

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

Lincoln Minerals

Interim Financial Statements

for the half-year ended 31 December 2019



Lincoln Minerals Limited
Suite 1, Level 1, 852-858 Glenferrie Road
Hawthorn Vic 3122
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DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 2019 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
Salvatore (Sam) Matarazzo	Appointed 14 August 2019, Managing Director since 14 November 2019
Kee G Saw	Appointed 22 February 2018
Johnson Zhang	Appointed 30 May 2018
Zhuojia (Georgia) Liu	Appointed 29 November 2019
Eddie LY Pang	Appointed 1 December 2013 and resigned on 22 November 2019
Haifeng Zhu	Appointed 30 May 2018 and resigned on 1 November 2019

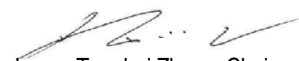
REVIEW OF OPERATIONS AND FINANCIAL RESULTS

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 2019 of \$452,264 (2018: \$513,480). In the six months to 31 December 2019, the Group capitalised \$5,760 (2018: \$39,608) of net exploration and evaluation expenditure and expensed \$129,426 (2018: \$110,297) of such expenditure. Interest income was \$9,717 (2018: \$30,806). Cash at the end of December 2019 was \$1,279,489 (2018: \$2,123,525).

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
10 March 2020



Level 3, 170 Frome Street
Adelaide SA 5000

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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 review of Lincoln Minerals Limited for the half-year ended 31 December 2019. 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

A stylized blue signature of Grant Thornton, written in a cursive-like font.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of J.L. Humphrey, written in a cursive-like font.

J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 10 March 2020

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LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Note	<u>31 December 2019</u>	<u>31 December 2018</u>
		\$	\$
Other income		-	-
Employee benefits		(202,572)	(186,399)
Corporate and administrative expenses		(127,281)	(245,578)
Exploration and evaluation expenses	4	(129,426)	(110,297)
Depreciation and amortisation		(2,702)	(2,012)
RESULTS FROM OPERATING ACTIVITIES		<u>(461,981)</u>	<u>(544,286)</u>
Finance income		9,717	30,806
NET FINANCE INCOME		<u>9,717</u>	<u>30,806</u>
LOSS BEFORE INCOME TAX		<u>(452,264)</u>	<u>(513,480)</u>
Income tax expense		-	-
NET LOSS FOR THE PERIOD		<u>(452,264)</u>	<u>(513,480)</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(452,264)</u>	<u>(513,480)</u>
Basic and diluted loss per share (cents)		(0.08)	(0.09)

The accompanying notes form part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2019

	<u>Contributed Equity</u>	<u>Accumulated</u> <u>losses</u>	<u>Total equity</u>
	\$	\$	\$
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 activities	-	-	-
Share issue expenses	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2018	37,239,123	(27,975,662)	9,263,461
Balance at 1 July 2019	37,239,123	(28,356,235)	8,882,888
Total comprehensive loss for the period			
Other comprehensive income	-	-	-
Loss for the half year	-	(452,264)	(452,264)
Total comprehensive loss for the period	-	(452,264)	(452,264)
Transactions with owners of the Company, recognised directly in equity			
Capital raising activities	-	-	-
Share issue expenses	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2019	37,239,123	(28,808,499)	8,430,624

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<u>Note</u>	<u>31 December 2019</u>	<u>30 June 2019</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,279,489	1,687,247
Trade and other receivables		30,482	64,236
TOTAL CURRENT ASSETS		<u>1,309,971</u>	<u>1,751,483</u>
NON CURRENT ASSETS			
Property, plant and equipment		499,605	530,191
Exploration and evaluation assets	4	6,721,195	6,715,435
Intangibles assets		60	243
TOTAL NON CURRENT ASSETS		<u>7,220,860</u>	<u>7,245,869</u>
TOTAL ASSETS		<u>8,530,831</u>	<u>8,997,352</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		25,220	49,070
Employment entitlements		74,987	65,394
TOTAL CURRENT LIABILITIES		<u>100,207</u>	<u>114,464</u>
TOTAL LIABILITIES		<u>100,207</u>	<u>114,464</u>
NET ASSETS		<u>8,430,624</u>	<u>8,882,888</u>
EQUITY			
Contributed equity		37,239,123	37,239,123
Accumulated losses		(28,808,499)	(28,356,235)
TOTAL EQUITY		<u>8,430,624</u>	<u>8,882,888</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 2019

	<u>31 December 2019</u>	<u>31 December 2018</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(312,064)	(422,100)
Income tax R&D grant received	-	160,248
Net cash inflow / (outflow) from operating activities	<u>(312,064)</u>	<u>(261,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(106,310)	(130,691)
Interest received	10,616	29,931
Net cash inflow / (outflow) from investing activities	<u>(95,694)</u>	<u>(100,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	-	-
Share issue expenses	-	-
Net cash inflow / (outflow) from financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>(407,758)</u>	<u>(362,612)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,687,247</u>	<u>2,486,137</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,279,489</u>	<u>2,123,525</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 listed public 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 2019 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 2019. 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 2019. The 2019 annual financial report is available from the Company's registered office at Suite 1, Level 1, 852-858 Glenferrie Road, Hawthorn Vic 3122 or at www.lincolnminerals.com.au.

The consolidated interim financial statements were approved by the Board of Directors on 10 March 2020.

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 2019 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 2019.

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 2019 with the exception of the following:

AASB 16 supersedes AASB 117 Leases and Interpretation 4 *Determining whether an Arrangement contains a Lease* and became effective for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Accordingly the Group applied AASB 16 for the first time for the period ended 31 December 2019.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The leases held by the Group satisfied the relevant criteria of a short term lease under AASB 16. As a result, this standard has had no impact on the Group.

LINCOLN MINERALS LIMITED

4. EXPLORATION AND EVALUATION ASSETS

	<u>31 December 2019</u>	<u>30 June 2019</u>
	\$	\$
Balance at 1 July	6,715,435	6,644,033
Expenditure for the half year	107,119	266,087
Depreciation charged to exploration	28,067	24,746
Less, exploration and evaluation expensed	<u>(129,426)</u>	<u>(219,431)</u>
Balance at end of period	<u>6,721,195</u>	<u>6,715,435</u>
Gross exploration assets capitalised	20,454,743	20,448,983
Provision for impairment	<u>(13,733,548)</u>	<u>(13,733,548)</u>
Net exploration assets	<u>6,721,195</u>	<u>6,715,435</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 2019 and a total of \$129,426 (2018: \$110,297) was incurred and expensed during the period relating to the Company's non-graphite assets.

5. 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.

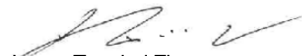
DIRECTORS' DECLARATION

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 2019 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 10th day of March 2020
Melbourne, Victoria



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Adelaide SA 5000

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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 statement of financial position as at 31 December 2019, and 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 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 2019, 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 2019 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.

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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*.

A stylized, handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J.L. Humphrey".

J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 10 March 2020