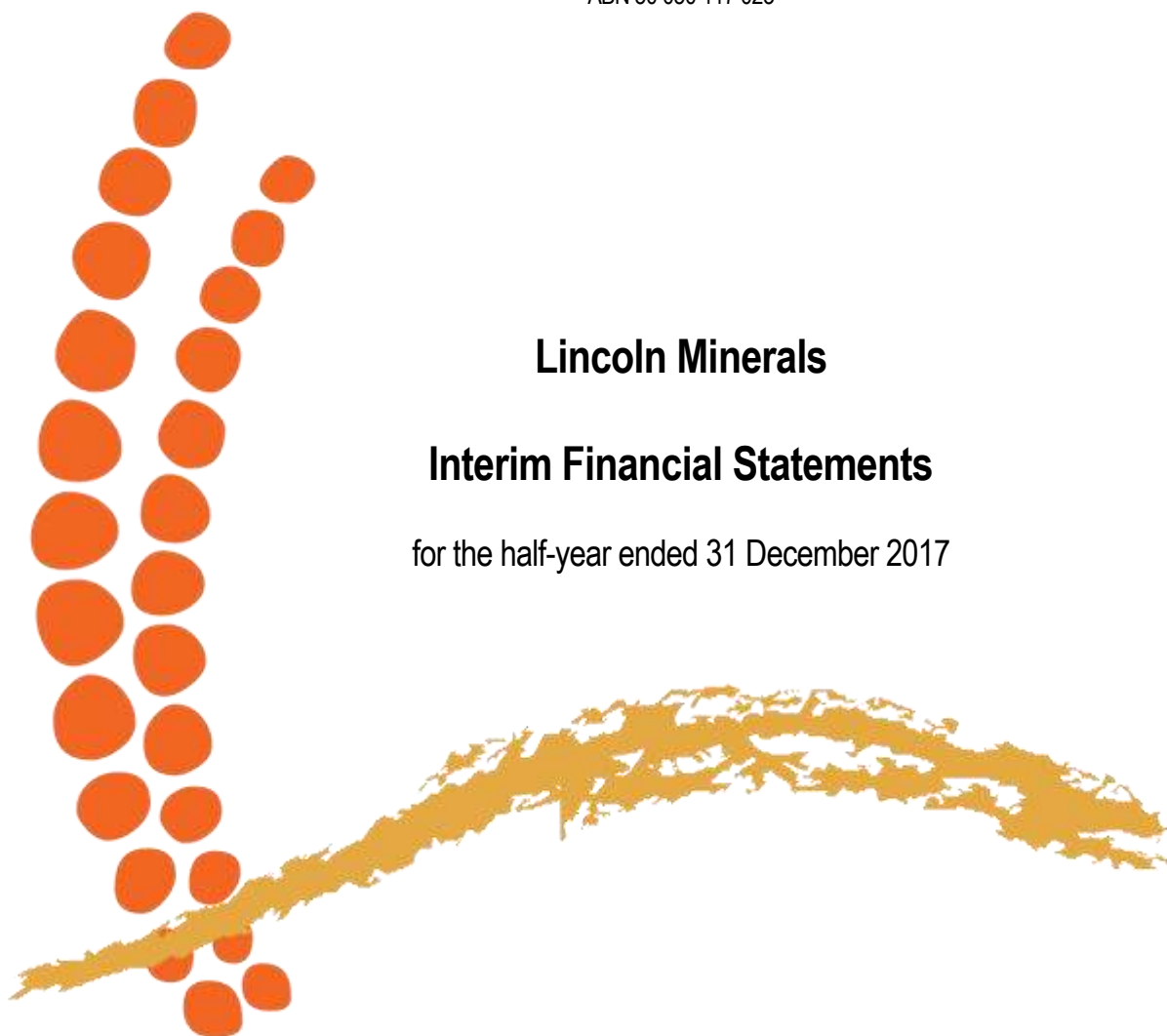


Lincoln Minerals

Interim Financial Statements

for the half-year ended 31 December 2017



DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

The Directors present their report together with the consolidated interim financial statements of Lincoln Minerals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 December 2017 together with the Auditor's review report thereon.

DIRECTORS

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

<u>Name</u>	<u>Period of directorship</u>
Non-executive	
James Tenghui Zhang	Appointed 17 February 2016, Chairman since 24 October 2017
Eddie LY Pang	Appointed 1 December 2013
Kee G Saw	Appointed 22 February 2018
Yihao (Eric) Zhang	Appointed 28 November 2017, resigned 22 February 2018
Yu B Jin	Appointed 18 September 2013, resigned 24 October 2017
Executive	
Dr A John Parker	Appointed 16 October 2006, resigned 2 January 2018

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Lincoln Minerals Limited, a diversified ASX-listed and South Australian-focused mineral exploration and development company, is poised over the next 12 months to deliver the transition to maiden graphite mining production following the achievement of critical development and commercialisation milestones for its primary high grade graphite assets on Eyre Peninsula. The Company also owns and is advancing a pool of second tier assets across multiple mineral commodities on Eyre Peninsula, a proven mining jurisdiction in South Australia.

The Group announced a feasibility study and Ore Reserve for the Company's Kookaburra Gully graphite project following lodgement of its Program for Environment Protection and Rehabilitation (PEPR) to enable development of the Kookaburra Gully Graphite Project.

The Group made a loss after tax for the six months ended 31 December 2017 of \$804,472 (2016: \$696,316). In the six months to 31 December 2017, the Group capitalised \$999,519 (2016: \$864,589) of net exploration and evaluation expenditure and expensed \$104,579 (2016: \$138,049) of such expenditure. Interest income was \$14,704 (2016: \$26,571). Cash at the end of December 2017 was \$3,905,123 (2016: \$4,338,025).

During the period, the Company raised \$3.7 million through a share placement to an entity associated with Chairman James Zhang.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 (Cth) is included in this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.



James Tenghui Zhang, Chairman

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Auditor's Independence Declaration To The Directors of Lincoln Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Lincoln Minerals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 13 March 2018

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LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Note	<u>31 December 2017</u>	<u>31 December 2016</u>
		\$	\$
Other income		5,287	3,000
Corporate and administrative expenses	4	(715,537)	(589,663)
Exploration and evaluation expenditure impaired	5	(104,579)	(138,049)
Depreciation and amortisation		(3,425)	(2,497)
Gain / (Loss) on Sale of Asset		(922)	4,322
RESULTS FROM OPERATING ACTIVITIES		<u>(819,176)</u>	<u>(722,887)</u>
Finance income		14,704	26,571
NET FINANCE INCOME		<u>14,704</u>	<u>26,571</u>
LOSS BEFORE INCOME TAX		<u>(804,472)</u>	<u>(696,316)</u>
Income tax expense		-	-
NET LOSS FOR THE PERIOD		<u>(804,472)</u>	<u>(696,316)</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(804,472)</u>	<u>(696,316)</u>
Basic and diluted loss per share (cents)		(0.16)	(0.19)

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	<u>Contributed Equity</u>	<u>Accumulated losses</u>	<u>Total equity</u>
	\$	\$	\$
Balance at 1 July 2016	<u>30,921,781</u>	<u>(24,833,433)</u>	<u>6,088,348</u>
Total comprehensive loss for the period			
Other comprehensive income	-	-	-
Loss for the half year	-	(696,316)	(696,316)
Total comprehensive loss for the period	-	(696,316)	(696,316)
Transactions with owners of the Company, recognised directly in equity			
Rights Issue	2,947,095	-	2,947,095
Share issue expenses	(228,317)	-	(228,319)
Total transactions with owners	<u>2,718,776</u>	<u>-</u>	<u>2,718,766</u>
Balance at 31 December 2016	<u>33,640,559</u>	<u>(25,529,749)</u>	<u>8,110,810</u>
 Balance at 1 July 2017	 <u>33,602,938</u>	 <u>(26,220,873)</u>	 <u>7,382,065</u>
Total comprehensive loss for the period			
Other comprehensive income	-	-	-
Loss for the half year	-	(804,472)	(804,472)
Total comprehensive loss for the period	-	(804,472)	(804,472)
Transactions with owners of the Company, recognised directly in equity			
Rights Issue	3,664,000	-	3,664,000
Share issue expenses	(26,536)	-	(26,536)
Total transactions with owners	<u>3,637,464</u>	<u>-</u>	<u>3,637,464</u>
Balance at 31 December 2017	<u>37,240,402</u>	<u>(27,025,345)</u>	<u>10,215,057</u>

The accompanying notes form part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<u>Note</u>	<u>31 December 2017</u>	<u>30 June 2017</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,905,123	2,213,170
Trade and other receivables		128,546	137,342
TOTAL CURRENT ASSETS		4,033,669	2,350,512
NON CURRENT ASSETS			
Property, plant and equipment		144,941	151,027
Exploration and evaluation assets	5	6,416,451	5,416,932
Intangibles		738	987
TOTAL NON CURRENT ASSETS		6,562,130	5,568,946
TOTAL ASSETS		10,595,799	7,919,458
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		155,283	271,056
Employment entitlements – annual and long service leave		225,459	266,337
TOTAL CURRENT LIABILITIES		380,742	537,393
TOTAL LIABILITIES		380,742	537,393
NET ASSETS		10,215,057	7,382,065
EQUITY			
Contributed equity		37,240,402	33,602,938
Accumulated losses		(27,025,345)	(26,220,873)
TOTAL EQUITY		10,215,057	7,382,065

The accompanying notes form part of these consolidated interim financial statements

LINCOLN MINERALS LIMITED

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	<u>31 December 2017</u>	<u>31 December 2016</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(722,519)	(568,172)
Income tax R&D grant received	-	101,931
Other income	5,287	3,000
Net cash inflow / (outflow) from operating activities	<u>(717,232)</u>	<u>(463,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(1,182,598)	(837,731)
Payments for acquisition of property, plant and equipment	(59,200)	(104,160)
Interest received	21,817	19,976
Proceeds on Sale of Asset	-	13,637
Net cash inflow / (outflow) from investing activities	<u>(1,219,981)</u>	<u>(908,278)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	3,664,000	2,947,095
Share issue expenses	(34,834)	(227,034)
Net cash inflow / (outflow) from financing activities	<u>3,629,166</u>	<u>2,720,061</u>
Net increase in cash and cash equivalents	<u>1,691,953</u>	<u>1,348,542</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,213,170</u>	<u>2,989,483</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,905,123</u>	<u>4,338,025</u>

The accompanying notes form part of these consolidated interim financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The consolidated interim financial statements of the Company as at, and for the six months ended 31 December 2017 comprise the Company and its wholly owned subsidiaries Australian Graphite Pty Ltd, Australian Graphite Production Pty Ltd and Lincoln Asia-Pacific Pty Ltd (together referred to as the Group).

The Group is primarily involved in the exploration of Graphite and Iron Ore on the Eyre Peninsula in South Australia.

2. BASIS OF PREPARATION

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2017. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2017. The 2017 annual financial report is available from the Company's registered office at Level 7, 350 Collins Street, Melbourne VIC 3000 or at www.lincolnminerals.com.au.

The consolidated interim financial statements were approved by the Board of Directors on 13 March 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2017 and can be found on the Company's website at www.lincolnminerals.com.au.

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

Preparing interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2017.

New and amended standards adopted by the Group

The Group has not applied any new standards and amendments for the first time in its annual reporting period commencing 1 July 2017.

4. CORPORATE AND ADMINISTRATIVE EXPENSES

	Six months ended 31 December 2017	Six months ended 31 December 2016
	\$	\$
Employee benefit expenses	401,972	282,924
Other corporate and administrative expenses	313,565	306,739
	<u>715,537</u>	<u>589,663</u>

5. EXPLORATION AND EVALUATION ASSETS

	<u>31 December 2017</u>	<u>30 June 2017</u>
	\$	\$
Balance at 1 July	5,416,932	3,213,860
Expenditure for the half year	1,087,773	2,399,655
Depreciation charged to exploration	16,325	26,624
Less, exploration and evaluation impaired	<u>(104,579)</u>	<u>(223,207)</u>
Balance at 31 December	<u>6,416,451</u>	<u>5,416,932</u>
 Gross exploration assets capitalised	 20,149,999	 19,150,480
Provision for impairment	<u>(13,733,548)</u>	<u>(13,733,548)</u>
Net exploration assets	<u>6,416,451</u>	<u>5,416,932</u>

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

The carrying value of assets was assessed at 31 December 2017 and a total of \$104,579 (2016 \$138,049) was capitalised and impaired during the period relating to the Company's non-graphite assets.

6. RELATED PARTY TRANSACTIONS

On 20 October 2017, the Company issued 114,500,000 ordinary shares at an issue price of 3.2 cents per share to raise \$3,664,000 to an entity associated with Chairman James Zhang. The share issue was approved by shareholders at a general meeting held on 22 September 2017.

7. COMMITMENTS

On 15 January 2018, the Company settled the purchase of a parcel of land on which its Kookaburra Gully Project is located. At 31 December 2017, the Company had a commitment for \$407,850 in relation to this transaction.

8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the settlement of the commitment for the Kangaroo Gully Project land purchase, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company and Group in subsequent financial years.

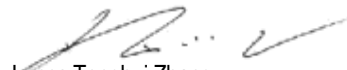
DIRECTORS' DECLARATION

In the opinion of the directors of Lincoln Minerals Limited (the Company):

1. The consolidated interim financial statements and notes are in accordance with the Corporations Act 2001 (Cth) including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six months ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 (Cth); and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors

On behalf of the Board



James Tenghui Zhang
Chairman

Dated this 13th day of March 2018
Melbourne, Victoria

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Independent Auditor's Review Report to the Members of Lincoln Minerals Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Lincoln Minerals Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Lincoln Minerals Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lincoln Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 13 March 2018