of 1 billion tonnes.

Importantly, it adds to Lincoln Minerals' iron ore footprint at a time when Eyre Peninsula – home to Australia's first iron ore mining operations – is re-emerging under modern exploration technologies and methods as an Australian iron province with substantial remaining upside.

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

(LML has exclusive rights to all minerals)



The Eurilla Project area is along strike from the Wilcherry Hill 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 of the Hercules iron ore deposit within EL 3690 (Eurilla South) is 21.7 Mt @ 33.3% Fe. Based on a 1.6 km 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 200 m wide and at least 200 m long open both to the north and south along strike. Drilling results from 2007 and 2008 include intervals grading up to 0.06% U accompanied by up to 0.5% base metal (Zn+Pb+Ni+Cu+Co) in a weathered cap rock overlying pyritic and graphitic units of the Middleback Subgroup.

In late 2010, Lincoln Minerals undertook an aircore/slimhole RC drilling program of 3,277m, focusing on extensions to iron ore resources, both along strike and at depth, and evaluating the strike and depth extent of the uranium mineralisation.

Then in mid-2011, Lincoln Minerals undertook a diamond core drilling program as part of the South Australian Government PACE program. Drilling focused on the Jungle Dam area to evaluate the nature and depth extent of uranium, iron and base metal mineralisation. No assay results are yet available.

On EL 4310 to the north of Jungle Dam, Lincoln Minerals has identified outcrops of high grade manganese near Uno. Assays include:

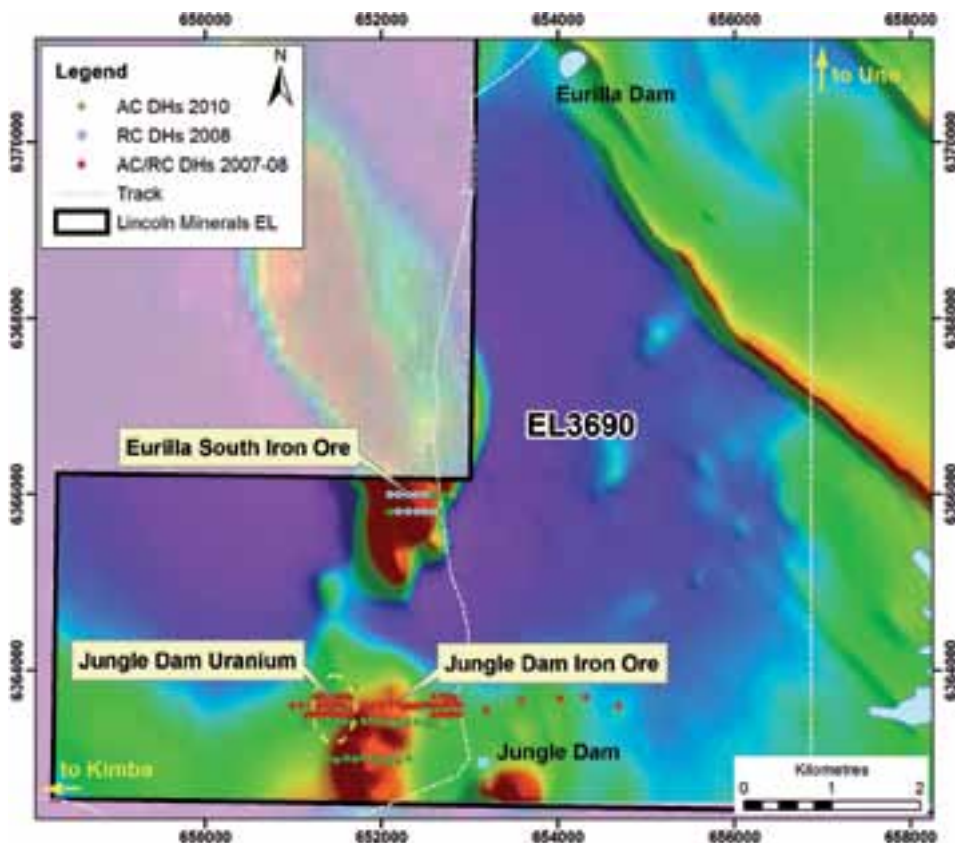


Figure 12: Location of Eurilla South and Jungle Dam prospects in relation to total aeromagnetic intensity anomalies, EL 3690

** It is emphasized that exploration target tonnage estimates 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

Sample ID	Northing	Easting	Ag ppm	Co %	Cu %	Fe2O3 %	MnO %	P2O5 %	LOI1000 %
MAR001	6376067	656802	2.8	0.073	0.043	60.5	13.65	0.912	11.85
MAR002	6376049	656792	16.6	0.128	0.106	21.7	44.3	0.424	13.1
MAR003	6376039	656792	16.3	0.127	0.11	22.1	43.5	0.425	13.1
MAR004	6376081	656774	13.5	0.176	0.108	26.1	33.8	0.47	13.3
MAR005	6376090	656787	21.2	0.076	0.077	3.32	59.9	0.17	11.25
MAR006	6376056	656746	13.2	0.135	0.062	14.2	30.9	0.213	11
MAR007	6376094	656753	8.3	0.086	0.056	48.9	24	0.745	12.95
MAR008	6376118	656751	26.9	0.136	0.047	4.19	65.6	0.142	12.1
MAR009	6376059	656736	13.8	0.289	0.084	26.5	32.4	0.405	12.95
MAR011	6376125	656742	15.7	0.168	0.065	20.9	40.9	0.213	10.95
MAR012	6376086	656695	14.7	0.162	0.118	31.9	38	0.475	13.8
MAR013	6376114	656699	12.6	0.126	0.113	31.4	36.6	0.452	13.75
MAR015	6376099	656686	11	0.109	0.062	32.7	29.8	0.159	11.25
MAR016	6376136	656682	20.4	0.126	0.098	17.4	46.6	0.372	13.15

Table 8: Assay results from surface outcrops on EL 4310

- Up to 66% MnO and up to 61% Fe₂O₃ in surface gossans
- Associated with up to 0.1% Cu, up to 0.29% Co and up to 27g/t Ag.

The mineralisation (see Figure 12 below) has been identified in selected gossanous outcrops and scree.

While these assays only represent a very early stage of exploration on this tenement, the Company is encouraged by the results. There is no indication yet of depth of mineralisation but outcrops extend over a strike length of 150 m trending northwest.

Cummins-Wanilla-Yeelanna Iron Ore - ELs 3702, 3703, 4049 and 4652

(LML has exclusive rights for all minerals)

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 were undertaken over selected targets on ELs 3702 and 3703 in 2009.

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.

No additional field work was undertaken during 2010-11.

Cockabidnie Nickel-Cobalt - ELs 3609, 3884 and 4539

(LML has exclusive rights to all minerals except iron on ELs 4539 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).

Lincoln Minerals considers this area as one of the most prospective areas for Pb-Zn-Cu-Ag (Au) and Ni-Co-Sc mineralisation on Eyre Peninsula.

Aircore and slimline RC drilling completed in 2007 and 2008 outlined a new lateritic nickel-cobalt discovery grading up to 1.15% Ni and 0.33% Co along with further base metal, gold and uranium

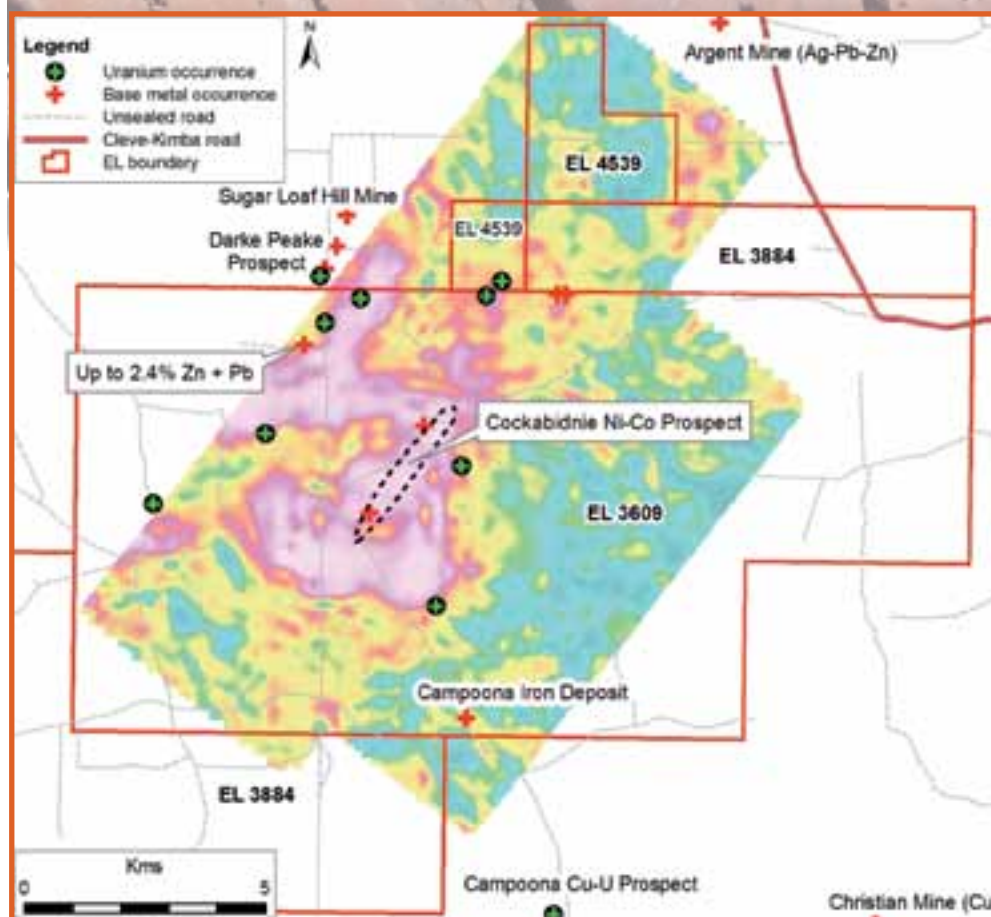


Figure 13: Airborne gravity map (2D-tasa) of Ni-Co mineralisation at Cockabidnie

SAMPLE	Easting (MGA m)	Northing (MGA m)	From	To	Sc (ppm)
CBAC128-023	623672	6287602	22	23	50.8
CBAC128-024	623672	6287602	23	24	47.9
CBAC128-025	623672	6287602	24	25	46.7
CBAC131-046	623843	6287819	45	46	40.0
CBAC138-032	623908	6287770	31	32	43.0
CBAC147-049	623949	6288135	48	49	42.7

mineralisation on EL 3609 near Darke Peak. 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 2009-10, 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.

During 2010-11, Lincoln Minerals re-evaluated results from its 2008 lateritic nickel-cobalt drilling program. Results obtained from portable XRF analysis showed 42 occurrences of anomalous scandium. Of these, 20 pulps contained anomalous scandium and were subsequently re-assayed by laboratory

ICPMS. The new assays gave values ranging between 13 ppm and 51 ppm Sc (mean 33.5 ppm) with six samples having above 40 ppm Sc.

The scandium mineralisation is spatially associated with anomalous nickel in the Campoona Syncline, and has a strike extent of 700 m and a width of 300 m. Because the initial sampling did not capture all of the anomalous scandium detected by portable XRF, the scandium mineralisation may be distributed over a much wider area.

The Campoona Syncline region is a highly prospective area not only for nickel-cobalt-scandium 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. Historic drilling has identified intervals up to 5 m @ 1.14% Zn.



Stony Hill Project

ELs 3968, 3999, 4185, 4451 and 4571

(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 uranium/thorium 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 significant zone of uranium anomalism that is interpreted to represent a potential uraniferous palaeodrainage channel but no field work was undertaken in 2010-11.

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.

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 copper 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. Copper mined from oxidised ore during period 1840s to ~1915 recorded grades up to 30% Cu.

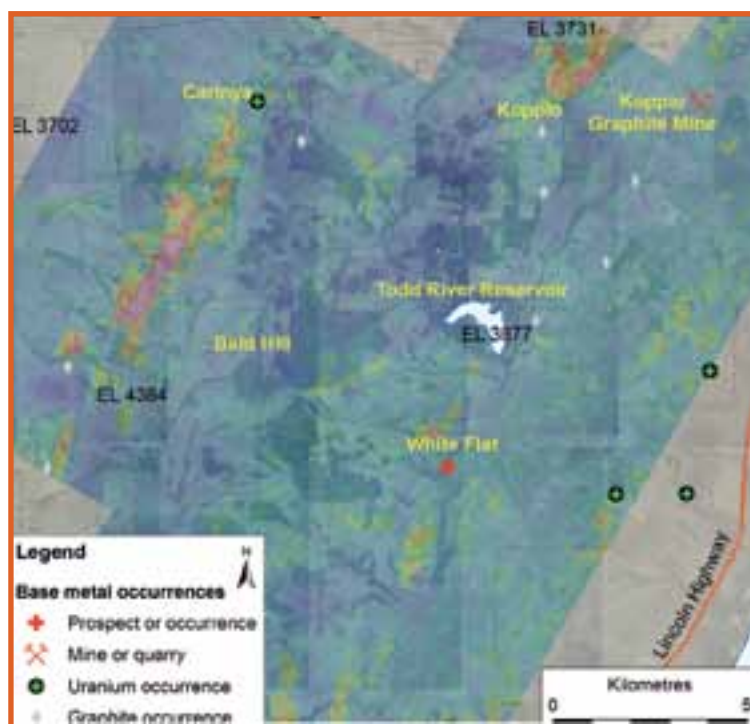


Figure 14: Raw radiometric data, uranium channel, for Charlton Gully-White Flat area overlain on aerial photo. Purple-red colours = radiometric anomaly



LML has rights over a strike-length >100 km of outcropping Hutchison Group host rocks. Prior exploration concentrated around known deposits and there has been little or no drill testing at depth or along-strike. The Centrex-WISCO Eyre Iron JV is due to drill a large number of holes in this region and through the Coordination Agreement with those companies, Lincoln Minerals will have access to all their drill samples and assay results. This represents an excellent opportunity for the Company.

Nickel has been previously identified in the Coultas Gabbro near Tumby Bay but the Company has not yet followed up this target. Opportunities exist for similar gabbroic bodies beneath the lateritic cap rock in the White Flat region and this may open up exploration targets for laterite nickel similar to Lincoln's Cockabidnie project.

The uranium potential of the region is still largely untested.

Lincoln Minerals has undertaken 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.

In early 2010, the Eyre Iron JV completed a major high resolution aeromagnetic and radiometric survey over the Lincoln Uplands. The survey was flown at a nominal height of 40 m above ground level and 40 m line spacing.

Under the terms of the Coordination and other agreements between the CXM group and Lincoln Minerals, the survey data and maps have been shared with Lincoln Minerals.

This is a large, very detailed survey and interpretation of the results will greatly facilitate Lincoln Minerals exploration for copper, nickel, vanadium and other metals excluding iron in this region. In particular,

the radiometrics will be invaluable for uranium exploration.

On the upper parts of the Lincoln Uplands in the Tod River Reservoir area, reconnaissance sampling of laterite has identified anomalous vanadium mineralisation ranging up to 0.3% V.

Extensive graphite mineralisation occurs along strike from historic mining at Koppio Graphite Mine.

Dutton River Project – EL 4361

(LML has exclusive rights to all minerals)

The Company undertook a major soil/calcrete surface geochemistry sampling program across the whole of EL 4361 in early 2011 to assist with target generation. There is little or no outcrop of rocks prospective for copper, base metals, gold and other minerals in this area so the program was aimed at detecting pathfinder elements that might give clues to underlying mineralisation concealed beneath the sand and soil.

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 .

1.8 Exploration - Indonesia

West Timor

In central and western West Timor, there are numerous small manganese occurrences many of which are being mined by local villagers and other miners. The manganese occurs in thin layers intercalated with slaty shale and limestone of ocean floor origin plus local pods and lenses of massive manganese.

Geological reconnaissance and surface geochemical sampling were undertaken on projects in western Timor shallow surface outcrops have located up to 55% Mn along a 4 km long zone of mineralisation near Lampung. Follow-up work is underway. Lincoln Minerals is focussing on areas close to established infrastructure including existing port facilities.

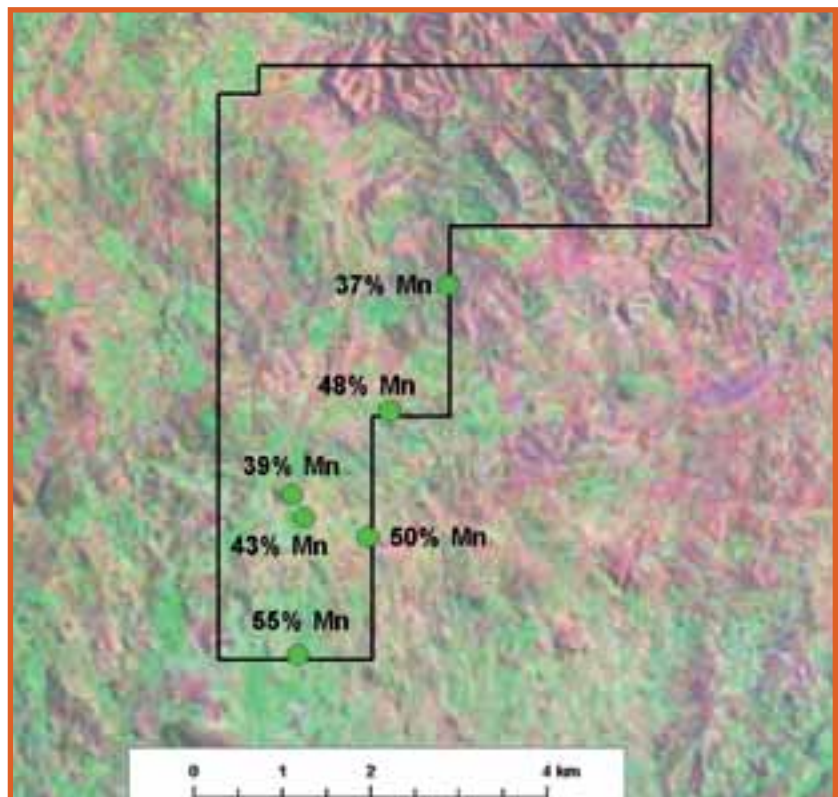
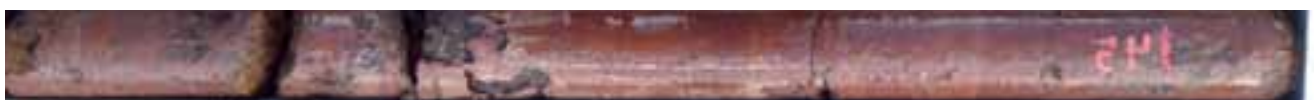


Figure 15: Location of anomalous manganese samples in western Timor



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

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

DIRECTORS

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

Name and qualifications	Experience and other directorships
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 A John Parker BSc(Hons), PhD, Dipl Comp Sci Managing Director Appointed 16 October 2006	Dr Parker is a geologist and geophysicist. Dr Parker has a broad and extensive knowledge of uranium, gold, iron ore and base metal mineral deposits and mineralizing systems in the Gawler Craton. He also has a strong geophysical background and is a leading geographical information systems (GIS) expert. Other directorships of listed entities within the last three years: Genesis Resources Limited from 12 August 2010 to date.
Peter E Cox FCA Director Appointed 16 October 2006	Mr Cox is a Chartered Accountant who currently operates a management consultancy business after many years in public practice. He has been involved in the administration of a number of public floats and listed companies, predominantly in the Resources sector. Other directorships of listed entities within the last three years: Nil
Robert A Althoff B.Tech (Mech. Eng.), MAICD Director (Non-Executive) Appointed 5 July 2005	Mr Althoff is a professional Mechanical Engineer with postgraduate studies in Business Management and 34 years experience in mining, transport and power station operations. Other directorships of listed entities within the last three years: Nil.
Eng Hoe Lim BScEcons (Hons) Director (Non-Executive) Appointed 5 October 2010	Mr Lim ordinarily resides in Singapore and has a strong background financial and corporate affairs management in both Australia and South East Asia. He holds a Diploma in Business Studies (Accountancy) and a Bachelor of Science in Economics (Honours). Other directorships of listed entities within the last three years: Nil.

COMPANY SECRETARY

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

DIRECTORS' MEETINGS

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

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

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

	<i>Fully paid shares held</i>	<i>Options held</i>
RV Ryan	400,000	800,000
AJ Parker	360,000	1,800,000
PE Cox	160,000	1,000,000
RA Althoff	870,000	750,000
EH Lim	8,502,000	0

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

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

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

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

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

A regional calcrete/soil sampling program was completed on the Dutton River tenement, EL 4361, and the Company maintained ongoing monitoring of drilling programs undertaken by Centrex Metals and its JV partners at Bungalow and on southern Eyre Peninsula where the Company has the rights to all minerals other than iron.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

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

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

RESULTS AND DIVIDENDS

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

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

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

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

CORPORATE PERFORMANCE

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

Year	Net (loss) for the year	(Loss) per share – cents (adjusted for rights issues)	Shareholders' Equity	Number of issued shares – end of year	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)	(2.22)	6,556,101	90,046,511	9.5
2010	(1,968,541)	(1.86)	13,682,089	116,959,938	26.0
2011	(1,203,039)	(0.98)	14,786,162	133,363,972	12.5

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

ENVIRONMENTAL REGULATION

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

ENVIRONMENT AND SOCIAL POLICY

Environment

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

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

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

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	100,000
Employee	31 Dec 2011	30 cents	110,000

All options set out above have vested.

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

CORPORATE GOVERNANCE

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

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

REMUNERATION REPORT - AUDITED

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. This report outlines the remuneration arrangements in place for Key Management Personnel of Lincoln Minerals Limited. The corporate performance summary is disclosed on table page 29.

Year	Net (loss) for the year	(Loss) per share – cents (adjusted for rights issues)	Shareholders' Equity	Number of issued shares – end of year	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)	(2.22)	6,556,101	90,046,511	9.5
2010	(1,968,541)	(1.86)	13,682,089	116,959,938	26.0
2011	(1,203,039)	(0.98)	14,786,162	133,363,972	12.5

Key Management Personnel comprise:

Directors

RV Ryan	Chairman (non-executive)
AJ Parker	Managing Director
PE Cox	Director and Company Secretary
RA Althoff	Director (non-executive)
EH Lim (from 5 October 2010)	Director (non-executive)

Executives

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

Remuneration philosophy

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

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

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

Remuneration committee

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

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

REMUNERATION REPORT (CONTINUED)

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

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

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

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

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

Executive Director and Key Management Personnel remuneration

Objective

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

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

Structure

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

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration

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

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

REMUNERATION REPORT (CONTINUED)

Fixed Remuneration

Objective

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

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

Employment contracts

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

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

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



PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

REMUNERATION REPORT (CONTINUED)

Compensation of Directors and Key Management Personnel (KMP)

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

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

² Mr Kopias joined the company on 1 December 2010

³ Mr Lyons resigned on 6 May 2011

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

REMUNERATION REPORT (CONTINUED)

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

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

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

Option holdings of Key Management Personnel

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

¹These options had fully vested prior to lapsing

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

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

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS *continued*

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

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

No other auditors were engaged by the Group.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

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

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



RV Ryan, Director



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

To: the directors of Lincoln Minerals Limited

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

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

KPMG

KPMG

Derek Meates
Partner

Adelaide

23 September 2011



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



CORPORATE GOVERNANCE STATEMENT CONTINUED

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.
- 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.



CORPORATE GOVERNANCE STATEMENT CONTINUED

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 five, 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.

Gender diversity

The Board makes all board appointments based on merit. The Board is aware of the benefits all types of diversity bring to its performance, but the current size of the Lincoln Minerals' Board makes gender diversity difficult.

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 judgment. The Company has a majority of non-independent Directors and the Chairman has a casting vote. Mr. Cox, as Company Secretary and CFO (until 30 November 2010), acts only on a part-time basis and has a limited management role.

The Board will review annually whether or not each director is independent.

Incoming Directors are required to consent to their appointment, including undertaking to observe the Company's Corporate Governance policies as are in force from time to time, and including notifying the holding of all Company securities and notifying the Company Secretary at the earliest practical time of any changes that may arise in those holdings.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The status of each director is as follows:

		<u>Term in office</u>
Richard V Ryan - Chairman	Independent	Since November 2006
Dr A John Parker – Managing Director	Non-independent	Since October 2006
Peter E Cox	Non-independent as also acts as Company Secretary and CFO (until November 2010) on part-time employment basis	Since October 2006
Robert A Althoff	Independent	Since July 2005
Eng Hoe Lim	Independent	Since October 2010

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



CORPORATE GOVERNANCE STATEMENT CONTINUED

Directors may obtain independent experts' advice to enable them to fulfill 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; and
- actively promote the reputation of the Company.

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



CORPORATE GOVERNANCE STATEMENT CONTINUED

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.

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 Company and its officers



CORPORATE GOVERNANCE STATEMENT CONTINUED

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 the Annual General Meeting
- 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; and



CORPORATE GOVERNANCE STATEMENT CONTINUED

- 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.

The Chairman and 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 (except Eng Hoe Lim appointed during the year) 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 2011

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

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

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

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

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

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

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

The accompanying notes form part of these Financial Statements

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Going concern

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

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

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

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

(b) Standards basis of preparation

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(c) Basis of consolidation

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

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

(d) Significant accounting judgments, estimates and assumptions

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

Share-based payments

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

Recoverability of exploration and evaluation costs

Refer note 2(h).

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

(e) Joint ventures

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

(f) Income

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

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

(g) Property, plant and equipment

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

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(h) Exploration and evaluation

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

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

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

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

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

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

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

(i) Intangibles

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

(j) Impairment – non-financial assets

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

(k) Cash and cash equivalents

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

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

(l) Receivables

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

(m) Provisions

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

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

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

(n) Employee benefits

(i) Wages, salaries, annual and sick leave

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

(ii) Long service leave

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

(iii) Share-based payments

Refer note 2(u).

(o) Leases

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



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(p) Trade and other payables

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

(q) Contributed equity

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

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

(r) Income tax

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

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

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

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

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

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

(s) Earnings per share (EPS)

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(f) Goods and Services Tax (GST)

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

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

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

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

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

(u) Share-based payments

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

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market conditions attached to the transactions are not taken into account in determining fair value.

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

(v) Financial Instruments

Non-derivative financial instruments

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(w) Foreign currency

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

(x) Segment reporting

Determination and presentation of operating segments:

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

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

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.



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

3. CORPORATE EXPENSES

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

4 INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

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

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

5 CASH AND CASH EQUIVALENTS

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

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

The Company has no available undrawn loan facilities.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

		2011 \$	2010 \$
Operating (loss) after income tax		(1,203,039)	(1,968,541)
Depreciation and amortisation		22,085	12,113
Foreign exchange loss on USD loan		935	3,458
Provision for bad debt		-	58,748
Exploration expenditure written off		339,227	1,265,821
Changes in Assets and Liabilities			
Decrease (Increase) in other current operating assets		(166,525)	(202,279)
(Decrease) Increase in operating creditors and accruals		124,867	69,703
Decrease (Increase) in annual leave provision		20,183	20,767
Net cash used in operating activities		(862,267)	(740,210)

7 RECEIVABLES

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

8 PROPERTY, PLANT AND EQUIPMENT

	Land	Office plant and equipment	Exploration plant and equipment	Motor vehicles	Total
2011	\$	\$	\$	\$	\$
At cost	501,166	51,493	335,046	134,809	1,022,514
Accumulated depreciation	-	(43,925)	(198,031)	(60,579)	(302,535)
Closing net book amount	501,166	7,568	137,015	74,230	719,979
Opening net book amount	-	10,982	136,265	80,795	228,042
Additions	501,166	2,000	59,860	9,271	572,297
Depreciation charge	-	(5,414)	-	-	(5,414)
Depreciation charged to exploration	-	-	(59,110)	(15,836)	(74,946)
Closing net book amount	501,166	7,568	137,015	74,230	719,979
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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

9 EXPLORATION AND EVALUATION

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

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

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

10 INTANGIBLE ASSETS

<u>Computer software</u>			
<u>Cost</u>			
Balance at beginning of the year		15,870	15,870
Additions		37,655	-
Balance at the end of the year		53,525	15,870
<u>Amortisation and impairment</u>			
Balance at beginning of the year		12,954	10,039
Amortisation for the year		16,671	2,915
Balance at the end of the year		29,625	12,954
Closing net book amount		23,900	2,916

11 TRADE AND OTHER PAYABLES

Trade payables		211,546	458,722
Accrued expenses		12,397	46,455
		223,943	505,177

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

12 CONTRIBUTED EQUITY

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

(b) Options

The following options were outstanding at 30 June 2011:

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

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

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

13 RESERVES

	2011 \$	2010 \$
Share-based payments reserve		
Balance at beginning of the year	84,696	84,696
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.

14 AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG Australia.

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

15 COMMITMENTS AND CONTINGENCIES

Exploration licences

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

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

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

Remuneration commitments

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

Contingencies

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

16 EVENTS SUBSEQUENT TO BALANCE DATE

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

17 EARNINGS PER SHARE

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

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

18 FINANCIAL INSTRUMENTS

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

Cash flow interest rate risk

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

Commodity price risk

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

Credit risk

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

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

Liquidity risk

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

Fair values

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

Interest rate risk

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

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

Cash flow sensitivity analysis for variable rate instruments

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

Capital management

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

19 SHARE-BASED PAYMENTS

Share-based payments expense for the year was Nil.

Summary of share-based payments options.

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

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

Weighted average exercise price of share-based payments options:

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

20 KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors

RV Ryan	Chairman
AJ Parker	Managing Director
PE Cox	Director
RA Althoff	Director
EH Lim ¹	Director

Executives

JK Kopias ²	Chief Financial Officer
DA Povey	Senior Geologist
PC Lyons ³	Senior Geologist

¹ EH Lim appointed as Director on 5 October 2010

² JK Kopias commenced as CFO 1 December 2010

³ PC Lyons resigned 6 May 2011

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

Compensation options

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

Compensation of Key Management Personnel by category:

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

Option holdings of Key Management Personnel - 2011

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

Option holdings of Key Management Personnel - 2010

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

Shareholdings of Key Management Personnel - 2011

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

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

Shareholdings of Key Management Personnel - 2010

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

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

Loans to Key Management Personnel

Nil

Other transactions with Key Management Personnel

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

Individual Directors and Executives disclosures

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

21 JOINT VENTURE - INDONESIA

Desa Mirah and other projects

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

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

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



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

22 SEGMENT INFORMATION

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

23 PARENT ENTITY DISCLOSURE

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

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

Parent entity contingencies

At 30 June 2011 there were no contingencies.

Parent entity commitments

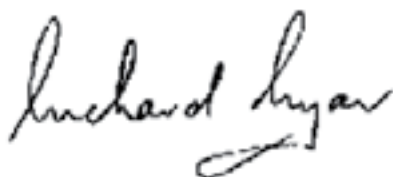
Parent entity commitments are the same as those for the Group which are disclosed in note 15.



DIRECTORS' DECLARATION

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

Signed in accordance with a resolution of the Directors



RV RYAN
Director

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

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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



Independence

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

Auditor's opinion

In our opinion:

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

Report on the remuneration report

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

Auditor's opinion

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

KPMG

Derek Meates
Partner

Adelaide

23 September 2011

SHAREHOLDERS' INFORMATION

1. Distribution as at 14 October 2011

Spread of Equity Security Holders

	Number of Holders Fully paid shares	Number of Holders Unlisted options
0 – 1,000	35	-
1,001 – 5,000	177	-
5,001 – 10,000	192	-
10,001 – 100,000	500	3
100,001 and over	150	4
	1,054	7

Security holders holding less than a marketable parcel (5,556 shares as at 14 October 2011)

Fully paid shares	Unlisted options
223	N/A

Percentage held by the 20 largest holders

Fully paid shares	Unlisted options
60.35	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)	9,750,000 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	133,363,972	-
Unquoted	-	4,560,000
Total	133,363,972	4,560,000

SHAREHOLDERS' INFORMATION

List of the 20 largest Shareholders – Fully Paid Ordinary Shares

Shareholder	Number of Shares	%
1 High Treasure International Ltd	15,000,000	11.25
2 South Cove Limited	14,084,176	10.56
3 Eng Hoe Lim	8,502,000	6.38
4 Keng Chuen Tham	6,857,143	5.14
5 Tigermoth Investments Ltd	5,600,000	4.20
6 Sakura Capital Ltd	5,155,787	3.87
7 Lodge Limited	4,775,000	3.58
8 Mr Hock Guan Ng	2,933,333	2.20
9 Wynnwood Pty Ltd	2,456,864	1.84
10 Ms Lai Yoong Lim	2,300,000	1.72
11 JP Morgan Nominees Australia Limited <Cash Income a/c>	2,155,857	1.62
12 HSBC Custody Nominees (Australia) Limited	1,777,173	1.33
13 Commodity Traders (NZ) Ltd	1,515,999	1.14
14 Edward Yi Financial Services Pty Ltd	1,266,000	0.95
15 Sui Lan Ling	1,248,000	0.94
16 Kok Bin Wee	1,050,000	0.79
17 Estarleece Pty Ltd	1,000,000	0.75
18 Mr Pak Yang Chang	943,109	0.71
19 Dr Merran Shuk Ling Pang	939,357	0.70
20 Creative Vision Finance Pty Ltd	920,000	0.69

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