

LINCOLN MINERALS LIMITED
ABN 050 50 117 023

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

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 2013 together with the Auditor's report thereon.

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

Mr Jin Yubo
Chairman (Non-Executive)
Appointed 18 September 2013

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 last three years: Nil.

Richard V. Ryan AO FCA C Inst. E
Chairman (Non-Executive)
Appointed 10 November 2006
Retired 18 September 2013

Richard Ryan AO has had a long and distinguished career in the mining industry. Mr Ryan is a Fellow of the Institute of Chartered Accountants in Australia, a Companion of the Institution of Engineers, Australia, and a Companion of the Chartered Management Institute, UK.

Mr Ryan was made a member of the Order of Australia in 1989 for Services to the Community and was made an Officer of the Order of Australia in 1998 for Services to Indigenous People.

Other directorships of listed entities within the last three years: Director of Kip McGrath Education Centres Limited from 1 September 2011 to date.

Mr Kwang H. Hung ACA (ICAEW)
Deputy Chairman (Non-Executive)
Appointed 23 January 2013

Mr Hung 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 named the Kuala Lumpur Stock Exchange). Mr Hung is also past Chairman of Rocklands Richfield Limited, an ASX Listed Company.

Other directorships of listed entities within the last three years: Austex Oil Ltd from 18 April 2011 to 19 May 2013.

Dr Allan John Parker BSc(Hons), PhD,
Dipl Comp Sc
Managing Director
Appointed 16 October 2006

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 in South Australia's Gawler Craton. He also has a strong geophysical background and is a leading geographical information systems (GIS) expert. He has 20 years' experience in mineral exploration and prior to that, 16 years' experience in geological mapping with the SA Geological Survey.

Other directorships of listed entities within the last three years:
Genesis Resources Limited from 12 August 2010 to 29 July 2012.

Robert A. Althoff B.Tech (Mech. Eng.)
Director (Non-Executive)
Appointed 5 July 2005
Retired 18 September 2013

Mr Althoff is a professional Mechanical Engineer with postgraduate studies in Business Management and more than 30 years' experience in mining, transport and power station operations.

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

Eng Hoe Lim BSc (Hons)
Director (Non-Executive)
Appointed 5 October 2010

Mr Lim ordinarily resides in Singapore and has a strong background financial and corporate affairs management in both Australia and South East Asia. He holds a Diploma in Business Studies (Accountancy) and a Bachelor of Science in Economics (Honours).

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

Sze Wan Chan
Director (Non-Executive)
Appointed 28 February 2012

Ms Chan is Advisor to Poan Group Holdings Pty Limited. She is a Fellow of the Hong Kong Institute of Directors and has spent years in mainland China developing business interests. She has extensive connections and significant experience in green energy, natural resources, corporate planning and investor relations.
Other directorships of listed entities within the last three years: Nil.

Kee Guan Saw FCA
Director (Non-Executive)
Appointed 18 September 2013

Mr 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 also has an extensive business network in Australia as well as in mainland China, Malaysia and Singapore.
Other directorships of listed entities within the last three years: latia Limited from 17 August 2011 to date.

COMPANY SECRETARY

Mr Jaroslaw (Jarek) Kopias was appointed Company Secretary effective 30 November 2011 and is also the Company's Chief Financial Officer.

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 ASX listed companies, Core Exploration Limited (ASX: CXO) and Crest Minerals Limited (ASX: CTT).

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>
RV Ryan	14	14
AJ Parker	14	14
RA Althoff	14	14
EH Lim	14	14
SW Chan	14	13
KH Hung	7	7

The Board does not operate any separate committees due to its small size.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of directors' interests in the shares of Lincoln Minerals Limited as at the date of this report are as follows:

	<i>Fully paid shares held</i>	<i>Options held</i>
Jin Yubo	0	0
Richard V Ryan ^{1 & 2}	525,000	0
Kwang H Hung	6,675,000	0
A John Parker ¹	735,001	0
Robert A Althoff ^{1 & 2}	1,141,875	0
Eng H Lim	10,326,000	0
Sze W Chan	0	0
Kee G Saw	0	0

¹ Directors participated in the rights issue closing on 29 August and took up shares as entitled.

² Mr Ryan and Mr Althoff retired as Directors of the Company on 18 September 2013.

The holding for Mr Lim includes 1,248,000 shares held by his spouse.

1,000,000 unlisted performance rights were issued to Dr Parker on 27 November 2012 and are subject to share price hurdles to be measured on 30 September 2013. The minimum entitlement will be triggered if the Lincoln share price is 15 cents per share and increases to the maximum entitlement where the share price is 30 cents per share. Full details of the KPI hurdles and entitlements are included in the remuneration report.

No options were granted to Directors during the year or between the end of the year and the date of this report.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

During the year the Company continued to explore its exploration licences in South Australia, where the majority of its effort was directed to:

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

Gum Flat Iron Ore Project

In 2012 the Company announced to ASX that it had upgraded its hematite and magnetite iron ore resources at its flagship Gum Flat iron ore project to a total 109 million tonnes Inferred and Indicated. Most of this is magnetite mineralisation, including a 12.3 million tonne magnetite Indicated Resource @ 26.6% Fe, but it also includes a 1.4 million tonne hematite-goethite Indicated Resource @ 50% Fe and 2.9 million tonnes of lower grade hematite that could be beneficiated (*refer ASX release 7 June 2012*).

Gum Flat Mineral Resource

Prospect	JORC Status	Million Tonnes (Mt)	Head Grade (% Fe)
Barns magnetite	Indicated	12.3	26.6
Barns magnetite	Inferred	88.9	23.5
Rifle Range magnetite	Inferred	3.5	27.1
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	

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

The Gum Flat Iron Ore Project is on southern Eyre Peninsula within 20km of Port Lincoln, an existing port capable of handling Panamax ships up to 15m draft, and within 100km of a proposed new bulk minerals handling port planned for loading Cape-size ships at Port Spencer.

Subject to obtaining suitable project finance, gaining access to appropriate port facilities and obtaining all necessary approvals including groundwater licenses, Lincoln Minerals proposes to mine and export hematite/goethite DSO and hematite/magnetite concentrates via the main wharf at Port Lincoln and/or Port Spencer or Cape Hardy if either proposed port is developed.

The company is currently considering a two-stage development option:

- Stage 1 – mine and export up to 250,000 tonnes per annum hematite DSO via Port Lincoln or Port Spencer/Cape Hardy
- Stage 2 – mine 1 million tonnes to 2 million tonnes per annum (Mtpa) lower grade hematite and/or magnetite ore and process to produce up to 400,000 tonnes per annum upgraded fines for export.

The Company has prepared a Mining Lease Application for Stage 1 but the South Australian State Government has refused to accept it for processing until groundwater licenses have been obtained.

The Company initially (2011) applied for a groundwater license to extract up to 2.2 gigalitres of groundwater per annum in order to dewater the proposed pit during an intense 2-year mine schedule. It was proposed to re-inject 80% of that water back into the aquifer system. This license application was refused by the State Government Department for Environment Water and Natural Resources (DEWNR) on the grounds that the extraction rate and the rate of lowering the water level exceeded the annual maxima allowed from the basement aquifer in that region.

Consequently, the Company has revised its proposed mining schedule to a 5 year operation instead of 2 years. It has also undertaken a detailed interpretation of aeromagnetic data to update the geological model. A new extraction model has been developed based on this schedule and takes into consideration cross-cutting faults that compartmentalise the basement groundwater system. The revised model conforms to the requirements of the Water Allocation Plan for the Gum Flat region and so a new groundwater license application has been prepared and lodged with the Department for Environment, water and natural Resources.

Graphite Projects

Over the last 3 years, the international price of graphite has increased dramatically from a few hundred dollars a tonne to over \$1,500 per tonne for high grade coarse flake graphite. Lincoln Minerals has numerous graphite prospects and a very strong ground tenure in what is the richest world class graphite province in Australia. Consequently, the Company has undertaken a detailed review and mapping of these prospects including flying low-level electromagnetic (EM) surveys over its priority targets (July-August 2012) in the Koppio-Kookaburra Gully and Campoona-Cockabidnie areas and drilling at Kookaburra Gully (January 2013).

The Kookaburra Gully graphite project is an exciting world class deposit within the top 10 global graphite resources based on grade (excluding the small but extremely high grade Sri Lankan vein deposits).

In April 2013, the Company presented a maiden Inferred and Indicated Resource for Kookaburra Gully of 2.25 million tonnes at 15.0% total graphitic carbon (TGC) with 338,000 tonnes of contained graphite at a nominal cut-off grade of 5% TGC (*refer ASX release 26 March 2013*).

Kookaburra Gully Mineral Resource at 5% TGC lower cut-off grade

Mineral Resource Classification	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated	1.56	14.3	223,000	2.56
Inferred	0.70	16.5	115,000	2.48
TOTAL (>5% TGC)	2.25	15.0	338,000	2.53

Mt = million tonnes TGC = Total Graphitic Carbon

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

That resource represents 500m of a 4.5km long electromagnetic (EM) target, the remainder of which has not yet been drilled.

In 2012 and early 2013, the Company also presented the results of Scoping Studies undertaken on its Koppio-Kookaburra Gully graphite project.

The initial Scoping Study focused on mining and development of the Kookaburra Gully prospect following the successful completion of an airborne EM survey over the area in July 2012. That survey identified conceptual graphite Exploration Targets(**) totaling 14.2 million tonnes to 46.2 million tonnes at a potential grade of 7-15% TGC. An airborne EM survey was also completed over the Cockabidnie-Campoona area where there are additional graphite targets. *** It is emphasised that Exploration Target tonnage estimates are entirely conceptual in nature. There has been insufficient 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 Scoping Study estimated the capital cost as \$38 million, to Class 4 estimate accuracy, for the proposed infrastructure components of the project based on mining and processing a base case of 200,000 tonnes ore per annum. The capital cost would increase to \$48.5 million for a 400,000 tpa plant.

The estimated operating costs for beneficiation only were revised in April 2013 based on the upgraded resource and range from \$402 to \$360 per tonne of final concentrate (at 95% TGC) for, respectively, 80% to 90% product recovery from 200,000 tpa ore. For a 400,000 tpa processing plant, operating costs would be \$327 to \$293 per tonne of final concentrate for, respectively, 80% to 90% product recovery.

A second Scoping Study was completed in April 2013 to examine the costs of building a modular pilot processing plant capable of producing >5 tonnes of graphite concentrate per day. The cost of building such a plant would be \$1.97 million but other options are to use a mini pilot processing plant in Perth to produce a few tonnes of concentrate at different grades. Trial graphite production will allow project development and early product assessment by potential domestic and international customers.

Other Areas

At Eurilla and Uno on ELs 5013, 5022, 5297 and 4310, the Company continued exploration for manganese, silver, base metals, uranium and iron ore. Field mapping, outcrop sampling and follow-up infill soil sampling were undertaken across several areas of anomalous silver and other metals. A SA Government PACE grant was offered to Lincoln Minerals for a proposed drill program at Uno but due to other project priorities was not undertaken.

In January 2012, Lincoln Minerals made a significant base metal discovery on EL 4884 which it shares with Centrex Metals Limited. Drilling by Centrex intersected a 29.5m wide interval of copper-lead-zinc-silver averaging 0.76% copper, 7.37% lead, 1.88% zinc, 9.0 g/t silver and trace gold. In early 2013, a ground electromagnetic (EM) survey was conducted over the discovery drill-hole but shallow saline groundwater has masked the mineralisation. No further drilling has yet been undertaken.

The exploration program on other tenements is focusing on copper and base metals in the Tumby Bay area, nickel-cobalt at Cockabidnie and iron ore at Nantuma adjacent to the Warramboe-Central Eyre Iron Project.

Nantuma is immediately adjacent Iron Road Limited's 3.7 billion tonne iron ore deposits and adds to Lincoln's strong portfolio of near mining and advanced iron ore deposits and tenements throughout the Peninsula. No field work has yet been undertaken on Lincoln's Nantuma tenement, but it has Exploration Targets(**) for iron ore totaling 0.7 billion to 1.8 billion tonnes at a potential average grade of 14% to 20% Fe within relatively coarse-grained magnetite gneiss of probable Archaean age. It is within 20km of an existing railway line and major roads and the recent (August 2013).

Reconnaissance drilling is planned at Nantuma to test the depth to and nature of the magnetite gneisses.

Further details of the Company's operations are set out in the Managing Director's Review of Operations section of the 2013 Annual Report.

RESULTS AND DIVIDENDS

The Group made a loss after tax of \$1,404,259 (2012: \$1,301,246). In 2013 the Group capitalised \$1,029,292 (2012: \$1,379,451) of exploration and evaluation expenditure and expensed \$231,540 (2011: \$583,088) of such expenditure that was unable to be carried forward. Interest income was \$37,957 (2012: \$61,315).

During the year the Company issued 19,170,496 new shares as a result of a rights issue in November 2012. Net proceeds of \$1,220,313 were achieved from this issue.

Cash at the end of June 2013 was \$434,683, (2012: \$1,080,110)

No dividends were paid and the directors have not recommended the payment of a dividend (2012: Nil).

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>
2009	(1,708,699)	(2.22)	6,556,101	90,046,511	9.5
2010	(1,968,541)	(1.86)	13,682,089	116,959,938	26.0
2011	(1,203,039)	(0.98)	14,786,162	133,363,972	12.5
2012	(1,301,246)	(0.92)	15,174,758	153,363,972	11.5
2013	(1,404,259)	(0.85)	14,993,712	172,534,468	4.7

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

ENVIRONMENTAL REGULATION

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

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 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

At Lincoln Minerals we 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.

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.

OPTIONS

There are no options outstanding as at the date of this report (2012: Nil).

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 31 July 2013 the Company announced 1 for 6 non-renounceable rights issue to shareholders at a price of 5 cents per share to raise up to \$1,437,787 before costs of issue. The rights issue is fully underwritten by Tigermoth Investments Ltd. The rights issue closed on 29 August 2013 and issue of 9,509,292 shares under the entitlement offer was completed on 6 September 2013.

On 13 September 2013 the Company issued 19,246,452 shares, being the remainder of the shares offered under the fully underwritten rights issue.

On 18 September 2013, Richard Ryan AO, Chairman and Mr Robert Althoff, non-executive Director, retired as directors of the Company. On the same day, the board appointed Mr Jin Yubo as Non-Executive Chairman and Mr Kee Guan Saw as Non-Executive Director of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2013-14, 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 an iron ore mine at Gum Flat.

Kookaburra Gully graphite programme for 2013-14:

- Detailed metallurgy of Kookaburra Gully and Kookaburra Gully Extended mineralisation,
- Marketing and product assessment with potential customers,
- Exploration and resource definition drilling of Kookaburra Gully Extended EM anomaly – Exploration Target(**) 7 Mt to 20 Mt @ 10-15% TGC (Government approval has been received for this work),
- Resource definition drilling of Kookaburra Gully and bulk sampling by trenching (Government approval has been received),
- Mini pilot plant testing of a bulk ore sample (ca. 50 tonnes), and
- Flora, fauna, dust, noise and hydrogeological surveys and preparation of Mining Lease Application.

Gum Flat program and timing:

- 4th Quarter 2013 – subject to obtaining a groundwater license, revise and lodge the Mining Lease Application
- 2014 – subject to obtaining a Mining Lease, prepare applications for mine development, production, transport and shipping approvals.

The Group will also continue exploration for minerals on its other tenement areas on eastern Eyre Peninsula in South Australia. Reconnaissance drilling is planned at Nantuma to test the depth to and nature of the magnetite gneisses.

The only expected sources of Australian income for the coming financial year will be the receipt of interest on cash funds held on deposit and a R&D refund from the Australian Taxation Office.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained in the section entitled "Corporate Governance Statement".

REMUNERATION REPORT - AUDITED

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

Key Management Personnel comprise:

Directors

RV Ryan	Chairman (non-executive)
KH Hung (from 23 January 2013)	Deputy Chairman (non-executive)
AJ Parker	Managing Director
RA Althoff	Director (non-executive)
EH Lim	Director (non-executive)
SW Chan	Director (non-executive)

Executives

JK Kopias	Chief Financial Officer and Company Secretary
DA Povey	Chief Geologist

Remuneration philosophy

The performance of the Group depends on the quality of its directors and executives, who are Key Management Personnel (KMP) of the Company. Compensation levels for key management personnel 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.

Remuneration committee

Due to the relatively small size and complexity 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. Share options may form part of a remuneration package and 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 manager 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 in general meeting. An amount not exceeding the determined aggregate is then divided between the Directors as agreed. The latest determination occurred at an Extraordinary General Meeting held in January 2007 when shareholders approved an aggregate remuneration of \$250,000 per year. The current fee level is \$40,000 per non-executive director per annum and the Chairman \$55,000 per annum, all inclusive of statutory superannuation.

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.

Non-executive Directors' fees are not linked to the performance of the Group. However, Directors are issued options from time to time to provide the necessary incentive to work and grow long-term shareholder value. Issues of options to Directors require 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.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established by the Board of Directors. The variable remuneration for Dr Parker, Managing Director is a performance rights package. During the year Dr Parker, Managing Director, was issued 1,000,000 performance rights on 27 November 2012 as approved by shareholders at the 2012 Annual General Meeting. The performance hurdle for the performance rights was the Lincoln Minerals Ltd share price at 30 September 2013. The performance hurdles were set as follows:

Share price at 30 September 2013	Entitlement
15 cents	250,000
20 cents	500,000
25 cents	750,000
30 cents	1,000,000

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 has been engaged by contract until 31 December 2013 although the contract may be terminated by the Company giving twelve months' notice. As at the date of the report the Managing Director's annual salary is \$227,357 plus superannuation, subject to annual review by the Board.

KMP have all been engaged for two year periods although these contracts may be terminated by either the Group or the respective staff member by the giving of four weeks' notice.

The Managing Director is entitled to 12 months termination payment upon termination of his employment by the Company prior to the end of his contract.

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)

Year ended	Salary and fees	Short term	Post employment		Share-based	Total	Value of rights as a % of total remuneration
		Contract payments	Super-annuation	Long service leave	payment Performance Rights		
	\$	\$	\$	\$	\$	\$	%
Year ended 30 June 2013							
<u>Directors</u>							
RV Ryan	-	55,000	-	-	-	55,000	-
AJ Parker	217,649	-	25,000	14,063 ²	2,900	259,612	1%
RA Althoff	36,697	-	3,303	-	-	40,000	-
EH Lim	40,000	-	-	-	-	40,000	-
SW Chan	-	40,000	-	-	-	40,000	-
KH Hung ¹	-	17,556	-	-	-	17,556	-
<u>Executives</u>							
JK Kopias	-	100,793	-	-	-	100,793	-
DA Povey	111,925	-	10,073	8,845 ³	-	130,843	-
Total Directors and KMP – 2013	406,271	213,349	38,376	22,908	2,900	683,804	
Year ended 30 June 2012							
<u>Directors</u>							
RV Ryan	-	55,000	-	-	-	55,000	-
AJ Parker	186,911	-	50,000	21,993 ²	8,689	267,593	3.4%
PE Cox ⁴	1,807	-	19,147	-	-	20,954	-
RA Althoff	18,349	-	21,651	-	-	40,000	-
EH Lim	40,000	-	-	-	-	40,000	-
SW Chan ⁵	-	13,556	-	-	-	13,556	-
<u>Executives</u>							
JK Kopias ⁶	-	69,320	-	-	-	69,320	-
DA Povey	110,000	-	9,900	8,764 ³	-	128,664	-
Total Directors and KMP – 2012	357,067	137,876	100,698	30,757	8,689	635,087	

¹ Mr Hung was appointed to the board on 23 January 2013

² Based on Company's accounting policy, Dr Parker commenced accruing long service leave following more than 5 years of service. The amount of \$14,063 (2012 \$21,993) represents the movement in present value of Dr Parker's long service leave entitlement during the year.

³ Based on Company's accounting policy Mr Povey commenced accruing long service leave following more than 5 years of service. The amount of \$8,845 (2012 \$8,764) represents the movement in present value of Mr Povey's long service leave entitlement during the year.

⁴ Mr Cox retired from the board on 30 November 2011.

⁵ Ms Chan was appointed to the board on 28 February 2012.

⁶ Mr Kopias was appointed Company Secretary on 30 November 2011.

No bonuses were earned by or paid to any KMP in either 2013 or 2012.

No shares were issued in either 2013 or 2012 as compensation.

It is the Company's policy that Director's do not hedge any share based remuneration. The Company requires all executives and directors to sign annual declarations of compliance with this policy.

Option holdings of Key Management Personnel

There were no options held by KMP during the year.

Performance Right holdings of Key Management Personnel

30 June 2013	Balance at the beginning of the year or date commenced to be KMP	Granted as remuneration	Exercised during the year	Lapsed during the year	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
AJ Parker	-	1,000,000	-	-	1,000,000

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.

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board considers that those non-audit services provided by the auditor are compatible with and do not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or sharing risks or rewards.

Details paid to KPMG during the year for audit and non-audit services are set out hereunder:

	<u>2013</u> \$	<u>2012</u> \$
<u>Audit services</u>		
Audit and review of financial reports (KPMG Australia)	46,000	42,000
<u>Other services</u>		
Taxation advice, research & development advice and related matters	30,007	30,420

No other auditors were engaged by the Group.

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 Adelaide, South Australia, this 18th day of September 2013 and signed in accordance with a resolution of the Directors.



RV Ryan, Director



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 audit for the financial year ended 30 June 2013 there have been:

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

KPMG

Darren Ball
Partner

Adelaide

18 September 2013

LINCOLN MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lincoln Minerals Limited (the Company) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement follows the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1 – Lay solid foundations for management and oversight
- Principle 2 – Structure the board to add value
- Principle 3 – Promote ethical and responsible decision making
- Principle 4 – Safeguard integrity in financial reporting
- Principle 5 – Make timely and balanced disclosure
- Principle 6 – Respect the rights of shareholders
- Principle 7 – Recognise and manage risk
- Principle 8 – Remunerate fairly and responsibly

1. Lay solid foundations for management and oversight

Governance roles to achieve the vision

The skills, experience and expertise relevant to the position of each Director and Secretary in office at the date of the annual report are included in the Directors' Report.

The determination of materiality requires consideration of both quantitative and qualitative elements.

The Board has determined those matters which are the province of the Board, clearly separating them from the responsibilities of the Managing Director.

The Board's role includes the following:

- Setting and reviewing the vision, goals and strategy
- Approving the annual strategic plan and major operating plans
- Approving budgets
- Reviewing and providing feedback on the performance of the Managing Director
- Reviewing the performance of the Board and individual directors
- Reviewing the half-year and full year financial statements and reports and quarterly cash-flow statements
- Determining policies and ensuring adequate procedures are in place to manage the identified risks
- Having regard to the size of the company the full Board will carry out the functions sometimes delegated to a nominations committee and remuneration committee

Role of the Managing Director

The role of the Managing Director includes:

- Vision/Strategy. Formulating with the Board the vision and strategy, developing action plans to achieve the vision and reporting regularly to the Board on progress.
- Management team and employees. Providing leadership, appointing and negotiating terms of employment of senior executives (with Board approval where necessary), developing a succession plan, ensuring procedures are in place for education and training to ensure compliance with laws and policies.
- Successful implementation of the Company's exploration program.
- Board. Responsible for bringing all matters requiring review/approval to the Board, advising on the changes in risk profile, providing certification regarding the financial statements for the half-year and full year, reporting to the Board on a monthly basis the performance of the Company and for ensuring education of Directors on relevant matters.

The Board will annually review the performance of the Managing Director having regard to performance measures set out at the commencement of each year. These will include financial measures, achievement of strategic objectives and other key performance indicators, and compliance issues.

Role of the Chairman

The role of the Chairman includes:

- Vision/Strategy - Ensuring leadership in setting and reviewing vision;
- Board meetings - Setting agenda with the Managing Director/Company Secretary, ensures directors receive all relevant information, chairs meetings and deals with conflicts;
- AGM - Chairing the AGM and ensures shareholders as a whole have an opportunity to speak on relevant matters, ensures audit partner attends;
- External matters - Being spokesperson with the Managing Director, on company matters;
- Managing Director - Being the primary point of contact between the Board and the Managing Director.
- Being kept fully informed on major matters by the Managing Director, chairing the performance appraisal of the Managing Director, and providing mentoring;
- Initiating Board and committee performance appraisal and ensuring agreed Board composition is maintained and director induction plans are in place.

2. Structure the Board to add value

Composition and balance of skills of directors

The composition of the Board is critical for the success of the Company and the number of directors and their skills will vary from time to time depending on the circumstances of the Company:

- The Board believes that the number of directors will range from four to six but have currently determined that the number will be five, in addition to the Managing Director;
- The Board will comprise a variety of persons with diverse skills and experience relevant to the Company and its circumstances at the time;
- The CEO will be a director and will also have the title of Managing Director.

Independence of directors

The Board believes that the best interests of the Company will be served if a majority of the Directors are independent, as defined in the ASX Corporate Governance Guidelines. The Chairman is an independent director. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could (or could reasonably be perceived to) materially interfere with the exercise of their unfettered and independent judgment. The Company has a majority of independent Directors and the Chairman has a casting vote. Mr. Kopias, as Company Secretary (from 30 November 2011) and CFO, acts only on a part-time basis and has a limited management role.

The Board will review annually whether or not each director is independent.

Incoming Directors are required to consent to their appointment, including undertaking to observe the Company's Corporate Governance policies as are in force from time to time, and including notifying the holding of all Company securities and notifying the Company Secretary at the earliest practical time of any changes that may arise in those holdings.

The status of each director is as follows:

		<u>Term in office</u>
Richard V Ryan – Chairman	Independent	Since November 2006
Kwang Hou Hung – Deputy Chairman	Independent	Since January 2013
Dr A John Parker – Managing Director	Non-independent	Since October 2006
Robert A Althoff	Independent	Since July 2005
Eng Hoe Lim	Independent	Since October 2010
Sze Wan Chan	Independent	Since February 2012

The definition of independence is that as set out in the ASX Corporate Governance Guidelines.

The Board believes in the renewal of Board members to ensure the ongoing vitality of the Company.

Appointment of directors

If the Board determines that there is a need to appoint another Director for any reason they will:

- determine the skills, experience, qualifications appropriate, having regard to those of the existing Directors.
- agree the process to seek such a person.
- set a timetable to appoint, having regards to the timing of the AGM and requirements of the Constitution.
- prepare a short list and meet the candidates.

Performance evaluation

The Board, through the Chairman, will carry out an evaluation, at least every three years, to:

- review the role of the Board
- assess the performance of the Board with a view to assisting the Board to better perform its duties
- review the type and timing of information provided to Directors
- review the performance and contribution of each of the non-executive Directors.

The Board may, from time to time, use an independent adviser to assist in the reviews.

The performance of the Board has not been evaluated during the current financial year.

Access to independent advice

Directors may obtain independent experts' advice to enable them to fulfill their obligations, at the expense of the Company and after obtaining approval of the Chairman.

3. Promote ethical and responsible decision-making

Code of conduct of directors

The Directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the Company.

To meet this obligation they must act honestly and should:

- execute due care and diligence;
- not misuse information or their position for their own gain;
- avoid or fully disclose conflicts;
- ensure that the market is fully informed of all matters that require disclosure; and
- actively promote the reputation of the Company.

Conflicts of interest that arise must be immediately disclosed and addressed by eliminating the conflict, abstaining from participation or, in exceptional cases, resigning.

Directors must comply with the law on disclosure of benefits and related party transactions. Directors must have access to all relevant information on the Company and this is to be sought through the Managing Director or agreed arrangements.

All Directors must maintain strict confidentiality in relation to Company matters.

Directors must be aware of insider trading laws and strictly abide by the law and Company policies.

Directors are to ensure that the financial statements are drawn up to comply with Australian Corporations Law and Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and well-being of their employees.

Deeds of access, indemnity and insurance will be entered into with the directors to the extent permitted by law.

Gender diversity

The Board makes all board appointments based on merit. The Board is aware of the benefits all types of diversity bring to its performance, but the current size of the Company's Board makes gender diversity difficult.

The Board has at this stage not established a formal diversity policy and due to current size of operations has not established measurable objectives for achieving gender diversity.

Gender diversity report	Total position	Held by women
Board	6	1
Senior Management	2	0
Other employees	5	2
Total	13	3

Trading in securities

The Company's constitution permits the Directors to acquire securities in the Company. However, the Company policy prohibits Directors and senior management from trading the Company's securities whilst in possession of price sensitive information.

Directors, employees and associates may trade where they have obtained approval of the Chairman.

The Company's trading policy is discussed with each new employee as part of their induction. In accordance with the provisions of the Corporations Act and the ASX Listing Rules, the Company will advise the ASX of any transaction conducted by the Directors in the Company's securities.

This policy relates to Directors' and executives' spouses and other parties over whom they have significant influence.

Interaction with the media

To ensure clear and consistent messages to the Stock Exchange and media, unless specifically approved otherwise, the Chairman and Managing Director are the only authorised spokespersons of the Company.

Interests of stakeholders

The Company observes the principles recommended by the ASX Corporate Guidance Council.

The Company addresses environmental, logistical and operating issues associated with its exploration activities.

The Company observes all of the rehabilitation requirements which may attach to its exploration activities.

The Company acknowledges community and legal standards with respect to anti-discrimination at all levels, particularly with respect to employees and contractors.

The Company acknowledges community and legal standards with respect to occupational safety and health.

4. Safeguarding integrity in financial reporting

Audit Committee

The Board has not established an audit committee because of the small size of both the Board and the Company. Instead the whole Board monitors performance of the Company closely and in conjunction with the external auditors is satisfied that the reporting systems in place provide accurate and timely reports of the Company's activities and position. In addition, detailed financial reports are reviewed at monthly Board meetings

Contracts and transactions between the Company and its officers

Any proposed contract between an officer (including associates of the officer) and the Company must be approved by the Board prior to its execution.

5. Make timely and balanced disclosure

Continuous disclosure

The Board's established policy is to make timely reports to all stakeholders by way of public announcements and direct reports. The Company maintains a website which is regularly updated to provide the wider community with all of the available information that is released.

6. Respect the rights of shareholders

Communication policy

The Board seeks to ensure that shareholders are informed of all major developments affecting the Company's state of affairs through:

- the Annual Report
- the Interim Report
- disclosures made to ASX
- notices and explanatory memorandum of the Annual General Meeting
- the Company's website, www.lincolnminerals.com.au

It is the Company's policy that the engagement partner of its auditors, KPMG, be present at the AGM and be available to answer relevant questions.

7. Recognise and Manage Risk

Risk management and internal compliance and control

The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policy. The Board also reviews all major strategies for their impacts on the risks facing the Company and takes appropriate action. The Board also reviews all aspects of the Company's operations for changes to its risk profile on an annual basis.

The Company complies with the ASX recommendation that the Company should establish a sound system of risk oversight and management and internal control.

This includes:

- establishing and monitoring the Company's strategies, goals and objectives;
- identifying and measuring risks that might impact upon the achievement of those strategies, goals and objectives;
- formulating risk management strategies to manage the identified risks; and
- monitoring and improving the effectiveness of risks and internal compliance controls.

The Board's current policy requires all cash which is surplus to immediate requirements to be deposited with recognised Australian Banks and does not permit trading in derivatives with Company funds.

The Chairman and Chief Financial Officer have stated to the Board in writing that the financial risk management, operational and associated compliance controls and other risk management compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations of the Company.

8. Remunerate fairly and responsibly

The Company has not established a separate remuneration committee because of the small size of both the Board and the Company.

Non-Executive Directors

Fees plus statutory superannuation paid to non-executive Directors will generally be around the market average.

Directors will not otherwise be entitled to retirement benefits.

Directors will not participate in share or option plans except with the approval of the shareholders.

The current fee level is \$40,000 per non-executive director per annum and the Chairman \$55,000 per annum, all inclusive of statutory superannuation. The total amount that may be payable by the Group by way of Directors' fees is subject to approval by shareholders and is currently set at a maximum of \$250,000 per annum.

There are no options currently held by the Managing Director and non-executive Directors.

Senior Executives

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company.

Further information will be set out in the Remuneration Report included in the Directors' Report each year.

LINCOLN MINERALS LIMITED
ABN 05 050 117 023

Financial Statements – 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Note	<u>2013</u>	<u>2012</u>
		\$	\$
Financial income – interest		37,957	61,315
Other Income		33,681	-
TOTAL REVENUE		71,638	61,315
Employee benefits expense		(313,553)	(327,220)
Exploration and evaluation written off	9	(231,540)	(583,088)
Depreciation and amortisation		(19,689)	(17,382)
Provision for bad debt		-	(4,923)
Corporate expenses	3	(1,137,046)	(749,783)
TOTAL EXPENSES		(1,701,828)	(1,682,396)
Gain on sale of assets		5,118	-
LOSS BEFORE INCOME TAX		(1,625,072)	(1,621,081)
Income tax benefit	4	220,813	319,835
NET LOSS FOR THE YEAR		(1,404,259)	(1,301,246)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(1,404,259)	(1,301,246)
Basic earnings (loss) per share (cents)	17	(0.85)	(0.92)
Diluted earnings (loss) per share (cents)	17	(0.85)	(0.92)

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Note	Issued capital	Accumulated losses	Share based payments reserve	Total
Balance at 1 July 2011		20,729,709	(6,028,243)	84,696	14,786,162
Total comprehensive loss for the year					
Loss		-	(1,301,246)	-	(1,301,246)
Total comprehensive loss for the year		-	(1,301,246)	-	(1,301,246)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	12	1,800,000	-	-	1,800,000
Share issue expenses		(118,847)	-	-	(118,847)
Performance Rights issued		-	-	8,689	8,689
Total contributions by owners of the Company		1,681,153	-	8,689	1,689,842
Balance at 30 June 2012		22,410,862	(7,329,489)	93,385	15,174,758
Balance at 1 July 2012		22,410,862	(7,329,489)	93,385	15,174,758
Total comprehensive loss for the year					
Loss		-	(1,404,259)	-	(1,404,259)
Total comprehensive loss for the year		-	(1,404,259)	-	(1,404,259)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	12	1,341,935	-	-	1,341,935
Share issue expenses		(121,622)	-	-	(121,622)
Performance Rights issued		-	-	2,900	2,900
Total contributions by owners of the Company		1,220,313	-	2,900	1,223,213
Balance at 30 June 2013		23,631,175	(8,733,748)	96,285	14,993,712

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

		<u>2013</u>	<u>2012</u>
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	434,683	1,080,110
Trade and other receivables	7	88,552	624,046
TOTAL CURRENT ASSETS		523,235	1,704,156
NON CURRENT ASSETS			
Property plant and equipment	8	681,981	684,402
Exploration and evaluation	9	14,043,210	13,006,054
Intangibles	10	15,707	31,328
TOTAL NON CURRENT ASSETS		14,740,898	13,721,784
TOTAL ASSETS		15,264,133	15,425,940
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	107,758	136,117
Employee entitlements – leave provisions		100,000	74,574
TOTAL CURRENT LIABILITIES		207,758	210,691
NON CURRENT LIABILITIES			
Employee entitlements – leave provisions		62,663	40,491
TOTAL NON CURRENT LIABILITIES		62,663	40,491
TOTAL LIABILITIES		270,421	251,182
NET ASSETS		14,993,712	15,174,758
EQUITY			
Contributed equity	12	23,631,175	22,410,862
Reserves	13	96,285	93,385
Accumulated losses		(8,733,748)	(7,329,489)
TOTAL EQUITY		14,993,712	15,174,758

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,400,842)	(1,017,705)
Interest received		62,706	40,301
Research & Development tax concession received		540,648	189,904
Net cash (outflow) from operating activities	6	<u>(797,488)</u>	<u>(787,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(1,067,755)	(1,773,980)
SA Government PACE grant received		-	75,000
Payments for property, plant and equipment		(15,345)	(10,204)
Payments for intangibles		-	(10,800)
Purchase of land at Gum Flat		-	(14,659)
Proceeds on sale of assets		13,670	845
Net cash (outflow) from investing activities		<u>(1,069,430)</u>	<u>(1,733,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	12	1,341,935	1,800,000
Share issue expenses		(120,444)	(118,847)
Net cash inflow/(outflow) from financing activities		<u>1,221,491</u>	<u>1,681,153</u>
Net increase/(decrease) in cash and cash equivalents		<u>(645,427)</u>	<u>(840,145)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>1,080,110</u>	<u>1,920,255</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u>434,683</u>	<u>1,080,110</u>

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - *Financial Statements 2013*

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2013

1. CORPORATE INFORMATION

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2013 comprise the Company and its subsidiary (together referred to as the "Group") was authorised for issue in accordance with a resolution of the directors on 18 September 2013.

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

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 preparation

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).

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 30 June 2013 the Consolidated Entity had accumulated losses of \$8,733,748 and operating and investing cash outflows of \$1,866,918. However, net assets are \$14,993,712 and the Directors believe that the Consolidated Entity's cash reserves of \$434,683 are sufficient to pay its forecast debts as and when they fall due. It is the intention of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. In order to do so the Directors consider that the Group will fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets. The Directors will take appropriate action, including curtailing expenditure, to ensure funds are available as and when they are required.

On 13 September 2013 the Directors completed a 1 for 6 rights issue to shareholders at a price of 5 cents per share which raised \$1,437,787 before costs of issue, with the shares issued on this date.

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.

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

(b) Standards basis of preparation

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

- **AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

LINCOLN MINERALS LIMITED - *Financial Statements 2013*

- **AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (2011)**

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

- **AASB 13 Fair Value Measurement (2011)**

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

- **AASB 119 Employee Benefits (2011)**

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(c) **Basis of consolidation**

The financial statements of the Company's subsidiary are included in the consolidated financial statements from the date control commenced. The Company retains control as at the date of this report. Lincoln Asia-Pacific Limited has not traded or operated between its registration (during 2009/10) and the date of this report. Australian Graphite Limited was registered during the year and holds the Group's graphite related assets.

(d) **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:

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the dates upon which they are granted. The fair value of options granted is determined using the Black-Scholes valuation method, taking into account the terms and conditions on which the options were granted. Refer note 2(u) for detail.

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.

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

LINCOLN MINERALS LIMITED - *Financial Statements 2013*

(e) Joint ventures

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements its share of jointly controlled assets, jointly incurred liabilities/expenses, and its share of income earned from the sale of any goods or services by the joint venture.

(f) Income

Interest is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Overhead recoveries from joint venture partners are brought to account as revenue on the basis of exploration expenditures incurred in accordance with the joint venture agreements.

(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.

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 statement of comprehensive income in the period the item is de-recognised.

(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.

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(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.

(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 balance sheet 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 Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Receivables

Receivables which are generally receivable within 30-90 day terms, are recognised and carried at original amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

(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 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 the Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the Group's obligations.

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(iii) Share-based payments
Refer note 2(u).

(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 the income statement 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.

Ordinary shares - Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, 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 income statement 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 balance sheet 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.

(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, which comprise share options granted. EPS for the previous year are restated for any rights issues during the current financial year.

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(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 Cash Flow Statement 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) Share-based payments

The Company provides benefits to Directors and Senior Executives of the Group in the form of share-based payments, whereby directors and employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market conditions attached to the transactions are not taken into account in determining fair value.

The cost of equity-settled transactions is recognised, together with the corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

(v) 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.

(w) 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.

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(x) Segment reporting

Determination and presentation of operating segments:

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 EXPENSES

	<u>2013</u>	<u>2012</u>
	\$	\$
ASX fees	26,313	24,393
Audit fees	14 46,000	42,000
Directors' fees	192,556	169,510
Head office administration	465,068	255,905
Insurances	32,921	27,713
Legal fees	146,875	10,931
Operating lease payments	40,054	46,845
Payroll tax	15,470	17,305
Public relations	53,708	72,359
Share registry	31,808	22,804
Staff recruitment, re-location, conferences, training	9,435	37,327
Travel	76,838	22,691
	<hr/> 1,137,046	<hr/> 749,783

4. INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

Loss before tax	(1,625,072)	(1,301,246)
Prima facie income tax benefit at 30% (2012 30%)	(487,522)	(390,374)
Research and development refund	(220,813)	(319,835)
Effect of permanent and temporary differences and tax losses not recognised	487,522	390,374
Income tax benefit attributable to operating loss	<hr/> (220,813)	<hr/> (319,835)

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 (approximately \$4,213k (2012: \$3,902k), relating mainly to capitalised exploration assets. The unrecognised deferred tax asset mainly with respect to accumulated tax losses is \$1,592k tax effected at 30% (2012: \$1,258k), 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.

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5. CASH AND CASH EQUIVALENTS

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash at bank and in hand	268,052	67,999
Short term deposits	166,631	1,012,111
	434,683	1,080,110

Short term deposits are made for varying periods of between 30 and 180 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 2013 was 6.4% (2012 4.2%). An amount of \$10,000 of short term deposits remains in place to secure a bank guarantee in respect of a bond for Exploration Licence 4643 in favour of Primary Industries and Resources SA.

The Company has no available undrawn loan facilities.

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

Operating (loss) after income tax	(1,404,259)	(1,301,246)
Depreciation and amortisation	19,689	17,382
Provision for bad debt	-	4,923
Exploration expenditure written off	231,540	635,588
Performance Rights issued	2,900	8,689
Changes in Assets and Liabilities		
Decrease (Increase) in other current operating assets	339,907	(208,276)
(Decrease) Increase in operating creditors and accruals	(34,863)	(12,617)
Decrease (Increase) in leave provisions	47,598	68,057
Net cash used in operating activities	(797,488)	(787,500)

7. RECEIVABLES

Amounts owing by Joint Venture partners	-	4,923
Provision for bad debt	-	(4,923)
Accrued interest receivable	1,535	26,284
Bonds and deposits	15,000	15,000
Prepaid expenses	24,143	139,472
GST refundable	33,578	25,528
PACE Grant – SA Government	-	57,750
Research and development grant	-	319,835
Other	14,296	40,177
	88,552	624,046

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

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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Office plant and equipment	Exploration plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
<u>2013</u>					
At cost	555,825	60,938	331,825	139,809	1,088,397
Accumulated depreciation	-	(50,494)	(269,575)	(86,347)	(406,416)
Closing net book amount	555,825	10,444	62,250	53,462	681,981
Opening net book amount	515,825	5,951	102,314	60,312	684,402
Additions	40,000	8,561	1,785	5,000	55,346
Disposals	-	-	(8,552)	-	(8,552)
Depreciation charge	-	(4,068)	-	-	(4,068)
Depreciation charged to exploration	-	-	(33,297)	(11,850)	(45,147)
Closing net book amount	555,825	10,444	62,250	53,462	681,981
<u>2012</u>					
At cost	515,825	52,377	353,115	134,809	1,056,126
Accumulated depreciation	-	(46,426)	(250,801)	(74,497)	(371,724)
Closing net book amount	515,825	5,951	102,314	60,312	684,402
Opening net book amount	501,166	7,568	137,015	74,230	719,979
Additions	14,659	3,560	18,447	-	36,666
Disposals	-	(207)	(132)	-	(339)
Depreciation charge	-	(4,970)	-	-	(4,970)
Depreciation charged to exploration	-	-	(53,016)	(13,918)	(66,934)
Closing net book amount	515,825	5,951	102,314	60,312	684,402

9. EXPLORATION AND EVALUATION

	<u>2013</u>	<u>2012</u>
	\$	\$
Opening net book amount	13,006,054	11,967,710
Write-off amounts previously capitalised	(37,283)	(355,540)
Exploration expenditure during the year	1,223,549	1,606,999
Depreciation charged to exploration	45,147	66,933
SA Government PACE grant	-	(52,500)
Write-off amounts expended during the year	(194,257)	(227,548)
Closing net book amount	14,043,210	13,006,054

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 Group's Gum Flat Project (carrying amount of \$11,605k) has a defined Mineral Resource of magnetite banded iron formation overlain by a small cap of potentially direct shipping hematite-goethite. A Mining Lease application for the Stage 1 mining proposal to mine the hematite-goethite cap above the magnetite resource was completed in October 2011, but cannot be lodged with DMITRE until a groundwater extraction licence has been obtained.

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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 for that area. This was despite the Company's proposal to re-inject most of the water back into the aquifer system. Lincoln Minerals appealed against the decision.

Following discussions between hydrogeologists from the Department for Environment, Water and Natural Resources and the Company's geologists and contract hydrogeologists, a revised mine schedule has been proposed that facilitates lowering of the water table in the basement rocks progressively over 5 years. This was combined with a more detailed model of the basement rocks to determine groundwater extraction rates required to maintain dry pit floor conditions. The revised model requires less water to be extracted than the original 2-year mine life model and falls within the prescribed amount available.

On this basis, the Company has prepared and lodged a revised groundwater extraction licence application that is consistent with all conditions of the Water Allocation Plan. It is expected that the groundwater licence application will be determined by the end of October or early November 2013 at which time the Company will revise its Mining Lease application in line with the revised schedule and apply to lodge it with DMITRE.

Should the Group be unsuccessful in obtaining a groundwater licence then the carrying value of the Gum Flat tenement may not be recoverable.

10. INTANGIBLE ASSETS

<u>Computer software</u>	<u>2013</u>	<u>2012</u>
<u>Cost</u>	\$	\$
Balance at beginning of the year	73,365	53,525
Additions	-	19,840
Balance at the end of the year	<u>73,365</u>	<u>73,365</u>
<u>Amortisation and impairment</u>		
Balance at beginning of the year	42,037	29,625
Amortisation for the year	15,621	12,412
Balance at the end of the year	<u>57,658</u>	<u>42,037</u>
Closing net book amount	<u>15,707</u>	<u>31,328</u>

11. TRADE AND OTHER PAYABLES

Trade payables	55,625	90,350
Accrued expenses	52,133	45,767
	<u>107,758</u>	<u>136,117</u>

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.

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12. CONTRIBUTED EQUITY

	<u>2013</u>	<u>2012</u>
(a) Share capital	\$	\$
Fully paid ordinary shares	23,631,175	22,410,862
Movements in share capital:		
	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2011	133,363,972	20,729,709
Share placement - February 2012	20,000,000	1,800,000
Less, share issue expenses	-	(118,847)
Balance at 30 June 2012	153,363,972	22,410,862
Rights Issue – November 2012	19,170,496	1,341,935
Less, share issue expenses	-	(121,622)
Balance at 30 June 2013	172,534,468	23,631,175

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.

On 28 February 2012, 20 million shares were issued to Poan Group Holdings Pty Ltd at 9 cents per share. The share placement was voluntarily escrowed for a period of 12 months from this date.

On 26 November 2012, the Company completed a 1 for 8 non-renounceable rights issue raising \$1.34 million before costs of the offer.

(b) Options

No options were outstanding at 30 June 2013 and no options have been granted or exercised between the end of the year and the date of this report.

13. RESERVES

	<u>2013</u>	<u>2012</u>
Share-based payments reserve	\$	\$
Balance at beginning of the year	93,385	84,696
Issue of performance rights during the year	2,900	8,689
Balance at the end of the year	96,285	93,385

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

14. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG Australia.

Audit or review of financial reports	46,000	42,000
Other services - taxation advice and related matters	30,007	30,420
Total remuneration	76,007	72,420

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15. COMMITMENTS AND CONTINGENCIES

Exploration licences

The Company'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.

Expenditure required to maintain tenure of all of the exploration licences

	<u>2013</u>	<u>2012</u>
	\$	\$
Within one year	1,105,000	790,000
After one year but not more than five years	895,000	-
Longer than five years	-	-
	<hr/> 2,000,000	<hr/> 790,000

Currently there are a number of tenements for which the Company has incurred exploration and evaluation expenditures but the Company does not hold the license rights for these tenements. The licenses are held by Centrex Metals Limited and its subsidiary South Australian Iron Ore Group Pty Ltd (SAIOG). There is a Heads of Agreement dated 8 July 2005, a Supplementary Agreement dated 21 March 2006 and a Coordination Agreement dated 19 April 2010 between the Company, Centrex Metals Limited and SAIOG whereby Lincoln is granted rights to all minerals and substances on the tenements other than iron ore. The Agreements also grant Centrex Metals the right to all iron ore found on one tenement held by the Company (EL 4539).

To the extent that expenditure commitments are not met, tenement areas may be reduced and other arrangements made in negotiation with the relevant state government department on renewal of tenements to defer expenditure commitments.

Rights to some of the graphite exploration targets are currently held in tenements operated by Centrex Metals Limited (ASX:CXM). Should Lincoln wish to transfer graphite rights to another entity held by Lincoln, Centrex cannot unreasonably withhold permission to transfer these rights.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts at the reporting date but not recognised as liabilities, payable

	<u>2013</u>	<u>2012</u>
	\$	\$
Within one year	124,478	118,455
After one year but not more than five years	-	-
Longer than five years	-	-
	<hr/> 124,478	<hr/> 118,455

Contingencies

As at 30 June 2013 and the date of this report there were no contingencies.

16. EVENTS SUBSEQUENT TO BALANCE DATE

On 31 July 2013 the Company announced 1 for 6 non-renounceable rights issue to shareholders at a price of 5 cents per share to raise up to \$1,437,787 before costs of issue. The rights issue is fully underwritten by Tigermoth Investments Ltd. The rights issue closed on 29 August 2013 and issue of 9,509,292 shares under the entitlement offer was completed on 6 September 2013.

On 13 September 2013 the Company issued 19,246,452 shares, being the remainder of the shares offered under the fully underwritten rights issue.

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On 18 September 2013, Richard Ryan AO, Chairman and Mr Robert Althoff, non-executive Director, retired as directors of the Company. On the same day, the board appointed Mr Jin Yubo as Non-Executive Chairman and Mr Kee Guan Saw as Non-Executive Director of the Company.

17. EARNINGS PER SHARE

	<u>2013</u>	<u>2012</u>
Earnings / (loss) used to calculate basic and diluted earnings per share - \$	(1,404,259)	(1,301,246)
Basic earnings (loss) per share (cents)	(0.85)	(0.92)
Diluted earnings (loss) per share (cents)	(0.85)	(0.92)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (as previously reported)	165,659,095	140,048,904
	-	1,144,507
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (revised)	165,659,095	141,193,411
Weighted potential ordinary shares	166,249,754	142,951,471

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.

Following the Rights Issue of 19,170,496 ordinary shares completed announced on 26 November 2012, in accordance with paragraph 26 of AASB 133, "Earnings per share", the Company has treated the discount element of the increase in share capital as if it were a bonus issue, using the theoretical ex-rights price of 0.074 cents. The effect of this is to increase the weighted average number of shares reported in the year, resulting in a reduction in the reported basic and diluted earnings per share for the year ended 30 June 2012.

18. 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(v) 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 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

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>2013</u>	<u>2012</u>
	\$	\$
Cash and cash equivalents	434,683	1,080,110
Trade and other receivables	88,552	624,046
	523,235	1,704,156

All receivables are assessed as level 3 in the fair value hierarchy. Level 3 is defined as inputs for which the asset or liability that are not based on observable market data (unobservable inputs).

The Group recorded no impairment loss during the year (2012: \$nil).

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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 2013 and 2012 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>2013</u>	<u>2012</u>
Carrying amounts	\$	\$
Fixed rate instruments		
Cash and cash equivalents	166,631	1,012,110
	<hr/> 166,631	<hr/> 1,012,110
Variable rate instruments		
Cash and cash equivalents	268,052	67,999
	<hr/> 268,052	<hr/> 67,999

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have affected the loss for the year by \$5,894 (2012: \$14,544). 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.

19. SHARE-BASED PAYMENTS

On 27 November 2012, shareholders approved the issue of 1,000,000 unlisted performance rights to the Managing Director as remuneration. The value of the rights was \$2,900 (\$2012: \$8,689). The performance hurdle for the rights is the Company's share price at 30 September 2013 and will be assessed at that time. Note 20 includes a table of performance rights held by KMP and movements during the year.

The fair value of the performance rights granted during the year was measured based on the Black-Scholes formula. The expected volatility is estimated by considering the historical volatility of the Company's shares price.

There were no options outstanding during the year.

20. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors

RV Ryan	Chairman
KH Hung ¹	Deputy Chairman
AJ Parker	Managing Director
RA Althoff	Director
EH Lim	Director
SW Chan	Director

Executives

JK Kopias	Chief Financial Officer and Company Secretary
DA Povey	Senior Geologist

¹ KH Hung commenced as Director on 23 January 2013.

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Compensation options

No shares were issued on exercise of compensation options during 2013 or 2012.

Compensation of Key Management Personnel by category:

	<u>2013</u>	<u>2012</u>
	\$	\$
Short term	619,620	494,943
Post-employment	61,284	131,455
Share based	2,900	8,689
Total	683,804	635,087

There were no option holdings of Key Management Personnel in 2013.

Option holdings of Key Management Personnel - 2012

	Balance at the beginning of the year	Granted as remuneration	Exercised	Lapsed	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
RV Ryan	800,000	-	-	800,000	-
AJ Parker	1,800,000	-	-	1,800,000	-
PE Cox	1,000,000	-	-	1,000,000	-
RA Althoff	750,000	-	-	750,000	-
<u>Executives</u>					
DA Povey	100,000	-	-	100,000	-
JK Kopias	-	-	-	-	-

Shareholdings of Key Management Personnel - 2013

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>			
RV Ryan ¹	400,000	50,000	450,000
KH Hung ²	-	6,675,000	6,675,000
AJ Parker ³	360,000	270,000	630,000
RA Althoff ¹	870,000	108,750	978,750
EH Lim ¹	9,750,000	576,000	10,326,000
SW Chan	-	-	-
 <u>Executives - Nil</u>			

¹ Movements represent take up of entitlement shares under the rights issue.

² KH Hung commenced as Director on 23 January 2013. The change represents his holding upon commencement as Director.

³ AJ Parker movements represents take up of 70,000 entitlement shares under the rights issue and an on-market purchase of 200,000 shares.

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Shareholdings of Key Management Personnel - 2012

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
<u>Directors</u>			
RV Ryan	400,000	-	400,000
AJ Parker	360,000	-	360,000
PE Cox	160,000	(160,000) ¹	-
RA Althoff	870,000	-	870,000
EH Lim	9,750,000	-	9,750,000
SW Chan	-	-	-

Executives - Nil

¹ PE Cox retired as Director and Company Secretary on 30 November 2011.

No shares were issued in either 2013 or 2012 as compensation.

Performance Rights holdings of Key Management Personnel - 2013

	Balance at the beginning of the year	Granted as remuneration	Exercised	Lapsed	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
AJ Parker	-	1,000,000	-	-	1,000,000

Performance Rights holdings of Key Management Personnel - 2012

	Balance at the beginning of the year	Granted as remuneration	Exercised	Lapsed	Balance at the end of the year or date ceased to be KMP
<u>Directors</u>					
AJ Parker	-	1,086,750	-	1,086,750	-

Loans to Key Management Personnel

Nil

Other transactions with Key Management Personnel

Geosurveys Australia Pty Ltd is an entity associated with Dr AJ Parker. During the year Geosurveys Australia Pty Ltd provided vehicle hire to the Company totalling \$7,728 (2012: \$14,374) at equal to or less than commercial rates.

There were no bonuses or rights to bonuses earned or paid in either 2012 or 2013.

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.

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21. SEGMENT INFORMATION

During the year the Group operated in the mineral exploration industry in Australia and Indonesia.

Contributions by geographical segment based upon the location of exploration licence tenements are:

2013	<u>Australia</u>		<u>Indonesia</u>	<u>Corporate</u>	<u>Total</u>
	<u>Iron Ore</u>	<u>Graphite</u>			
	\$	\$	\$	\$	\$
<u>Income</u>					
Financial Income	-	-	-	71,638	71,638
<u>Expenses</u>					
Exploration and evaluation written off	(139,216)	(92,324)	-	-	(231,540)
Depreciation	-	-	-	(4,068)	(4,068)
Amortisation	(15,621)	-	-	-	(15,621)
Other expenses	-	-	-	(1,445,481)	(1,445,481)
Loss before income tax	(154,837)	(92,324)	-	(1,377,911)	(1,625,072)
Income tax benefit	-	-	-	220,813	220,813
Net loss for the year	(154,837)	(92,324)	-	(1,157,098)	(1,404,259)
<u>Assets</u>					
Exploration and evaluation	13,329,099	714,111	-	-	14,043,210
All other assets	671,537	-	-	549,386	1,220,923
Total assets	14,000,636	714,111	-	549,386	15,264,133
Total liabilities	(9,221)	(13,350)	-	(247,850)	(270,421)
Net assets	13,991,415	700,761	-	301,536	14,993,712
	<u>Australia / Iron Ore</u>	<u>Indonesia</u>	<u>Corporate</u>	<u>Total</u>	
	\$	\$	\$	\$	
<u>2012</u>					
<u>Income</u>					
Financial Income	-	-	61,315	61,315	
<u>Expenses</u>					
Exploration and evaluation written off	(501,950)	(81,138)	-	(583,088)	
Depreciation	-	-	(4,970)	(4,970)	
Amortisation	(12,412)	-	-	(12,412)	
Other expenses	-	-	(1,081,926)	(1,081,926)	
Loss before income tax	(514,362)	(81,138)	(1,025,581)	(1,621,081)	
Income tax benefit	-	-	319,835	319,835	
Net loss for the year	(514,362)	(81,138)	(705,746)	(1,301,246)	
<u>Assets</u>					
Exploration and evaluation	13,006,054	-	-	13,006,054	
All other assets	678,451	-	1,741,435	2,419,886	
Total assets	13,684,505	-	1,741,435	15,425,940	
Total liabilities	(53,300)	-	(197,882)	(251,182)	
Net assets	13,631,205	-	1,543,553	15,174,758	

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For the 2012 year, the two segments were Australian and Indonesian exploration. As Lincoln ceased operations in Indonesia during 2012, there was no Indonesian expenditure in the current year. During the 2013 year, the Company focussed on Graphite as well as Iron Ore. Consequently the two segments for the 2013 year were Iron ore and graphite exploration.

22. PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2013 the parent company was Lincoln Minerals Limited.

	<u>2013</u>	<u>2012</u>
	\$	\$
Result of the parent entity		
Loss for the period	(938,065)	(1,301,752)
Other comprehensive income	-	506
Total loss for the period	(938,065)	(1,301,246)
Financial position of parent entity at year end		
Current assets	1,690,190	1,704,156
Non-current assets	14,026,787	13,721,784
Total assets	15,716,977	15,425,940
Current liabilities	194,408	210,691
Non-current liabilities	62,663	40,491
Total liabilities	257,071	251,182
Total equity of the parent entity comprising of:		
Contributed equity	12	23,631,175
Reserves	13	96,285
Accumulated (Losses)	(8,267,554)	(7,329,489)
Total equity	15,459,906	15,174,758

Parent entity contingencies

At 30 June 2013 there were no contingencies.

Parent entity commitments

Parent entity commitments are the same as those for the Group which are disclosed in note 15.

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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, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; 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 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
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



RV RYAN
Director

Dated this 18th day of September 2013
Adelaide, South Australia



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

Report on the financial report

We have audited the accompanying financial report of Lincoln Minerals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and 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 ended on that date, notes 1 to 22 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 year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Emphasis of matter

Without qualification to the conclusion expressed above, we draw attention to the following matters:

Going Concern

For the year ended 30 June 2013 the Group incurred a loss of \$1,404,259 and had operating and investing cash outflows of \$1,866,918.

As a result of the uncertainties set out in note 2 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.

Recoverable value of exploration and evaluation assets – Gum Flat

The exploration and evaluation assets of \$14,043,210 represented in Note 9 in the financial statements includes \$11,605,321 in relation to the Gum Flat tenement.

As set out in Note 9, a mining licence application cannot be lodged with DMITRE until a ground water licence application has been obtained. A groundwater extraction licence application for Gum Flat Stage 1 was refused in July 2012. The Group has prepared and lodged a revised application. Should the Group be unsuccessful in obtaining a groundwater licence then the carrying value of the Gum Flat tenement may not be recoverable.



Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2013. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lincoln Minerals Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

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

KPMG

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

Darren Ball
Partner

Adelaide

18 September 2013