

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

The Directors present their report together with the financial report of Lincoln Minerals Limited for the half year ended 31 December 2008 together with the Auditor's review report thereon.

DIRECTORS

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

<i>Name</i>	<i>Period of directorship</i>
Non-executive	
Richard V. Ryan	Appointed 10 November 2006 and Chairman from that date
Peter E. Cox	Appointed 16 October 2006
Robert A. Althoff	Appointed 5 July 2005
Executive	
Dr A John Parker	Appointed 16 October 2006 as Managing Director from that date

REVIEW OF OPERATIONS

During the half year the Company continued to explore priority mineral targets with drilling campaigns completed at Gum Flat (EL 3422), Wilcherry (EL 3690) and Torrens (EL 3563). A gravity survey was completed on Cummins (EL 3703) and Wanilla (EL 3702).

Highlights include:

Magnetite and hematite iron ore mineralisation outlined at Gum Flat and the area of uranium mineralization extended at Wilcherry.

Gum Flat (EL 3422)

- 15 diamond drillholes (total 4,376m) and 118 reverse circulation (RC) drillholes (total 11,140m) completed over Barns and Rifle Range prospects
- Hematite and goethite-rich banded iron formation (BIF) containing up to 60.5% Fe (28m @ 55.9% Fe; drillhole GFRC103: 44-72m) identified on Barns Prospect
- Coarse-grained magnetite BIF containing up to 43.9% magnetic concentrate (Davis Tube Separation; 65-71% Fe)
- 80m thick magnetite BIF identified on Barns Prospect
- Shallow cover less than 20m over peak magnetic targets
- Resource definition in progress pending final assay results from diamond and RC drilling.

Cummins (EL 3703) and Wanilla (EL 3702)

- Detailed gravity survey completed over selected iron ore targets
- Modelling in progress to identify drill targets.

Cockabidnie (EL 3609)

- Lateritic-style nickel-cobalt mineralisation grading up to 1.15% Ni (with 0.045% Co, 0.037% Cu and 0.18% Zn; CBAC182, 25-26m) and 0.33% Co (with 0.21% Ni and 0.07% Cu; CBAC185, 30-31m).
- Significant intervals of mineralisation up to 30m wide (CBAC185, 20-50m @ 0.13% Co, 0.18% Ni and 0.05% Cu).
- Scoping study in progress to determine mineralogy and leaching characteristics

Wilcherry (EL 3690)

- Further aircore (AC) and RC drilling completed (total 8 RC drillholes for 555m and 45 AC drillholes for 4,241m)

- Discovered significant uranium mineralisation up to 0.06% U accompanied by up to 0.5% base metal (Zn+Pb+Ni+Cu+Co) in a weathered cap rock overlying pyritic and graphitic units
- Mineralisation extends over a zone approximately 200m wide and at least 200m long open both to the north and south along strike
- Scoping study in progress to determine uranium mineralogy and leaching characteristics
- JV partner IronClad Mining Limited has announced that part of their Hercules BIF target, Domains 1 to 4, within EL 3690 contains 21.7 million tonnes (Mt) @ 33.3% Fe.

Torrens (EL 3563)

- 1,000m diamond drillhole completed
- Intersected Neoproterozoic mafic volcanics thrust over younger Neoproterozoic sediments in Torrens Hinge Zone.

Kimba Gap (EL 3968)

- Vegetation sampling around the margins of lakes with high U/Th ratios has located a significant zone of uranium anomalism.

Indonesian Joint Venture

In February 2009, the Company concluded a Heads of Agreement with Indonesian mining house, Samusa Corporation of Jakarta, to establish a new iron ore joint venture to explore and exploit Samusa's Desa Mirah Kalanaman iron ore mine and surrounding exploration concession in the south-central area of the Indonesian island of Kalimantan (Borneo). Lincoln will earn a 45% interest in the mine and exploration concession by making a conditional JV commitment of US\$2 million. There are certain break clauses in the Heads of Agreement whereby Lincoln can opt out if either insufficient reserves of iron ore are established in the first year, budgeted costs of mining materially differ from those incurred, or tenements are not maintained.

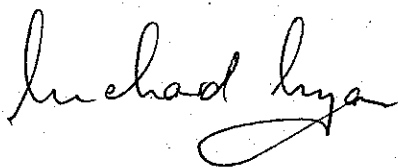
Some mining will commence immediately and it is planned to commence mining at a rate of 250,000 tpa increasing if sufficient resources are defined. This is the first overseas project expansion for Lincoln and it enables the Company to move from iron ore explorer to iron ore producer in the near term. Lincoln Minerals was invited to become a party to this joint venture because of its expertise in the geological aspects of this project.

Separately, Lincoln has advanced US\$50,000 to Samusa Corporation to fast track the delivery of stockpiled ore for sale. The stockpiled ore is securing the advance.

AUDITOR'S INDEPENDENCE DECLARATION

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

Dated at Adelaide, South Australia this 12th day of March 2009 and signed in accordance with a resolution of the Directors.



R V Ryan, Director

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



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

To: the directors of Lincoln Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

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

KPMG

KPMG

Derek Meates
Partner

Adelaide

12 March 2009

LINCOLN MINERALS LIMITED
ABN 50 050 117 023

INTERIM INCOME STATEMENT

for the half year ended 31 December 2008

	Notes	<u>Half year ended</u> <u>31 December 2008</u>	<u>Half year ended</u> <u>31 December 2007</u>
		\$	\$
Financial income - interest		148,398	222,967
Overhead recoveries – joint venture partner		197,702	65,870
Employee benefits expense		(167,421)	(72,213)
Employee benefits expense – share based payments		(8,604)	(6,665)
Finance costs		-	-
Exploration and evaluation expenditure not capitalised		(912,708)	(4,108)
Depreciation and amortisation of non-current assets		(9,929)	(8,368)
Corporate expenses	5	(349,546)	(324,616)
LOSS BEFORE INCOME TAX		(1,102,108)	(127,133)
Income tax expense	6	-	-
NET LOSS FOR THE HALF YEAR		(1,102,108)	(127,133)
LOSS FOR THE HALF YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		(1,102,108)	(127,133)
Basic earnings (loss) per share (cents)		(1.46)	(0.17)
Diluted earnings (loss) per share (cents)		(1.46)	(0.17)

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED

INTERIM STATEMENT OF CHANGES IN EQUITY for the half year ended 31 December 2008

	Issued capital	Accumulated losses	Share based payments reserve	Total
At 1 July 2008	8,196,928	(1,147,964)	58,032	7,106,996
Share issues	40,000	-	-	40,000
Share issue expenses	-	-	-	-
Loss for the half year	-	(1,102,108)	-	(1,102,108)
Options expense	-	-	8,604	8,604
At 31 December 2008	<u>8,236,928</u>	<u>(2,250,072)</u>	<u>66,636</u>	<u>6,053,492</u>
At 1 July 2007	7,165,908	(517,260)	28,742	6,677,390
Share issues	1,050,000	-	-	1,050,000
Share issue expenses	(18,980)	-	-	(18,980)
Loss for the half year	-	(127,133)	-	(127,133)
Options expense	-	-	6,665	6,665
At 31 December 2007	<u>8,196,928</u>	<u>(644,393)</u>	<u>35,407</u>	<u>7,587,942</u>

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED

INTERIM BALANCE SHEET

as at 31 December 2008

	<u>Notes</u>	<u>31 December 2008</u> \$	<u>30 June 2008</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	3,923,710	5,440,272
Trade and other receivables		555,427	460,103
TOTAL CURRENT ASSETS		4,479,137	5,900,375
NON CURRENT ASSETS			
Property plant and equipment		211,198	223,209
Exploration and evaluation	8	2,116,428	1,589,000
Intangibles		8,748	10,032
TOTAL NON CURRENT ASSETS		2,336,374	1,822,241
TOTAL ASSETS		6,815,511	7,722,616
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		719,351	568,494
Employment entitlements – annual leave		42,668	47,126
TOTAL CURRENT LIABILITIES		762,019	615,620
TOTAL LIABILITIES		762,019	612,620
NET ASSETS		6,053,492	7,106,996
EQUITY			
Contributed equity	9	8,236,928	8,196,928
Reserves	10	66,636	58,032
Accumulated Losses		(2,250,072)	(1,147,964)
TOTAL EQUITY		6,053,492	7,106,996

The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED

INTERIM CASH FLOW STATEMENT

for the half year ended 31 December 2008

	<u>Half year ended</u> <u>31 December 2008</u>	<u>Half year ended</u> <u>31 December 2007</u>
<u>Notes</u>	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(638,084)	(455,699)
Overhead recoveries – joint venture partner	190,391	53,571
Interest received	151,110	256,240
Net cash (outflow) from operating activities	<u>(296,583)</u>	<u>(145,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(2,808,592)	(871,554)
Exploration expenditure – joint venture contributions	1,586,047	446,429
Payments for acquisition of property, plant and equipment	(35,804)	(38,184)
Payments for acquisition of intangibles	(1,630)	(10,190)
Net cash inflow/(outflow) from investing activities	<u>(1,259,979)</u>	<u>(473,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	40,000	1,050,000
Share issue expenses	-	(18,980)
Net cash inflow/(outflow) from financing activities	<u>40,000</u>	<u>1,031,020</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,516,562)</u>	<u>411,633</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>5,440,272</u>	<u>6,397,718</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,923,710</u>	<u>6,809,351</u>

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The accompanying Notes form part of these Financial Statements

LINCOLN MINERALS LIMITED

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Lincoln Minerals Limited is a company domiciled in Australia and whose shares are publicly traded on ASX Limited.

This interim financial report should be read in conjunction with the 2008 annual financial report which is available from the Company's registered office at 28 Greenhill Road, Wayville SA 5034 or at www.lincolnminerals.com.au

2. STATEMENT OF COMPLIANCE

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

The interim financial report does not contain all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2008.

The interim financial report was approved by the Board of Directors on 12 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2008.

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

4 GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2008 the Company had net current assets of \$3,717,118 and the Directors believe that the Company has sufficient cash to pay its debts as and when they fall due, and to fund near term anticipated exploration and corporate activities. It is the intention of the Directors to continue to explore the Company's areas of interest for which rights of tenure are current and to pursue the recently formed joint venture in Kalimantan, Indonesia with Samusa Corporation. In order to achieve this, further cash injections by way of debt or equity may be necessary. Subject to market conditions, the Directors consider that Lincoln Minerals Limited could raise cash by way of equity or debt to fund anticipated activities. The Directors will take appropriate action to ensure funds are available if and when they may be required.

LINCOLN MINERALS LIMITED

5. CORPORATE EXPENSES

	<u>Half year ended</u> <u>31 December 2008</u>	<u>Half year ended</u> <u>31 December 2007</u>
	\$	\$
Accounting and secretarial	-	46,538
ASX fees	16,910	23,834
Audit fees	15,500	11,500
Directors' fees	60,000	60,000
Head office administration	89,743	45,840
Legal fees	26,617	8,502
Payroll tax	14,599	-
Operating lease payments	27,854	22,419
Public relations and shareholder report costs	74,156	63,002
Share registry	23,867	11,313
Staff recruitment and relocation	300	31,668
	<u>349,546</u>	<u>324,616</u>

6. INCOME TAX EXPENSE

The Company has no income tax expense for the period. Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences (net of taxable temporary differences) because it is not probable that future taxable profit will be available against which the Company will be able to utilise the benefits.

7. CASH AND CASH EQUIVALENTS

	<u>31 December 2008</u>	<u>30 June 2008</u>
Cash at bank and in hand	33,243	43,771
Short term deposits	3,890,467	5,396,501
	<u>3,923,710</u>	<u>5,440,272</u>

The Company has no available undrawn loan facilities.

8. EXPLORATION AND EVALUATION

Balance at 1 July 2008	1,589,000
Expenditure for the half year	3,088,221
Less, Joint venture contributions	(1,648,085)
Less, impairment write off	(912,708)
Balance at 31 December 2008	<u>2,116,428</u>

LINCOLN MINERALS LIMITED

9. CONTRIBUTED EQUITY

(a) Share capital	<u>31 December 2008</u>	<u>30 June 2008</u>
Fully paid ordinary shares	8,236,928	8,196,928
 Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2007	71,672,221	7,165,908
Issue 16 August 2007	3,500,000	1,050,000
Less, share issue expenses	-	(18,980)
Balance at 31 December 2007 and 30 June 2008	75,172,221	8,196,928
Issue 11 July 2008	200,000	40,000
Balance at 31 December 2008	75,372,221	8,236,928

10. RESERVES

	<u>Half year ended</u> <u>31 December 2008</u>	<u>Year ended</u> <u>30 June 2008</u>
	<u>\$</u>	<u>\$</u>
Share-based payments reserve		
Balance at beginning of the period	58,032	28,742
Option expense	8,604	29,290
Balance at the end of the period	66,636	58,032

11. SHARE-BASED PAYMENTS

The Company issued 200,000 options (subject to vesting conditions) to staff in July 2007, and 100,000 options to staff (subject to vesting conditions) in September 2007. The options have exercise prices of 25 cents and expire on 31 December 2011.

The following table lists the inputs to the Black-Scholes model used to determine the value of the payment:

	<u>July 2007 issue</u>	<u>Sept 2007 issue</u>
Expected volatility	64%	123%
Risk-free interest rate	5.50%	5.75%
Expected life of option	1,623 days	1,542 days
Average share price at grant date	\$0.20	\$0.175
Value per option	10.11 cents	13.68 cents

Half of the options granted above vest upon completion of one year's service by the respective employees, and the remainder after completion of two years' service with the Company.

The basis of measuring fair value of options granted is consistent with that disclosed in the financial report of the Company as at and for the year ended 30 June 2008.

LINCOLN MINERALS LIMITED

12. SEGMENT INFORMATION

The Company operated in the mineral exploration industry in Australia during the half year ended 31 December 2008.

13. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Geosurveys Australia Pty Ltd is an entity associated with Dr AJ Parker. During the half year ended 31 December 2008 Geosurveys Australia Pty Ltd provided vehicle and equipment hire to the Company totaling \$15,700 at equal to or less than commercial rates in connection with the business of the Company.

14. EVENTS SUBSEQUENT TO BALANCE DATE

On 24 February 2009 the Company completed a Heads of Agreement with Indonesian based Samusa Corporation whereby it can achieve a 45% interest in an exploration and mining project in Kalimantan (Borneo), Indonesia. The Heads of Agreement provides that Lincoln Minerals will contribute US\$2 million (which can be offset by share of proceeds of sales of iron ore) on an as needs basis for the project. There are certain break clauses whereby Lincoln can opt out if either insufficient reserves of iron ore are established in the first year, budgeted costs of mining materially differ from those incurred, or tenements are not maintained. Otherwise the Company will contribute cash and expertise during the course of development of the project. Lincoln Minerals estimates that, provided that Lincoln does not opt out of the joint venture for the aforementioned reasons, its maximum cash exposure on the basis of proceeding to mining in respect of this project will be less than A\$1.5 million. Separately, Lincoln has advanced US\$50,000 to Samusa Corporation to fast track the delivery of stockpiled ore for sale.

LINCOLN MINERALS LIMITED

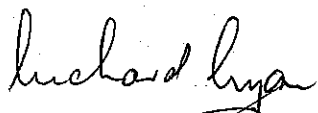
DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the six months ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board



Richard V Ryan
Chairman

Dated this 12th day of March 2009.
Adelaide, South Australia



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Lincoln Minerals Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 14 and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Conclusion

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

(a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG


Derek Meates
Partner

Adelaide

12 March 2009