

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The Directors present their report together with the financial report of Lincoln Minerals Limited for the half year ended 31 December 2011 together with the Auditor's review report thereon.

DIRECTORS

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

Name	Period of directorship
Non-executive	
Richard V. Ryan	Appointed 10 November 2006 and Chairman from that date
Peter E. Cox	Appointed 16 October 2006 and resigned 30 November 2011
Robert A. Althoff	Appointed 5 July 2005
Eng H. Lim	Appointed 5 October 2010
Sze W. Chan	Appointed 28 February 2012
Executive	
Dr A John Parker	Appointed 16 October 2006 as Managing Director from that date

RESULTS

The Group made a loss after tax of \$625,815 (2010: \$699,000). In six months to 31 December 2011 the Group capitalised \$1,088,495 (2010: \$760,953 net write-down) of net exploration and evaluation expenditure and expensed \$115,207 (2010: \$110,311) of such expenditure that was unable to be carried forward. Interest income was \$31,625 (2010: \$62,969). Cash at the end of December 2011 was \$441,330 (2010: \$1,669,559).

REVIEW OF OPERATIONS

SUMMARY

New high grade base metal discovery at Minbrie on SA's Eyre Peninsula

- High grade copper-lead-zinc-silver mineralisation
- 29.5m interval averaging 0.76% copper, 7.37% lead, 1.88% zinc, 9.0 g/t silver and trace gold
- Copper equivalent grade of 3.05% CuEq over 29.5m interval

Gum Flat Iron Ore Project (SA's Eyre Peninsula; LML 100%)

- Mining Lease Proposal prepared on advanced Gum Flat iron ore project in SA and ready to be lodged subject to obtaining groundwater licenses
- EPBC decision that proposed Gum Flat mine is not a Controlled Action
- Strong support for using covered containers for ore export from Port Lincoln

- Planning and background studies continue for proposed Barns Stage 1 DSO iron ore mine
 - o Production target 0.5 Mtpa DSO
 - o Mineral Claims pegged and lodged
 - o Mining Lease Proposal final draft prepared, reviewed by SA Government and awaits submission
 - o Detailed groundwater report and revised groundwater license applications prepared for mine dewatering
 - o Community consultation and discussions ongoing re mining, transport and shipping using covered containers
- Stage 2 magnetite resource modelling in progress
- Graphite – 13m interval at 12% total carbon

Eurilla iron ore, uranium, manganese and base metals (SA's Eyre Peninsula; LML 100%)

- PACE drilling program completed over Jungle Dam iron and uranium targets
- Mineralised gossans mapped out at Uno over a strike length of 650m and open in multiple directions
- Up to 52% MnO and 59.9% Fe₂O₃ in surface gossans at Uno, associated with up to 0.16% Cu, 0.25% Co, 4.5 g/t Ag, 0.13% Ni and 0.1% Zn.

Nantuma iron ore (SA's Eyre Peninsula; LML 100%)

- 510 square kilometre Exploration License granted to Lincoln Minerals for initial 2 years
- Potential iron ore Exploration Target (**) of 0.7 to 1.8 billion tonnes
- Immediately adjacent to Iron Road Limited's Murphy South, Warrambo and Kopi iron projects
- Exploration License granted to Lincoln Minerals

Cockabidnie nickel-cobalt, base metals and graphite (SA's Eyre Peninsula)

- SA Government PACE grant approved for proposed electromagnetic (EM) survey – planning in progress

Graphite opportunities (various ELs, SA's Eyre Peninsula)

- Exciting new opportunities on southern Eyre Peninsula
- Existing resources at historic Koppio Graphite Mine and in Kookaburra Gully

Timor Manganese Project (Indonesia)

- Field program continued in western Timor
- Initial sampling indicated grades of up to 59% Mn in near surface exposures
- However LML has decided to withdraw from Indonesia to focus on Australian projects

DSO = Direct Shipping Ore Mtpa = million tonnes per annum

* Potential to ship hematite DSO iron ore from Port Lincoln in 2012 is subject to port access, securing all requisite mining, infrastructure and development approvals following community engagement and obtaining suitable project finance

** It is emphasised 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.

AUSTRALIAN OPERATIONS

Gum Flat Iron Ore Project – EL 4643 (*LML has exclusive rights to all minerals*)

Lincoln's flagship Gum Flat Iron Ore Project is located on eastern Eyre Peninsula which is a major world-class iron ore province and which potentially contains more than 10 billion tonnes (Bt) of iron ore extending from the Middleback Ranges to Port Lincoln.

Gum Flat EL 4643 contains a number of priority magnetic targets including Barns, Rifle Range and the Port Lincoln-Tulka suite. All are within 20km of Port Lincoln, an existing port capable of handling Panamax ships up to 15m draft, and within 100km of a proposed new bulk minerals handling port planned for loading Cape-size ships at Sheep Hill.

More than 100 million tonnes of iron ore have been identified in the Barns-Rifle Range area, most of it magnetite but with some hematite suitable for direct shipping (DSO). The magnetite would need to be processed into a high grade concentrate before it can be exported.

Subject to establishing appropriate port facilities and obtaining groundwater licenses, suitable project finance and all necessary approvals, Lincoln Minerals proposes to commence exporting Direct Shipping Ore (DSO) in the latter half of 2012. It is proposed to export DSO from the main wharf at Port Lincoln using a containerised system similar to that being used at Port Adelaide in South Australia albeit with covered containers. There is good community support for this proposal.

The Company is proposing a two-stage development option:

- Stage 1:* Mine and export up to 500,000 tonnes per annum DSO via Port Lincoln including upgrading ~1 Mtpa lower grade (40-55% Fe) hematite-goethite-magnetite to DSO grade over a 3-5 year mine life
- Stage 2:* Mine up to 10 Mtpa magnetite and process onsite to produce up to 2.5 Mtpa high grade concentrate for export via Port Lincoln or potentially Port Spencer, subject to defining additional resources and over a mine life in the order of 20 years.

Planning is currently underway for Stage 1 only.

The Gum Flat EL is also prospective for polymetallic minerals including gold, uranium, base metals (copper, lead, zinc, nickel) and, in particular, graphite. EL 4643 is only 2 km north along strike from the world-class Uley Graphite Mine and drilling has identified graphite intervals with up to 12% carbon.

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 and a Miscellaneous Purpose Lease claim 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 operational requirements.

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 or unsustainable affect on the aquifer system.

A detailed hydrogeological report has been completed and reviewed by the SA Department for Water (DfW) for licenses to extract water to dewater the proposed mine and re-inject excess water back into the aquifer system. Questions raised by DfW have been addressed and compiled into a revised submission.

Investigations carried out to date have provided sound scientific 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 South Lens is dry or unsaturated in the proposed mine area and is separated from the underlying fractured bedrock aquifer system by saprolite-clay. This clay material varies in thickness but acts as an effective barrier to transmission of groundwater between the basement aquifer and overlying aquifers.

Due to the presence of saprolite clay, impermeable schist and gneiss northwest of the Barns iron formation, and unsaturated conditions in the Quaternary Bridgewater Formation (calcarenite) at the Central Barns Deposit, the basement aquifer system at the proposed minesite is not hydraulically connected to the Uley East groundwater lens, the Big Swamp system or the Tertiary / Quaternary aquifers of the Uley South groundwater lens.

Mining Lease Application

During the 6 months to December 2011, Lincoln Minerals completed the Mining Lease Proposal (MLP) over the Barns DSO deposit at Gum Flat and submitted it to the State Government Department for Manufacturing, Industry, Trade, Resources and Energy (DMITRE) for preliminary review prior to formal lodgment.

Golder Associates Pty Ltd prepared the MLP and undertook a number of ancillary studies in relation to noise, dust, traffic, transport options, port operations and mine closure. Groundwater studies were completed by Aldam Geoscience and Lisdon Associates.

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, local landholders and representatives of the seafood industry.

Forward Planning

The proposed timetable for development at Gum Flat is to lodge the ML application early 2012 subject to granting of groundwater licences, seek all necessary approvals by the end of 2012, commence mining (overburden removal) early to mid 2013 and start exporting DSO mid 2013. It is emphasised that this is subject to obtaining regulatory approvals and project finance. Delays in being able to lodge a ML application have been mainly due to State Government approvals process and additional requirements not prescribed in the Mining Act.

Minbrie copper-lead-zinc-silver and vanadium – EL 3610 (ELA 150/11) (*LML has rights to all metals/minerals except iron*)

Late in 2011, LML made a new base metal discovery comprising intersections of significant copper-lead-zinc and silver mineralisation, from a drilling program conducted at Minbrie near Bungalow on the east coast of South Australia's Eyre Peninsula.

The new discovery was made in diamond core drillhole, BUDD192 (676974mE, 6282951mN, MGA94 Zone 53, angled 60° toward 135°) within the interval 131.1m to 160.6m (Figure 3). Laboratory assay results over that 29.5m interval define an average grade of 0.76% Cu, 7.37% Pb, 1.88% Zn, 9.0g/t Ag and trace gold to produce a 3.05% Cu equivalent. Base metal grades range up to 4.8% Cu (145-146m), 47.1% Pb (141-142m), 5.5% Zn (133-134m) along with up to 36 g/t Ag (145-146m) and trace gold up to 0.1 g/t Au (156-157m and 158-159m).

The discovery of copper-lead-zinc-silver at Minbrie represents an exciting new base metal discovery on the Gawler Craton and Eyre Peninsula. Historical mining of copper, lead and silver in the hills to the west of Minbrie, occurred late in the 1800s through to about 1915 while more recently, Terramin Australia Limited has defined a 7.7 million tonne zinc-lead-silver Inferred Resource (3.1% Zn, 2.6% Pb, 27g/t Ag) at Menninnie Dam to the northwest of Minbrie on northern Eyre Peninsula. Furthermore, the high lead and close proximity of the Port Pirie lead smelter make this an attractive proposition.

The results for Minbrie also compare favourably with copper grades at Rex Minerals' Hillside copper deposit on SA's Yorke Peninsula where an Inferred Resource of 217Mt @ 0.7% Cu, 0.2g/t Au, 12.4% iron has been defined, and Oz Minerals' Prominent Hill deposit well to the north of Eyre Peninsula which contains 272.7Mt at 0.98% Cu, 0.7g/t Au.

The drilling was undertaken by iron ore developer, Centrex Metals Limited (ASX: "CXM") and one of its Joint Venture partners on Eyre Peninsula, Baotou Iron and Steel Company, within exploration license EL 3610, 100km southwest of Whyalla and 10km north of Cowell. On this and other ELs on Eyre Peninsula under exploration by CXM and that company's wholly owned subsidiary, South Australian Iron Ore Group Limited (SAIOG), Lincoln Minerals retains 100% of the rights for all minerals and metals - other than iron. CXM and its Chinese joint venture partner have completed major drilling programs at Bungalow-Minbrie near Cowell and currently have a number of rigs actively drilling iron ore targets.

Under the terms of the Coordination and other agreements between the CXM group and Lincoln Minerals, the drilling and assay data are shared with Lincoln Minerals, and the Company has access to all drill core for review and additional sampling.

Drilling and assaying by the CXM group has also identified vanadium up to 0.8% V₂O₅ in magnetite concentrates.

Eurilla iron ore, uranium, manganese and base metals – ELs 3690, 3704, 4093 & 4310 (LML has exclusive rights to all minerals)

The Eurilla Project area is along strike from the Wilcherry Hill magnetite (gold) and Menninnie Dam zinc-lead-silver deposits to the northwest and has potential for iron ore, uranium, manganese, gold and/or base metal mineralisation.

LML has previously identified an *in situ* Inferred Mineral Resource for the Eurilla South iron ore prospect of 21.7 Mt @ 33.3% Fe and a 5 hectare zone of uranium mineralisation open both to the north and south along strike grading up to 0.07% U accompanied by up to 0.5% base metal (Zn+Pb+Ni+Cu+Co).

During the 6 months to end December 2011, LML focused on manganese mineralisation grading up to 66% MnO with associated copper, cobalt and silver on its Uno EL 4310. Fieldwork mapped manganese-iron gossans over a strike length of 650m and open in multiple directions.

Rock chip samples were collected during this mapping program confirm the high grade manganese and iron potential, with up to 52% MnO and 59.9% Fe₂O₃ in surface gossans, associated with up to 0.16% Cu, 0.25% Co, 4.5 g/t Ag, 0.13% Ni and 0.1% Zn. While the vertical extent of mineralisation is unknown, a hand dug hole into the middle of the prospect displayed continuity with the bottom of the hole finishing in greater than 20% grade MnO and 40% Fe₂O₃.

Nantuma Iron Ore Project – ELA 384/10 (LML has applied for the rights to all metals)

Lincoln Minerals has expanded its iron ore footprint on South Australia's Eyre Peninsula with the granting on 21 December 2011 of Exploration Licence EL 4815 for an initial period of two years for an area immediately west of Iron Road Limited's (IRD) Warrambo-Central Eyre Iron Project.

The Nantuma area comprises 510 square kilometres and includes the western extensions of the Warrambo and Kopi suites of magnetic anomalies.

There is a total of at least 25km of moderate to high intensity aeromagnetic anomalies within EL 4815 but, of that, only 13.5km has been included in Priority 1 exploration target estimates. No detailed magnetic modeling has been undertaken on individual magnetic anomalies but conceptual exploration targets total 0.7 to 1.8 billion tonnes of iron ore at a potential average grade of 14% to 20% Fe based on Iron Road's published results for the Murphy South (16.1% Fe), Boo Loo (17.3% Fe) and Hambidge (15-18% Fe) deposits.

It is emphasised that information relating to exploration targets should not be misconstrued as an estimate of Mineral Resources or Ore Reserves. Exploration target tonnage and grade estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of these targets and it is uncertain if exploration will result in the estimation of a Mineral Resource.

The new Nantuma exploration license further enhances Lincoln's iron ore exploration targets on the Peninsula and, 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.

Cockabidnie nickel-cobalt-scandium, base metals and graphite – ELs 3609 & 4539 (LML has rights to all metals except iron) and EL 3884 (LML has exclusive rights to all minerals)

Lincoln Minerals has been offered a SA Government PACE grant to undertake an airborne electromagnetic (EM) geophysical survey over the Campoona Syncline in the Cockabidnie area.

This is part of the South Australian Government's PACE 2020 Initiative. The level of funding approved is up to \$52,500.

Tumby Bay-Koppio-White Flat-Greenpatch base metals and graphite – ELs 3611, 3731 and 3877 (LML has rights to all metals except iron)

Eyre Iron Pty Ltd, the JV company established between Centrex Metals Limited (CXM), the SA Iron Ore Group Pty Ltd and Wuhan Iron and Steel Group (WISCO), has undertaken a large ongoing drilling program focusing on the Koppio area (their Fusion project). Under the terms of the Coordination and other agreements between the CXM group and Lincoln Minerals, the drilling data and assays are shared with LML.

Some of this drilling has been in areas of interest to LML for copper and base metal exploration and the Company's geologists have been maintaining an active program of reviewing drillhole data and selective drill core. Additional drilling is planned by Eyre Iron in the region of historical copper mines extending down to White Flat.

The area extending south from the Tumby Bay Mines to Greenpatch is also highly prospective for graphite.

Graphite is a form of carbon, an excellent conductor of heat and electricity and current market prices for high grade 94-97% C flake graphite have increased dramatically in the last two years due to restrictions on exports and export duties introduced by China which is the largest global producer of graphite.

Extensive graphite resources occur on southern Eyre Peninsula in South Australia. The Uley (Mikkara) Graphite Mine (Mega Graphite Inc.) is located approximately 2 km south along strike from LML's Gum Flat EL 4643, and there are numerous occurrences and historic mines within 5km of the historic graphite mining town of Koppio, approximately 35km north of Port Lincoln on EL 3877:

- Koppio Graphite Mine – intermittently worked between 1917-1946 for a total of 97 tonnes of graphite, with a further historic “reserve” of 3,900 tonnes @ 12.2% C
- Kookaburra Gully Prospect – identified and investigated by Pancontinental Mining during the 1980's
 - Several trenches excavated north and south of the outcropping graphitic unit
 - Inferred resource 880,000 tonnes @ average grade of 11.47% C based on trenching and depth extent of 50m within the zone of economical potential
 - Petrology - average lengths of the graphite flakes exceeds 100 micron
 - Beneficiation of the raw Kookaburra Gully graphite (500Kg @ 16% C) can produce a final product of +150 micron flake graphite at a grade of 90.5% C.

Other South Australian Projects

No significant exploration was undertaken on Lincoln's other South Australian tenements during the 6 months to the end of December 2011.

INDONESIAN OPERATIONS

Lincoln Minerals continued to review and undertake field mapping on a number of projects in Indonesia and elsewhere in SE Asia with particular emphasis on western Timor. The Company is focusing on areas close to established infrastructure including existing port facilities and has its own drilling rig and Indonesian field crew.

Geological reconnaissance, surface geochemical sampling and digging of shallow test pits were undertaken on projects in western Timor. Shallow surface outcrops have located up to 59.5% Mn along a 4km long zone of mineralisation near Kupang.

Lincoln's Chief Geologist undertook a review of the projects and exploration strategies to target manganese deposits. Of particular concern was a change in the IUP boundary since Lincoln Minerals signed up for the project near Kupang. The southernmost part of the Kupang IUP that contained two significant exposures of high grade manganese was excised from the IUP without any reference to LML and local villagers were exploiting the outcrops and diggings.

Although there is good potential for manganese in the Kupang area and iron sand and manganese in Flores, due to the high sovereign risks and uncertainty with regard to tenement/IUP security, it has been agreed that the Company is currently better off focusing on exploration and development of projects in South Australia.

EVENTS SUBSEQUENT TO BALANCE DATE

On 28 February 2012, the Company announced a share placement to Poan Group Holdings Pty Ltd to raise \$1,800,000. It is intended that the net proceeds from the placement will be used for the following purposes:

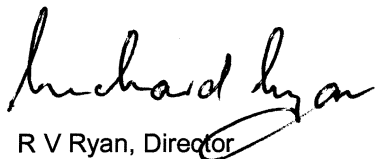
- Completion of a Mining Lease Application and obtaining groundwater licences and all approvals for Stage 1 of Lincoln's 100%-owned Gum Flat iron ore project on South Australia's Eyre Peninsula,
- Defining the extent of the new Minbrie copper-lead-zinc-silver discovery near Cowell on eastern Eyre Peninsula,
- Exploration on the new Nantuma iron ore exploration licence (Lincoln 100%) near Warramboo on central Eyre Peninsula, and
- Ongoing exploration on the Company's other exploration licences, with particular emphasis on graphite.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Dated at Adelaide, South Australia this 8th day of March 2012 and signed in accordance with a resolution of the Directors.



R V Ryan, Director

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



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

To: the directors of Lincoln Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

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

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

KPMG

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

Derek Meates

Partner

Adelaide

9 March 2012

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended

	Note	<u>31 December 2011</u>	<u>31 December 2010</u>
		\$	\$
Overhead recoveries – joint venture partner		-	-
TOTAL REVENUE		-	-
Exploration and evaluation expenditure previously capitalised written off		-	-
Exploration and evaluation expenditure not capitalised – current period	10	(115,207)	(110,311)
Corporate and administrative expenses	6	(533,554)	(651,658)
Share based payments		(8,689)	-
RESULTS FROM OPERATING ACTIVITIES		(657,450)	(761,969)
Finance income - interest		31,635	62,969
LOSS BEFORE INCOME TAX		(625,815)	(699,000)
Income tax expense	7	-	-
NET LOSS FOR THE PERIOD		(625,815)	(699,000)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(625,815)	(699,000)
Basic loss per share (cents)		(0.47)	(0.60)
Diluted loss per share (cents)		(0.47)	(0.60)

The accompanying notes form part of these financial statements

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	<u>Issued capital</u>	<u>Accumulated losses</u>	<u>Share based payments reserve</u>	<u>Total equity</u>
	\$	\$	\$	\$
Balance at 1 July 2010	18,422,597	(4,825,204)	84,696	13,682,089
Total comprehensive income for the period				
Loss for the half year	-	(699,000)	-	(699,000)
Total comprehensive income for the period	-	(699,000)	-	(699,000)
Transactions with owners, recorded directly to equity				
Share issues	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2010	18,422,597	(5,524,204)	84,696	12,983,089
Balance at 1 July 2011	20,729,709	(6,028,242)	84,696	14,786,163
Total comprehensive income for the period				
Loss for the half year	-	(625,815)	-	(625,815)
Total comprehensive income for the period	-	(625,815)	-	(625,815)
Transactions with owners, recorded directly to equity				
Share issues	-	-	-	-
Total transactions with owners	-	-	-	-
Performance rights issue	-	-	8,689	8,689
Balance at 31 December 2011	20,729,709	(6,654,057)	93,385	14,169,037

The accompanying notes form part of these financial statements

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	<u>31 December 2011</u> \$	<u>30 June 2011</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	441,330	1,920,255
Trade and other receivables		101,870	425,269
TOTAL CURRENT ASSETS		543,200	2,345,524
NON CURRENT ASSETS			
Plant and equipment	9	704,409	719,979
Exploration and evaluation	10	13,056,205	11,967,710
Intangibles	9	17,909	23,900
TOTAL NON CURRENT ASSETS		13,778,523	12,711,589
TOTAL ASSETS		14,321,723	15,057,113
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		74,201	223,943
Employment entitlements – annual leave		61,449	47,008
TOTAL CURRENT LIABILITIES		135,650	270,951
Employment entitlements – long service leave		17,036	-
TOTAL NON CURRENT LIABILITIES		17,036	-
TOTAL LIABILITIES		152,686	270,951
NET ASSETS		14,169,037	14,786,162
EQUITY			
Contributed equity	11	20,729,709	20,729,709
Reserves	12	93,385	84,696
Accumulated Losses		(6,654,057)	(6,028,242)
TOTAL EQUITY		14,169,037	14,786,163

The accompanying notes form part of these financial statements

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended

	<u>Note</u>	<u>31 December 2011</u> \$	<u>31 December 2010</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(506,341)	(683,931)
Interest received		33,753	74,241
Income tax R&D grant received		189,903	313,153
Net cash (outflow) from operating activities		<u>(282,685)</u>	<u>(296,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(1,164,774)	(893,229)
Payments for acquisition of property, plant and equipment		(16,807)	(20,860)
Payments for acquisition of land		(14,659)	(539,055)
Payments for acquisition of intangibles		-	(37,654)
Net cash inflow/(outflow) from investing activities		<u>(1,196,240)</u>	<u>(1,490,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,478,925)</u>	<u>(1,787,335)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>1,920,255</u>	<u>3,456,894</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>441,330</u>	<u>1,669,559</u>

The accompanying notes form part of these financial statements

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Lincoln Minerals Limited (the Company) is a company domiciled in Australia, whose shares are publicly traded on ASX Limited.

The condensed consolidated interim financial report of the Company for the six months ended 31 December 2011 comprises the Company and its wholly owned subsidiary Lincoln Asia-Pacific Limited which was incorporated in Australia on 9 November 2009 (together referred to as the "Consolidated Entity").

2. STATEMENT OF COMPLIANCE

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

The consolidated interim financial report does not contain all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2011. The 2011 annual financial report is available from the Company's registered office at 28 Greenhill Road, Wayville SA 5034 or at www.lincolnminerals.com.au

The consolidated interim financial report was approved by the Board of Directors on 8 March 2012. 

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2011.

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

4. GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2011 the Consolidated Entity had accumulated losses of \$6,654,057 and operating and investing cash outflows of \$1,478,925 for the half-year ended on that date. However, net assets are \$14,169,037 and the Directors believe that the Consolidated Entity has sufficient cash of \$441,330 with the addition of the share placement, subsequent to 31 December 2011, raising a further \$1,800,000 (before placement costs) to pay its debts as and when they fall due, and to fund near-term anticipated exploration and corporate activities for 12 months from the date of this report. It is the intention of the Directors to continue to explore the Consolidated Entity's areas of interest for which rights of tenure are current. The Directors consider that the Consolidated Entity has the ability to fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets. The Directors will take appropriate action to ensure these funds are available as and when they are required.

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.

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

5. CORPORATE AND ADMINISTRATIVE EXPENSES

	<u>Six months ended</u> <u>31 December 2011</u>	<u>Six months ended</u> <u>31 December 2010</u>
	\$	\$
ASX fees	23,672	25,986
Audit fees	20,000	15,000
Directors' fees	84,167	77,000
Head office administration	268,104	307,296
Insurances	12,839	3,251
Legal fees	8,471	43,644
Operating lease payments	25,465	29,542
Payroll tax	8,957	10,015
Public relations and shareholder report costs	38,460	50,505
Share registry	14,678	15,064
Staff recruitment, re-location, conferences, training	18,554	48,940
Travel	10,187	25,415
	<u>533,554</u>	<u>651,658</u>

6. INCOME TAX EXPENSE

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

7. CASH AND CASH EQUIVALENTS

	<u>31 December 2011</u>	<u>30 June 2011</u>
Cash at bank and in hand	25,066	23,507
Short term deposits	416,264	1,896,748
	<u>441,330</u>	<u>1,920,255</u>

The Company has no available undrawn loan facilities.

8. INTANGIBLES, LAND, PLANT AND EQUIPMENT

During the six months ended 31 December 2011 the Consolidated Entity acquired plant and equipment, and intangible assets with a cost of \$5,814. There were no disposals during the period and there are no capital commitments at the interim balance sheet.

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

9. EXPLORATION AND EVALUATION

	<u>2011</u>	<u>2010</u>
	\$	\$
Balance at 1 July	11,967,710	10,115,354
Expenditure for the half year	1,203,702	871,264
Less, Joint venture contributions	-	-
Less, Exploration and evaluation written-off	(115,207)	(110,311)
Balance at 31 December	<u>13,056,205</u>	<u>10,876,307</u>

10. CONTRIBUTED EQUITY

(a) Share capital

	<u>31 December 2011</u>	<u>30 June 2011</u>
	20,729,709	20,729,709

	<u>Number</u>	<u>\$</u>
<u>Movements in share capital:</u>		
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2010	133,363,972	20,729,709
Less, share issue expenses	-	-
Exercise of listed 30 cent options	-	-
Balance at 31 December 2011	<u>133,363,972</u>	<u>20,729,709</u>

Rights Issue	-	-
Less, share issue expenses	-	-
Balance at 31 December 2011	<u>133,363,972</u>	<u>20,729,709</u>

11. RESERVES

	<u>31 December 2011</u>	<u>30 June 2011</u>
	\$	\$
Share-based payments reserve		
Balance at beginning and at the end of the period	<u>93,385</u>	<u>84,696</u>

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

12. SEGMENT INFORMATION

During the six months ended 31 December 2011 the Consolidated Entity operated in the mineral exploration industry in Australia. In addition, the Consolidated Entity contributed to a joint venture seeking iron ore and sought to obtain other exploration opportunities in Indonesia. Contributions by geographical segment for the six months ended 31 December 2011 are:

	<u>Australia</u> <u>exploration</u> <u>2011</u> \$	<u>Australia</u> <u>exploration</u> <u>2010</u> \$	<u>Indonesia</u> <u>exploration</u> <u>2011</u> \$	<u>Indonesia</u> <u>exploration</u> <u>2010</u> \$	<u>Unallocated</u> <u>2011</u> \$	<u>Unallocated</u> <u>2010</u> \$	<u>Total</u> <u>2011</u> \$	<u>Total</u> <u>2010</u> \$
Segment revenue	-	-	-	-	31,635	62,969	31,635	62,969
Segment result	(12,290)	(24,045)	(71,282)	(79,981)	(542,243)	(594,974)	(625,815)	(699,000)
Segment assets	13,776,110	11,576,457	44,428	70,642	501,185	1,767,666	14,321,723	13,414,765

13. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Geosurveys Australia Pty Ltd and Geosurveys International Pty Ltd (related entities) are entities associated with Dr AJ Parker. During the six months ended 31 December 2011 the related entities provided vehicle and equipment hire to the Consolidated Entity totaling \$7,046 at equal to or less than commercial rates in connection with the business of the Company.

14. EVENTS SUBSEQUENT TO BALANCE DATE

On 28 February 2012, the Company announced a share placement to Poan Group Holdings Pty Ltd to raise \$1,800,000. It is intended that the net proceeds from the placement will be used for the following purposes:

- Completion of a Mining Lease Application and obtaining groundwater licences and all approvals for Stage 1 of Lincoln's 100%-owned Gum Flat iron ore project on South Australia's Eyre Peninsula,
- Defining the extent of the new Minbrie copper-lead-zinc-silver discovery near Cowell on eastern Eyre Peninsula,
- Exploration on the new Nantuma iron ore exploration licence (Lincoln 100%) near Warrambo on central Eyre Peninsula, and
- Ongoing exploration on the Company's other exploration licences, with particular emphasis on graphite.

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

LINCOLN MINERALS LIMITED AND ITS CONTROLLED ENTITY

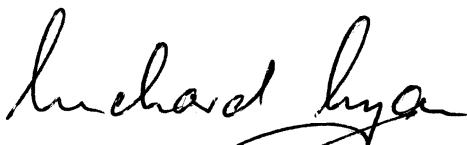
DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the six months ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board



Richard V Ryan
Chairman

Dated this 8th day of March 2012
Adelaide, South Australia



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Lincoln Minerals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising Lincoln Minerals Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Lincoln Minerals Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Derek Meates
Partner

Adelaide

9

March 2012