

LINCOLN MINERALS LIMITED
ABN 050 50 117 023

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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

Current Directors

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.

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, particularly in South Australia's Gawler Craton. He also has a strong geophysical background and is a leading geographical information systems (GIS) expert. He has 21 years' experience in mineral exploration and prior to that, 16 years' experience in geological mapping with the SA Geological Survey. He is a long-standing member of the Australian Institute of Geoscientists (30 years), Geological Society of Australia and Australian Society of Exploration Geophysicists, is a Fulbright Postdoctoral Fellow and a member of the Australian Institute of Company Directors. Other directorships of listed entities within the last three years: Genesis Resources Limited from 12 August 2010 to 29 July 2012.

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.

Alex Hooi-Kiang Lim
Director (Non-Executive)
Appointed 1 December 2013

Mr Alex Hooi-Kiang Lim was a former independent director of Nexnews Bhd listed on the Bursa Malaysia, and has a number of business interests in the palm oil plantation and insurance sectors. Other directorships of listed entities within the last three years: Genesis Resources Limited from 26 November 2012 to date.

Eddie Lung Yiu Pang
Director (Non-Executive)
Appointed 1 December 2013

Mr Pang has a first-class Bachelor of Science with Honours degree in Chemistry. He operates a trading business based in Shanghai supplying the Chinese market with Australian wine and dairy products, along with marketing and export of Chinese pharmaceutical products and chemicals to the United Arab Emirates, Lebanon, Iraq and Canada. Mr Pang has a number of private business interests in Australia, including vineyards and timber plantations. Mr Pang's extensive network of business associates in China (both national and private) and the Middle East will be an invaluable asset for Lincoln in its future capital raising and product marketing. Other directorships of listed entities within the last three years: Genesis Resources Limited from 6 March 2009 to date.

Previous Directors

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
Retired 20 November 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.

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
Retired 20 November 2013

Mr Lim ordinarily resides in Singapore and has a strong background in 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
Retired 30 November 2013

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.

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), Crest Minerals Limited (ASX:CTT) and Valence Industries Limited (ASX:VXL). Mr Kopias is also a non-executive Director of Crest Minerals Limited.

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>
Y Jin	7	6
AJ Parker	9	9
KG Saw	7	7
AHK Lim	5	4
ELY Pang	5	4
RV Ryan	2	2
KH Hung	3	3
RA Althoff	2	2
EH Lim	3	3
SW Chan	4	4
KH Hung	3	3

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

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; and
- Graphite projects in the Koppio-Kookaburra Gully region 35 km north of Port Lincoln and at Cockabidnie-Campoona on central Eyre Peninsula.

Gum Flat Iron Ore Project

The Company's Gum Flat iron ore project contains a total 109 million tonnes Inferred and Indicated Mineral Resources. 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, the Company proposes to mine and export hematite/goethite Direct Shipping Ore (DSO) and hematite/magnetite concentrates via the main wharf at Port Lincoln and/or Port Spencer, Cape Hardy or Lucky Bay if any of these proposed ports 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 or Lucky Bay; and
- 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 high grade fines for export.

The Company prepared a Mining Lease Application for Stage 1 in 2011 but it was delayed by the South Australian State Government 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 SA Minister for Sustainability, Environment and Conservation and Department for Environment Water and Natural Resources (DEWNR).

Consequently, the Company revised its proposed mining schedule to a 5-year operation and revised its groundwater licence application. The revised application was also refused but following a successful appeal to the Environment, Resources and Development Court of South Australia (ERD Court), the Court directed the Minister to grant a water licence and remitted the matter to the Minister for further consideration as to appropriate conditions on the licence. The groundwater licence will permit Lincoln to extract groundwater from the region's Basement Aquifer to progressively "de-water" a small part of that aquifer in order to lower and maintain the water level below the proposed iron ore mining operations over the five years of the mine's proposed Stage 1.

The Minister has not appealed the decision, and will grant a water licence subject to conditions, the Company can now complete the Mining Lease Proposal (MLP) for Stage 1.

Graphite Projects

Over the last 4 years, the international price of graphite has increased dramatically from a few hundred dollars a tonne to over \$1,250 per tonne for high grade coarse flake graphite. The Company 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 and March 2014) and the historic Koppio Graphite Mine (April 2014).

During 2013, the Koppio-Kookaburra Gully airborne EM survey was interpreted to indicate conceptual graphite Exploration Targets totaling 33 million tonnes to 94 million tonnes at a potential grade of 7-15% TGC. *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.*

Kookaburra Gully Graphite Project

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 December 2013, the Company presented an updated Inferred and Indicated Resource for Kookaburra Gully of 2.20 million tonnes at 15.1% total graphitic carbon (TGC) with 332,000 tonnes of contained graphite at a nominal cut-off grade of 5% TGC (refer ASX release 19 December 2013).

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

<i>Mineral Resource Classification</i>	<i>Tonnage (Mt)</i>	<i>Average Grade (% TGC)</i>	<i>Contained Graphite (tonnes)</i>	<i>Density (g/cc)</i>
<i>Indicated</i>	1.47	13.9	204,352	2.57
<i>Inferred</i>	0.73	17.3	127,425	2.52
TOTAL (>5% TGC)	2.20	15.1	331,778	2.55

Mt = million tonnes TGC = Total Graphitic Carbon

Kookaburra Gully Mineral Resource at a nominal 2% TGC lower cut-off grade

<i>Mineral Resource Classification</i>	<i>Tonnage (Mt)</i>	<i>Average Grade (% TGC)</i>	<i>Contained Graphite (tonnes)</i>	<i>Density (g/cc)</i>
<i>Indicated</i>	<i>2.10</i>	<i>10.6</i>	<i>223,349</i>	<i>2.56</i>
<i>Inferred</i>	<i>1.13</i>	<i>12.2</i>	<i>137,370</i>	<i>2.52</i>
TOTAL (>2% TGC)	3.23	11.2	360,719	2.54

Mt = million tonnes TGC = Total Graphitic Carbon

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

The JORC Mineral Resources at Kookaburra Gully represent 500m of a 4.5km long electromagnetic (EM) target, the remainder of which has not yet been drilled. This reinforces the Company's confidence in being able to quickly progress the Company's graphite resources on southern Eyre Peninsula into a high-quality, long-life graphite mining and processing operation.

During the year, the Company continued detailed laboratory bench-scale metallurgical analysis of bulk samples collected from aircore drilling and shallow trenches (*Lincoln Minerals Limited, ASX Announcement 6 January 2014*). Metallurgical tests have shown that the Kookaburra Gully deposit can produce a range of flake graphite products from very fine (<75 microns) to large (>176 microns) flake at grades in excess of 93% TGC.

During the latter part of 2013, the Company appointed Parsons Brinckerhoff to prepare a MLP for the Kookaburra Gully flake graphite project. This was supported by a number of flora, fauna, groundwater, dust, noise, transport etc studies by various expert consultants and preparation of a conceptual mine plan by AMC Consultants. The Company has a target date of late 2015 for full-scale production from Kookaburra Gully.

The MLP and Application will be made in the name of Australian Graphite Limited (AGL) which is a fully-owned subsidiary of the Company. AGL owns the graphite mineral rights over a number of LML and CXM-SAIOG ELs (see the Tenement schedule at the end of this report).

A key component of the Kookaburra Gully project has been the Stakeholder Consultation Plan. This is ongoing and addressing impacts and benefits to surrounding landholders, stakeholders and the wider Eyre Peninsula community.

For further information regarding progress on the Mining Lease Proposal, please consult the July 2014 Community Information Update No. 2 (*Lincoln Minerals Limited, ASX Announcement 9 July 2014*) which is available on the Company website www.linconminerals.com.au.

Lincoln Minerals and Australian Graphite aim to take the Kookaburra Gully project to critical development and commercialisation milestones over the next 12 months.

Historic Koppio Graphite Mine

Based on the revised EM interpretation, a drilling program was completed at the historic Koppio Graphite Mine in April 2014. Drilling intersected varying grades and thicknesses with all but one drill hole intersecting minor to significant graphite mineralisation. The best one metre intersection, in Hole KPO17 (53-54m), was 42.8% TGC which is one of the highest yet graphite assay results from Australia's new wave of graphite exploration projects.

The April 2014 drilling at Koppio has extended the extent of graphite mineralisation at the site of the historic workings from a strike length of ca. 50m to more than 525m and a depth extent of at least 100m below ground level. The current strike length is still open to the north and south of existing drilling. The aggregate true thickness of graphite layers at the mine site and 160m SW is about 14-15m but to the NE of the mine, the units thin to an aggregate true thickness of 6-7m. The interpreted dip of the graphite units is about 60-75° to the ESE but they are complexly folded.

Other Areas

No significant exploration was undertaken on the Company's other projects during the year due to shortage of funds and the focus of activities on the Gum Flat and graphite projects.

Further details of the Company's operations are set out in the Managing Director's Review of Operations section of the 2014 Annual Report.

RESULTS AND DIVIDENDS

The Group made a loss after tax of \$1,130,809 (2013: \$1,404,259). In 2014 the Group capitalised \$1,217,918 (2013: \$1,268,696) of exploration and evaluation expenditure and expensed \$146,178 (2013: \$231,540) of such expenditure that was unable to be carried forward. Interest income was \$14,668 (2013: \$37,957).

During the year the Company issued 28,755,744 new shares as a result of a rights issue in September 2013. Gross proceeds of \$1,437,787 were achieved from this issue. The Company further issued 67,096,737 new shares as a result of a rights issue in June 2014, gross proceeds of \$3,354,837 were achieved from this issue.

Cash at the end of June 2014 was \$2,889,580, (2013: \$434,683).

No dividends were paid and the directors have not recommended the payment of a dividend (2013: 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>
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)	(0.81)	14,993,712	172,534,468	4.7
2014	(1,130,809)	(0.56)	18,219,080	268,386,949	7.0

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

The Board and Management 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 (2013: Nil).

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2014-15, 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 2014-15:

- Completion of Mining Lease Proposal and lodge Mining Lease Application
- Marketing and product assessment with potential customers,
- Resource definition for historic Koppio Graphite Mine deposit,
- Geotechnical drilling at Kookaburra Gully;
- Exploration and resource definition drilling of Kookaburra Gully Extended EM anomaly,
- Mini pilot plant testing of a bulk ore sample from Kookaburra Gully (ca. 50-200 tonnes),
- Prepare detailed mine plan and definitive feasibility study for Kookaburra Gully, and
- Preparation of detailed Program for Environmental Protection and Rehabilitation (PEPR) for Kookaburra Gully.

Gum Flat program and timing:

- 4th Quarter 2014 – subject to groundwater license conditions, revise and lodge the Mining Lease Application
- 2015 – subject to obtaining a Mining Lease, prepare PEPR and 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.

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 (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. This report outlines the remuneration arrangements in place for KMP of Lincoln Minerals Limited.

KMP comprise:

Directors

Y Jin (from 18 September 2013)	Chairman (non-executive)
AJ Parker	Managing Director
KG Saw (from 18 September 2013)	Director (non-executive)
AHK Lim (from 1 December 2013)	Director (non-executive)
ELY Pang (from 1 December 2013)	Director (non-executive)
RV Ryan (resigned 18 September 2013)	Chairman (non-executive)
KH Hung (resigned 20 November 2013)	Deputy Chairman (non-executive)
RA Althoff (resigned 18 September 2013)	Director (non-executive)
EH Lim (resigned 20 November 2013)	Director (non-executive)
SW Chan (resigned 30 November 2013)	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 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 (2013: \$40,000) per non-executive director per annum and the Chairman \$55,000 (2013: \$55,000) per annum, all inclusive of statutory superannuation for a total of \$189,714 (2013: \$192,556).

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. There was no variable remuneration issued during the year.

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 2015 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 \$234,000 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)

	Salary and fees	Short term Contract payments	Post employment Super -annuation	Long service leave ⁷	Share-based payment Performance Rights	Total	Value of rights as a % of total remuneration
	\$	\$	\$	\$	\$	\$	%
Year ended 30 June 2014							
<u>Directors</u>							
YB Jin ¹	-	43,193	-	-	-	43,193	-
AJ Parker	217,300	-	35,000	12,369	-	264,669	-
KG Saw ¹	-	31,413	-	-	-	31,413	-
AHK Lim ²	-	23,370	-	-	-	23,370	-
ELY Pang ²	-	23,370	-	-	-	23,370	-
RV Ryan ³	-	11,957	-	-	-	11,957	-
KH Hung ⁴	-	15,543	-	-	-	15,543	-
RA Althoff ³	7,959	-	736	-	-	8,695	-
EH Lim ⁴	15,543	-	-	-	-	15,543	-
SW Chan ⁵	-	16,630	-	-	-	16,630	-
<u>Executives</u>							
JK Kopias	-	101,203	-	-	-	101,203	-
DA Povey	113,850	-	10,531	4,540	-	128,921	-
Total Directors and KMP – 2014	354,652	266,679	46,267	16,909	-	684,507	-

Year ended
30 June 2013

<u>Directors</u>							
RV Ryan	-	55,000	-	-	-	55,000	-
AJ Parker	217,649	-	25,000	14,063	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 ⁶	-	17,556	-	-	-	17,556	-
<u>Executives</u>							
JK Kopias	-	100,793	-	-	-	100,793	-
DA Povey	111,925	-	10,073	8,845	-	130,843	-
Total Directors and KMP – 2013	406,271	213,349	38,376	22,908	2,900	683,804	-

¹ Mr Jin and Mr Saw were appointed to the board on 18 September 2013.

² Mr Lim and Mr Pang were appointed to the board on 1 December 2013.

³ Mr Ryan and Mr Althoff resigned as Directors on 18 September 2013.

⁴ Mr Hung and Mr Lim resigned as Directors on 20 November 2013.

⁵ Ms Chan resigned as Director on 30 November 2013.

⁶ Mr Hung was appointed to the board on 23 January 2013.

⁷ Based on Company's accounting policy, Dr Parker and Mr Povey commenced accruing long service leave following more than 5 years of service. The figures above represent the movement in present value of each KMP's long service leave entitlement during the year.

No bonuses were earned by or paid to any KMP in either 2014 or 2013.

No shares were issued in either 2014 or 2013 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

There were no performance rights held by KMP at the end of the year.

30 June 2014	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	-

Shareholdings of Key Management Personnel - 2014

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>			
Y Jin	n/a	-	-
AJ Parker ¹	630,000	600,002	1,230,002
KG Saw	n/a	-	-
AHK Lim	n/a	-	-
ELY Pang ²	n/a	3,454,133	10,816,532
RV Ryan ³	450,000	-	n/a
KH Hung ³	6,675,000	-	n/a
RA Althoff ³	978,750	-	n/a
EH Lim ³	10,326,000	-	n/a
SW Chan ³	-	-	n/a

Executives - Nil

¹ AJ Parker movement represents take up of 350,002 entitlement shares under the rights issue and 250,000 underwriting of rights issue.

² ELY Pang commenced as Director on 1 December 2013. The change represents his holding upon commencement as Director 7,362,399 and take up of 2,454,133 entitlement shares under the rights issue and a further 1,000,000 shares as sub-underwriter of rights issue.

³ Resigned during the year, therefore not considered a KMP at the reporting date.

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 the audit and review of financial statements.

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

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Audit services</u>		
Audit and review of financial reports (KPMG Australia)	52,000	46,000
<u>Other services</u>		
Taxation advice, research & development advice and related matters	34,750	30,007

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 16th day of September 2014 and signed in accordance with a resolution of the Directors.



Y Jin, Chairman



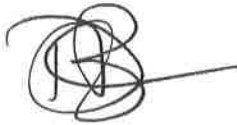
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2014 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

16 September 2014

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, including 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>
Yubo Jin	Independent	Since September 2013
Dr A John Parker – Managing Director	Non-independent	Since October 2006
Kee Guan Saw	Independent	Since September 2013
Alex Hooi-Kiang Lim	Independent	Since December 2013
Eddie Lung Yiu Pang	Independent	Since December 2013
Richard V Ryan – Chairman	Independent	November 2006 to September 2013

Kwang Hou Hung – Deputy Chairman	Independent	January 2013 to November 2013
Robert A Althoff	Independent	July 2005 to September 2013
Eng Hoe Lim	Independent	October 2010 to November 2013
Sze Wan Chan	Independent	February 2012 to November 2013

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	5	0
Senior Management	2	0
Other employees	5	3
Total	12	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 – 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 30 June 2014

	Note	<u>2014</u>	<u>2013</u>
		\$	\$
Other Income		14,500	33,681
Exploration and evaluation written off	9	(146,178)	(231,540)
Corporate and administrative expenses	3	(1,067,677)	(1,450,599)
Depreciation and amortisation		(14,122)	(19,689)
Gain/(Loss) on sale of assets		(18,621)	5,118
RESULTS FROM OPERATING ACTIVITIES		(1,232,098)	(1,663,029)
Financial income – interest		14,668	37,957
Finance Costs		(9,349)	-
NET FINANCE INCOME		5,319	37,957
LOSS BEFORE INCOME TAX		(1,226,779)	(1,625,072)
Income tax benefit	4	95,970	220,813
NET LOSS FOR THE YEAR		(1,130,809)	(1,404,259)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,130,809)	(1,404,259)
Basic earnings (loss) per share (cents)	17	(0.56)	(0.81)
Diluted earnings (loss) per share (cents)	17	(0.56)	(0.81)

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Note	Issued capital	Accumulated losses	Share based payments reserve	Total
		\$	\$	\$	\$
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
Balance at 1 July 2013		23,631,175	(8,733,748)	96,285	14,993,712
Total comprehensive loss for the year					
Loss		-	(1,130,809)	-	(1,130,809)
Total comprehensive loss for the year		-	(1,130,809)	-	(1,130,809)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	12	4,792,623	-	-	4,792,623
Share issue expenses		(436,446)	-	-	(436,446)
Total contributions by owners of the Company		4,356,177	-	-	4,356,177
Balance at 30 June 2014		27,987,352	(9,864,557)	96,285	18,219,080

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	<u>2014</u> \$	<u>2013</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,889,580	434,683
Trade and other receivables	7	249,170	88,552
TOTAL CURRENT ASSETS		<u>3,138,750</u>	<u>523,235</u>
NON CURRENT ASSETS			
Property plant and equipment	8	658,791	681,981
Exploration and evaluation	9	15,114,950	14,043,210
Intangible assets	10	7,875	15,707
TOTAL NON CURRENT ASSETS		<u>15,781,616</u>	<u>14,740,898</u>
TOTAL ASSETS		<u>18,920,366</u>	<u>15,264,133</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	508,433	107,758
Employee entitlements – leave provisions		182,679	100,000
TOTAL CURRENT LIABILITIES		<u>691,112</u>	<u>207,758</u>
NON CURRENT LIABILITIES			
Employee entitlements – leave provisions		10,174	62,663
TOTAL NON CURRENT LIABILITIES		<u>10,174</u>	<u>62,663</u>
TOTAL LIABILITIES		<u>701,286</u>	<u>270,421</u>
NET ASSETS		<u>18,219,080</u>	<u>14,993,712</u>
EQUITY			
Contributed equity	12	27,987,352	23,631,175
Reserves	13	96,285	96,285
Accumulated losses		(9,864,557)	(8,733,748)
TOTAL EQUITY		<u>18,219,080</u>	<u>14,993,712</u>

The accompanying notes form part of these Financial Statements

LINCOLN MINERALS LIMITED - Financial Statements 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,049,171)	(1,400,842)
Interest received		15,228	62,706
Other Income		14,500	-
Research & Development tax concession received		-	540,648
Interest paid		(9,349)	-
Net cash (outflow) from operating activities	6	(1,028,792)	(797,488)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(1,020,535)	(1,067,755)
Payments for property, plant and equipment		(41,343)	(15,345)
Proceeds on sale of assets		-	13,670
Net cash (outflow) from investing activities		(1,061,878)	(1,069,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of Convertible Note		250,000	-
Repayment of Convertible Note		(250,000)	-
Proceeds from share issues	12	4,792,623	1,341,935
Share issue expenses		(247,056)	(120,444)
Net cash inflow/(outflow) from financing activities		4,545,567	1,221,491
Net increase/(decrease) in cash and cash equivalents		2,454,897	(645,427)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		434,683	1,080,110
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	2,889,580	434,683

The accompanying notes form part of these Financial Statements

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. THE REPORTING ENTITY

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2014 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 16 September 2014.

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 accounting

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).

(b) Basis of measurement

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

(c) Basis of preparation

The financial report has been prepared on a going concern basis as detailed in note 22 to the accounts.

New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

AASB 9 Financial Instruments (2013), AASB 9 Financial Instruments (2010) and AASB 9 Financial Instruments (2009) (together AASB 9)

- 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 additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets.

AASB 9 (2013) introduces new requirements for hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2017. The effective date is subject to review pending the finalisation of the outstanding phases of the standard. However, early adoption is permitted. The adoption of these standards is not expected to have a significant impact on the Group's financial assets and financial liabilities.

New and amended standards adopted by the company

The Company has applied the following accounting standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities.

LINCOLN MINERALS LIMITED - *Financial Statements 2014*

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

The nature and effect of the changes are further explained below:

Subsidiaries

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusion for its investees at 1 July 2013. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures.

The Company does not use fair value measurements extensively and therefore the impact on the current or future consolidated financial statements is not considered material.

Employee benefits

AASB 119 now requires that if the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are to be measured as long term benefits. This change has had no significant impact on the Group's measurement of its annual leave obligations.

(d) 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 in 2012/13 and holds the Group's graphite related assets. Australian Graphite Production Limited was acquired during the year, holds no assets and has not traded.

(e) 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(v) 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.

(f) Jointly controlled operations and assets

The interests of the Group in jointly controlled operations 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 arrangement.

(g) 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.

(h) 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(k).

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as being 5 to 15 years for the current and comparable period.

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 consolidated statement of profit or loss and other comprehensive income in the period the item is de-recognised.

(i) 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;

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- 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.

(j) 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 for the current and comparable period.

(k) 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.

(l) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position 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 Consolidated Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(n) 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.

(o) 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. The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when settlement is expected to occur.

(iii) Share-based payments

Refer note 2(v).

(p) 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.

(q) 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.

(r) 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.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income 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

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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 reporting 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.

(t) 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.

(u) 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 Consolidated Statement of Cash Flows 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.

(v) 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).

(w) 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.

(x) 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.

(y) 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.

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3. CORPORATE AND ADMINISTRATION EXPENSES

		<u>2014</u>	<u>2013</u>
		\$	\$
ASX fees		25,230	26,313
Audit fees	14	52,000	46,000
Directors' fees		189,714	192,556
Head office administration		256,653	465,068
Insurances		34,410	32,921
Legal fees		22,618	146,875
Operating lease payments		45,866	40,054
Payroll tax		1,166	15,470
Public relations		23,884	53,708
Share registry		26,390	31,808
Staff recruitment, re-location, conferences, training		19,912	9,435
Travel		92,122	76,838
Employee benefits to P&L ¹		277,712	313,553
		<u>1,067,677</u>	<u>1,450,599</u>

¹ In addition, employee benefits of \$340,206 (2013: \$456,411) are capitalised into exploration and evaluation expenditure (Note 9).

4. INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

Loss before tax	<u>(1,226,779)</u>	<u>(1,625,072)</u>
Prima facie income tax benefit at 30% (2013 30%)	(368,034)	(487,522)
Research and development tax refund	(95,970)	(220,813)
Effect of permanent and temporary differences and tax losses not recognised	<u>368,034</u>	<u>487,522</u>
Income tax benefit attributable to operating loss	<u>(95,970)</u>	<u>(220,813)</u>

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 of approximately \$4,534k (2013: \$4,213k), relating mainly to capitalised exploration assets. The unrecognised deferred tax asset mainly with respect to accumulated tax losses is \$1,695k tax effected at 30% (2013: \$1,592k), 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.

5. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
	\$	\$
Cash at bank and in hand	379,386	268,052
Short term deposits	<u>2,510,194</u>	<u>166,631</u>
	<u>2,889,580</u>	<u>434,683</u>

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

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interest rate on short term deposits in 2014 was 2.5% (2013 6.4%). 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 Department of State Development (previously DMITRE).

The Company has no available undrawn loan facilities.

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

	<u>2014</u>	<u>2013</u>
	\$	\$
Operating (loss) after income tax	(1,130,809)	(1,404,259)
Depreciation and amortisation	14,122	19,689
Exploration expenditure written off	146,178	231,540
Performance Rights issued	-	2,900
Changes in Assets and Liabilities		
Decrease (Increase) in other current operating assets	(108,366)	339,907
(Decrease) Increase in operating creditors and accruals	19,893	(34,863)
Decrease (Increase) in leave provisions	30,190	47,598
Net cash used in operating activities	<u>(1,028,792)</u>	<u>(797,488)</u>

7. RECEIVABLES

Accrued interest receivable	975	1,535
Bonds and deposits	43,617	15,000
Prepaid expenses	24,659	24,143
GST refundable	75,496	33,578
Research & Development tax refund	95,970	-
Other	8,453	14,296
	<u>249,170</u>	<u>88,552</u>

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>2014</u>	\$	\$	\$	\$	\$
At cost	555,825	72,958	277,431	139,809	1,046,023
Accumulated depreciation	-	(56,784)	(234,104)	(96,344)	(387,232)
Closing net book amount	555,825	16,174	43,327	43,465	658,791
Opening net book amount	555,825	10,444	62,250	53,462	681,981
Additions	-	12,021	21,503	-	33,524
Disposals	-	-	(18,621)	-	(18,621)
Depreciation charge to P&L	-	(6,291)	-	-	(6,291)
Depreciation charged to exploration	-	-	(21,805)	(9,997)	(31,802)
Closing net book amount	555,825	16,174	43,327	43,465	658,791

2013

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 to P&L	-	(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

9. EXPLORATION AND EVALUATION

	<u>2014</u>	<u>2013</u>
	\$	\$
Opening net book amount	14,043,210	13,006,054
Write-off amounts previously capitalised	-	(37,283)
Exploration expenditure during the year	1,186,116	1,223,549
Depreciation charged to exploration	31,802	45,147
Write-off amounts expended during the year	(146,178)	(194,257)
Closing net book amount	15,114,950	14,043,210

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 \$11,866k) 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 Department of State Development (formerly DMITRE) until a groundwater extraction licence has been obtained.

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The Company's application for a groundwater extraction licence was refused by the Minister for Sustainability, Environment and Conservation in December 2013 but following an appeal by the Company, the Environment, Resources and Development Court of South Australia (ERD Court) has directed the Minister to grant a water licence and has remitted the matter to the Minister for further consideration as to appropriate conditions on the licence. Subject to those conditions, the Company will revise its Mining Lease Application. The Minister has not appealed the decision and will grant a water licence subject to conditions.

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

10. INTANGIBLE ASSETS

<u>Computer software</u>	<u>2014</u>	<u>2013</u>
<u>Cost</u>	\$	\$
Balance at beginning of the year	73,365	73,365
Additions	-	-
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	57,658	42,037
Amortisation for the year	<u>7,832</u>	<u>15,621</u>
Balance at the end of the year	<u>65,490</u>	<u>57,658</u>
Closing net book amount	<u>7,875</u>	<u>15,707</u>

11. TRADE AND OTHER PAYABLES

Trade payables – external parties	443,566	47,815
Trade payables –related parties	12,571	7,810
Accrued expenses	<u>52,296</u>	<u>52,133</u>
	<u>508,433</u>	<u>107,758</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. As at 30 June 2014, an amount of \$179,000 remains payable to the underwriter in relation to the Company's rights issued that was completed in June 2014.

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12. CONTRIBUTED EQUITY

	<u>2014</u>	<u>2013</u>
	\$	\$
(a) Share capital		
Fully paid ordinary shares	27,987,352	23,631,175

Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 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
 Rights Issue – September 2013	 28,755,744	 1,437,787
Rights Issue – June 2014	67,096,737	3,354,836
Less, share issue expenses	-	(436,446)
Balance at 30 June 2014	268,386,949	27,987,352

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 13 September 2013, the Company completed a 1 for 6 non-renounceable rights issue raising \$1.44 million before costs of the offer.

On 27 June 2014, the Company completed a 1 for 3 non-renounceable rights issue raising \$3.35 million before costs of the offer.

(b) Options

No options were outstanding at 30 June 2014 and no options have been granted or exercised between the end of the year and the date of this report.

13. RESERVES

	<u>2014</u>	<u>2013</u>
	\$	\$
Share-based payments reserve		
Balance at beginning of the year	96,285	93,385
Issue of performance rights during the year	-	2,900
Balance at the end of the year	96,285	96,285

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

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14. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG Australia.

	<u>2014</u>	<u>2013</u>
	\$	\$
Audit or review of financial reports	52,000	46,000
Other services - taxation advice and related matters	34,750	30,007
Total remuneration	<u>86,750</u>	<u>76,007</u>

15. COMMITMENTS AND CONTINGENCIES

Exploration licences

The Group'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.

	<u>2014</u>	<u>2013</u>
	\$	\$
Expenditure required to maintain tenure of all of the exploration licences		
Within one year	1,319,602	1,105,000
After one year but not more than five years	314,630	895,000
Longer than five years	-	-
	<u>1,634,232</u>	<u>2,000,000</u>

Currently there are a number of tenements for which the Group has incurred exploration and evaluation expenditures but the Group does not hold the license rights for these tenements. The licenses are held by Centrex Metals Limited (ASX:CXM) 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).

In 2013, the graphite rights on several tenements were transferred by way of a Sale of Assets Agreement from the Company into Australian Graphite Limited (AGL), a wholly-owned subsidiary of Lincoln Minerals. The graphite rights are managed by a Coordination Agreement between the Company and AGL.

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. Should Lincoln wish to transfer graphite rights to another entity held by the Company, 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, are payable as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	255,645	124,478
After one year but not more than five years	127,823	-
Longer than five years	-	-
	<u>383,468</u>	<u>124,478</u>

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Operating commitments

Commitments for the payment of office rental under a long-term rental agreement at the reporting date but not recognised as liabilities, are payable as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	52,116	-
After one year but not more than five years	97,718	-
Longer than five years	-	-
	<u>149,834</u>	<u>-</u>

Contingencies

As at 30 June 2014 and the date of this report there were no contingencies.

16. EVENTS SUBSEQUENT TO BALANCE DATE

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

17. EARNINGS PER SHARE

	<u>2014</u>	<u>2013</u>
Earnings / (loss) used to calculate basic and diluted earnings per share - \$	(1,130,809)	(1,404,259)
Basic earnings (loss) per share (cents)	(0.56)	(0.81)
Diluted earnings (loss) per share (cents)	(0.56)	(0.81)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (as previously reported)	203,351,240	165,175,914
	-	-
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (revised)	203,351,240	173,009,998
Weighted potential ordinary shares	203,351,240	173,600,658

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 28,755,744 ordinary shares completed on 13 September 2013, 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 0.057 cents. Further, following the Rights Issue of 67,096,737 ordinary shares completed on 27 June 2014, 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 0.053 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 2013.

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

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of each class of financial asset, financial liability and equity instrument are disclosed in note 2(w) 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>2014</u>	<u>2013</u>
	\$	\$
Cash and cash equivalents	2,889,580	434,683
Trade and other receivables	249,170	88,552
	<u>3,138,750</u>	<u>523,235</u>

The Group recorded no impairment loss during the year (2013: \$nil).

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 2014 and 2013 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>2014</u>	<u>2013</u>
	\$	\$
Carrying amounts		
Fixed rate instruments		
Cash and cash equivalents	2,500,000	166,631
	<u>2,500,000</u>	<u>166,631</u>

The weighted average interest rate on deposits for 2013/14 was 2.51% (2012/13: 6.08%).

Cash flow sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have affected the loss for the year by \$5,836 (2013: \$5,894). 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. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors

Y Jin	Chairman
AJ Parker	Managing Director
KG Saw	Director
AHK Lim	Director
ELY Pang	Director

Executives

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

Compensation options

Compensation of Key Management Personnel by category:

	<u>2014</u>	<u>2013</u>
	\$	\$
Short term employee benefits	621,331	619,620
Post-employment benefits (superannuation)	63,176	61,284
Share based payments	-	2,900
Total	<u>684,507</u>	<u>683,804</u>

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 \$2,604 (2013: \$7,728) at equal to or less than commercial rates.

A number of KMP or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. During the year, the Company rendered services from Kopias Consulting Pty Ltd, an entity associated with JK Kopias. Amounts were billed and payable under normal commercial terms and conditions. Balances outstanding as at the reporting date relating to these transactions were \$12,571 (2013 \$7,810)

There were no bonuses or rights to bonuses earned or paid in either 2013 or 2014.

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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20. SEGMENT INFORMATION

Contributions by business segment based upon the nature of exploration licence tenements are:

	<u>Australia</u>			
2014	<u>Iron Ore</u>	<u>Graphite</u>	<u>Corporate</u>	<u>Total</u>
	\$	\$	\$	\$
<u>Income</u>				
Financial Income	-	-	14,668	14,668
Other Income	-	-	14,500	14,500
<u>Expenses</u>				
Exploration and evaluation written off	(130,029)	(16,149)	-	(146,178)
Depreciation	-	-	(6,291)	(6,291)
Amortisation	(7,832)	-	-	(7,832)
Other expenses	-	(63,588)	(1,032,058)	(1,095,646)
Loss before income tax	(137,861)	(79,737)	(1,009,181)	(1,226,779)
Income tax benefit	72,281	23,689	-	95,970
Net loss for the year	(65,580)	(56,048)	(1,009,181)	(1,130,809)
<u>Assets</u>				
Exploration and evaluation	13,600,386	1,514,564	-	15,114,950
All other assets	640,835	81,882	3,082,699	3,805,416
Total assets	14,241,221	1,596,446	3,082,699	18,920,366
Total liabilities	(41,850)	(165,056)	(494,380)	(701,286)
Net assets	14,199,371	1,431,390	2,588,319	18,219,080
	<u>Australia</u>			
2013	<u>Iron Ore</u>	<u>Graphite</u>	<u>Corporate</u>	<u>Total</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

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21. PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2014 the parent company was Lincoln Minerals Limited.

	<u>2014</u>	<u>2013</u>
	\$	\$
Result of the parent entity		
Loss for the period	(646,118)	(938,065)
Other comprehensive income	-	-
Total loss for the period	<u>(646,118)</u>	<u>(938,065)</u>
Financial position of parent entity at year end		
Current assets	5,439,143	1,690,190
Non-current assets	<u>14,267,052</u>	<u>14,026,787</u>
Total assets	<u>19,706,195</u>	<u>15,716,977</u>
Current liabilities	526,056	194,408
Non-current liabilities	<u>10,174</u>	<u>62,663</u>
Total liabilities	<u>536,230</u>	<u>257,071</u>

		<u>2014</u>	<u>2013</u>
		\$	\$
Total equity of the parent entity comprising of:			
Contributed equity	12	27,987,352	23,631,175
Reserves	13	96,285	96,285
Accumulated (Losses)		<u>(8,913,672)</u>	<u>(8,267,554)</u>
Total equity		<u>19,169,965</u>	<u>15,459,906</u>

Parent entity contingencies

At 30 June 2014 there were no contingencies.

Parent entity commitments

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

22. GOING CONCERN

The consolidated financial statements have 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.

It is the ultimate strategy of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. The minimum expenditure commitments to execute this strategy on exploring these tenements total \$1,634,232 for the next 12 months (2013: \$2,000,000). In order to do so the directors consider

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that the Group will fund its projects through a combination of use of existing cash, partnership arrangements and access to equity markets if necessary. There is uncertainty over the timing and amount of benefit to the Group resulting from any of these proposed courses of action. The directors are committed to taking the appropriate action including curtailing expenditure to achieve this ultimate strategy and to ensure these funds are available and add value to the entity.

The directors have reviewed the operating outlook for the Group and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. In the event that the Group is unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts that differ to those stated in this financial report.

The consolidated 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.

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 2014 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 2014.
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

A handwritten signature in blue ink, appearing to read 'Yubo Jin', is positioned above the printed name and title.

Yubo Jin
Chairman

Dated this 16th day of September 2014
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 2014, 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 2014 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 matter:

Recoverable value of exploration and evaluation assets – Gum Flat

The exploration and evaluation assets of \$15,114,950 represented in Note 9 in the financial statements includes \$11,866,153 in relation to the Gum Flat tenement.

As set out in Note 9, a mining lease application cannot be lodged with the Department of State Development until a groundwater extraction licence has been obtained. A groundwater extraction licence application for Gum Flat Stage 1 was refused in December 2013 but following an appeal, the Environment, Resources and Development Court of South Australia has directed the Minister to grant a water licence with consideration as to appropriate conditions on the licence. Subject to those conditions the Company will revise its mining lease application. Should the Company be unsuccessful in obtaining a groundwater extraction licence with desired conditions 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 the Directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.


KPMG



Darren Ball
Partner

Adelaide

16 September 2014