

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

Lincoln Minerals

Interim Financial Statements

for the half-year ended 31 December 2018



DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the consolidated interim financial statements of Lincoln Minerals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 December 2018 together with the Auditor's review report thereon.

DIRECTORS

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

| <u>Name</u> | <u>Period of directorship</u> |
|----------------------|--|
| Non-executive | |
| James T Zhang | Appointed 17 February 2016, Chairman since 24 October 2017 |
| Eddie LY Pang | Appointed 1 December 2013 |
| Kee G Saw | Appointed 22 February 2018 |
| Haifeng Zhu | Appointed 30 May 2018 |
| Johnson Zhang | Appointed 30 May 2018 |

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Lincoln Minerals Limited is a diversified ASX-listed and South Australian-focused mineral exploration and development company looking to deliver the transition to maiden graphite mining production following the achievement of critical development and commercialisation milestones for its primary high grade graphite assets on Eyre Peninsula. The Company also owns and is advancing a pool of second tier assets across multiple mineral commodities on Eyre Peninsula, a proven mining jurisdiction in South Australia.

The Group made a loss after tax for the six months ended 31 December 2018 of \$513,480 (2017: \$804,472). In the six months to 31 December 2018, the Group capitalised \$39,608 (2017: \$999,519) of net exploration and evaluation expenditure and expensed \$110,297 (2017: \$104,579) of such expenditure. Interest income was \$30,806 (2017: \$14,704). Cash at the end of December 2018 was \$2,123,525 (2017: \$3,905,123).

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 (Cth) is included in this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.



James Tenghui 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 31 December 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, 13 March 2019

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

| | Note | <u>31 December 2018</u> | <u>31 December 2017</u> |
|--|------|-------------------------|-------------------------|
| | | \$ | \$ |
| Other income | | - | 5,287 |
| Corporate and administrative expenses | 4 | (431,977) | (715,537) |
| Exploration and evaluation expenditure impaired | 5 | (110,297) | (104,579) |
| Depreciation and amortisation | | (2,012) | (3,425) |
| Gain / (Loss) on Sale of Asset | | - | (922) |
| RESULTS FROM OPERATING ACTIVITIES | | <u>(544,286)</u> | <u>(819,176)</u> |
| Finance income | | 30,806 | 14,704 |
| NET FINANCE INCOME | | <u>30,806</u> | <u>14,704</u> |
| LOSS BEFORE INCOME TAX | | <u>(513,480)</u> | <u>(804,472)</u> |
| Income tax expense | | - | - |
| NET LOSS FOR THE PERIOD | | <u>(513,480)</u> | <u>(804,472)</u> |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | | <u>(513,480)</u> | <u>(804,472)</u> |
| Basic and diluted loss per share (cents) | | (0.09) | (0.16) |

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2018

| | <u>Contributed Equity</u> | <u>Accumulated</u> <u>losses</u> | <u>Total equity</u> |
|---|---------------------------|-------------------------------------|---------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2017 | 33,602,938 | (26,220,873) | 7,382,065 |
| Total comprehensive loss for the period | | | |
| Other comprehensive income | - | - | - |
| Loss for the half year | - | (804,472) | (804,472) |
| Total comprehensive loss for the period | - | (804,472) | (804,472) |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Rights Issue | 3,664,000 | - | 3,664,000 |
| Share issue expenses | (26,536) | - | (26,536) |
| Total transactions with owners | 3,637,464 | - | 3,637,464 |
| Balance at 31 December 2017 | 37,240,402 | (27,025,345) | 10,215,057 |
| Balance at 1 July 2018 | 37,239,123 | (27,462,182) | 9,776,941 |
| Total comprehensive loss for the period | | | |
| Other comprehensive income | - | - | - |
| Loss for the half year | - | (513,480) | (513,480) |
| Total comprehensive loss for the period | - | (513,480) | (513,480) |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Capital raising activity | - | - | - |
| Share issue expenses | - | - | - |
| Total transactions with owners | - | - | - |
| Balance at 31 December 2018 | 37,239,123 | (27,975,662) | 9,263,461 |

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

| | <u>Note</u> | <u>31 December 2018</u> | <u>30 June 2018</u> |
|---|-------------|-------------------------|---------------------|
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 2,123,525 | 2,486,137 |
| Trade and other receivables | | 58,005 | 331,839 |
| TOTAL CURRENT ASSETS | | <u>2,181,530</u> | <u>2,817,976</u> |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | | 545,045 | 559,332 |
| Exploration and evaluation assets | 5 | 6,683,641 | 6,644,033 |
| Intangibles | | 344 | 485 |
| TOTAL NON CURRENT ASSETS | | <u>7,229,030</u> | <u>7,203,850</u> |
| TOTAL ASSETS | | <u>9,410,560</u> | <u>10,021,826</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 63,546 | 167,606 |
| Employment entitlements – annual and long service leave | | 83,553 | 77,279 |
| TOTAL CURRENT LIABILITIES | | <u>147,099</u> | <u>244,885</u> |
| TOTAL LIABILITIES | | <u>147,099</u> | <u>244,885</u> |
| NET ASSETS | | <u>9,263,461</u> | <u>9,776,941</u> |
| EQUITY | | | |
| Contributed equity | | 37,239,123 | 37,239,123 |
| Accumulated losses | | (27,975,662) | (27,462,182) |
| TOTAL EQUITY | | <u>9,263,461</u> | <u>9,776,941</u> |

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

| | <u>31 December 2018</u> | <u>31 December 2017</u> |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (422,100) | (722,519) |
| Income tax R&D grant received | 160,248 | - |
| Other income | - | 5,287 |
| Net cash inflow / (outflow) from operating activities | <u>(261,852)</u> | <u>(717,232)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Exploration expenditure | (130,691) | (1,182,598) |
| Payments for acquisition of property, plant and equipment | - | (59,200) |
| Interest received | 29,931 | 21,817 |
| Proceeds on Sale of Asset | - | - |
| Net cash inflow / (outflow) from investing activities | <u>(100,760)</u> | <u>(1,219,981)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from share issue | - | 3,664,000 |
| Share issue expenses | - | (34,834) |
| Net cash inflow / (outflow) from financing activities | <u>-</u> | <u>3,629,166</u> |
| Net increase in cash and cash equivalents | <u>(362,612)</u> | <u>1,691,953</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>2,486,137</u> | <u>2,213,170</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>2,123,525</u> | <u>3,905,123</u> |

The accompanying notes form part of these consolidated interim financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The consolidated interim financial statements of the Company as at, and for the six months ended 31 December 2018 comprise the Company and its wholly owned subsidiaries Australian Graphite Pty Ltd, Australian Graphite Production Pty Ltd, Lincoln Asia-Pacific Pty Ltd, Lincoln Finance Group Pty Ltd, Lincoln Copper Pty Ltd and Lincoln Lead Zinc Pty Ltd (together referred to as the Group).

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

2. BASIS OF PREPARATION

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

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2018. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2018. The 2018 annual financial report is available from the Company's registered office at Level 7, 350 Collins Street, Melbourne VIC 3000 or at www.lincolnminerals.com.au.

The consolidated interim financial statements were approved by the Board of Directors on 13 March 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2018 and can be found on the Company's website at www.lincolnminerals.com.au.

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

Preparing interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2018.

New and amended standards adopted by the Group

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018 with the exception of the following:

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became effective beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018.

AASB 15 replaces AASB 118 *Revenue* and several revenue related interpretations. The new Standard has been applied as at 1 January 2018. There is no impact to the Group's historical financial results given the company is not currently in production.

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement requirements*. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets. There has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 9.

LINCOLN MINERALS LIMITED

4. CORPORATE AND ADMINISTRATIVE EXPENSES

| | <u>Six months ended</u> <u>31 December 2018</u> | <u>Six months ended</u> <u>31 December 2017</u> |
|---|--|--|
| | \$ | \$ |
| Employee benefit expenses | 186,399 | 401,972 |
| Other corporate and administrative expenses | 245,578 | 313,565 |
| | <u>431,977</u> | <u>715,537</u> |

5. EXPLORATION AND EVALUATION ASSETS

| | <u>31 December 2018</u> | <u>30 June 2018</u> |
|---|-------------------------|---------------------|
| | \$ | \$ |
| Balance at 1 July | 6,644,033 | 5,416,932 |
| Reclassified to land purchase cost | - | (42,000) |
| Expenditure for the half year | 137,489 | 1,408,253 |
| Depreciation charged to exploration | 12,416 | 32,478 |
| Less, exploration and evaluation impaired | (110,297) | (171,630) |
| Balance at end of period | <u>6,683,641</u> | <u>6,644,033</u> |
| Gross exploration assets capitalised | 20,417,189 | 20,377,581 |
| Provision for impairment | (13,733,548) | (13,733,548) |
| Net exploration assets | <u>6,683,641</u> | <u>6,644,033</u> |

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

The carrying value of assets was assessed at 31 December 2018 and a total of \$110,297 (2017: \$104,579) was capitalised and impaired during the period relating to the Company's non-graphite assets.

6. RELATED PARTY TRANSACTIONS

There were no related party transactions in the period.

7. EVENTS SUBSEQUENT TO REPORTING DATE

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

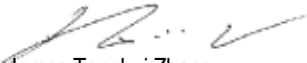
DIRECTORS' DECLARATION

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

1. The consolidated interim financial statements and notes are in accordance with the Corporations Act 2001 (Cth) including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the six months ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 (Cth); and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board



James Tenghui Zhang
Chairman

Dated this 13th day of March 2019
Melbourne, Victoria

Independent Auditor's Report

To the Members of Lincoln Minerals Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Lincoln Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Lincoln Minerals Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 13 March 2019