

Lincoln Minerals

Interim Financial Statements

for the half-year ended 31 December 2013



DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

The Directors present their report together with the consolidated interim financial statements of Lincoln Minerals Limited for the Company and its controlled entities (the Group) for the half year ended 31 December 2013 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:

<u>Name</u>	<u>Period of directorship</u>
Non-executive	
Yu B Jin	Appointed 18 September 2013 and Chairman from that date
Kee G Saw	Appointed 18 September 2013
Alex HK Lim	Appointed 1 December 2013
Eddie LY Pang	Appointed 1 December 2013
Richard V. Ryan	Appointed 10 November 2006 and Chairman from that date, resigned 18 September 2013
Kwang H. Hung	Appointed 23 January 2013 and Deputy Chairman from that date, resigned 20 November 2013
Robert A. Althoff	Appointed 5 July 2005, resigned 18 September 2013
Eng H. Lim	Appointed 5 October 2010, resigned 20 November 2013
Sze W. Chan	Appointed 28 February 2012, resigned 30 November 2013
Executive	
Dr A John Parker	Appointed 16 October 2006 as Managing Director from that date

RESULTS

The Group made a loss after tax for the six months ended 31 December 2013 of \$611,046 (2012: \$742,137). In the six months to 31 December 2013 the Group capitalised \$335,392 (2012: \$628,028) of net exploration and evaluation expenditure and expensed \$35,938 (2012: \$60,047) of such expenditure. Interest income was \$7,504 (2012: \$21,953). Cash at the end of December 2013 was \$817,533 (2012: \$1,397,066).

REVIEW OF OPERATIONS

During the reporting period the Company continued exploration and pre-development on its licences in South Australia, where the majority of its effort was directed to:

- Graphite projects in the Koppio-Kookaburra Gully region 35 km north of Port Lincoln on southern Eyre Peninsula; and
- The Gum Flat iron ore project 20 km west of Port Lincoln.

Kookaburra Gully

Kookaburra Gully is one of **Australia's premier graphite deposits** with intercepts up to 39.7% Total Graphitic Carbon (TGC) and, along with the historic Koppio Mine, is a **global Top 10** graphite deposit based on its in-situ graphitic carbon content. Kookaburra Gully and Koppio are 10km from water supplies, adjacent high voltage electricity lines and **within 35 km of a major port**.

Updated Kookaburra Gully resource modelling was undertaken during the period by OreWin Pty Ltd, an independent mining and resource consultancy (refer *Lincoln Minerals Limited, ASX Announcement 19 December 2013*). The updated Mineral Resources have been prepared in accordance with JORC Code 2012. At a nominal 5% cut-off, the revised Indicated and Inferred Mineral Resources total 2.20Mt at 15.1% TGC for

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a total 332,000 tonnes of contained graphite. At a nominal 2% cut-off, the Indicated and Inferred Mineral Resources total 3.23Mt at 11.2% TGC for a total 361,000 tonnes of contained graphite.

Metallurgical studies conducted during the half year to 31 December 2013 on bulk aircore drill samples from Kookaburra Gully have achieved 91-98% recovery of graphite at concentrate grades of 93-97% TGC. Similar tests on shallow trench samples from Kookaburra Gully have achieved concentrates containing up to 25% medium to coarse flake graphite >150 microns at grades of 95-98% TGC (*refer ASX Release 6 January 2014*).

Another significant development is the production by researchers at the School of Chemical Engineering, University of Adelaide, of **graphene** and graphene products from flake graphite from southern Eyre Peninsula including one sample of flake graphite ore from Lincoln Minerals' historic Koppio Graphite Mine. Graphene is comprised of a single layer of carbon atoms, that is, a single layer of graphite.

The results of the above resource estimates, metallurgical studies and a scoping study undertaken for the Kookaburra Gully deposit (*refer ASX Release 19 September 2012*) indicate that the Company will be able to produce high-quality flake graphite (greater than 90% TGC) and that the anticipated graphite mining and processing program will be globally competitive. The Company anticipates that the resource can be mined from a small open pit mine with a low capital cost processing plant established on site.

Therefore, in November 2013, Parsons Brinckerhoff was appointed to prepare a Mining Lease Application for the Kookaburra Gully flake graphite project.

Parsons Brinckerhoff's scope of services includes:

- Preparation of the mining lease proposal (MLP) report in support of the Mining Lease Application;
- Delivery of the required technical study components, either directly or through sub-consultants appointed by Lincoln Minerals;
- Preparation and implementation of a Stakeholder Consultation Plan; and
- Meetings as necessary with DMITRE and other regulatory bodies.

The MLP will provide sufficient detail on the proposed open pit, tailings storage facility, waste dumps, processing plant, transport routes, water supply, power and other infrastructure to enable an assessment of the potential environmental and community impacts and mitigation/management measures associated with the project. AMC Consultants Pty Ltd is preparing a conceptual mine plan, EBS Ecology has undertaken flora, fauna and cultural heritage surveys and Aldam Geoscience has undertaken a desktop groundwater study to support the MLP.

An Exploration Work Approval has been granted by DMITRE for a large drilling program at and along strike from Kookaburra Gully. Reinterpretation of airborne electromagnetic (EM) data has identified significant anomalies extending up to 5km SW of the known Kookaburra Gully graphite deposit and has outlined an Exploration Target of 33 million to 94 million tonnes of potential high grade graphite mineralization at estimated average grades in the range 7-15% TGC (*refer ASX Release 30 January 2014*). Drilling is scheduled to start in March 2014.

It is emphasised that Exploration Target tonnage 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 further exploration will result in the estimation of a Mineral Resource.

Gum Flat

Groundwater licensing remains the main focus for the Gum Flat iron ore project. The initial license application to extract groundwater to dewater the proposed stage 1 hematite-goethite mine was rejected in July 2012. The Company then lodged an appeal with the ERD Court but following several meetings convened by the Court, LML prepared a revised application to work within the Water Allocation Plan (WAP) for that region. The revised application for a groundwater extraction license was lodged in August 2013 but, in December 2013, the SA Minister for Sustainability, Environment and Conservation refused to grant a license on the grounds that, in his opinion, LML's application does not satisfy Principles 15 and 16 of the WAP. However, modelling by an independent hydrogeologist established that the annual reduction in saturated thickness of the basement aquifer based on its proposed mine schedule is consistent with Principles 15 and 16 of the WAP.

Consequently, Lincoln Minerals has lodged a new appeal with the Environment, Resources and Development Court of South Australia. The Grounds of Appeal are based on LML's view that the Minister has erred in his interpretation of Principles 15 and 16 of the WAP.

Lincoln Minerals recognises that the groundwater resource is valuable and needs to be managed sustainably. The Company believes that the revised groundwater extraction scheme for its proposed mining operation is consistent with these principles and is committed to working within the WAP.

Other Projects

No significant exploration was undertaken on Lincoln's other South Australian tenements during the 6 months to the end of December 2013.

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company and Group in subsequent financial years.

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 6th day of March 2014 and signed in accordance with a resolution of the Directors.

Jin Yu Bo, Chairman



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, 2012. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.

Information extracted from previously published reports identified in this report is available to view on the Company's website www.lincolnminerals.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

This report contains forward looking statements that involve estimates based on specific assumptions and statements by third parties. Actual events and results may differ materially from those described in these statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on LML's beliefs, opinions and estimates as of the date the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.



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 2013 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 handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Darren Ball'.

Darren Ball
Partner

Adelaide

6 March 2014

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CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended

	Note	<u>31 December 2013</u>	<u>31 December 2012</u>
		\$	\$
Exploration and evaluation expenditure expensed	7	(35,938)	(60,047)
Corporate and administrative expenses	5	(581,106)	(696,442)
Depreciation		(6,506)	(9,264)
Share based payments		-	(2,900)
Other income		5,000	4,563
RESULTS FROM OPERATING ACTIVITIES		<u>(618,550)</u>	<u>(764,090)</u>
Finance income		7,504	21,953
NET FINANCE INCOME		<u>7,504</u>	<u>21,953</u>
LOSS BEFORE INCOME TAX		<u>(611,046)</u>	<u>(742,137)</u>
Income tax expense		-	-
NET LOSS FOR THE PERIOD		<u>(611,046)</u>	<u>(742,137)</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(611,046)</u>	<u>(742,137)</u>
Basic loss per share (cents)		(0.32)	(0.47)
Diluted loss per share (cents)		(0.32)	(0.47)

The accompanying notes form part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	<u>Issued capital</u>	<u>Accumulated losses</u>	<u>Share based payments reserve</u>	<u>Total equity</u>
	\$	\$	\$	\$
Balance at 1 July 2012	22,410,862	(7,329,489)	93,385	15,174,758
Total comprehensive loss for the period				
Loss for the half year	-	(742,137)	-	(742,137)
Total comprehensive loss for the period	-	(742,137)	-	(742,137)
Transactions with owners of the Company, recognised directly in equity				
Share issues	1,221,491	-	-	1,221,491
Total transactions with owners	1,221,491	-	-	1,221,491
Performance rights issue	-	-	2,900	2,900
Balance at 31 December 2012	23,632,353	(8,071,626)	96,285	15,657,012
Balance at 1 July 2013	23,631,175	(8,733,748)	96,285	14,993,712
Total comprehensive loss for the period				
Loss for the half year	-	(611,046)	-	(611,046)
Total comprehensive loss for the period	-	(611,046)	-	(611,046)
Transactions with owners of the Company, recognised directly in equity				
Share issues	1,262,106	-	-	1,262,106
Total transactions with owners	1,262,106	-	-	1,262,106
Balance at 31 December 2013	24,893,281	(9,344,794)	96,285	15,644,772

The accompanying notes form part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	<u>31 December 2013</u>	<u>30 June 2013</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		817,533	434,683
Trade and other receivables		56,364	88,552
TOTAL CURRENT ASSETS		873,897	523,235
NON CURRENT ASSETS			
Property, plant and equipment		684,898	681,981
Exploration and evaluation assets	7	14,378,602	14,043,210
Intangibles		11,768	15,707
TOTAL NON CURRENT ASSETS		15,075,268	14,740,898
TOTAL ASSETS		15,949,165	15,264,133
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		151,301	107,758
Employment entitlements – annual and long service leave		124,589	100,000
TOTAL CURRENT LIABILITIES		275,890	207,758
NON CURRENT LIABILITIES			
Employment entitlements – long service leave		28,503	62,663
TOTAL NON CURRENT LIABILITIES		28,503	62,663
TOTAL LIABILITIES		304,393	270,421
NET ASSETS		15,644,772	14,993,712
EQUITY			
Contributed equity	8	24,893,281	23,631,175
Reserves		96,285	96,285
Accumulated losses		(9,344,794)	(8,733,748)
TOTAL EQUITY		15,644,772	14,993,712

The accompanying notes form part of these consolidated interim financial statements

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six months ended

	<u>Note</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(561,483)	(682,110)
Income tax R&D grant received		-	319,835
Other income		2,500	-
Net cash (outflow) from operating activities		(558,983)	(362,275)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(299,792)	(582,591)
Payments for acquisition of property, plant and equipment		(21,502)	(1,784)
Interest received		2,198	42,115
Net cash (outflow) from investing activities		(319,096)	(542,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		1,437,787	1,341,935
Share issue expenses		(176,858)	(120,444)
Net cash inflow from financing activities		1,260,929	1,221,491
Net increase in cash and cash equivalents		382,850	316,956
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		434,683	1,080,110
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		817,533	1,397,066

The accompanying notes form part of these consolidated interim financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The consolidated interim financial statements of the Company for the six months ended 31 December 2013 comprises the Company and its wholly owned subsidiaries Lincoln Asia-Pacific Limited and Australian Graphite Limited (together referred to as the Group).

The Group is primarily involved in the exploration of Iron Ore and Graphite on the Eyre Peninsula in South Australia.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013. The 2013 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 statements were approved by the Board of Directors on 6 March 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2013 and can be found on the Company's website at www.lincolnminerals.com.au.

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 Group.

Preparing interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (a))

AASB 13 *Fair Value Measurement* (see (b))

AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) (see (c))

Annual Improvements to Australian Accounting Standards 2009-2011 Cycle (see (d)).

The nature and the effect of the changes are further explained below.

(a) **Subsidiaries**

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

These changes have not had an impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Fair value measurement**

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*.

These changes do not have a significant impact on the measurement of the Group's assets and liabilities.

(c) Employee benefits

AASB 119 now requires that if the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are to be measured as long term benefits. This change has had no significant impact on the Group's measurement of its annual leave obligations.

(d) Segment information

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the Group is not required to include any additional disclosure within the interim consolidated financial statements.

4. GOING CONCERN

The interim consolidated financial statements have 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 2013, the Group had accumulated losses of \$9,344,794 and for the half year ended 31 December 2013 incurred a loss before tax of \$611,046 and operating and investing cash outflows of \$878,079. However, current assets of \$873,897 exceed current liabilities of \$275,890 and the Group has net assets of \$15,644,772. The Directors have prepared forecasts for the period to March 2015 and on this basis, believe that the Group's cash reserves of \$817,533 are sufficient to pay its forecast debts as and when they fall due. The directors have based these forecasts on maintaining minimal operations via the curtailing of certain operating and exploration expenses. The directors are of the view that this curtailment is achievable. On this basis the directors consider the going concern basis of preparation of this financial report is appropriate.

It is the ultimate strategy of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. The minimum expenditure commitments to execute this strategy on exploring these tenements total \$890,000 for the next 12 months. 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. There is uncertainty over the timing and amount of benefit to the Group resulting from any of these proposed courses of action. The directors are committed to taking the appropriate action to achieve this ultimate strategy, to ensure these funds are available and add value to the entity.

The directors have reviewed the operating outlook for the Group and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. In the event that the Group is unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts that differ to those stated in this interim financial report.

The interim consolidated interim 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.

5. CORPORATE AND ADMINISTRATIVE EXPENSES

	<u>Six months ended</u> <u>31 December 2013</u>	<u>Six months ended</u> <u>31 December 2012</u>
	\$	\$
Corporate expenses	139,727	184,082
Administrative expenses	441,379	512,360
	<u>581,106</u>	<u>696,442</u>

6. INCOME TAXES

Income tax for the 6 month period ended 31 December 2013 is nil based on the effective tax rate for the full year. No tax credit has been recognised in the current period, as no deferred tax asset has been recognised in respect of tax losses arising in the period.

7. EXPLORATION AND EVALUATION ASSETS

	<u>2013</u> \$	<u>2012</u> \$
Balance at 1 July	14,043,210	13,006,054
Expenditure for the half year	371,330	688,075
Less, exploration and evaluation expensed	(35,938)	(60,047)
Balance at 31 December	<u>14,378,602</u>	<u>13,634,082</u>

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.

At the Group's Gum Flat Project - carrying amount of \$11,721,583 (2012: \$11,489,775), magnetite resource definition drilling was undertaken along with compilation of a Mining Lease application for the Stage 1 mining proposal to mine the hematite-goethite cap above the magnetite resource. The Mining Lease application was completed in October 2011 but cannot be lodged with DMITRE until a groundwater extraction licence has been obtained.

In December 2013, the Company was advised that its second application for a groundwater extraction licence for Gum Flat Stage 1 had been refused because in the opinion of the SA Minister for Sustainability, Environment and Conservation, Lincoln's application does not satisfy Principles 15 and 16 of the Water Allocation Plan (WAP) for that region. However, modelling by an independent hydrogeologist established that the annual reduction in saturated thickness of the basement aquifer based on its revised mine schedule is consistent with Principles 15 and 16 of the WAP.

Consequently, Lincoln Minerals has lodged a new appeal with the Environment, Resources and Development Court of South Australia (ERD Court). The Grounds of Appeal are based on Lincoln's view that the Minister has erred in his interpretation of Principles 15 and 16 of the WAP.

A Directions Hearing at the ERD Court has been scheduled for 20 March 2014.

Should the Group be unsuccessful in obtaining a groundwater licence then the recoverable value of the Gum Flat tenement cannot be ascertained at this stage and the carrying value may not be recoverable.

8. CONTRIBUTED EQUITY

(a) Share capital	<u>31 December 2013</u> \$	<u>30 June 2013</u> \$
Fully paid ordinary shares	<u>24,893,281</u>	<u>23,631,175</u>
 (b) Movements in share capital:	 <u>Number</u>	 <u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2013	172,534,468	23,631,175
 Rights Issue (including underwriting)	 28,755,744	 1,437,786
Less, share issue expenses	-	(175,680)
Balance at 31 December 2013	<u>201,290,212</u>	<u>24,893,281</u>

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9. SEGMENT INFORMATION

The main operation of the Group is the exploration of graphite and iron ore mineral resources. As the Group operates entirely within Australia, the Group currently has two business segments. This is consistent with the information provided for internal reporting purposes to the chief operating decision maker (the Board).

2013	<u>Australia</u>		<u>Corporate</u>	<u>Total</u>
	<u>Iron Ore</u>	<u>Graphite</u>		
	\$	\$	\$	\$
<u>Income</u>				
Financial Income	-	-	7,504	7,504
Other Income	-	-	5,000	5,000
<u>Expenses</u>				
Exploration and evaluation expensed	(35,938)	-	-	(35,938)
Depreciation	-	-	(2,567)	(2,567)
Amortisation	(3,939)	-	-	(3,939)
Other expenses	-	(37,669)	(543,437)	(581,106)
Net loss for the year	(39,877)	(37,669)	(533,500)	(611,046)
<u>Assets</u>				
Exploration and evaluation	13,468,575	910,027	-	14,378,602
All other assets	563,702	-	1,006,861	1,570,563
Total assets	14,032,277	910,027	1,006,861	15,949,165
Total liabilities	(6,439)	(86,780)	(211,174)	(304,393)
Net assets	14,025,838	823,247	795,687	15,644,772

2012	<u>Australia</u>		<u>Corporate</u>	<u>Total</u>
	<u>Iron Ore</u>	<u>Graphite</u>		
	\$	\$	\$	\$
<u>Income</u>				
Financial Income	-	-	21,953	21,953
<u>Expenses</u>				
Exploration and evaluation expensed	(60,047)	-	-	(60,047)
Depreciation	-	-	(1,412)	(1,412)
Amortisation	(7,852)	-	-	(7,852)
Other expenses	-	(196,424)	(498,355)	(694,779)
Net loss for the year	(67,899)	(196,424)	(477,814)	(742,137)
<u>Assets</u>				
Exploration and evaluation	13,251,023	383,059	-	13,634,082
All other assets	169,631	-	2,078,311	2,247,942
Total assets	13,420,654	383,059	2,078,311	15,882,024
Total liabilities	(8,476)	(3,195)	(213,341)	(225,012)
Net assets	13,412,178	379,864	1,864,970	15,657,012

10. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Geosurveys Australia Pty Ltd (related entity) is an entity associated with Dr AJ Parker. During the six months ended 31 December 2013 the related entity provided vehicle and equipment hire to the Consolidated Entity totalling \$2,604 (2012: \$3,960) at equal to or less than commercial rates in connection with the business of the Company.

Arrangements with the related party continue to be in place. For details on these arrangements, refer to the 30 June 2013 Annual Financial Report.

11. FAIR VALUE MEASUREMENT

Carrying value versus fair value

The carrying amounts of financial assets and financial liabilities in the consolidated statement of financial position approximate their fair values.

The Group's financial risk management objectives and strategies are consistent with those disclosed in the consolidated financial statements as at 30 June 2013.

12. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company and Group in subsequent financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited (the Company):

1. The consolidated interim financial statements and notes are in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2013 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

A handwritten signature in dark ink, appearing to be 'Jin Yubo', written over a light blue horizontal line.

Jin Yubo
Chairman

Dated this 6th day of March 2014
Adelaide, South Australia



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

We have reviewed the accompanying interim financial report of Lincoln Minerals Limited, which comprises the consolidated interim statement of financial position as at 31 December 2013, consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year period ended on that date, notes 1 to 12 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 half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Recoverable value of exploration and evaluation assets

The exploration and evaluation assets of \$14,378,602 presented in Note 7 in the financial statements includes \$11,721,583 in relation to the Gum Flat tenement.

As set out in Note 7, a mining licence application cannot be lodged with DMITRE until a ground water licence application has been obtained. A revised groundwater extraction licence application for Gum Flat Stage 1 was submitted in August 2013 following refusal of the initial application in July 2012. The revised application was refused in December 2013 and management have subsequently appealed this decision. Should the Group be unsuccessful in obtaining a groundwater licence then the carrying value of the Gum Flat tenement may not be recoverable.

KPMG

Darren Ball
Partner

Adelaide

6 March 2014