

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

Lincoln Minerals

Interim Financial Statements

for the half-year ended 31 December 2012



DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

The Directors present their report together with the financial report of Lincoln Minerals Limited for the Company and its controlled entities (the Group Entity) for the half year ended 31 December 2012 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	
Richard V. Ryan	Appointed 10 November 2006 and Chairman from that date
Kwang H. Hung	Appointed 23 January 2013 and Deputy Chairman from that date
Robert A. Althoff	Appointed 5 July 2005
Eng H. Lim	Appointed 5 October 2010
Sze W. Chan	Appointed 28 February 2012
Executive	
Dr A John Parker	Appointed 16 October 2006 as Managing Director from that date

RESULTS

The Group made a loss after tax of \$742,137 (2011: \$625,815). In the six months to 31 December 2012 the Group capitalised \$628,028 (2011: \$1,088,495 net write-down) of net exploration and evaluation expenditure and expensed \$60,047 (2011: \$115,207) of such expenditure that was unable to be carried forward. Interest income was \$21,953 (2011: \$31,625). Cash at the end of December 2012 was \$1,397,066 (2011: \$441,330).

REVIEW OF OPERATIONS

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

- Graphite projects in the Koppio-Kookaburra Gully region 35 km north of Port Lincoln and at Cockabidnie-Campoona on central Eyre Peninsula;
- The Gum Flat iron ore project 20 km west of Port Lincoln; and
- Silver-base metal exploration in the Eurilla-Uno project area on northeastern Eyre Peninsula.

An airborne electromagnetic (EM) survey flown in July 2012 identified significant anomalies extending SW of the known Kookaburra Gully graphite deposit and outlined an exploration target of 14.2 million to 42.6 million tonnes of potential high grade graphite mineralization at estimated average grades in the range 7-15% TGC (refer ASX Release 19 September 2012).

It is emphasised that Exploration Target tonnage estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Kookaburra Gully prospect ranks within the top ten deposits in the world in terms of the average grade of its in-situ graphitic carbon content. Petrological studies show that it contains coarse flake graphite up to 1.5mm across and a scoping study completed in October 2012 identified the capital and operating costs for processing graphite mineralization at Kookaburra Gully based on a 200,000 tpa to 400,000 tpa mine.

LINCOLN MINERALS LIMITED

An Exploration Work Approval was granted by DMITRE for a drilling program at Kookaburra Gully graphite prospect. This was successfully completed in January 2013 with 37 aircore and slim-hole RC holes drilled for a total of 3,904m.

An EM survey was also completed over the Campoona Syncline and other graphite prospects in the Cockabidnie area in July 2012.

Groundwater licensing remains the main focus for the Gum Flat iron ore project. The initial license application to extract groundwater to dewater the proposed stage 1 hematite-goethite mine was rejected but the Company is preparing a revised application to work within the Water Allocation Plan for that region.

Further infill soil sampling was undertaken in the Eurilla-Uno area to better define silver and base metal targets. The Company has been offered a SA Government PACE grant to undertake a drilling program on these targets in 2013.

No significant exploration was undertaken on Lincoln's other South Australian tenements during the 6 months to the end of December 2012.

EVENTS SUBSEQUENT TO REPORTING DATE

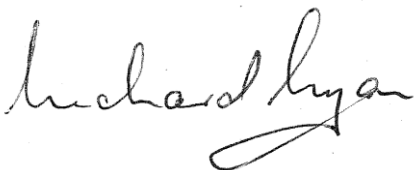
On 23 January 2013, the Board appointed Mr Kwang Hou Hung to the position of Non-executive Deputy Chairman on the Board of LML. Mr Hung is a major shareholder of the Company and has extensive contacts in India and Asia. He will assist the Company in establishing corporate connections and transactions with companies and investors in the Asian region. Mr Hung qualified as a Chartered Accountant with KPMG, United Kingdom in 1982. He is a member of both the Institute of Chartered Accountants in England & Wales ("ICAEW") and the Malaysian Institute of Accountants. He has extensive experience in line and corporate management, having served in various senior management and director positions in companies listed on the Bursa Malaysia (formerly called the Kuala Lumpur Stock Exchange). Mr Hung is also a past Chairman of Rocklands Richfield Limited, an ASX-listed company. Presently, he is the Deputy Chairman of Austex Oil Limited, an oil exploration and production company listed on the ASX.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Dated at Adelaide, South Australia this 7th day of March 2013 and signed in accordance with a resolution of the Directors.



R V Ryan, Chairman

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



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

To: the directors of Lincoln Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

KPMG

Darren Ball
Partner

Adelaide

7 March 2013

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended

	Note	<u>31 December 2012</u>	<u>31 December 2011</u>
		\$	\$
Exploration and evaluation expenditure written off	7	(60,047)	(115,207)
Corporate and administrative expenses	5	(701,143)	(533,554)
Share based payments		(2,900)	(8,689)
RESULTS FROM OPERATING ACTIVITIES		<u>(764,090)</u>	<u>(657,450)</u>
Finance income		<u>21,953</u>	<u>31,635</u>
NET FINANCE INCOME		<u>21,953</u>	<u>31,635</u>
LOSS BEFORE INCOME TAX		<u>(742,137)</u>	<u>(625,815)</u>
Income tax expense		-	-
NET LOSS FOR THE PERIOD		<u>(742,137)</u>	<u>(625,815)</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(742,137)</u>	<u>(625,815)</u>
Basic loss per share (cents)		(0.47)	(0.47)
Diluted loss per share (cents)		(0.47)	(0.47)

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 2012

	<u>Issued capital</u>	<u>Accumulated</u> <u>losses</u>	<u>Share based</u> <u>payments</u> <u>reserve</u>	<u>Total equity</u>
	\$	\$	\$	\$
Balance at 1 July 2011	20,729,709	(6,028,242)	84,696	14,786,163
Total comprehensive income for the period				
Loss for the half year	-	(625,815)	-	(625,815)
Total comprehensive income for the period	-	(625,815)	-	(625,815)
Performance rights issue	-	-	8,689	8,689
Balance at 31 December 2011	20,729,709	(6,654,057)	93,385	14,169,037
Balance at 1 July 2012	22,410,862	(7,329,489)	93,385	15,174,758
Total comprehensive income for the period				
Loss for the half year	-	(742,137)	-	(778,593)
Total comprehensive income for the period	-	(742,137)	-	(778,593)
Transactions with owners, recorded directly to equity				
Share issues	1,221,491	-	-	1,221,491
Total transactions with owners	1,221,491	-	-	1,221,491
Performance rights issue	-	-	2,900	2,900
Balance at 31 December 2012	23,632,353	(8,071,626)	96,285	15,620,556

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	<u>31 December 2012</u>	<u>30 June 2012</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,397,066	1,080,110
Trade and other receivables		125,420	624,046
TOTAL CURRENT ASSETS		1,522,486	1,704,156
NON CURRENT ASSETS			
Property, plant and equipment		701,980	684,402
Exploration and evaluation assets	7	13,634,082	13,006,054
Intangibles		23,476	31,328
TOTAL NON CURRENT ASSETS		14,359,538	13,721,784
TOTAL ASSETS		15,882,024	15,425,940
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		94,450	136,117
Employment entitlements – annual leave		79,413	74,574
TOTAL CURRENT LIABILITIES		173,863	210,691
Employment entitlements – long service leave		51,149	40,491
TOTAL NON CURRENT LIABILITIES		51,149	40,491
TOTAL LIABILITIES		225,012	251,182
NET ASSETS		15,657,012	15,174,758
EQUITY			
Contributed equity	8	23,632,353	22,410,862
Reserves		96,285	93,385
Accumulated Losses		(8,071,626)	(7,329,489)
TOTAL EQUITY		15,657,012	15,174,758

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

	<u>Note</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(682,110)	(506,340)
Interest received		42,115	33,753
Income tax R&D grant received		319,835	189,903
Net cash (outflow) from operating activities		(320,160)	(282,685)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(582,591)	(1,164,774)
Payments for acquisition of property, plant and equipment		(1,784)	(16,807)
Payments for acquisition of land		-	(14,659)
Net cash inflow/(outflow) from investing activities		(584,375)	(1,196,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		1,341,935	-
Share issue expenses		(120,444)	-
Net cash inflow/(outflow) from financing activities		1,221,491	-
Net increase/(decrease) in cash and cash equivalents		316,956	(1,478,925)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,080,110	1,920,255
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,397,066	441,330

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The consolidated interim financial report of the Company for the six months ended 31 December 2012 comprises the Company and its wholly owned subsidiaries Lincoln Asia-Pacific Limited and Australian Graphite Limited (together referred to as the "Consolidated Entity").

Australian Graphite Limited was registered on 4 October 2012. The entity had no operations during the six months ended 31 December 2012.

2. STATEMENT OF COMPLIANCE

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

The consolidated interim financial report does not contain all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2012. The 2012 annual financial report is available from the Company's registered office at 28 Greenhill Road, Wayville SA 5034 or at www.lincolnminerals.com.au

The consolidated interim financial report was approved by the Board of Directors on 7 March 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its financial report as at and for the year ended 30 June 2012.

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

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 2012.

4. GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2012 the Consolidated Entity had accumulated losses of \$8,071,626 and operating and investing cash outflows of \$904,535. However, net assets are \$15,657,012 and the Directors believe that the Consolidated Entity's cash reserves of \$1,397,066 are sufficient to pay its forecast debts as and when they fall due, and to fund near-term anticipated exploration and corporate activities beyond the 12 months from the date of this report. It is the intention of the Directors to continue to explore the Consolidated Entity's areas of interest for which rights of tenure are current. The Directors consider that the Consolidated Entity has the ability to fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets and sale of assets, if necessary. The Directors will take appropriate action, including pursuing opportunities to raise capital or curtail expenditure as necessary to ensure future expenditure commitments can be met accordingly.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

LINCOLN MINERALS LIMITED

5. CORPORATE AND ADMINISTRATIVE EXPENSES

	<u>Six months ended</u> <u>31 December 2012</u>	<u>Six months ended</u> <u>31 December 2011</u>
	\$	\$
Corporate expenses	133,165	85,281
Administrative expenses	567,978	448,273
	<u>701,143</u>	<u>533,554</u>

6. INCOME TAXES

Income tax for the 6 month period ended 31 December 2012 is nil% of profit before tax based on the effective tax rate for the full year. No tax credit has been recognised in the current period, as no deferred tax asset has been recognised in respect of tax losses arising in the period.

7. EXPLORATION AND EVALUATION ASSETS

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 July	13,006,054	11,967,710
Expenditure for the half year	688,075	1,203,702
Less, exploration and evaluation written-off	<u>(60,047)</u>	<u>(115,207)</u>
Balance at 31 December	<u>13,634,082</u>	<u>13,056,205</u>

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

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

In July 2012, the Company was advised that its application for a groundwater extraction licence for Gum Flat Stage 1 had been refused because the rate of extraction exceeded the Water Allocation Plan (WAP) for that area. This was despite the Company's proposal to re-inject most of the water back into the aquifer system. Lincoln Minerals has appealed against the decision and are in the process of preparing a re-submission that is expected to comply with the requirements of the WAP.

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

LINCOLN MINERALS LIMITED

8. CONTRIBUTED EQUITY

(a) Share capital

	<u>31 December 2012</u>	<u>30 June 2012</u>
Fully paid ordinary shares	23,632,353	22,410,862

(b) Movements in share capital:

Fully paid ordinary shares

	<u>Number</u>	<u>\$</u>
Balance at 1 July 2012	153,363,972	22,410,862
Rights Issue (including underwriting)	19,170,496	1,341,935
Less, share issue expenses	-	(120,444)
Balance at 31 December 2012	<u>172,534,468</u>	<u>23,632,353</u>

9. SEGMENT INFORMATION

The main operation of the Consolidated Entity is the exploration of mineral resources. As the Consolidated Entity operates entirely within Australia, the Consolidated Entity has only one business and geographic segment. This is consistent with the information provided for internal reporting purposes to the chief operating decision maker (the Board).

10. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Geosurveys Australia Pty Ltd (related entity) is an entity associated with Dr AJ Parker. During the six months ended 31 December 2012 the related entity provided vehicle and equipment hire to the Consolidated Entity totaling \$3,960 (2011: \$7,046) at equal to or less than commercial rates in connection with the business of the Company.

Arrangements with the related party continue to be in place. For details on these arrangements, refer to the 30 June 2012 Annual Financial Report.

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 23 January 2013, the Board appointed Mr Kwang Hou Hung to the position of Non-executive Deputy Chairman on the Board of LML. Mr Hung is a major shareholder of the Company and has extensive contacts in India and Asia. He will assist the Company in establishing corporate connections and transactions with companies and investors in the Asian region. Mr Hung qualified as a Chartered Accountant with KPMG, United Kingdom in 1982. He is a member of both the Institute of Chartered Accountants in England & Wales ("ICAEW") and the Malaysian Institute of Accountants. He has extensive experience in line and corporate management, having served in various senior management and director positions in companies listed on the Bursa Malaysia (formerly called the Kuala Lumpur Stock Exchange). Mr Hung is also a past Chairman of Rocklands Richfield Limited, an ASX-listed company. Presently, he is the Deputy Chairman of Austex Oil Limited, an oil exploration and production company listed on the ASX.

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

LINCOLN MINERALS LIMITED
DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited:

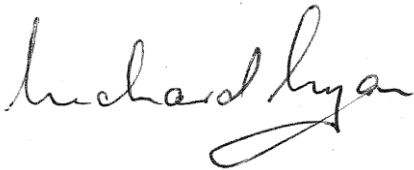
1. The financial statements and notes are in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the six months ended on that date;
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board

A handwritten signature in black ink, appearing to read "Richard V Ryan". The signature is written in a cursive style with a large, sweeping flourish at the end.

Richard V Ryan
Chairman

Dated this 7th day of March 2013
Adelaide, South Australia



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

We have reviewed the accompanying interim financial report of Lincoln Minerals Limited, which comprises the consolidated interim statement of financial position as at 31 December 2012, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

a) Going Concern

For the half-year ended 31 December 2012 the Group incurred a loss of \$742,137 and had operating and investing cash outflows of \$904,535.

As a result of the uncertainties set out in note 4 to the financial statements, including the Group's ability to raise capital, there is a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore its ability to realise assets and discharge liabilities in the normal course of business at the amounts recognised in the financial statements.

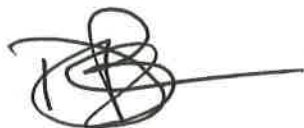
b) Recoverable value of exploration and evaluation assets – Gum Flat

The exploration and evaluation asset of \$13,634,082 represented in Note 7 in the financial statements includes \$11,489,775 in relation to the Gum Flat Tenement.

As set out in note 7, a mining license application cannot be lodged with DMITRE until a ground water extraction license has been obtained. A ground water extraction license application for Gum Flat Stage 1 was refused in July 2012. The Group is in the process of preparing a resubmission.

Should the Group be unsuccessful in obtaining a ground water license then the carrying value of the Gum Flat tenement may not be recoverable.


KPMG



Darren Ball
Partner

Adelaide

7 March 2013