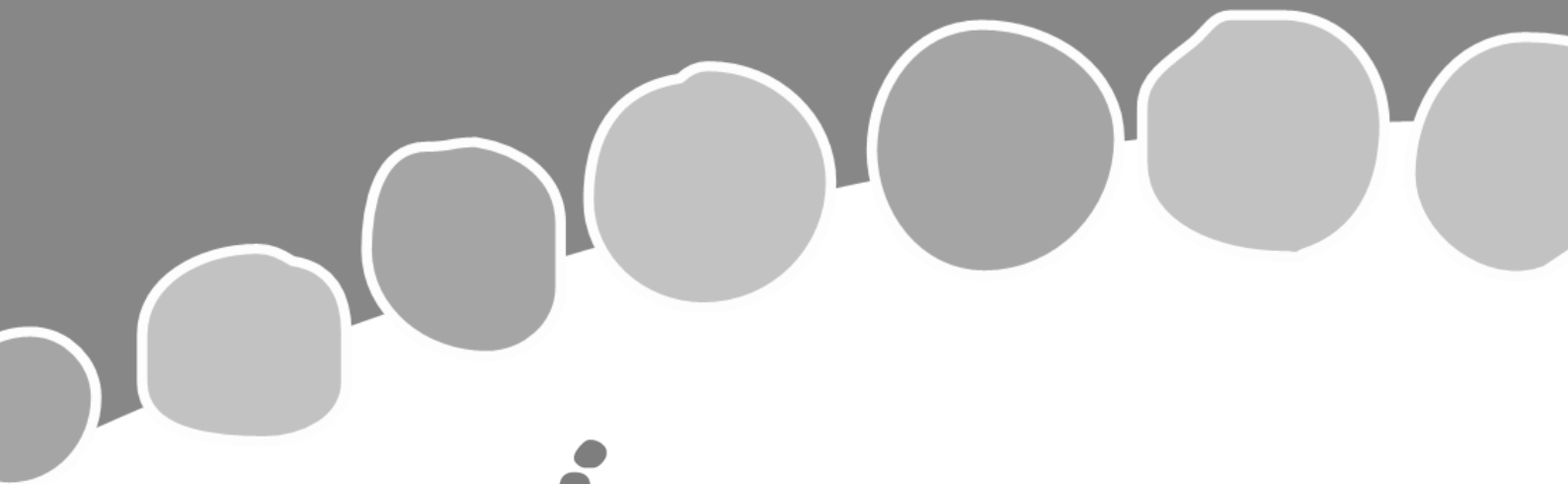


ANNUAL REPORT

2018

EMERGING AUSTRALIAN GRAPHITE DEVELOPER





CORPORATE DIRECTORY

Directors

Mr James Tenghui Zhang, Chairman
Mr Eddie Lung Yiu Pang
Mr Kee Guan Saw
Dr Haifeng Zhu
Mr Johnson Zhang

Company Secretary

Jaroslav (Jarek) Kopias

Senior Management

Dwayne Povey, Chief Geologist

Registered and Principle Office

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Phone 08 8682 3269

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Share Registry

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Phone 1300 365 998

Banker

National Australia Bank
33 Rundle Street
Kent Town SA 5067

Auditor

Grant Thornton Australia
Level 3, 170 Frome Road
Adelaide SA 5000

ASX code LML

ABN 50 050 117 023

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Company Statement

At Lincoln Minerals Limited (“Lincoln Minerals”, “Lincoln” or “the Company”) we are committed to developing the Company into a world-class mineral exploration and development company with a dedication to, and respect for, the environment, a strong commitment to safety for all our employees, promoting sustainable development of those communities in which we operate.

Our Mission

We are an Australian exploration and development company, listed on the Australian Securities Exchange (ASX). We are committed to providing capital growth through exploration, discovery, development and mining of sustainable economic mineral deposits. Our strategy is to focus on metallogenic provinces close to established infrastructure.

Our Values

To maximise returns for our shareholders and perform in a responsible and efficient manner in the conduct of our work systems and procedures. To actively engage with all of our stakeholders with a focus on sustainable development. To promote industry leading practice, workplace health and safety among our workers and business partners, permanently controlling the risks inherent in our operations. We will comply with applicable laws and regulations of the countries in which we operate.

To promote the ongoing care and protection of the environment within which we operate throughout the life of a project, from exploration through to the decommissioning and closure phase of an operation.

To encourage our suppliers and partners to become part of our commitment to safety, quality, the environment and to develop a strong social conscience within the communities in which we operate.

Highlights 2017 / 18

- Feasibility Study completed for Kookaburra Gully
- Maiden Ore Reserve Statement Kookaburra Gully
- Draft Program for Environment Protection and Rehabilitation (PEPR) submitted
- Planned production of up to 35,000 tpa of high quality flake graphite >94% TGC
- Kookaburra Gully Extended drilling increases the total graphite inventory
- Strengthened Board with new appointments

Market forecasts point to doubling of global flake graphite demand by 2025

Lincoln Minerals has a strategic tenement holding in Australia's graphite province

1 CHAIRMAN'S LETTER

During 2017 and 2018, Lincoln Minerals continued progressing its South Australian graphite development opportunities. In particular, a Feasibility Study, maiden Ore Reserve Statement and PEPR (Program for Environment Protection & Rehabilitation) have been prepared for Lincoln's flagship Kookaburra Gully Graphite Project on Mineral Lease ML 6460 in SA's Eyre Peninsula.

Our Company's technical team has been working tirelessly to achieve these landmark steps in the development and permitting process for the Kookaburra Gully graphite project. Kookaburra Gully is the most advanced graphite project and highest grade flake graphite deposits in Australia.

Lincoln's transformation from mineral explorer and developer to an emerging graphite producer progressed during 2017/18, in an industry at the forefront of the growing global green energy market and technology. Completion of the Feasibility Study, maiden Ore Reserve Statement and submitting a draft PEPR are key achievements as Lincoln moves closer to mine construction financing and operating negotiations to a level where commercial outcomes and shareholder value can be achieved.

Lincoln's Probable Ore Reserve of 1.34Mt at 14.6% TGC at Kookaburra Gully, just 35 km north of Port Lincoln, is a great result within a total Mineral Resource of 2.0Mt at 15.2% TGC (Measured, Indicated and Inferred). Metallurgical results continue to demonstrate concentrates grade 93%-98% TGC can be produced at recoveries of 90% from a 4 to 6-stage flotation process. Combined with the Inferred Mineral Resource at the historic Koppio Graphite Mine, Lincoln's graphite inventory is in excess of 3.9Mt at 12.6% TGC and drilling at Kookaburra Gully Extended has identified further high grade graphite mineralisation within 4 kilometres of the Kookaburra Gully Mineral Lease.

The life-of-mine at Kookaburra Gully is 7 to 10 years depending on the rate of ramping up to full production, with the Mineral Resource open at depth, and along strike and potential development of satellite deposits at Koppio and Kookaburra Gully Extended should extend the operational production of graphite concentrates from Kookaburra Gully well beyond the initial 10 years.

Lincoln Minerals has maintained its tenement holdings on Eyre Peninsula close to infrastructure in a politically safe environment and within the world-class Gawler Craton mineral province. Elsewhere on Eyre Peninsula, the Company has exploration opportunities for copper, lead, zinc and manganese, at Eurilla, Uno, Minbrie and in the Tumby Bay region.

In making preparations for and undertaking our exploration and proposed development program, we appreciate the significant contribution made by local communities including traditional inhabitants, landowners and district councils. We have made good progress in our graphite development schedule and I look forward to the Company moving towards developing its first graphite mining operation.

Finally, I thank and commend all our staff and my fellow Directors for their support and enthusiasm during the past year, and I look forward to leading Lincoln Minerals as we seek to maximise returns to stakeholders.



James Zhang
Chairman

2 DIRECTORS

The Board of Lincoln Minerals has considerable experience in Australian and Chinese investment and financial markets and an unwavering, long-term focus on owning, developing and profitably extracting the multi-commodity mineral wealth of South Australia's richly endowed Eyre Peninsula. Graphite and base metals are the main strategic investment targets.

Mr James Zhang, Chairman, has more than 20 years in real estate development and business management in mainland China, Hong Kong and Australia with extensive experience in funding real estate, infrastructure and property development and enterprise management. He is a member of the Asset Management Association of China (AMAC).

Mr Eddie Pang, Non-Executive Director, has a Bachelor of Science with Honours degree in Chemistry. He operates a Shanghai trading business supplying the Chinese market with Australian wool and wine, Chilean iron ore, cathode copper and timber, and exports Chinese products to Vietnam, the UAE and Canada. He is currently the Executive Chairman of ASX-listed mineral exploration and development company, Genesis Resources Limited.

Mr Kee Guan Saw, Director and Chief Financial Officer, is a Fellow Member of the Institute of Chartered Accountants in Australia and is the current President of the Chinese Chamber of Commerce Victoria Inc. He has an extensive business network in Australia as well as in mainland China, Malaysia and Singapore. Prior to his appointment as Director, Mr Saw has also taken on the role of Chief Financial Officer of Lincoln.

Dr Haifeng Zhu, Non-Executive Director, is the General Manager of Shanghai Jihai Investment Management Co. and has significant experience in financial investments and experience in merger and acquisition transactions in China and Hong Kong. He has managed large companies in China, including Holley Worldwide Holdings with nearly 20 years' of domestic and international financial industry and corporate management experience.

Mr Johnson Zhang, Non-Executive Director, holds a Bachelor of Business and has strong business experience in Australia in investments and property. Mr Zhang is a strategic and commercially focused professional with a proven track record for driving improvement and business growth.

2.1 Management Team

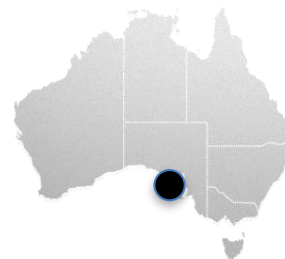
The senior management team of Lincoln Minerals comprises Mr Jaroslaw (Jarek) Kopias, Company Secretary and Mr Dwayne Povey, Chief Geologist.

Mr Jarek Kopias joined the Company in December 2010 and was appointed as Chief Financial Officer at that time (until February 2018) and Company Secretary in November 2011. He is a Certified Practising Accountant and Chartered Secretary with more than 20 years' experience in a wide range of financial and secretarial roles in the mining and resources industry including 5 years at WMC's Olympic Dam operations, 5 years at Newmont Mining Corporation (Australia's corporate office) and 5 years at oil and gas producer and explorer, Stuart Petroleum Limited (prior to its merger with Senex Energy Limited).

Mr Dwayne Povey is a geologist with more than 18 years' experience in the mining and mineral exploration industry including 7 years as mine geologist at Ernest Henry Copper-Gold Mine and 11 years with Lincoln Minerals. Based in Port Lincoln, he has been responsible for delineating the Kookaburra Gully and Koppio graphite Mineral Resources and previously delineated the Gum Flat iron ore deposits and leads all on ground activity for Lincoln.

3 PRINCIPAL ACTIVITIES

Lincoln Minerals Limited is in its eleventh year of operating and exploring the highly prospective Eyre Peninsula (South Australia) and holds key mineral licences. Within these licences, Lincoln has defined Mineral Resources including graphite, substantial magnetite and hematite resources and copper exploration targets in a region with a long history of graphite, iron ore and copper mining.



Lincoln Minerals is transforming and positioning itself to develop a sustainable and profitable business structure that will enable the development of its flagship graphite project at its wholly owned Kookaburra Gully Graphite Project.

Lincoln Minerals Board and management team are focused on sustainable mining development and developing opportunities for organic and acquisition growth.

Kookaburra Gully Graphite Project

Feasibility Study and maiden Ore Reserve Statement

- The Feasibility Study showed the potential for a 10-year mine life with a pre-tax NPV of A\$81m and an Internal Rate of Return (IRR) of 33%.
- A Probable Ore Reserve of 1.34Mt at 14.6% Total Graphitic Carbon (TGC) at a cut-off grade of 8.5% TGC was defined for Kookaburra Gully. This Ore Reserve is inclusive of the total Measured, Indicated and Inferred Mineral Resource of 2.03Mt at 15.2% TGC at a cut-off grade of 5% TGC (announced 27 November 2017).
- A second bulk sample was prepared and dispatched for the final stage of pilot plant test work.
- Global marketing analysis work continued with Kookaburra Gully flake graphite concentrate being delivered for downstream value adding analysis work. The downstream products have just arrived back in Australia for final chemical qualification.
- Several proposals for the provision of power for the project were received. The expected outcome will be a power purchasing agreement whereby a service provider supplies power to the project with no capital expenditure required by Lincoln Minerals.
- Detailed design work for the Pillaworta Road and Bratten Way intersection upgrade was completed. These existing roads will support the construction and ongoing operational activity for the new graphite mine and require minor upgrade to meet operational requirements. The Bratten Way intersection's detailed design has been completed and submitted to DPTI. A conceptual design for Pillaworta Road has been completed and will be reviewed prior to moving to detailed design.

Kookaburra Gully Mine Plan

- Based on mining 250,000 tonnes per annum (tpa) graphite to produce up to 35,000 tonnes graphite concentrate per annum
- Capital expenditure A\$40-50 million including EPCM and 10% contingency
- Life-of-mine operating expenditure for mining and processing = A\$704 per tonne flake graphite concentrate based on 90% recovery
- Year 1 operating expenditure = A\$395 per tonne of concentrate
- Extend mine life with satellite deposits at **Historic Koppio Graphite Mine/Kookaburra Gully Extended**
- Koppio mineralisation grades up to 42.8% TGC with a 1.9Mt at 9.8% TGC (at 5% TGC cut-off) Inferred Mineral Resource (JORC 2012). Mineral Resource estimation for Kookaburra Gully Extended has not been undertaken.
- **Combined total Measured, Indicated and Inferred Mineral Resources** for Kookaburra Gully and adjoining Koppio graphite deposits total 3.9Mt at 12.6% TGC with **489,930t of contained graphite** (within the high-grade core based on a nominal cut-off grade of 5% TGC).

Minbrie Copper Project – Central Eyre Peninsula

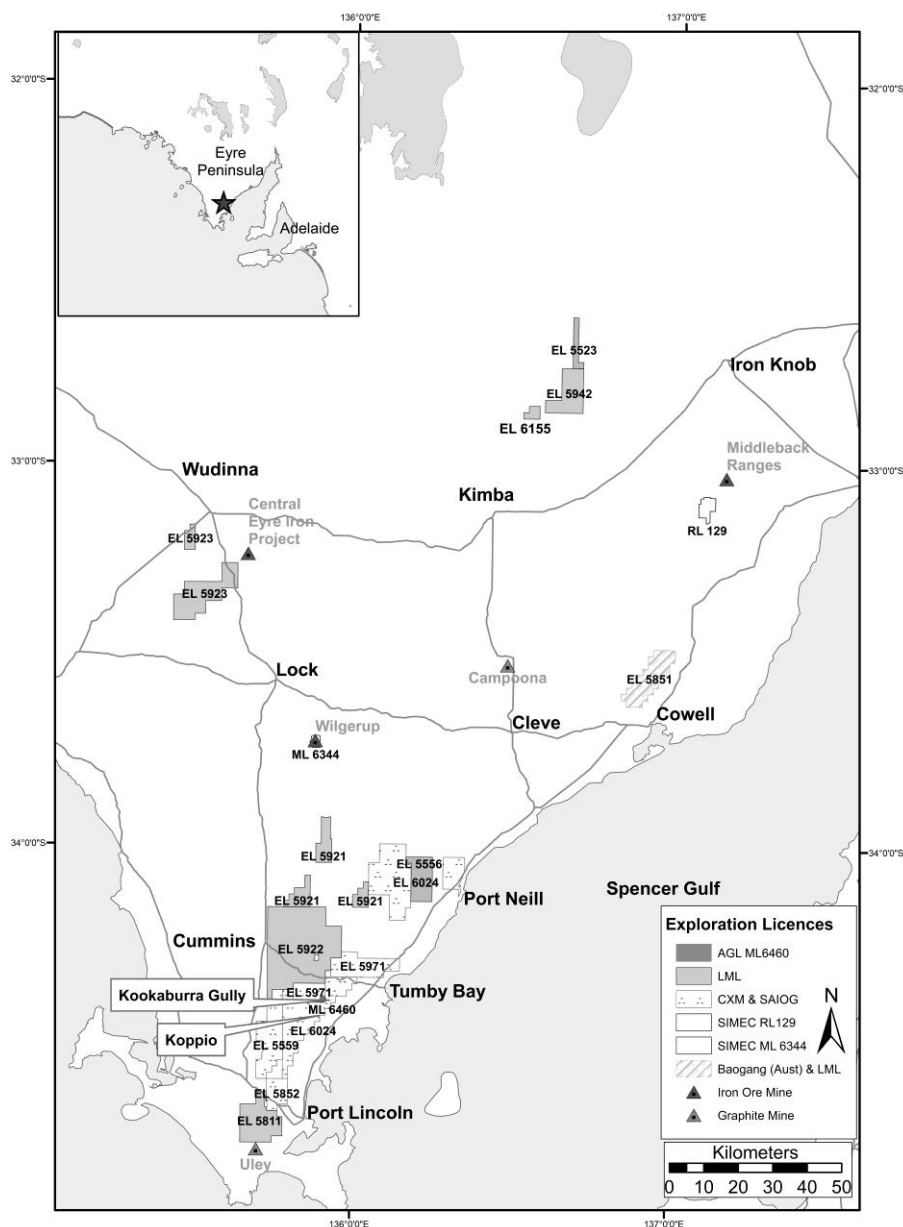
- Significant drilling intercept of Skarn base metal mineralisation at Minbrie with an intercept of **29.5m at 0.76% copper, 7.37% lead, 1.88% zinc, 9.0 g/t silver**

Gum Flat Iron Ore Project – Southern Eyre Peninsula

- 109Mt Indicated and Inferred Mineral Resources at 24.8% Fe
- Draft Mining Lease Proposal prepared and groundwater licences granted but the project is on hold

Eurilla Multi-Commodity Project – Northern Eyre Peninsula

- *In situ* hematite-magnetite Inferred Mineral Resource of 21.7Mt @ 33.3% Fe
- Manganese up to 66% MnO and epithermal-style silver, gold and base metal anomalies near Uno



4 REVIEW OF OPERATIONS

4.1 Strategy and Objectives

Lincoln Minerals' mission is to provide **capital growth** through exploration, discovery, development and sustainable mining of economic mineral deposits, in particular **graphite, iron ore and copper**.

The Company's strategy is to focus on **metallogenic provinces close to established infrastructure within a stable political environment – two factors strongly evident across the Company's extensive Eyre Peninsula tenement holdings**.

Lincoln Minerals is exploring graphite, copper, zinc-lead-silver, iron and manganese targets on Eyre Peninsula.

Eyre Peninsula is part of the highly endowed, world-class Gawler Craton mineral province that not only hosts iron ore mines of the Middleback Ranges but also the Olympic Dam and Prominent Hill iron oxide copper gold uranium (IOCGU) mines, the new Carapateena and Hillside copper deposits and the historic copper mines of the Moonta-Wallaroo area.

Eyre Peninsula is Australia's foremost graphite province and home to one to the largest resources of this strategically important mineral in Australia. Graphite is a key component of lithium-ion batteries that power our electric vehicles and renewable energy storage systems; a large and rapidly growing market.

Lincoln Minerals' exploration methodology is based on application of both proven and innovative exploration techniques while ensuring a systematic approach to effective target delineation. The Company utilises modern sophisticated exploration techniques, in particular advanced geophysical, remote sensing and geochemical techniques including field-based XRF mineral analysis and innovative vegetation and soil sampling to detect concealed mineralisation. These techniques are combined with computerised geographic information systems (GIS) and 3D modelling software to interpret data for exploration, target generation and resource definition. Results are followed up by systematic drilling along with state-of-the-art field and laboratory sample analysis to test targets and define Mineral Resources.

A key focus of all of Lincoln Minerals' and Australian Graphite's operations is sustainable environmental and workplace health and safety management. Lincoln Minerals continually seeks to improve business sustainability by valuing environmental, social, economic and ethical considerations across all of its operations and the Company is committed to achieving the highest performance in workplace health, safety and the environment.

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

4.2 Australian Graphite Pty Limited

In mid-2013, Australian Graphite Pty Limited (AGL) was formed as a **wholly-owned subsidiary company of Lincoln Minerals Limited** to hold key graphite assets of the Company. Australian Graphite owns Mineral Lease ML 6460 and the graphite and graphite-associated mineral rights over a number of Lincoln Minerals' and Centrex-SAIOG ELs (see the Tenement schedule below).

A Coordination Agreement between AGL and Lincoln Minerals establishes AGL's rights to graphite, Lincoln's rights to other minerals and sets out the framework for exploration and development of resources or co-development of coincident resources as the case may be.

If any party discovers any economic deposit(s) of minerals, that party must notify the other parties of such discovery and commence negotiations to enter into a formal agreement based on a set of co-ordination principles depending on whether it is:

- An economic deposit of graphite minerals without significant other minerals or with uneconomic other minerals;
- An economic deposit of other minerals without significant graphite mineralisation or with uneconomic graphite mineralisation; or
- An economic deposit of graphite minerals that co-exists with an economic deposit of other minerals.

If a party is granted a mineral lease (ML), having complied with the provisions of the Coordination Agreement, that party will become the mine operator, but all other parties will have the right to reassess the economic

value of their rights at any time provided it is at their own cost and without any unreasonable adverse effects to the mine operator's activities.

4.3 Project Portfolio

The Company holds rights to South Australian exploration lease holdings totalling 2,028km².

Lincoln Minerals and its fully-owned subsidiary, Australian Graphite Pty Limited, have exclusive rights to all minerals including iron ore on leases totalling 1,070km². This includes Mineral Lease ML 6460 at Kookaburra Gully.

Lincoln Minerals and Australian Graphite Pty Limited have exclusive rights to all minerals excluding iron ore on Mineral Lease ML 6460 at Kookaburra Gully.

Lincoln Minerals and Australian Graphite are joint operators with Centrex Metals Limited (and CXM's 100%-owned subsidiary, South Australian Iron Ore Group Pty Ltd (SAIOG)) and Baogang Group Investments (Australia) Pty Ltd, on leases totalling 958km² with exclusive rights to all minerals excluding iron ore. Centrex and one of its subsidiaries sold its iron ore rights to Mineral Lease ML 6344 and Retention Lease RL 129 to SIMEC Mining, while Lincoln retains its mineral rights excluding iron on these tenements.

Lincoln Minerals has two wholly-owned subsidiaries, Lincoln Asia Pacific Pty Ltd and Australian Graphite Production Pty Ltd that currently have no exploration tenement or mining assets.

Lincoln Minerals Limited tenements as at 31 August 2018

| Tenement | Expiry | Area (km ²) | Locality | Licensee | Graphite Rights | Iron Ore Rights | Other Mineral Rights |
|---|-----------|-------------------------|------------------------|----------|-----------------|-----------------|----------------------|
| LINCOLN MINERALS (AND AGL) HAS OWNERSHIP OF ALL MINERAL RIGHTS | | | | | | | |
| EL 5942 | 28-Jan-19 | 98 | Eurilla (Lake Gilles) | LML | LML 100% | LML 100% | LML 100% |
| EL 5922 | 12-Feb-19 | 441 | Wanilla | LML | AGL 100% | LML 100% | LML 100% |
| EL 5921 | 11-Feb-19 | 112 | Cummins | LML | AGL 100% | LML 100% | LML 100% |
| EL 6155 | 2-Mar-20 | 14 | Moseley Nobs | LML | LML 100% | LML 100% | LML 100% |
| EL 5523 | 28-Sep-19 | 26 | Uno | LML | LML 100% | LML 100% | LML 100% |
| EL 5556 | 3-Nov-19 | 82 | Dutton River | LML | AGL 100% | LML 100% | LML 100% |
| EL 5811 | 6-Jan-21 | 128 | Gum Flat | LML | AGL 100% | LML 100% | LML 100% |
| EL 5923 | 20-Dec-18 | 166 | Nantuma | LML | LML 100% | LML 100% | LML 100% |
| ML 6460 | 2-June-37 | 300.8 ha | Kookaburra Gully | AGL | AGL 100% | 0% | LML 100% |
| Subtotal | | 1,070 | | | | | |
| LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE * | | | | | | | |
| EL 5851 | 13-Aug-20 | 117 | Minbrie | Baogang | LML 100% | 0% | LML 100% |
| EL 5852 | 13-Aug-21 | 50 | Greenpatch | CXM | AGL 100% | 0% | LML 100% |
| EL 5971 | 11-Apr-19 | 215 | Tumby Bay (Carrow) | SAIOG | AGL 100% | 0% | LML 100% |
| EL 6024 | 05-Aug-19 | 403 | Mount Hill (Tod River) | SAIOG | AGL 100% | 0% | LML 100% |
| EL 5559 | 15-Nov-19 | 138 | Wanilla (Bald Hill) | CXM | AGL 100% | 0% | LML 100% |
| ML 6344** | 11-Aug-19 | 916 ha | Wilgerup | SIMEC | LML 100% | 0% | LML 100% |
| RL 129*** | 07-Nov-21 | 1970 ha | Kimba Gap | SIMEC | LML 100% | 0% | LML 100% |
| Subtotal | | 958 | | | | | |
| Grand total | | 2,028 | | | | | |

* On all CXM/SAIOG/Baogang tenements + ML 6460, LML and its wholly owned subsidiary, Australian Graphite Pty Ltd (AGL), have 100% of the rights to all minerals except iron

**On SIMEC ML 6344, LML retains rights to all minerals except iron

*** On RL 129 (SIMEC= Kimba Gap Iron Project Pty Ltd), LML's rights only extend to that part overlying former EL 5170

CXM = Centrex Metals Limited SAIOG = South Australian Iron Ore Group Pty Ltd, a wholly owned subsidiary of CXM
Baogang = Baogang Group Investments (Australia) Pty Ltd

SIMEC = Shipping, Infrastructure, Mining, Energy and Commodities

4.4 Coordination Agreements

Under various Heads of Agreements, Coordination Agreements and Deeds of Consent and Assumption signed in 2005, 2006, 2010 and 2013, Lincoln Minerals and Australian Graphite have the rights for all metals and minerals other than iron ore on all Exploration Licenses on Eyre Peninsula for which Centrex Metals Limited (CXM) and its subsidiary, South Australian Iron Ore Group Limited (SAIOG), are the licensees. These agreements, and in particular the 2010 and 2013 Coordination Agreements, establish Lincoln's and Australian Graphite's rights to all non-ferrous metals and minerals on Centrex and SAIOG ELs on Eyre Peninsula and set out the framework for exploration and development of resources or co-development of coincident resources as the case may be.

Under an agreement signed in April 2017, Baogang Group Investments (Australia) Pty Ltd assumed CXM's obligations under the various agreements identified above in relation to the Bungalow-Minbrie exploration tenement EL 5851. The April 2017 agreement records Lincoln's consent to the transfer of CXM's interest in that tenement to Baogang and provides for Baogang to be the registered holder of EL 5851 following that transfer.

Lincoln Minerals and Australian Graphite are maintaining an active role in monitoring drilling programs by Centrex and Baogang for other minerals including copper, graphite and vanadium. The Minbrie copper discovery in early 2012 was the result of drilling by Centrex on EL 4884 (now EL 5851) and there are numerous graphite and copper occurrences recorded in the 147 kilometres of Centrex-WISCO drilling from the Tumby Bay-Koppio-Bald Hill region on southern Eyre Peninsula (ELs 6024, 5559 and 5971).

5 EXPLORATION AND DEVELOPMENT

5.1 Kookaburra Gully Graphite Project

(Australian Graphite has exclusive rights to graphite and graphite-associated minerals)

Australian Graphite (AGL) is proposing the development of the Kookaburra Gully Graphite Project, located approximately 35km north of Port Lincoln and 20km west of Tumby Bay on Eyre Peninsula in South Australia.

A Mineral Lease ML 6460 was granted for a period of 21 years commencing on 3 June 2016.

During 2017-18, Kookaburra Gully's Program for Environment Protection and Rehabilitation (PEPR) was submitted as a draft to Department of Premier and Cabinet (DPC, now Department of Energy and Mining DEM) completion of a Feasibility Study and maiden Ore Reserve Statement. Work during the year involved a number of studies including metallurgical pilot plant test work, environmental studies, transport route assessment, geotechnical, geochemical and resource definition for mine planning, mine optimisation, mine and waste rock facility design, tailings storage facility design, groundwater modelling and power and water supply option studies. The Feasibility Study enabled the PEPR to be lodged with DPC by 2nd October 2017.

5.1.1 Graphite Mineral Resources and Ore Reserve Estimate

A JORC Code (2012 Edition) compliant Mineral Resource estimate using a 5% TGC cut-off has been determined by OreWin Pty Ltd (OreWin) as shown in the Table 1 as released by the Company on 17 May 2017. Based on Mineral Resources and Feasibility Study results for Kookaburra Gully, AMC Consultants and Lincoln estimated a Probable Ore Reserve displayed in Table 2 and as released by the Company 27 November 2017.

Table 1 Mineral Resources at 5% TGC cut-off grade

| Classification | Tonnes (Mt) | TGC (%) | Contained Graphite (t) |
|-------------------------|-------------|-------------|------------------------|
| Kookaburra Gully | | | |
| Measured | 0.39 | 14.9 | 58,110 |
| Indicated | 1.08 | 14.9 | 160,920 |
| Inferred | 0.56 | 16.0 | 89,600 |
| Koppio | | | |
| Inferred | 1.85 | 9.76 | 180,730 |
| Total Resources | 3.88 | 12.6 | 489,930 |

Mt = million tonnes TGC = Total Graphitic Carbon t = tonnes

Information in this report that relates to exploration activity and results, Mineral Resources and Exploration Targets was compiled by Dwayne Povey who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Povey is Chief Geologist for 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. Mr Povey consents to the release of the information compiled in this report in the form and context in which it appears.

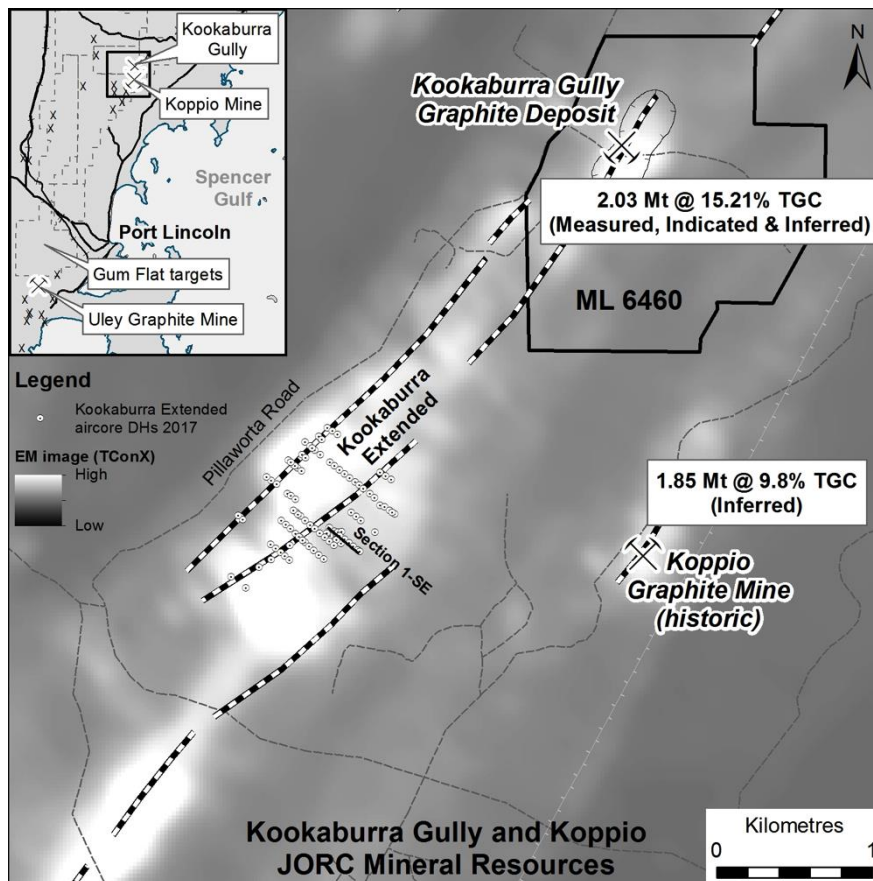
Table 2 Ore Reserve estimate at 8.5% TGC cut-off grade

| Classification | Tonnes (Mt) | TGC (%) | Contained Graphite (t) |
|-------------------------|-------------|---------|------------------------|
| Kookaburra Gully | | | |
| Probable | 1.34 | 14.6 | 196,000 |

Mt = million tonnes TGC = Total Graphitic Carbon t = tonnes

Information in this report that relates to Ore Reserves was compiled by Dwayne Povey based on mine optimisation and schedules prepared by Mr Wilson Feltus a full-time employee of AMC Consultants Pty Ltd and are members of the Australasian Institute of Mining and Metallurgy. Mr Povey and Mr Feltus have sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as Competent Persons as defined by the JORC Code, 2012 and consent to the release of the information compiled in this report in the form and context in which it appears.

In addition to these Mineral Resources, drilling at Kookaburra Gully Extended early in 2017 identified significant graphite mineralisation over a large area with further potential in areas not yet drilled (see below).



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.

5.1.2 Program for Environment Protection and Rehabilitation (PEPR)

With a Mineral Lease (ML) granted for the Kookaburra Gully Graphite Project, the final approvals step is to complete a Program for Environment Protection and Rehabilitation (PEPR). Lincoln submitted a draft PEPR to SA's Department of Premier and Cabinet (DPC) and they provided feedback and requested additional information in December 2017. Lincoln's PEPR resubmission has been paused so the company can position itself more strongly and secure the project's required capital. The cost of completing the approvals work has been defined together with land purchases required for project execution to commence. Current economic conditions are challenging in securing funding which will result in a delay to PEPR resubmission.

5.1.3 Metallurgy and Pilot Plant Tests

Lincoln finalised pilot plant processing test work in China on a 36.9 tonne sample of oxidised graphite schist from trenching at Kookaburra Gully. The sample was shipped to Jinan via Qingdao in Shandong Province, for process flow sheet optimisation and development as a precursor to final detailed process plant design. The flake graphite concentrates produced from the pilot plant test work were forwarded for downstream product evaluation, qualification and marketing.



6 DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report together with the consolidated financial report of Lincoln Minerals Limited (the Company) and its subsidiary companies (the Group) for the financial year ended 30 June 2018 together with the Auditor's report thereon.

6.1 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

Current Directors

James TENGHUI ZHANG

Chairman (Non-Executive)

Appointed 17 February 2016

Mr Zhang has spent more than 20 years in real estate development and business management in China and Australia, and has developed extensive experience across a wide variety of areas, including funding of real estate, infrastructure, property development and enterprise management. His experience extends across Australia, mainland China and Hong Kong. Mr Zhang holds 114,500,000 shares in the Company.

Other directorships of listed entities within the past three years: Nil

Eddie LUNG YIU PANG

Director (Non-Executive)

Appointed 1 December 2013

Mr Pang has a first-class Bachelor of Science with Honours degree in Chemistry. Mr Pang operates a trading business based in Shanghai supplying the Chinese market with Australian wine, American natural food flavours, Chilean cathode copper along with marketing and export of Chinese products to Vietnam, the United Arab Emirates and Canada. Mr Pang has a number of private business interests in Australia, including vineyards and timber plantations. Mr Pang's extensive network of business associates in China (both national and private) and the Middle East will be an invaluable asset for Lincoln in its future capital raising and product marketing.

Other directorships of listed entities within the last three years: Genesis Resources Limited from 6 March 2009 to current.

Kee GUAN SAW

Director

Appointed 22 February 2018

Mr Kee Guan Saw is a Fellow Member of the Institute of Chartered Accountants in Australia and is the current President of the Chinese Chamber of Commerce Victoria Inc. He has an extensive business network in Australia as well as in mainland China, Malaysia and Singapore. Prior to his appointment as director, Mr Saw has also taken on the role of Chief Financial Officer of Lincoln.

Other directorships of listed entities within the past three years: Nil

Haifeng ZHU

Director (Non-Executive)

Appointed 30 May 2018

Dr Haifeng Zhu is the General Manager of Shanghai Jihai Investment Management Co. and has significant experience in financial investments and experience in merger and acquisition transactions in China and Hong Kong. He has managed large companies in China, including Holley Worldwide Holdings with nearly 20 years' of domestic and international financial industry and corporate management experience.

Other directorships of listed entities within the last three years: Nil

Johnson ZHANG

Director (Non-Executive)

Appointed 30 May 2018

Mr Johnson Zhang holds a Bachelor of Business and has strong business experience in Australia in investments and property. Mr Zhang is a strategic and commercially focused professional with a proven track record for driving improvement and business growth.

Other directorships of listed entities within the last three years: Nil

Former Directors

Mr Jin Yubo

Chairman (Non-Executive)
Appointed 18 September 2013
Resigned 24 October 2017

Mr Jin Yubo graduated with a Master of International Law in National Chi Nan University and has been a chairman or board member of several investment and real estate companies in China and Australia. He is a former committee member of a major Chinese city's People's Political Consultative Council. He is familiar with Chinese investment laws and regulations and has a wide range of political and business networks in mainland China, Hong Kong and other eastern and South East Asian countries.

Other directorships of listed entities within the past three years: Nil.

Dr Allan John Parker

BSc(Hons), PhD, Dipl Comp Sc
Managing Director
Appointed 16 October 2006
Resigned 2 January 2018

Dr Parker is a geologist and geophysicist.

Dr Parker has a broad and extensive knowledge of iron ore, graphite, uranium, gold, and base metal mineral deposits and mineralising systems, particularly in South Australia's Gawler Craton. He also has a strong geophysical background and is a leading geographical information systems (GIS) expert. He has 22 years' experience in mineral exploration and prior to that, 16 years experience in geological mapping with the SA Geological Survey.

He is a long-standing member of the Australian Institute of Geoscientists (33 years), Geological Society of Australia and Australian Society of Exploration Geophysicists, is a Fulbright Postdoctoral Fellow and a member of the Australian Institute of Company Directors.

Other directorships of listed entities within the past three years: Nil

Eric Zhang

Director (Non-Executive)
Appointed 28 November 2017
Resigned 22 February 2018

Mr Zhang has worked in property development, mining investment and funds management areas for more than 10 years. He also has experience across financial institutions, government agencies and the education sector.

Mr Zhang is Director and Chief Executive Officer of Tasman Development Holdings Pty Ltd and Director of Tasman Funds Management Pty Ltd (Holds AFSL 246801). He is also a Director of listed companies Bligh Resources Limited (ASX: BGH) and Stonewall Resources Limited (ASX: SWJ), and Director of China Construction International Corporation (Australia) Pty Ltd (CCIC).

Other directorships of listed entities within the past three years: Bligh Resources Limited (ASX: BGH) and Stonewall Resources Limited (ASX: SWJ).

6.2 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> |
|----------|--|------------------------------------|
| JT Zhang | 10 | 8 |
| ELY Pang | 10 | 10 |
| KG Saw | 4 | 4 |
| H Zhu | 1 | 1 |
| J Zhang | 1 | 1 |
| Y Jin | 4 | 2 |
| J Parker | 5 | 5 |
| E Zhang | 1 | 1 |

6.3 COMPANY SECRETARY

Mr Jaroslaw (Jarek) Kopias was appointed Company Secretary in 2011. Jarek is a qualified Certified Practising Accountant who has worked extensively in the resource sector in various corporate and mine site

roles. He holds a Bachelor of Commerce Degree and is a Chartered Secretary. Jarek is also Company Secretary and Chief Financial Officer of a number of ASX listed and unlisted companies.

6.4 OPERATING AND FINANCIAL REVIEW

Financial

The Group made a loss after tax of \$1,241,309 (2017: \$1,387,440). In 2018 the Group capitalised \$1,269,101 (2017: \$2,203,072) of exploration and evaluation expenditure and expensed \$171,630 (2017: \$223,207) of such expenditure that was unable to be carried forward. Interest income was \$42,158 (2017: \$58,292).

During the year the Company issued 114,500,000 (2017: 92,096,737) new shares at 3.2 cents per share raising \$3,664,000 before costs to an entity associated with Director James Zhang following shareholder approval.

Cash at the end of June 2018 was \$2,486,137 (2017: \$2,213,170).

No dividends were paid and the directors have not recommended the payment of a dividend (2017: Nil).

Operations

The risks associated with the projects listed below are those common to exploration and development activities generally. Exploration Targets are conceptual in nature such that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The main environmental and sustainability risks that Lincoln currently faces are through ground disturbance when undertaking sampling or drilling activities. The Company's approach to exploration through environmental, heritage and other clearances allows these risks to be minimised.

The financial impact of the projects listed below is a requirement for further expenditure where successful exploration leads to follow-up activities. All exploration activities may be funded by the Company's own cash reserves or through joint venture arrangements.

During the year the Company continued to evaluate its licences in South Australia, where the majority of its effort was directed to the Kookaburra Gully Graphite Project on South Australia's southern Eyre Peninsula.

6.5 ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in respect of the exploration and 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.

6.6 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, mining operations and/or rehabilitate sites in line with detailed procedures and guidelines published by the South Australian Government.

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

Social

The Board and Management 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 and development.

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.

6.7 OPTIONS

There are no options outstanding as at the date of this report (2017: Nil).

6.8 SIGNIFICANT EVENTS AFTER REPORTING DATE

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

6.9 LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2018-19, the Group will be principally engaged in obtaining all approvals necessary for the development of a graphite mine and processing plant at Kookaburra Gully and commencing detailed engineering design work.

Kookaburra Gully graphite programme for 2018-19:

- Completion of the Program for Environment Protection and Rehabilitation (PEPR) and Government approvals for the Kookaburra Gully Graphite Project on South Australia's Eyre Peninsula;
- Detailed mine planning and scheduling;
- Water well drilling and further resource definition drilling at the Kookaburra Gully Graphite Project;
- Completion of product assessment of the Kookaburra Gully Graphite Project;
- Undertake a definitive feasibility study for Kookaburra Gully;
- Detailed design and engineering of a graphite processing plant for the Kookaburra Gully Graphite Project;
- Detailed design and engineering of the tailings storage facility, roads and other infrastructure for the Kookaburra Gully Graphite Project;
- Establishing international markets and customers for graphite products from Kookaburra Gully;
- Advance current negotiations to secure and finalise mine financing and off-take agreements for the establishment and commissioning of the Kookaburra Gully graphite mine;
- Resource definition of the Kookaburra Gully Extended graphite exploration drilling results;
- Ongoing exploration for graphite in the Uley-Gum Flat and other areas on southern Eyre Peninsula;
- Ongoing exploration for manganese, copper, silver and other base metals at Uno and Eurilla on northern Eyre Peninsula, at Minbrie on central Eyre Peninsula, and in the Tumby Bay-Cummins area on southern Eyre Peninsula; and

It is proposed that the Company will seek to raise funds per announced shareholder meeting for detailed mine and process plant design, a definitive feasibility study, and, ultimately, for mine development.

6.10 CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at:

<http://www.lincolnminerals.com.au/corpgovernance.php>.

6.11 REMUNERATION REPORT - AUDITED

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. This report outlines the remuneration arrangements in place for KMP of Lincoln Minerals Limited.

Key Management Personnel comprise:

Directors

| | |
|-----------|--|
| JT Zhang | Chairman (non-executive) |
| ELY Pang | Director (non-executive) |
| KG Saw | Director and Chief Financial Officer |
| H Zhu | Director (non-executive) from 30 May 2018 |
| J Zhang | Director (non-executive) from 30 May 2018 |
| Y Jin | Chairman (non-executive) to 24 October 2017 |
| AJ Parker | Managing Director resigned 2 January 2018 |
| E Zhang | Director (non-executive) from 28 November 2017 to 22 February 2018 |

Executives

| | |
|-----------|---|
| JK Kopias | Company Secretary. Resigned as CFO 22 February 2018. |
| DA Povey | Chief Geologist |
| M Rapaic | Project Development Manager from 1 August 2017 to 14 March 2018 |

Remuneration philosophy

The performance of the Group depends on the quality of its Directors and executives, who are KMP of the Company. Compensation levels for KMP 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.

Corporate Performance

The performance of the Company / Group for the past 5 years is:

| <u>Year</u> | <u>Net (loss) for the year</u> | <u>(Loss) per share – cents (adjusted for rights issues)</u> | <u>Shareholders' Equity</u> | <u>Number of issued shares – end of year</u> | <u>Share price – end of the year – cents</u> |
|-------------|--------------------------------|--|-----------------------------|--|--|
| 2014 | (1,130,809) | (0.56) | 18,219,080 | 268,386,949 | 7.0 |
| 2015 | (14,512,666) | (5.41) | 3,706,414 | 268,386,949 | 4.0 |
| 2016 | (552,495) | (0.21) | 6,088,348 | 368,386,949 | 6.0 |
| 2017 | (1,387,400) | (0.33) | 7,382,065 | 460,483,686 | 3.6 |
| 2018 | (1,241,309) | (0.23) | 9,776,941 | 574,983,686 | 2.3 |

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

Remuneration committee

Due to the relatively small size 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. In the future, share options may form part of a remuneration package and the number and terms of such options will be determined in accordance with the above objectives.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and senior management 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 at a General Meeting. An amount not exceeding the determined aggregate is then divided between the Directors as agreed. The latest determination occurred at a General Meeting held in November 2016 when shareholders approved an aggregate remuneration of \$450,000 per year. The current fee level is \$60,000 per Non-executive Director per annum and the Chairman \$60,000 per annum, all inclusive of statutory superannuation where applicable for a total of \$332,118 (2017: \$337,916).

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 in cash.

Non-executive Directors' fees are not linked to the performance of the Group. However, Directors may be issued options and performance rights from time to time to provide the necessary incentive to grow long-term shareholder value. Issues of options and rights to Directors requires 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 Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting predetermined performance targets. However, the Board may consider performance related remuneration in the form of cash or share options or performance rights when they consider these to be warranted. Following a review of the Group's performance, the Board decided not to reward any variable remuneration in the current year.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established by the Board of Directors. There was no variable remuneration issued during the year.

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 was engaged by contract until 31 December 2015 with an automatic 12 month extension although the contract may be terminated by the Company giving twelve months' notice. The Managing Director's contract was not renewed at 31 December 2017 and he resigned as a Director on 2 January 2018.

The Chief Geologist has been engaged with an annual remuneration of \$120,000. His employment may be terminated by the giving of 3 months' notice.

The Company Secretary has been engaged under a consultancy agreement with a variable rate and may be terminated by the giving of 1 months' notice.

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

Compensation of Directors and Key Management Personnel (KMP)

| | <u>Short term</u> | | <u>Post employment</u> | | <u>Total¹</u> |
|---------------------------------------|------------------------|--------------------------|------------------------|---------------------------|--------------------------|
| | <u>Salary and fees</u> | <u>Contract payments</u> | <u>Super-annuation</u> | <u>Long service leave</u> | |
| Year ended 30 June 2018 | \$ | \$ | \$ | \$ | \$ |
| <u>Directors</u> | | | | | |
| JT Zhang | - | 112,792 | - | - | 112,792 |
| ELY Pang | - | 98,993 | - | - | 98,993 |
| KG Saw | - | 28,333 | - | - | 28,333 |
| H Zhu | - | 5,000 | - | - | 5,000 |
| J Zhang | - | 5,000 | - | - | 5,000 |
| YB Jin | - | 63,151 | - | - | 63,151 |
| AJ Parker | 119,486 | - | 12,500 | 3,203 | 135,189 |
| E Zhang | - | 18,849 | - | - | 18,849 |
| <u>Executives</u> | | | | | |
| JK Kopias | - | 73,013 | - | - | 73,013 |
| DA Povey | 117,920 | - | 15,366 | 2,999 | 136,285 |
| Total Directors and KMP – 2018 | 237,406 | 405,131 | 27,866 | 6,202 | 676,605 |

| Year ended 30 June 2017 | <u>Short term</u> | | <u>Post employment</u> | | <u>Total</u> ¹ |
|---------------------------------------|------------------------|--------------------------|------------------------|---------------------------|---------------------------|
| | <u>Salary and fees</u> | <u>Contract payments</u> | <u>Super-annuation</u> | <u>Long service leave</u> | |
| | \$ | \$ | \$ | \$ | \$ |
| <u>Directors</u> | | | | | |
| YB Jin | - | 146,250 | - | - | 146,250 |
| AJ Parker | 221,230 | - | 35,000 | 6,406 | 262,636 |
| ELY Pang | - | 95,833 | - | - | 95,833 |
| JT Zhang | - | 95,833 | - | - | 95,833 |
| <u>Executives</u> | | | | | |
| JK Kopias | - | 96,938 | - | - | 96,938 |
| DA Povey | 117,197 | - | 11,134 | 4,722 | 133,053 |
| Total Directors and KMP – 2017 | 338,427 | 434,854 | 46,134 | 11,128 | 830,543 |

¹ There is no equity based or performance based remuneration for any member of KMP.

No bonuses were earned by or paid to any KMP in either 2018 or 2017.

No shares were issued in either 2018 or 2017 as compensation.

Option holdings of Key Management Personnel

There were no options held by KMP during the year.

Shareholdings of Key Management Personnel - 2018

The movement during the reporting period in the number of ordinary shares in Lincoln Minerals Limited held directly, indirectly or beneficially by each KMP:

| | Balance at the beginning of the year | Changes during the year | Balance at the end of the year |
|-------------------------------|--------------------------------------|--------------------------|--------------------------------|
| <u>Directors</u> ³ | | | |
| JT Zhang | - | 114,500,000 ¹ | 114,500,000 |
| AJ Parker | 1,537,503 | (1,537,503) ² | - |
| ELY Pang | 13,160,282 | - | 13,160,282 |
| <u>Executives</u> - Nil | | | |

¹ Placement as approved by shareholders.

² Holding upon resignation as director on 2 January 2018.

³ No other KMP holds shares in the Company.

END OF REMUNERATION REPORT – AUDITED

6.12 AUDITOR'S INDEPENDENCE DECLARATION

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

During the year Grant Thornton, the Company's auditor, has performed other services in addition to the audit and review of financial statements.

Details of the amounts paid to Grant Thornton during the year for audit and non-audit services are set out hereunder:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| Compliance taxation services | 2,900 | 13,132 |

No other auditors were engaged by the Group.

6.13 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 Melbourne, Victoria, this 26th day of September 2018 and signed in accordance with a resolution of the Directors.



J Zhang, Chairman

Auditor's Independence Declaration

To the Directors of Lincoln Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lincoln Minerals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 26 September 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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7 FINANCIAL STATEMENTS 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

| | Note | <u>2018</u> \$ | <u>2017</u> \$ |
|---|------|-------------------|-------------------|
| Other income | | 6,187 | 3,000 |
| Exploration and evaluation expense | 9 | (171,630) | (223,207) |
| Corporate and administrative expenses | 3 | (561,698) | (639,853) |
| Employee benefits expense | | (708,645) | (736,302) |
| Depreciation and amortisation | | (7,007) | (5,732) |
| Gain / (Loss) on sale of assets | | (922) | 4,291 |
| RESULTS FROM OPERATING ACTIVITIES | | (1,443,715) | (1,597,803) |
| Finance income – interest | | 42,158 | 58,292 |
| Finance costs | | - | - |
| NET FINANCE INCOME | | 42,158 | 58,292 |
| LOSS BEFORE TAX | | (1,401,557) | (1,539,511) |
| Income tax benefit | 4 | 160,248 | 152,071 |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE PARENT | | (1,241,309) | (1,387,440) |
| Other Comprehensive income attributable to owners of the parent | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT | | (1,241,309) | (1,387,440) |
| Basic and diluted loss per share (cents) | 16 | (0.23) | (0.33) |

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

| | Issued capital | Accumulated losses | Total |
|---|-------------------|---------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2017 | 33,602,938 | (26,220,873) | 7,382,065 |
| Total comprehensive loss for the year | | | |
| Loss for the year | - | (1,241,309) | (1,241,309) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the year | - | (1,241,309) | (1,241,309) |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Issue of ordinary shares | 3,664,000 | - | 3,664,000 |
| Share issue expenses | (27,815) | - | (27,815) |
| Total contributions by owners of the Company | 3,636,185 | - | 3,636,185 |
| Balance at 30 June 2018 | 37,239,123 | (27,462,182) | 9,776,941 |
| Balance at 1 July 2016 | 30,921,781 | (24,833,433) | 6,088,348 |
| Total comprehensive loss for the year | | | |
| Loss for the year | - | (1,387,440) | (1,387,440) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the year | - | (1,387,440) | (1,387,440) |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Issue of ordinary shares | 2,947,095 | - | 2,947,095 |
| Share issue expenses | (265,938) | - | (265,938) |
| Total contributions by owners of the Company | 2,681,157 | - | 2,681,157 |
| Balance at 30 June 2017 | 33,602,938 | (26,220,873) | 7,382,065 |

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

| | Note | <u>2018</u> \$ | <u>2017</u> \$ |
|------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 2,486,137 | 2,213,170 |
| Trade and other receivables | 7 | 331,839 | 137,342 |
| TOTAL CURRENT ASSETS | | <u>2,817,976</u> | <u>2,350,512</u> |
| NON CURRENT ASSETS | | | |
| Property plant and equipment | 8 | 559,332 | 151,027 |
| Exploration and evaluation | 9 | 6,644,033 | 5,416,932 |
| Intangible assets | | 485 | 987 |
| TOTAL NON CURRENT ASSETS | | <u>7,203,850</u> | <u>5,568,946</u> |
| TOTAL ASSETS | | <u>10,021,826</u> | <u>7,919,458</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 167,606 | 271,056 |
| Employee entitlements | | 77,279 | 266,337 |
| TOTAL CURRENT LIABILITIES | | <u>244,885</u> | <u>537,393</u> |
| TOTAL LIABILITIES | | <u>244,885</u> | <u>537,393</u> |
| NET ASSETS | | <u>9,776,941</u> | <u>7,382,065</u> |
| EQUITY | | | |
| Contributed equity | 11 | 37,239,123 | 33,602,938 |
| Accumulated losses | | (27,462,182) | (26,220,873) |
| TOTAL EQUITY | | <u>9,776,941</u> | <u>7,382,065</u> |

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

| | Notes | <u>2018</u> \$ | <u>2017</u> \$ |
|--|--------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (1,478,431) | (1,314,582) |
| Other Income | | 6,187 | 3,000 |
| Research & Development tax concession received | | - | 254,002 |
| Net cash (outflow) from operating activities | 6 | (1,472,224) | (1,057,580) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Exploration expenditure | | (1,484,408) | (2,334,655) |
| Payments for property, plant and equipment | 8 | (448,210) | (125,635) |
| Interest Received | | 49,943 | 49,524 |
| Proceeds on sale of assets | | - | 13,636 |
| Net cash (outflow) from investing activities | | (1,882,675) | (2,397,130) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from share issues | | 3,664,000 | 2,947,095 |
| Share issue expenses | | (36,114) | (268,698) |
| Net cash (outflow)/inflow from financing activities | | 3,627,886 | 2,678,397 |
| Net (decrease)/increase in cash and cash equivalents | | 272,967 | (776,313) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 2,213,170 | 2,989,483 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5 | 2,486,137 | 2,213,170 |

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 2018

1. THE REPORTING ENTITY

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group") was authorised for issue in accordance with a resolution of the directors on 26 September 2018.

The Group is a for-profit entity primarily involved in exploration and development of graphite and iron ore.

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 accounting

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).

(b) Basis of measurement

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

(c) Basis of preparation

The financial report has been prepared on a going concern basis.

New accounting standards and interpretations not yet adopted

The accounting standards that have not been early adopted for the year ended 30 June 2018 but will be applicable to the Company in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods but are considered insignificant to the Company.

| Standard / Interpretation | Nature of change | Effective for annual periods beginning or after | Expected to be initially applied in the financial year ending |
|--------------------------------|---|---|---|
| AASB 9 'Financial Instruments' | New requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially changed approach to hedge accounting. | 1 January 18 | 30 June 19 |
| AASB 16 'Leases' | Requires all leases to be accounted for 'on-balance sheet' for lessees other than short-term and low value asset leases. | 1 January 19 | 30 June 20 |

We do not expect these accounting standards will have any material impact on our financial results upon adoption except for AASB 16 'Leases' that will result in the recognition of the Group's office lease on the balance sheet.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through

its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date control commenced. The Company retains control as at the date of this report of the following companies, Lincoln Asia-Pacific Pty Ltd, Australian Graphite Pty Ltd, Australian Graphite Production Pty Ltd and Lincoln Finance Group Pty Ltd. Lincoln Asia-Pacific Pty Ltd has not traded or operated between its registration (during 2009/10) and the date of this report. Australian Graphite Pty Ltd was registered in 2012/13 and holds the Group's graphite related assets. Australian Graphite Production Pty Ltd was acquired in 2013/2014, Lincoln Finance Group Pty Ltd registered in 2017/2018, both hold no assets and have not traded.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) 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:

Recoverability of exploration and evaluation costs

The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity and or alternatively the sale of the respective areas of interest.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

(f) Jointly controlled operations and assets

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the

output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(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 for the current and comparable period. Land is not depreciated.

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 consolidated statement of profit or loss and other comprehensive income in the period the item is de-recognised. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(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 resource 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 for the current and comparable period.

(j) Impairment – non-financial assets

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

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

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

(k) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position 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 Consolidated Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(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 wholly 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

Liability for long service leave is recognised and measured as the present value of the estimated future cash outflows to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. Expected future payments are discounted using the rates attached to high quality corporate bonds at the reporting date which have maturity dates approximating the terms of the Group's obligations. The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when settlement is expected to occur.

(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 profit and loss over the lease term. The Group does not have any finance leases.

(p) Trade and other payables

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

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of share proceeds received, net of any related 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 statement of profit or loss and other comprehensive income 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 reporting 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.

Research and development tax concessions are presented as a reduction of tax expense.

(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. EPS for the previous year are restated for any rights issues during the current financial year.

(t) 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 Consolidated Statement of Cash Flows 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) 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.

(v) 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.

(w) Segment reporting

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.

3. CORPORATE AND ADMINISTRATIVE EXPENSES

| | <u>2018</u> | <u>2017</u> |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| ASX fees | 58,757 | 29,836 |
| Audit fees | 33,200 | 31,900 |
| Corporate administration | 254,412 | 215,558 |
| Insurances | 40,710 | 38,561 |
| Legal fees | 6,154 | 54,952 |
| Operating lease payments | 63,619 | 54,909 |
| Public relations | 9,301 | 26,520 |
| Share registry | 36,819 | 19,044 |
| Travel | 58,726 | 168,573 |
| | <u>561,698</u> | <u>639,853</u> |

4. INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| | \$ | \$ |
| Loss before tax | (1,401,557) | (1,539,511) |
| Prima facie income tax benefit at 27.5% | <u>(385,428)</u> | <u>(423,366)</u> |
| Research and development tax refund | (160,248) | (152,071) |
| Effect of permanent and temporary differences and tax losses not recognised | 385,428 | 423,366 |
| Income tax benefit attributable to operating loss | <u>(160,248)</u> | <u>(152,071)</u> |

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 of approximately \$1,848,000 (2017: \$1,705,000), relating mainly to capitalised exploration assets. The unrecognised deferred tax asset mainly with respect to accumulated tax losses is \$8,515,000 tax effected at 27.5% (2017: \$7,630,000), 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. Prior to utilising tax losses, the Company will need to satisfy the requirements of either the continuity of ownership test or same business test.

5. CASH AND CASH EQUIVALENTS

| | <u>2018</u> | <u>2017</u> |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | 301,888 | 454,553 |
| Short term deposits | 2,184,249 | 1,758,617 |
| | <u>2,486,137</u> | <u>2,213,170</u> |

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 2018 was 1.45% (2017: 2.23%). An amount of \$58,617 of short term

deposits remains in place to secure a bank guarantees in respect of a bond for Exploration Licences 4643 \$10,000 (2017: \$10,000) and 5065 \$20,000 (2017: \$20,000) in favour of Department of State Development and a bond for Melbourne office rental \$28,617 (2017: \$28,617).

The Company has no available undrawn loan facilities.

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

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| | \$ | \$ |
| Operating (loss) after income tax | (1,241,309) | (1,387,440) |
| Depreciation and amortisation | 7,007 | 5,732 |
| Exploration expenditure expense | 171,630 | 223,207 |
| Interest earned | (42,158) | (58,292) |
| Changes in Assets and Liabilities: | | |
| (Increase) / Decrease in other current operating assets | (139,834) | 90,141 |
| Increase in operating creditors and accruals | (38,521) | 20,829 |
| Increase in leave provisions | (189,059) | 48,244 |
| Net cash used in operating activities | <u>(1,472,244)</u> | <u>(1,057,579)</u> |

7. RECEIVABLES AND OTHER ASSETS

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| Accrued interest receivable | 1,813 | 9,598 |
| Bonds and deposits | 15,000 | 15,000 |
| Prepaid expenses | 26,225 | 27,417 |
| PAYG and GST refundable | 128,182 | 85,327 |
| R&D tax refund receivable | 160,248 | - |
| Other Receivables | 371 | - |
| | <u>331,839</u> | <u>137,342</u> |

No receivables are interest-bearing and all are receivable within 90 days, except bonds and deposits.

8. PROPERTY, PLANT AND EQUIPMENT

| | Land | Office plant and equipment | Exploration plant and equipment | Motor vehicles | Total |
|-------------------------------------|---------|----------------------------|---------------------------------|----------------|-----------|
| <u>2018</u> | \$ | \$ | \$ | \$ | \$ |
| At cost | 433,873 | 37,841 | 341,935 | 175,207 | 988,856 |
| Accumulated depreciation | - | (30,007) | (299,545) | (99,972) | (429,524) |
| Closing net book amount | 433,873 | 7,834 | 42,390 | 75,235 | 559,332 |
| Opening net book amount | - | 9,279 | 49,209 | 92,539 | 151,027 |
| Additions | 433,873 | 5,982 | 8,355 | - | 448,210 |
| Disposals | - | (922) | - | - | (922) |
| Depreciation charge to P&L | - | (6,505) | - | - | (6,505) |
| Depreciation charged to exploration | - | - | (15,174) | (17,304) | (32,478) |
| Closing net book amount | 433,873 | 7,834 | 42,390 | 75,235 | 559,332 |
| <u>2017</u> | | \$ | \$ | \$ | \$ |
| At cost | - | 34,718 | 333,580 | 175,207 | 543,505 |
| Accumulated depreciation | - | (25,439) | (284,371) | (82,668) | (392,478) |
| Closing net book amount | - | 9,279 | 49,209 | 92,539 | 151,027 |
| Opening net book amount | - | 8,798 | 28,597 | 28,711 | 66,106 |
| Additions | - | 5,256 | 31,344 | 89,035 | 125,635 |
| Disposals | - | (30) | - | (9,315) | (9,345) |
| Depreciation charge to P&L | - | (4,745) | - | - | (4,745) |
| Depreciation charged to exploration | - | - | (10,732) | (15,892) | (26,624) |
| Closing net book amount | - | 9,279 | 49,209 | 92,539 | 151,027 |

9. EXPLORATION AND EVALUATION

| | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|
| | \$ | \$ |
| Opening net book amount | 5,416,932 | 3,213,860 |
| Reclassified to land purchase cost | (42,000) | - |
| Exploration expenditure during the year | 1,408,253 | 2,399,655 |
| Depreciation charged to exploration | 32,478 | 26,624 |
| Less, exploration & evaluation expensed | (171,630) | (223,207) |
| Closing net book amount | 6,644,033 | 5,416,932 |
| Gross exploration assets capitalised | 20,377,581 | 19,150,480 |
| Provision for impairment | (13,733,548) | (13,733,548) |
| Net exploration assets | 6,644,033 | 5,416,932 |

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.

The carrying value of assets was assessed at 30 June 2018 and a total of \$171,630 (2017: \$223,207) was incurred and expensed during the year in relation to Eurilla, Uno and Minbrie.

10. TRADE AND OTHER PAYABLES

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------|-------------|
| | \$ | \$ |
| Trade payables – external parties | 68,716 | 213,014 |
| Trade payables – related parties | 7,829 | 14,228 |
| Accrued expenses | 91,061 | 43,814 |
| | 167,606 | 271,056 |

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.

11. CONTRIBUTED EQUITY

| | <u>2018</u> | <u>2017</u> |
|---|---------------|-------------|
| | \$ | \$ |
| Share capital | | |
| Fully paid ordinary shares | 37,239,123 | 33,602,938 |
| Opening balance | 33,602,938 | 30,921,781 |
| Share placement | 3,664,000 | - |
| Rights Issues and shortfall | - | 2,947,095 |
| Share issue costs | (27,815) | (265,938) |
| Closing balance | 37,239,123 | 33,602,938 |
| Movements in share capital: | <u>Number</u> | <u>\$</u> |
| <u>Fully paid ordinary shares</u> | 574,983,686 | 37,239,123 |
| Balance at 30 June 2016 | 368,386,949 | 30,921,781 |
| Rights Issue – 14 December 2016 | 61,362,211 | 1,963,591 |
| Rights Issue shortfall – 22 December 2016 | 30,734,526 | 983,504 |
| Share issue costs | - | (265,938) |
| Closing Balance at 30 June 2017 | 460,483,686 | 33,602,938 |
| Share placement | 114,500,000 | 3,664,000 |
| Share issue costs | - | (27,815) |
| Closing Balance at 30 June 2018 | 574,983,686 | 37,239,123 |

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. The Company does not have authorised capital or par value in respect of issued shares. No options were outstanding at 30 June 2018 and no options have been granted or exercised between the end of the year and the date of this report.

12. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is Grant Thornton.

| | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|
| | \$ | \$ |
| Audit or review of financial reports | 33,200 | 31,900 |
| Other services - taxation advice and related matters | 2,900 | 13,132 |
| Total remuneration | <u>36,100</u> | <u>45,032</u> |

13. COMMITMENTS AND CONTINGENCIES

Exploration licences

The Group'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.

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| | \$ | \$ |
| Expenditure required to maintain tenure of all of the exploration licences | | |
| Within one year | 1,802,000 | 1,567,000 |
| After one year but not more than five years | 80,000 | 578,000 |
| | <u>1,882,000</u> | <u>2,145,000</u> |

Operating commitments

Commitments for the payment of office rental under a long-term rental agreement at the reporting date but not recognised as liabilities, are payable as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| | \$ | \$ |
| Within one year | 25,478 | 31,337 |
| After one year but not more than five years | - | 25,478 |
| | <u>25,478</u> | <u>56,815</u> |

Contingencies

As at 30 June 2018 and the date of this report there were no contingencies.

An amount of \$58,617 of short term deposits remains in place to secure a bank guarantees in respect of a bond for Exploration Licences for \$30,000 in favour of Department of State Development and a bond for Melbourne office rental \$28,617.

14. EVENTS SUBSEQUENT TO BALANCE DATE

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

15. EARNINGS PER SHARE

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Loss used to calculate basic and diluted loss per share - \$ | (1,241,309) | (1,387,440) |
| Basic and diluted loss per share (cents) | (0.23) | (0.33) |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share | 539,849,439 | 417,672,641 |

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.

16. 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(w) 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 and debt securities 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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits, receivables and investments in debt securities.

Management has established a credit policy under which the counterparties are analysed for credit worthiness by reference to available information so as to manage the risk of exposure to default. The credit risk exposure is concentrated with banks (for cash) and the federal government (tax receivable).

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:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Cash and cash equivalents | 2,486,137 | 2,213,170 |
| Receivables and other assets | 331,839 | 137,342 |
| | <hr/> 2,817,976 | <hr/> 2,350,512 |

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 2018 and 2017 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:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|------------------|------------------|
| Carrying amounts | \$ | \$ |
| Fixed rate instruments | 2,184,249 | 1,758,617 |
| Cash and cash equivalents | 301,888 | 420,833 |
| | <u>2,486,137</u> | <u>2,179,450</u> |

The weighted average interest rate on deposits for 2017/18 was 1.45% (2017: 2.23%).

Cash flow sensitivity analysis

A change of 130 basis points in interest rates at the reporting date would have affected the loss for the year by \$37,700 (2017: \$34,000). 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.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

| Directors | | Executives | |
|------------------|--|-------------------|-------------------|
| JT Zhang | Vice Chairman | JK Kopias | Company Secretary |
| ELY Pang | Director | DA Povey | DA Povey |
| KG Saw | Director and Chief Financial Officer | | |
| H Zhu | Director | | |
| J Zhang | Director | | |
| Y Jin | Chairman resigned 24 October 2017 | | |
| AJ Parker | Managing Director resigned 2 January 2018 | | |
| Y Zhang | Director from 28 November 2017 to 22 February 2018 | | |

Compensation options

Compensation of Key Management Personnel by category:

| | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|
| | \$ | \$ |
| Short term employee benefits | 642,537 | 773,281 |
| Post-employment benefits - superannuation | 27,866 | 46,134 |
| Post-employment benefits - long service leave | 6,202 | 11,128 |
| Total | <u>672,605</u> | <u>830,543</u> |

Loans to Key Management Personnel

Nil.

Other transactions with Key Management Personnel

A number of KMP or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. During the year, the Company received services from Kopias Consulting, an entity associated with JK Kopias. Amounts were billed and payable under normal commercial terms and conditions. Balances outstanding as at the reporting date relating to these transactions were \$7,829 (2017: \$14,228). There were no bonuses or rights to bonuses earned or paid in either 2017 or 2018.

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.

18. SEGMENT INFORMATION

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded that at this time there are no separately identifiable segments.

19. PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2018 the parent company was Lincoln Minerals Limited.

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|
| | \$ | \$ |
| Result of the parent entity | | |
| Loss for the year | (1,241,309) | (1,387,439) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | <u>(1,241,309)</u> | <u>(1,387,439)</u> |
| Financial position of parent entity at year end | | |
| Current assets | 14,278,711 | 10,952,976 |
| Non-current assets | 59,777 | 138,592 |
| Total assets | <u>14,338,488</u> | <u>11,091,568</u> |
| Current liabilities | 4,788,255 | 3,709,503 |
| Non-current liabilities | - | - |
| Total liabilities | <u>4,788,255</u> | <u>3,709,503</u> |
| Total equity of the parent entity comprising of: | Note | |
| Contributed equity | 11 | 37,239,123 |
| Reserves | | - |
| Accumulated Losses | | (26,220,873) |
| Total equity | | <u>9,550,233</u> |

Parent entity contingencies

At 30 June 2018 there were no contingencies.

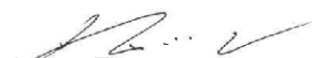
Parent entity commitments

Parent entity commitments are the same as those for the Group which are disclosed in note 13.

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* (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); 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* (Cth) from the chief executive officer and chief financial officer for the financial year ended 30 June 2018.
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



James Zhang
Chairman

Dated this 26th day of September 2018
Melbourne, Victoria

Independent Auditor's Report

To the Members of Lincoln Minerals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lincoln Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Exploration and evaluation assets – Note 9 <p>At 30 June 2018, the carrying value of exploration and evaluation assets was \$6,644,033.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including; <ul style="list-style-type: none"> tracing projects to exploration licenses and statutory register to determine whether a right of tenure existed; enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and assessing the appropriateness of the related financial statement disclosures. |

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Lincoln Minerals Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 26 September 2018

8 ASX ADDITIONAL INFORMATION

8.1 Distribution as at 31 August 2018

Spread of Equity Security Holders

| | Number of Holders Fully paid shares |
|------------------|--|
| 1 – 1,000 | 50 |
| 1,001 – 5,000 | 125 |
| 5,001 – 10,000 | 197 |
| 10,001 – 100,000 | 724 |
| 100,001 and over | 243 |
| | <hr/> 1,339 <hr/> |

There are 562 security holders holding less than a marketable parcel of ordinary shares (\$500 amounts to 20,000 shares at 2.5 cents per share).

8.2 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.

8.3 Substantial shareholders

| | | |
|---------------------------------|--------------------|--------|
| Poly Mineral Investment Limited | 114,500,000 shares | 19.91% |
| Poan Group Holdings Pty Ltd | 75,418,955 shares | 13.12% |
| Good Make Inc | 61,025,612 shares | 10.61% |
| Regal Fortress Inc | 51,977,235 shares | 9.04% |

8.4 Statement of quoted securities

| | Shares |
|---------------|-------------------------|
| Quoted on ASX | 574,983,686 |
| Restricted | - |
| Total | <hr/> 574,983,686 <hr/> |

List of the 20 largest Shareholders – Fully Paid Ordinary Shares

| | Shareholder | Number of Shares | % |
|----|--|-------------------------|---------------|
| 1 | Poly Mineral Investment Ltd | 114,500,000 | 19.91 |
| 2 | Poan Group Holdings Pty Ltd | 75,418,955 | 13.12 |
| 3 | Good Make Inc | 61,025,612 | 10.21 |
| 4 | Regal Fortress Inc | 51,977,235 | 9.04 |
| 5 | Able Creativity Investment Limited | 26,000,000 | 4.52 |
| 6 | HSBC Custody Nominees (Australia) Limited | 21,198,560 | 3.69 |
| 7 | Everchance International Industrial Ltd | 20,000,000 | 3.48 |
| 8 | High Treasure International Ltd | 15,000,000 | 2.61 |
| 9 | Wynnwood Pty Ltd <The Pang Family S/F A/C> | 13,160,282 | 2.29 |
| 10 | Ms Yin Ping Abby Ko | 7,945,867 | 1.38 |
| 11 | Citicorp Nominees Pty Limited | 7,305,676 | 1.27 |
| 12 | Mr Yingkang Zhong | 6,221,923 | 1.08 |
| 13 | Mr Hock Guan Ng | 6,099,107 | 1.06 |
| 14 | Mr Kwang Hou Hung | 6,000,000 | 1.04 |
| 15 | Ms Lai Yoong Lim | 4,100,000 | 0.71 |
| 16 | Senheng Electric (KL)SDN BHD | 4,000,000 | 0.70 |
| 17 | Mr Kok Bin Wee | 4,000,000 | 0.70 |
| 18 | Mr Desmond Kerr & Miss Debbie Kerr | 3,249,219 | 0.57 |
| 19 | J P Morgan Nominees Australia Limited | 3,106,954 | 0.54 |
| 20 | Mr David Wang & Ms Jessica Yue Zhao | 3,089,058 | 0.54 |
| | Total 20 largest shareholders | 453,398,448 | 78.46 |
| | Total shares on issue | 574,983,686 | 100.00 |

9 RESOURCES AND RESERVES STATEMENT

9.1 Mineral Resources

Information in this report that relates to exploration activity and results, Mineral Resources and Exploration Targets was compiled by Dwayne Povey who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Povey is Chief Geologist 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. Mr Povey 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.

Lincoln relies on drilling results from accredited laboratories in providing assay results used to estimate Mineral Resources.

Graphite Mineral Resources

Mineral Resources in accordance with JORC Code 2012 at Kookaburra Gully are set out below (*Lincoln Minerals Limited, ASX Announcement 17 May 2017*). At a nominal 5% cut-off, the Measured, Indicated and Inferred Mineral Resources as at 30 June 2018 total 2.03Mt at 15.2% TGC for a total of 308,560 tonnes contained graphite.

Kookaburra Gully Mineral Resource (AGL 100%) as at 30 June 2018. These remain unchanged from 17 May 2017

| DOMAIN | CLASS | Tonnage (Mt) | C (%) | TGC (%) | Density |
|---|-------|--------------|-------------|-------------|-------------|
| 1 | 1 | 0.39 | 16.7 | 14.9 | 2.60 |
| 2 | 1 | 0.11 | 3.7 | 3.0 | 2.46 |
| Total Measured | | 0.50 | 13.8 | 12.3 | 2.57 |
| 1 | 2 | 1.08 | 16.4 | 14.9 | 2.52 |
| 2 | 2 | 0.58 | 3.5 | 3.1 | 2.50 |
| Total Indicated | | 1.65 | 11.9 | 10.8 | 2.51 |
| 1 | 3 | 0.56 | 17.9 | 16.0 | 2.51 |
| 2 | 3 | 0.22 | 3.7 | 3.0 | 2.62 |
| Total Inferred | | 0.78 | 13.9 | 12.3 | 2.54 |
| Overall Total >2% TGC Measured + Indicated + Inferred | | 2.94 | 12.8 | 11.4 | 2.53 |
| INCLUDES OVERALL TOTAL >5% TGC | | 2.03 | 16.9 | 15.2 | 2.53 |

DOMAIN 1 = Interpreted at 5% TGC nominal cut-off DOMAIN 2 = Interpreted >2% TGC halo

CLASS 1 = Measured CLASS 2 = Indicated CLASS 3 = Inferred

NB tonnages may not add up exactly as shown due to rounding of significant figures

The Koppio Mineral Resource, reported in accordance with JORC Code, 2012 is set out in the table below (*Lincoln Minerals Limited, ASX Announcement 13 July 2015*). At a nominal 5% cut-off, the Inferred Mineral Resource is 1.85 Mt at 9.76% TGC. Total contained graphite for this Mineral Resource is 180,733 tonnes.

At a nominal 2% TGC cut-off, the total Koppio Inferred Mineral Resource is 3.06 Mt at 7.16% TGC. Total contained graphite for this resource is 219,293 tonnes.

Koppio Mineral Resource (AGL 100%) as at 30 June 2018. These remain unchanged from 30 June 2017

| Mineral Resource Classification | Lower Cut-off Grade (% TGC) | Tonnage (Mt) | Average Grade (% TGC) | Contained Graphite (tonnes) | Density (g/cc) |
|---------------------------------|-----------------------------|--------------|-----------------------|-----------------------------|----------------|
| Inferred – Domain 1 | 5% | 1.85 | 9.76 | 180,733 | 2.67 |
| Inferred – Domain 2 | 2% | 1.21 | 3.18 | 38,560 | 2.80 |
| TOTAL (>2% TGC) | | 3.06 | 7.16 | 219,293 | 2.72 |

Mt = million tonnes TGC = Total Graphitic Carbon

Graphite Ore Reserve

Based on Mineral Resources and Feasibility Study results for Kookaburra Gully, AMC Consultants and Lincoln estimated a Probable Ore Reserve displayed in Table below and as released by the Company 27 November 2017.

Table 2 Ore Reserve estimate at 8.5% TGC cut-off grade

| Classification | Tonnes (Mt) | TGC (%) | Contained Graphite (t) |
|-------------------------|-------------|-------------|------------------------|
| Kookaburra Gully | | | |
| Probable | 1.34 | 14.6 | 196,000 |

Mt = million tonnes TGC = Total Graphitic Carbon t = tonnes

Information in this report that relates to Ore Reserves was compiled by Dwayne Povey based on mine optimisation and schedules prepared by Mr Wilson Feltus a full-time employee of AMC Consultants Pty Ltd and are members of the Australasian Institute of Mining and Metallurgy. Mr Povey and Mr Feltus have sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as Competent Persons as defined by the JORC Code, 2012 and consent to the release of the information compiled in this report in the form and context in which it appears.

Iron Ore Mineral Resources

JORC 2004 Mineral Resource estimates for combined hematite-goethite and magnetite iron ore mineralisation at Gum Flat total 109 million tonnes (*Lincoln Minerals Limited, ASX release 7 June 2012*). This includes a 12.3 Mt Indicated Mineral Resource for magnetite and a 1.4 Mt Indicated Mineral Resource for hematite-goethite at the Gum Flat Barns deposit. The Company has not been required to re-assess these estimates and will undertake the necessary verification under JORC 2012 as required.

No new information or data has been acquired that materially affects the information included in the original market announcements and, in the case of the following estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed and have not been materially modified from the original market announcements.

Gum Flat Mineral Resources (JORC 2004) as at 30 June 2018. These remain unchanged from 30 June 2017.

| Prospect | JORC Status | Million Tonnes (Mt) | Head Grade (% Fe) | DTR (%) |
|---|-------------|---------------------|-------------------|---------|
| Barns magnetite* | Indicated | 12.3 | 26.6 | 22.1 |
| Barns magnetite* | Inferred | 88.9 | 23.5 | 17.1 |
| Rifle Range magnetite [#] | Inferred | 3.5 | 27.1 | 22.6 |
| Barns hematite [†] | Indicated | 1.4 | 49.8 | |
| Barns hematite [†] | Inferred | 0.7 | 46.0 | |
| Rifle Range/Sheoak West hematite [‡] | Inferred | 2.2 | 39.5 | |
| Total | | 109.0 | 24.8 | |

* Barns magnetite interpretation based on notional 10% Davis Tube Recovery (DTR) cut-off

[#] Rifle Range magnetite interpretation based on notional 15% DTR cut-off

[†] Barns hematite interpretation based on notional 40% head Fe cut-off

[‡] Rifle Range and Sheoak West hematite interpretation based on notional 35% head Fe cut-off

The *in situ* Inferred Mineral Resource for the Eurilla iron ore prospect within Lincoln's EL 5942 is 21.7 Mt @ 33.3% Fe (JORC 2004). This includes a small resource containing 17.5% Mn + 29.2% Fe as indicated below (*Lincoln Minerals Limited, ASX release 5 January 2009*). The Company has not been required to re-assess these estimates and will undertake the necessary verification under JORC 2012 as required.

Eurilla in situ Inferred Resource within EL 5942 (JORC 2004) as at 30 June 2018 (after Golder, 2008). These remain unchanged from 30 June 2017

| | Domain | Resource Category | Tonnage (Mt) | Fe (%) | Calcined Fe (%) | SiO ₂ (%) | Al ₂ O ₃ (%) | P (%) | Mn (%) | S (%) | LOI (%) |
|---|-----------------------------|-------------------|--------------|--------------|-----------------|----------------------|------------------------------------|-------------|-------------|-------------|-------------|
| 1 | Detrital | Inferred | 2.2 | 41.21 | 44.40 | 21.68 | 7.35 | 0.05 | 0.32 | 0.12 | 6.99 |
| 2 | Goethite-Hematite | Inferred | 8.4 | 40.88 | 43.90 | 27.89 | 3.94 | 0.16 | 0.93 | 0.04 | 6.73 |
| 3 | Goethite-Hematite-Manganese | Inferred | 0.2 | 29.15 | 32.46 | 16.12 | 4.82 | 0.12 | 17.48 | 0.04 | 10.11 |
| 4 | Magnetite | Inferred | 11.0 | 25.99 | 26.44 | 49.39 | 1.89 | 0.18 | 0.40 | 0.07 | 2.60 |
| | Total | Inferred | 21.7 | 33.27 | 35.01 | 38.09 | 3.25 | 0.16 | 0.73 | 0.06 | 4.69 |

Mt = million tonnes

NB tonnages may not add up exactly as shown due to rounding of significant figures

NB estimates based on 0.001% Fe cut-off grades for domains 1,2 and 4 and 0.001% Mn cut-off for domain 3

The Company ensures that all Mineral Resource estimates are subject to appropriate levels of governance and internal controls. Exploration results are collected and managed by an independent competent qualified geologist. All data collection activities are conducted to industry standards based on a framework of quality assurance and quality control protocols covering all aspects of sample collection, topographical and geophysical surveys, drilling, sample preparation, physical and chemical analysis and data and sample management. Mineral Resource estimates are prepared by qualified independent Competent Persons. If there is a material change in the estimate of a Mineral Resource, the estimate and supporting documentation in question is reviewed by a suitable qualified independent Competent Persons. The Company reports its Mineral Resources on an annual basis in accordance with the JORC Code.