

ANNUAL REPORT 2014

A PRE-EMINENT GRAPHITE, IRON AND BASE METAL EXPLORER
AND DEVELOPER ON **SOUTH AUSTRALIA'S** EYRE PENINSULA



Who we are

Lincoln Minerals Limited is a diversified ASX-listed and South Australian-focused mineral exploration and development company whose critical development and commercialisation milestones over the next 12 months for its primary tier graphite and iron ore assets, are set to deliver the transition to maiden mining production. The Company also owns and is advancing a pool of second tier assets in South Australia across multiple mineral commodities.

Our mission

To provide capital growth through exploration, discovery, development and mining of economic mineral deposits and our strategy is to focus on world class metallogenic provinces close to established infrastructure.

Our recent highlights

**Mining lease application prepared for Kookaburra Gully graphite project
Successful metallurgical test work points to production of high quality flake graphite
Targeting first graphite production – also Lincoln’s maiden mining output – in 2015
New 2014 market forecasts point to doubling of global graphite demand by 2020**

**Key groundwater licence granted for Gum Flat iron ore project
Paves way for mining lease application for hematite start-up operation (*subject to iron ore price*)**

Both proposed mine sites close to established export infrastructure

**Foundation partner of new China-based international graphite trading exchange
Strong market support for fully underwritten \$3.35 million capital raising**

Information in this report that relates to exploration activity and results, Mineral Resources and Exploration Targets was compiled by Dr A John Parker who is a Member of the Australasian Institute of Geoscientists. Dr Parker is Managing Director of Lincoln Minerals Limited and has sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as a Competent Person as defined by the JORC Code, 2012. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.

Information extracted from previously published reports identified in this report is available to view on the Company’s website www.lincolnminerals.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.



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CORPORATE DIRECTORY

Directors

Mr Jin Yubo, Chairman
 Dr A John Parker, Managing Director
 Mr Kee Guan Saw, Non Executive
 Mr Eddie Lung Yiu Pang, Non Executive
 Mr Alex Hooi-Kiang Lim, Non Executive

Company Secretary

Jaroslav (Jarek) Kopias

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ASX code LML

ABN 50 050 117 023

1 LINCOLN MINERALS – KEY ASSETS

Lincoln Minerals is the major mineral acreage holder on South Australia's Eyre Peninsula, with resources that include a world class flake graphite JORC Mineral Resource and substantial magnetite and hematite resources in a region with a long history of graphite and iron ore mining

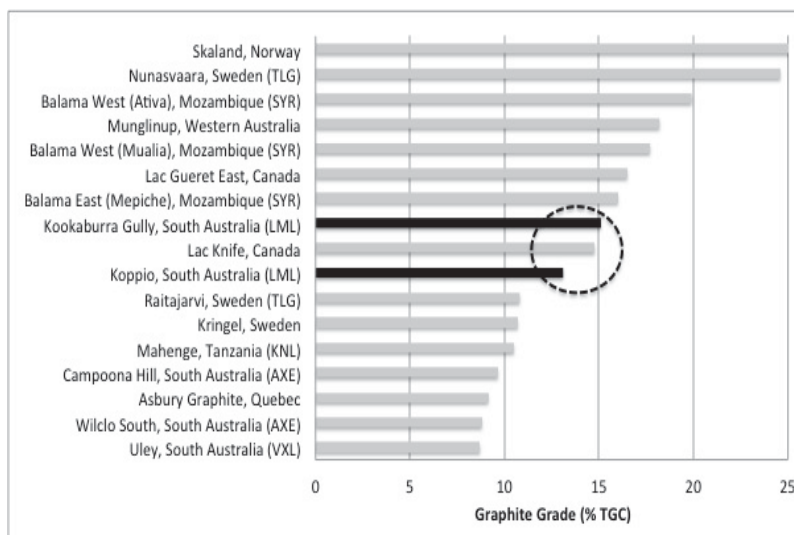
Lincoln Minerals is shifting its focus from exploration to production with plans in place for development and mining of graphite and hematite resources

Lincoln Minerals is a foundation shareholder of **Qingdao International Graphite Exchange** and has a Board and management focused on rapid development of graphite, iron ore and other opportunities



Kookaburra Gully Graphite Project – Southern Eyre Peninsula

- Full-scale mining and processing plant targeted for construction in second half of 2015
- Mining Lease Proposal prepared
- **Favourable project economics** supported by proximity to transport and infrastructure
- JORC 2012 Mineral Resource:
 - 2.20 Mt Indicated and Inferred at 15.1% total graphitic carbon (at 5% total graphitic carbon (TGC) cutoff)
 - or 3.23 Mt Indicated and Inferred at 11.2% TGC (at 2% TGC cutoff)
- Highly sought after premium flake graphite
- **Simple 4 stage flotation** yields >80% recovery at grades >93% TGC without chemical leaching
- World-class resource which ranks in grade as a **Global Top 10 deposit**
- **Globally competitive** on quality, grade, flake size, cost and economics
- Conceptual Mine Plan:
 - Based on conceptual 250,000 tonne per annum graphite mine
 - Estimated capital expenditure \$40-50 million including EPCM and 10% contingency
 - Estimated life-of-mine operating expenditure for mining and processing = \$704 per tonne flake graphite concentrate based on 90% recovery
- Graphite mineralisation at the historic Koppio Graphite Mine ranges up to 42.8% TGC, extends over 525m in strike length, to at least 100m below ground level and is open to north, south and at depth
- More than 30 historic graphite mines and prospects near Port Lincoln and Koppio



Graphite grade of global graphite resources (excluding China)

Gum Flat Iron Ore Project – Southern Eyre Peninsula

- 109 Mt Indicated and Inferred Mineral Resources at 24.8% Fe including some potential Direct Shipping Ore (DSO)
- Potential for high-grade magnetite concentrates of 66-68% Fe with low silica and very low alumina and phosphorous
- Draft Mining Lease Proposal for Stage 1 mining and upgrading of hematite-goethite-magnetite DSO
- Groundwater Licence granted

Eurilla Multi-Commodity Project – Northern Eyre Peninsula

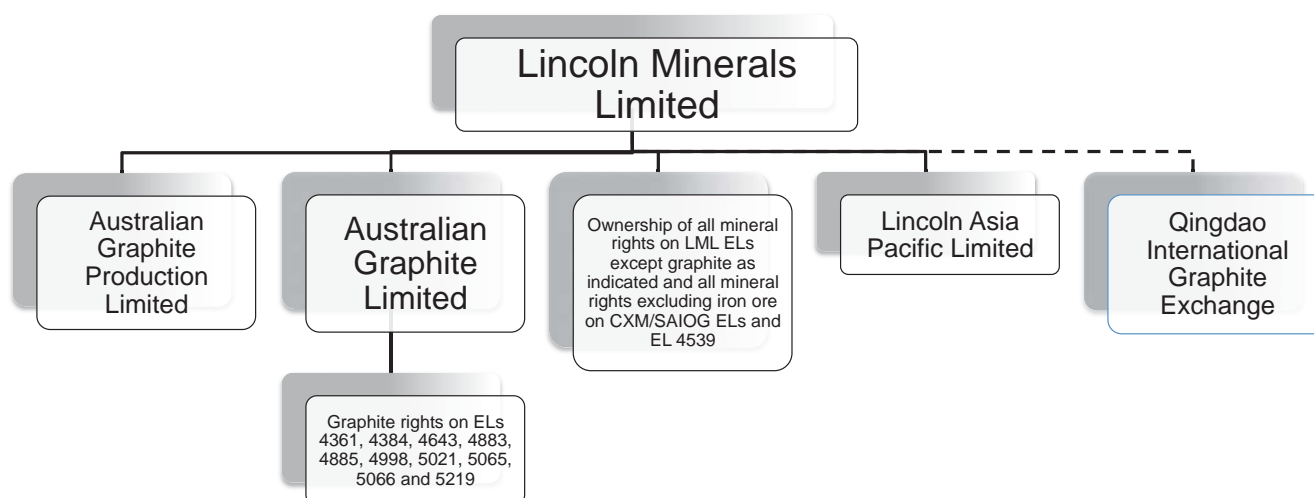
- *In situ* hematite-magnetite Inferred Resource of 21.7 Mt @ 33.3% Fe
- Uranium up to 0.05%-0.07% U with up to 0.1% Pb, 0.7% Zn & 0.5% Cu in a 5 hectare zone open to north and south along strike
- Manganese up to 66% MnO and epithermal style silver, gold and base metal anomalies near Uno

Other Eyre Peninsula Projects

- Lateritic nickel-cobalt up to 1.15% Ni and 0.33% Co and extensive base metal anomalism up to 2.4% lead+zinc and up to 26g/t silver with trace gold and numerous historic graphite occurrences in Campoona Syncline
- Vanadium and base metals at Minbrie including up to 0.4-0.6% V₂O₅ in magnetic concentrates and a 29.5m interval averaging 0.76% copper, 7.37% lead, 1.88% zinc, 9.0 g/t silver and trace gold

Mt = million tonnes DSO = Direct Shipping Ore TGC = total graphitic carbon

Lincoln Minerals' business structure



Lincoln Minerals and Australian Graphite have tenements totalling 4,077 square kilometres on South Australia's Eyre Peninsula.



Exploration Licence data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 24 July 2014, http://www.minerals.statedevelopment.sa.gov.au/geological_survey_of_sa/data

3 CHAIRMAN'S REPORT

Making the transition to mining

During 2013 and 2014 and the opening months of 2014-15, Lincoln Minerals has continued to enhance shareholder value by progressing its potential South Australian graphite mining opportunities. Furthermore, Lincoln Minerals has signed an agreement to form an international graphite trading exchange based in Qingdao, China.

In the period under review, the Company made substantial progress on exploration and development of its 100% owned high grade flake graphite resources on SA's Eyre Peninsula to a point where the quantum of key approvals gained and project progress has now delivered the near-term horizon of first production in a year's time. This is in what is one of the world's major graphite provinces. Lincoln has also continued to make progress on developing the Company's Gum Flat iron project and has overcome initial challenges in securing the key groundwater licensing – a precursor to allowing a mining lease application to be lodged.

The formation of the Qingdao International Graphite Exchange is a very significant opportunity for Lincoln Minerals as a foundation shareholder in a graphite and graphene trading platform based in one of the world's most active graphite trading ports.

During 2013 and 2014, exploration and development activities at our flagship Kookaburra Gully Graphite Project on southern Eyre Peninsula included drilling, estimation of a JORC 2012 compliant mineral resource, metallurgical bench-scale test work, preparation of a conceptual mine plan, drafting of a comprehensive Mining Lease Proposal and pegging of Mineral Claims.

Lincoln's JORC Mineral Resource at Kookaburra Gully, just 35 km north of Port Lincoln, totals 2.2 million tonnes at 15.1% TGC and rates within the Top 10 global graphite deposits on grade. Metallurgical studies have shown that a high grade 93%-98% TGC graphite concentrate can be extracted with 80%-90% recovery from a simple 4-stage flotation process.

Over the past 4 years, Lincoln Minerals has been working towards developing a small direct shipping (DSO) hematite-goethite iron deposit, the Gum Flat Barns deposit. A key component to enable mining of this deposit was to get approval to extract ground water from basement bedrock within Eyre Peninsula's Southern Basins Prescribed Wells Area. The Company's initial applications for a licence to extract groundwater were refused but following a successful appeal to the Environment Resources and Development (ERD) Court a groundwater licence has now been granted for Stage 1 mining of hematite-goethite-magnetite DSO over 5 years.

Lincoln Minerals has maintained its extensive tenement holdings on Eyre Peninsula close to infrastructure and within the world-class Gawler Craton mineral province. In addition to the above projects, the Company has significant iron ore targets at Nantuma adjacent to Iron Road Limited's huge iron ore deposit on Central Eyre Peninsula. Elsewhere on Eyre Peninsula, the Company is maintaining an ongoing exploration program for silver, manganese, vanadium, uranium, nickel-cobalt-scandium and gold-base metal prospects at Eurilla, Uno, Bungalow and Cockabidnie.

In making preparations for and undertaking our exploration and proposed development program, we appreciate the significant contribution made by local communities including traditional inhabitants, farmers and pastoralists. We have made good progress in our graphite and iron ore development schedules and I look forward to the Company moving towards developing its first mining operation and successful delineation of further economic mineral deposits.

Finally, I thank all our staff and my fellow Directors for their support and enthusiasm during the past year of achievement.

Jin Yubo
Chairman

4 REVIEW OF OPERATIONS

4.1 Strategy and Objectives

Lincoln Minerals' mission is to provide **capital growth** through exploration, discovery, development and mining of economic mineral deposits, in particular **graphite and iron ore**.

The strategy is to focus on world-class metallogenic provinces close to established infrastructure.

Lincoln Minerals has several iron, graphite, copper, uranium, gold, zinc-lead-silver, vanadium, manganese and nickel-cobalt exploration projects on Eyre Peninsula.

Eyre Peninsula is part of the highly endowed, world-class, Gawler Craton mineral province that not only hosts iron ore mines of the Middleback Ranges but also the Olympic Dam and Prominent Hill iron oxide copper gold uranium (IOCGU) mines, the new Carapateena and Hillside copper deposits and the historic copper mines of the Moonta-Wallaroo area. Eyre Peninsula is also Australia's foremost graphite province and home to one of the world's largest resources of this strategically important mineral.

Lincoln Minerals' exploration methodology is based on application of both proven and innovative exploration techniques while ensuring a systematic approach to effective target testing. The Company utilises modern sophisticated exploration techniques, in particular advanced geophysical, remote sensing and geochemical techniques including field-based XRF mineral analysis and innovative vegetation and soil sampling to detect concealed mineralisation. These techniques are combined with computerised geographic information system (GIS) and 3D modelling software to interpret data for exploration, target generation and resource definition. This is followed up by systematic drilling along with state-of-the-art field and laboratory sample analysis to test targets and define resources.

A key focus of all of Lincoln Minerals' and Australian Graphite's operations is sustainable environmental and workplace health and safety management. Lincoln Minerals continually seeks to improve business sustainability by valuing environmental, social, economic and ethical considerations across all of its operations and the Company is committed to achieving the highest performance in workplace health and safety.

In South Australia, the Company is focusing on areas close to existing export infrastructure that includes rail networks, established highways suitable for bulk haulage, existing power and water services and established or proposed bulk handling ports.

4.2 Qingdao International Graphite Exchange

Subsequent to year end, Lincoln Minerals signed a cooperation agreement with a group of Chinese local governments and private enterprises to launch a platform for spot trading of graphite in China.

The agreement was signed in Ningbo, China, in September 2014 at the Grapchina 2014 graphene conference, which attracted more than 1,000 delegates from all over the world.

Key signatories to the cooperation agreement are the Governments of Luobei County and Pingdu (two of China's foremost graphite mining regions), three major hi-tech graphite enterprises, Lincoln Minerals Limited and Matrass Mining Group.

The agreement, of the Qingdao International Graphite Exchange project, provides for the parties to work together on launching a graphite spot trading platform and develop applications for graphene. It is a major project in the Qingdao High-tech Development Zone looking at energy saving and new materials.

It is proposed that Lincoln will promote its graphite and related products through the Qingdao International Graphite Exchange to the rest of the world.

Qingdao is one of the most active graphite trading cities in the world and a very important port for international trade, located in the southeast part of Shandong Province, a short distance to Korea and Japan, and very close (less than 100 km) to one of China's major industrial graphite producing regions, the Pingdu region.



Lincoln Minerals' Chairman, Mr Jin Yubo (3rd from right) at the signing of the agreement in Ningbo, China

4.3 Australian Graphite Limited

In mid-2013, Australian Graphite Limited (AGL) was formed as a **wholly-owned subsidiary company of Lincoln Minerals Limited** to hold key graphite assets of the Company. Australian Graphite owns the graphite and graphite-associated mineral rights over a number of Lincoln Minerals' and Centrex-SAIOG ELs (see the Tenement schedule below in Table 2).

A Coordination Agreement between Australian Graphite Limited and Lincoln Minerals establishes Australian Graphite's rights to graphite, Lincoln's rights to other minerals and sets out the framework for exploration and development of resources or co-development of coincident resources as the case may be.

If any party discovers any economic deposit(s) of minerals, that party must notify the other parties of such discovery and commence negotiations to enter into a formal agreement based on a set of co-ordination principles depending on whether it is:

- An economic deposit of graphite minerals without significant other minerals or with uneconomic other minerals;
- An economic deposit of other minerals without significant graphite mineralisation or with uneconomic graphite mineralisation; or
- An economic deposit of graphite minerals that co-exists with an economic deposit of other minerals.

Definition of significant minerals within the Coordination Agreement

Mineral	Quantity
Iron	2.5% except that on Centrex or SAIOG ELs all iron ore minerals rights remain with Centrex and/or SAIOG
Base Metals	0.05% or greater
Gold	0.05 g/tonne or greater
Silver	0.5 g/tonne or greater
Vanadium	0.005% or greater
Uranium	0.005% or greater
Cobalt	0.005% or greater
Manganese	1.0% or greater
Waste rock	All unmineralised schist, gneiss, marble, quartzite, granite, amphibolite and associated rocks that are required to be mined in order to extract graphite or other minerals
Magnesite	10% or greater
Graphite	0.5% or greater

If a party is granted a mining lease (ML), having complied with the provisions of the Coordination Agreement, that party will become the mine operator but all other parties will have the right to reassess the economic value of their rights at any time provided that it be at their own cost and without any unreasonable adverse affects to the mine operator's activities.

4.4 Focused Board

In September 2013, the Board of Lincoln Minerals welcomed the appointment of Mr Jin Yubo to the position of Non-Executive Chairman and Mr Kee Guan Saw as a Non-Executive Director. Mr Richard Ryan AO and Mr Robert Althoff retired as, respectively, Chairman and Director. The Board is extremely grateful for the contributions both made in progressing the Company from the first day of listing on the ASX in March 2007 to 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.

Mr Kee Guan Saw is a Fellow Member of the Institute of Chartered Accountants in Australia, is a Director of ASX-listed Iatia Limited, 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.

In November 2013 at the 2013 Annual General Meeting, Non-Executive Directors Eng Hoe Lim and Kwang Hou Hung did not seek re-election or election respectively and consequently retired from the Board. Both Mr Lim and Mr Hung are major shareholders of the Company and have been strong supporters of its growth strategy.

In December 2013, Ms Sze Wan Chan retired as a Director and Mr Eddie Lung Yiu Pang and Mr Alex Hooi-Kiang Lim were appointed as Non-Executive Directors of the Company. Although only a Director since early 2012, Ms Chan made a significant contribution in focusing the Company's efforts towards graphite.

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 building materials and pharmaceutical products 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 and is currently the Executive Chairman of ASX-listed mineral exploration and development company, Genesis Resources Limited.

Mr Alex Hooi-Kiang Lim was a former independent director of Berjaya Bhd listed on the Bursa Malaysia, and has a number of business interests in the oil palm plantation and insurance sectors. Mr Lim is also currently a Non-executive Director of Genesis Resources Limited.

Mr Jin Yubo and Messers Kee Saw, Eddie Pang and Alex Lim will provide crucial support to Lincoln Minerals and Australian Graphite Limited at a time when funding and marketing will be vital for the development of the Company's graphite and iron ore mining opportunities.

4.5 Project Portfolio

The Company holds exploration rights to South Australian lease holdings totalling 4,077 km².

Lincoln Minerals and its fully-owned subsidiary Australian Graphite, have exclusive rights to all minerals including iron ore on leases totalling 2,255 km².

Lincoln Minerals and Australian Graphite are also joint operators with Centrex Metals Limited (and CXM's 100%-owned subsidiary, South Australian Iron Ore Group Pty Ltd (SAIOG)), on leases totalling 1,822 km² with exclusive rights to all minerals excluding iron ore.

Lincoln Minerals Limited tenement summary (as at 1 September 2014)

Tenements (ELs and ELAs)	Exclusive Rights	Area (sq km)
12	All minerals	2,255
14	All minerals except iron ore	1,822
	TOTAL	4,077

South Australia's Department for State Development (DSD but formerly, until March 2014, the Department for Manufacturing, Innovation, Trade Resources and Energy (DMITRE)) has granted Amalgamated Expenditure Agreements over two groups of tenements that are in advanced stages of iron ore and silver/base metal/uranium exploration respectively. They are the Gum Flat, Cummins, Wanilla, Tarlinga and Dutton Bay ELs and the Eurilla, Lake Gilles, Moseley Nobs and Uno ELs.

Lincoln Minerals has two wholly-owned subsidiaries, Lincoln Asia Pacific Limited and Australian Graphite Production Limited, that currently have no exploration tenement or mining assets.

Lincoln Minerals Limited tenements as at 1 September 2014

Tenement	Expiry	Area (km ²)	Locality	Licensee	Graphite Rights	Iron Ore Rights	Other Mineral Rights
LINCOLN MINERALS (AND AGL) HAS OWNERSHIP OF ALL MINERAL RIGHTS							
EL 5013	28-Jan-15	98	Eurilla (Lake Gilles)	LML	LML 100%	LML 100%	LML 100%
EL 5066	12-Feb-16	861	Wanilla	LML	AGL 100%	LML 100%	LML 100%
EL 5021	11-Feb-16	162	Cummins	LML	AGL 100%	LML 100%	LML 100%
EL 5022	11-Feb-16	139	Lake Gilles (Stony Hill West)	LML	LML 100%	LML 100%	LML 100%
EL 5091	5-Aug-14	31	Campoona	LML	AGL 100%	LML 100%	LML 100%
EL 5219	24-Feb-15	111	Tarlinga	LML	AGL 100%	LML 100%	LML 100%
EL 5297	2-Mar-15	147	Moseley Nobs	LML	LML 100%	LML 100%	LML 100%
EL 4310	28-Sep-14	26	Uno	LML	LML 100%	LML 100%	LML 100%
EL 4361	3-Nov-14	82	Dutton River	LML	AGL 100%	LML 100%	LML 100%
EL 4643	6-Jan-16	208	Gum Flat	LML	AGL 100%	LML 100%	LML 100%
EL 4815	20-Dec-15	372	Nantuma	LML	LML 100%	LML 100%	LML 100%

Tenement	Expiry	Area (km ²)	Locality	Licensee	Graphite Rights	Iron Ore Rights	Other Mineral Rights
EL 5427	18-Jun-16	18	Sleaford Mere	LML	LML 100%	LML 100%	LML 100%
Subtotal		2,255					
LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE							
EL 4883	13-Aug-15	154	Cockabidnie	CXM	AGL 100%	0%	LML 100%
EL 4884	13-Aug-15	117	Minbrie	CXM	LML 100%	0%	LML 100%
EL 4885	13-Aug-15	76	Greenpatch	CXM	AGL 100%	0%	LML 100%
EL 4998	11-Apr-16	272	Tumby Bay (Carrow)	SAIOG	AGL 100%	0%	LML 100%
EL 5065	05-Aug-14	465	Mount Hill (Tod River)	SAIOG	AGL 100%	0%	LML 100%
EL 5170	04-Nov-14	106	Kimba Gap	SAIOG	LML 100%	0%	LML 100%
EL 5245	11-Dec-14	26	Pondooma	SAIOG	LML 100%	0%	LML 100%
EL 5335	17-Sep-15	52	Ironstone Hill	SAIOG	LML 100%	0%	LML 100%
EL 4384	15-Nov-14	138	Wanilla	CXM	AGL 100%	0%	LML 100%
EL 4451	14-Mar-15	155	Stony Hill	SAIOG	LML 100%	0%	LML 100%
EL 4467	18-Apr-15	104	Tooligie Hill (Wilgerup)	CXM	LML 100%	0%	LML 100%
EL 4539	22-Aug-14	11	Cockabidnie North	LML	LML 100%	0%	LML 100%
EL 4571	04-Oct-14	115	Gilles Downs	CXM	LML 100%	0%	LML 100%
EL 4605	16-Nov-14	31	Dutton Bay	CXM	AGL 100%	0%	LML 100%
Subtotal		1,822					
Grand total		4,077					

CXM = Centrex Metals Limited SAIOG = South Australian Iron Ore Group Pty Ltd, a wholly owned subsidiary of CXM

4.6 Centrex Metals Limited Coordination Agreement

Under agreements signed in 2005, 2006 and 2010, Lincoln Minerals and Australian Graphite have the rights for all metals and minerals other than iron ore on all Exploration Licenses on Eyre Peninsula for which Centrex Metals Limited and its subsidiary South Australian Iron Ore Group Limited are the licensees. These agreements, and in particular the 2010 Coordination Agreement, establish Lincoln's and Australian Graphite's rights to all non-ferrous metals and minerals on Centrex and SAIOG ELs on Eyre Peninsula and set out the framework for exploration and development of resources or co-development of coincident resources as the case may be.

The Coordination Agreement is based on a set of co-ordination principles depending on whether a mineral deposit is:

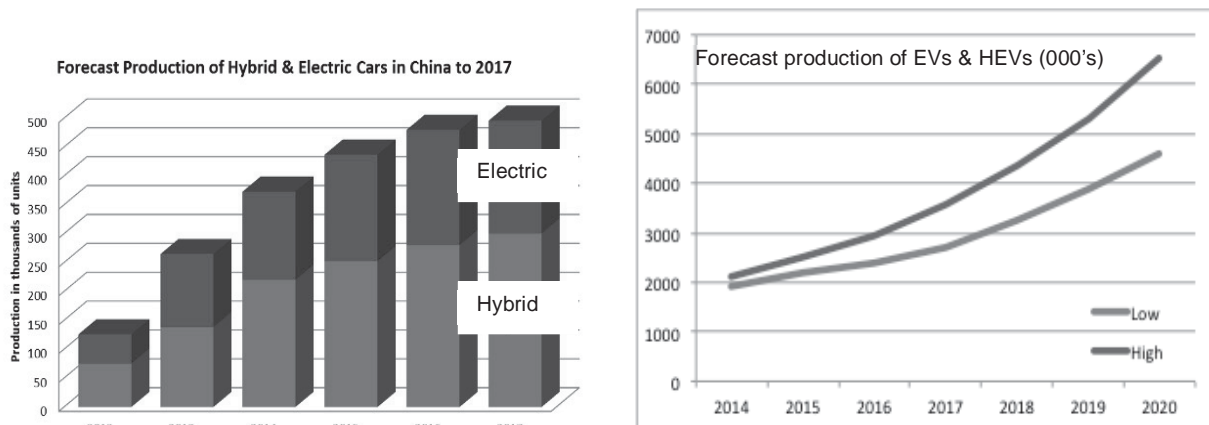
- An economic deposit of iron ore minerals without significant other minerals or with uneconomic other minerals;
- An economic deposit of other minerals without significant iron ore mineralisation or with uneconomic iron ore mineralisation; or
- An economic deposit of iron ore minerals that co-exists with an economic deposit of other minerals.

Centrex has joint ventures with Chinese companies, Wuhan Iron and Steel Group (WISCO) and the Baogang Group, in which those companies have been assigned an interest in the respective ELs. Both WISCO and the Baogang Group have signed a Deed of Consent and Assumption recognising Lincoln's rights over the tenements that are the subject of their respective JVs. This has enabled Centrex to assign an interest in the iron ore rights on those tenements to their Chinese partners and has facilitated major drilling programs on the respective tenements without diminishing Lincoln's and Australian Graphite's existing rights in any way.

Lincoln Minerals and Australian Graphite are maintaining an active role in monitoring these drilling programs for other minerals including copper, graphite and vanadium that might be of interest. The Minbrie copper discovery in early 2012 was the result of drilling by Centrex and Baogang on EL 4884.

4.7 Key Business Drivers

4.7.1 Graphite Demand and Prices



Graphite is a form of carbon, an excellent conductor of heat and electricity with the highest natural strength and stiffness of any material to extremely high temperatures and it is non-corrosive. It is best known as the “lead” in pencils and as a dry lubricant. It is also commonly used in steelmaking to line blast furnaces, in electrical equipment as “brushes” in electrical motors and, in particular, as the anode in lithium-ion batteries where there is about 10 to 20 times more graphite than lithium – **a growing market** especially in new generation electric cars where there can be up to 40-80 kilograms in every electric car.

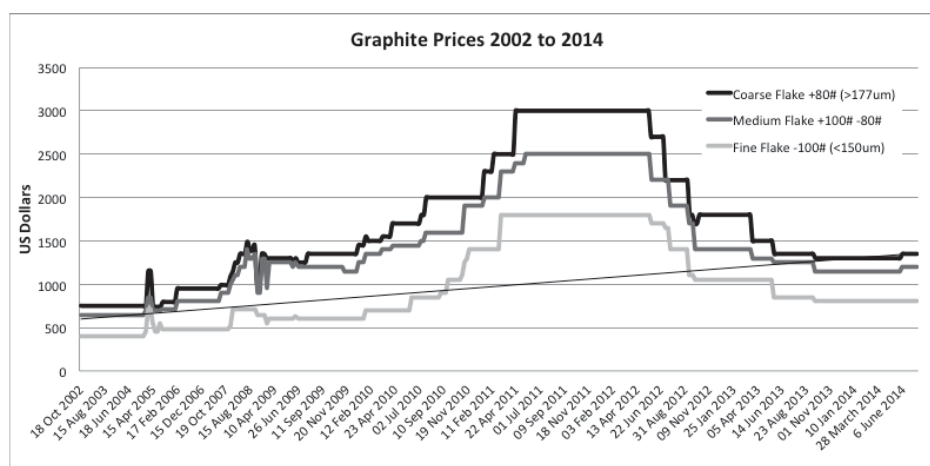
The February 2014 announcement of Tesla’s giga-factory to build Li-ion batteries in California set off a shock wave in the flake graphite industry, with more orders potentially coming from BMW, Mercedes and other car makers. In addition, Ford and Samsung have showed off a new dual-battery system that combines lithium-ion with lead-acid batteries to extend the life of the lead-acid battery on cars with start-stop engines. Ford already incorporates start-stop engines in 70% of its cars.

On top of that, by 2023 there will be at least a million electric vehicles on the road just in California if a plan adopted by Californian Governor Jerry Brown succeeds. The plan includes a law encouraging consumers to buy environmentally friendly cars and rewarding buyers of electric and very low emission cars in the form of discounts.

Naturally occurring graphite occurs as:

- Crystalline flake graphite – thin, flat, plate-like particles either scattered within high metamorphic grade schist and gneiss or as massive veins or lump associated with hydrothermal fluids (EG in Sri Lanka); and
- Amorphous graphite – very fine grained, low-grade graphite similar to the graphite in pencils.

Flake graphite is most valuable with 2013-14 market prices for high grade flake graphite with 94-97% C ranging between US\$1,050 and US\$1,350 per tonne while fine grained flake graphite with 94-97% C has been selling for US\$750 to US\$1,000 per tonne (*source: Industrial Minerals*).



Demand from batteries and high-tech applications including pebble-bed nuclear reactors is projected to be increasing – Lithium-ion batteries are projected to more than double the demand for graphite from 1.2 million tonnes per annum to about 2.6 million tonnes per annum by 2020.

That type of demand growth would require **several new mines**.

4.7.2 Changing Graphite Markets

China has dominated global graphite production for the past 20 years producing about 70% of the world's graphite (65% global flake graphite and 89% global amorphous graphite). However, China has a 20% export duty on graphite plus a 17% VAT, and instituted an export licensing system to ensure supply to China's domestic economy. Furthermore, in mid-December 2013 graphite operations at Pingdu, Shandong Province, were ordered closed by local government authorities on environmental grounds. These operations represent about 20% of China's flake graphite production and at June 2014, 40% of those Pingdu operations still remained closed.

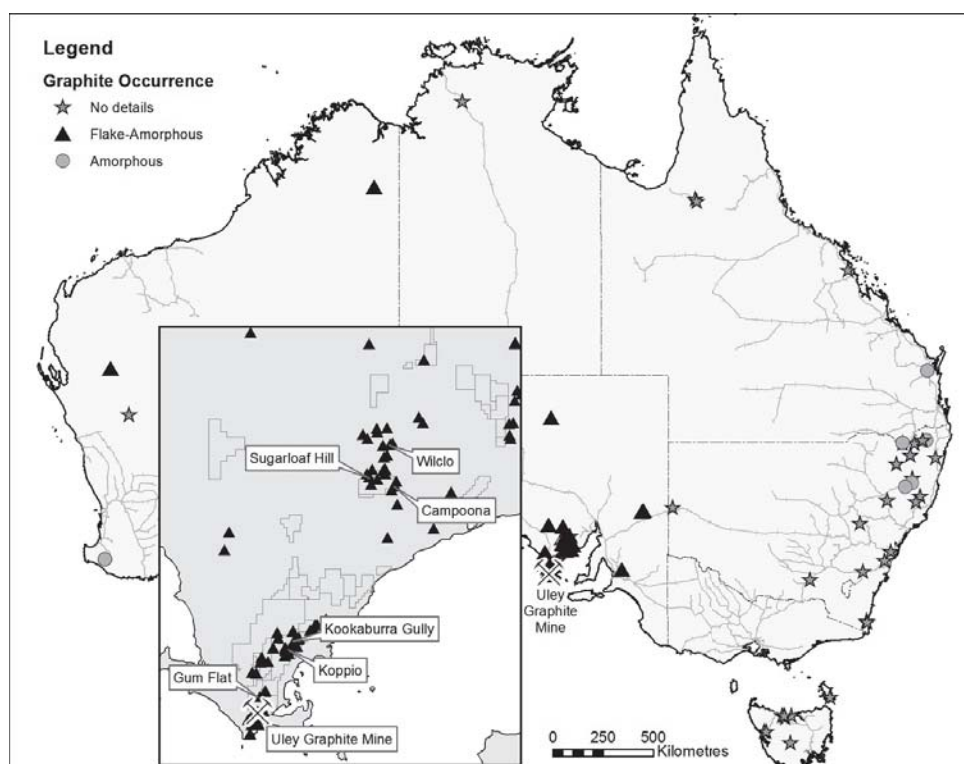
Since December 2013, several companies including Focus Graphite Limited, Lamboo Resources Limited and Syrah Resources Limited have announced that they have entered into Memoranda of Understanding with Chinese companies as a lead-up to establishing off-take agreements for the supply of graphite into China.

The combined effect of these announcements implies that there is and will continue to be an ongoing change in global graphite markets. Since 2007, graphite exports from China have significantly reduced, opening up opportunities for new producers in the western world. Over the past 10 years and ignoring the highs in 2010-2012, the price of premium flake graphite has continued to rise by about 15% per annum so the latest developments indicate that these price rises and opportunities for Lincoln Minerals and Australian Graphite are likely to continue into the future.

4.7.3 Graphite Resources in Australia

Extensive graphite resources occur on Eyre Peninsula in South Australia. Within Australia, Eyre Peninsula is "**the Pilbara of Graphite**" and it now hosts five world-class JORC mineral resources within the Global Top 20 graphite deposits outside of China and Sri Lanka. Australian Graphite's Kookaburra Gully deposit rates at the top of those Eyre Peninsula deposits.

The Uley Graphite Mine is located approximately 2 km south along strike from Lincoln's Gum Flat EL 4643, and Archer Exploration Limited's (AXE) Campoona Hill and Wilclo deposits are adjacent to Lincoln's Cockabidnie-Campoona Syncline tenements. There are also numerous occurrences and historic mines on Lincoln's tenements within 5km of Koppio, approximately 35km north of Port Lincoln.



Location of Australia's principal graphite prospects and, inset, deposits on Eyre Peninsula with respect to LML/AGL ELs

Lincoln Minerals and Australian Graphite have exclusive rights to graphite on all tenements. These include:

- **Kookaburra Gully** located approximately 35km north of Port Lincoln – contains shallow high grade flake graphite with total Mineral Resources of 2.2 million tonnes at 15.1% TGC extending to at least 125m below ground level and open both at depth and along strike (Lincoln Minerals Limited, ASX Announcement 19 December 2013)
- **Koppio Graphite Mine** – intermittently mined from the early 1900s to 1944 (South Australian Department of Mines (now DSD) Report Book 21/87, 1945) and containing high grade lenses of coarse flake graphite up to 42.8% TGC (Lincoln Minerals Limited, ASX Announcement 10 July 2014)
- **Pernella, Glendara and Yellow Gums** prospects – historic occurrences containing coarse flake graphite near Koppio
- **Plumbago** and **Yarranyacka** prospects – historic prospects in the Gum Flat and Sleaford Mere area immediately adjacent to the Uley Graphite Mine.
- **Campoona Syncline** (Cockabidnie) – immediately adjacent to Archer Exploration's Campoona Hill, Sugarloaf Hill and Wilclo graphite prospects.

Consequently, Lincoln Minerals and Australian Graphite are in a strong position within one of the world's major graphite provinces.

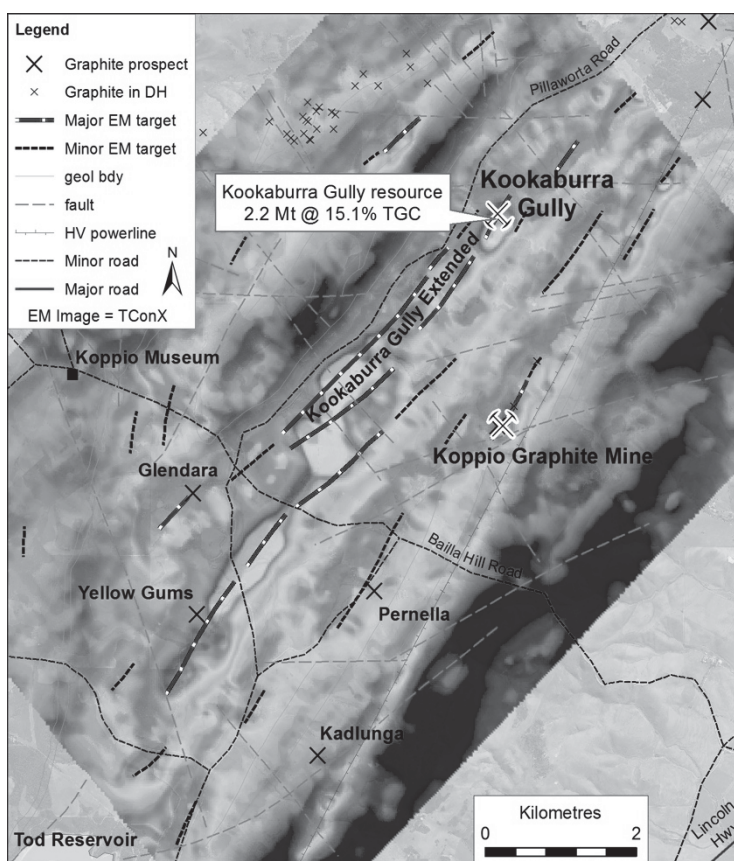
4.7.4 Graphite Exploration Targets

Graphite has been widely identifiable from airborne electromagnetic (AEM) surveys in the past due to its high electrical conductivity. Graphitic rock units are very good conductors and therefore are easily detected by EM.

The 2012 Koppio-Kookaburra Gully AEM survey included the historic Koppio Graphite Mine and Kookaburra Gully graphite deposits, the latter of which is located on the northeastern end of a 4.5 kilometre long EM anomaly, with possible fold repetitions.

Exploration Targets (JORC 2012) have been generated from interpretation of the TEMPEST airborne electromagnetic and magnetic survey flown for Lincoln Minerals Limited, over the Koppio-Kookaburra Project area in July 2012 by Fugro Airborne Surveys Pty Ltd (FAS). The estimations of width, depth, dip and grades are based on observations from the historic Koppio Graphite Mine and at Kookaburra Gully. The estimation of strike length is based on interpretation of airborne electromagnetic (EM) data (*Lincoln Minerals Limited, ASX announcement 30 January 2014*). The increase in the size of the targets from earlier estimates (2012-13) is due to incorporation of drilling results at Kookaburra Gully and more detailed interpretation of both aeromagnetic and airborne electromagnetic data.

It is emphasised that Exploration Target tonnage estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of those targets (other than for the Kookaburra Gully Indicated and Inferred Resources) and it is uncertain if further exploration will result in the estimation of a Mineral Resource from these further Exploration Targets.



Koppio-Kookaburra Gully EM survey and location of Kookaburra Gully resource relative to the 4.5 km-long Kookaburra Gully Extended EM target. EM image = TConZ image

Revised Kookaburra Gully and Koppio region Exploration Targets (SG = 2.5) as at 30 June 2014

Target	Thickness	Strike Length	Depth Extent	Dip	Exploration Target	Grade (TGC)	Contained Graphite
Kookaburra Gully (including Mineral Resources)	16-20m	650-800m	125-150m	60-80 ⁰	3.3-6.9 Mt	11-15%	0.4-1.0 Mt
Kookaburra Gully Extended – NW targets	15-20m	3100-3900m	100m	60-90 ⁰	11.6-22.5 Mt	10-15%	1.2-3.4 Mt
Kookaburra Gully Extended – SE targets	15-20m	2900-3700m	100m	60-90 ⁰	10.9-21.4 Mt	10-15%	1.1-3.2 Mt
Koppio Graphite Mine (historic)	10-15m	900-1200m	50-100m	70-90 ⁰	1.1-4.8 Mt	11-15%	0.1-0.7 Mt
Yellow Gums	10-15m	2500-4000m	50-100m	70-90 ⁰	3.1-16.0 Mt	7-15%	0.3-4.0 Mt
Glendara	10-15m	600-800m	50-100m	60-90 ⁰	0.8-3.5 Mt	7-15%	0.1-0.5 Mt
Pernella	7-15m	1000-1200m	50-100m	80-90 ⁰	0.9-6.5 Mt	7-15%	0.1-1.0 Mt
Others – Koppio EM area	7-15m	1100-3300m	50-100m	80-90 ⁰	1.0-12.6 Mt	7-15%	0.1-1.9 Mt
TOTAL					32.6-94.1 Mt	7-15%	3.1-14.1 Mt

Mt = million tonnes TGC = Total Graphitic Carbon

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



5 EXPLORATION AND DEVELOPMENT – SOUTH AUSTRALIA

5.1 Graphite

5.1.1 Kookaburra Gully Graphite Project

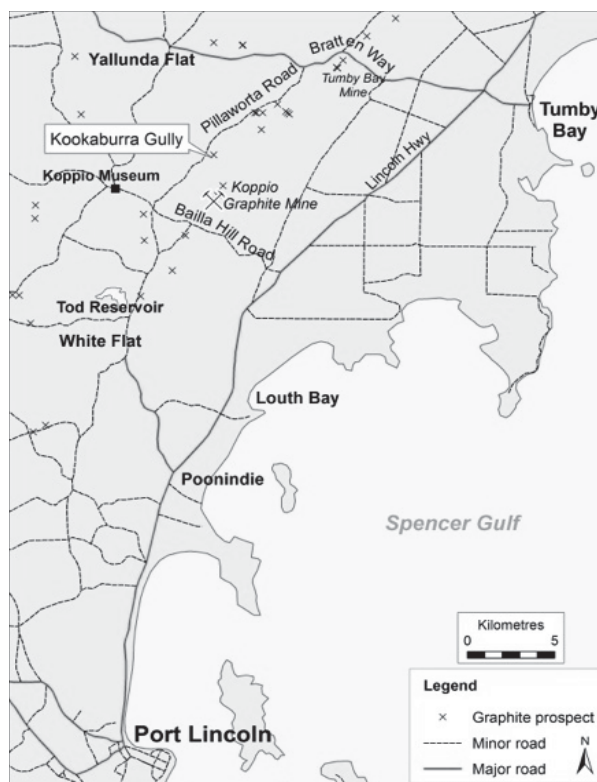
(Australian Graphite has exclusive rights to graphite and graphite-associated minerals)

Australian Graphite is proposing the development of the Kookaburra Gully Graphite Project, located approximately 35km north of Port Lincoln and 20km west of Tumby Bay on Eyre Peninsula in South Australia. It is located on Exploration Licences EL 4998 and EL 5065.

Pancontinental Mining Limited conducted exploration activities and metallurgical analysis and test work at Kookaburra Gully in the 1980s. More recently, Lincoln Minerals conducted an airborne electromagnetic (AEM) survey of the area (mid-2012) and conducted an exploration and resource definition drilling program early in 2013. Metallurgical test work on samples from Kookaburra Gully has identified that high quality flake graphite concentrates can be produced by a simple flotation process.

Updated Mineral Resources at Kookaburra Gully, prepared in accordance with JORC Code 2012 (*Lincoln Minerals Limited, ASX release 19 December 2013*), were based on two alternative calculations (and production strategies) that Australian Graphite is currently developing. At a nominal 5% TGC cut-off, the revised Indicated and Inferred Mineral Resources total 2.20Mt at 15.1% TGC. Total contained graphite for the revised Mineral Resource is 332,000 tonnes.

At a nominal 2% cut-off, the Indicated and Inferred Mineral Resources total 3.23Mt at 11.2% TGC. Total contained graphite for this resource is 361,000 tonnes.



Location of Kookaburra Gully and Koppio

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

Mineral Classification	Resource	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated		1.47	13.9	204,352	2.57
Inferred		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

Mineral Classification	Resource	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated		2.10	10.6	223,349	2.56
Inferred		1.13	12.2	137,370	2.52
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 Mineral Resources at Kookaburra Gully reinforce Lincoln'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.

Metallurgy

During 2013-2014, Lincoln Minerals undertook rigorous metallurgical bench-scale testing of representative bulk aircore drill and trench samples of the Kookaburra Gully graphite deposit to optimise the flotation of graphite and removal of gangue minerals. This is in addition to preliminary tests undertaken by a German company in mid-2012.

Samples were processed by ALS Metallurgy Laboratories in Adelaide using a laboratory-scale flotation system and a bulk water sample collected from the Tod Reservoir near Port Lincoln.

Metallurgical flotation tests on the upper 50m (28-38m true depth) bulk sample from Kookaburra Gully, Sample A, yielded a 91.2% recovery of contained graphite into a concentrate grading 94.0% C (93.7% TGC). The sample was first crushed to minus 2mm then a 2kg subsample was stage ground to P100 = 600 µm followed by 4 stages of flotation, cleaning and regrinding. A second sample, Sample B, representing mineralisation below 40m true depth, yielded 98% recovery of contained graphite into a concentrate grading 95.0% C (94.3% TGC).



Laboratory-scale flotation tests on a Kookaburra Gully bulk trench sample and resultant graphite flake concentrates grading from medium-coarse flake (left) to fine flake (right)

Because these drill samples had been ground down during the drilling process, they started off much finer grained than outcrop, drill core, trench or mine samples. Therefore, a third 75kg sample was collected from 1m to 2m depth in Trench 4 and processed by a similar 5 stage flotation technique (Samples C-1 and C-2). Note that the emphasis of the metallurgical test work on drill samples was on grade and recovery rather than flake size whereas for trench samples, particularly Sample C-2, greater emphasis was placed on coarse flake size recovery.

Screening of the final concentrates produced the following products (*Lincoln Minerals Limited, ASX Announcement 6 January 2014*):

Kookaburra Gully metallurgical test results for bulk aircore drill samples A and B, and trench sample C (drill intervals converted to true depth below ground level)

	Aircore Drill Sample A		Aircore Drill Sample B		Trench Sample C-1		Trench Sample C-2	
Depth Below Ground Level	28-38m		43-67m		1-2m		1-2m	
Graphite Recovery	91.2%		98.1%		75.5%		63.8%	
Total Concentrate Grade	93.7% TGC		94.3% TGC		97.3% C		97.0% C	
Screened Concentrate	Assay TGC %	Distribution %	Assay TGC %	Distribution %	Assay TGC %	Distribution %	Assay TGC %	Distribution %
+150 µm	95.3	2.9	96.5	2.3	97.8	8.9	94.8	24.3
+106 µm, -150 µm	95.3	7.3	96.5	6.3	97.5	14.1	97.0	16.2
+75 µm, -106 µm	94.4	11.1	96.5	10	97.1	23.1	97.5	23.8
+20 µm, -75 µm	94.3	61.2	95.8	50.8	96.7	47.3	97.6	34.0
-20 µm	90.4	17.5	90.7	30.7	94.5	6.6	93.4	1.7

C = Total Carbon TGC = Total Graphitic Carbon

Standard Sieve/Mesh Sizes are: 100# = 150 µm; 200# = 75 µm

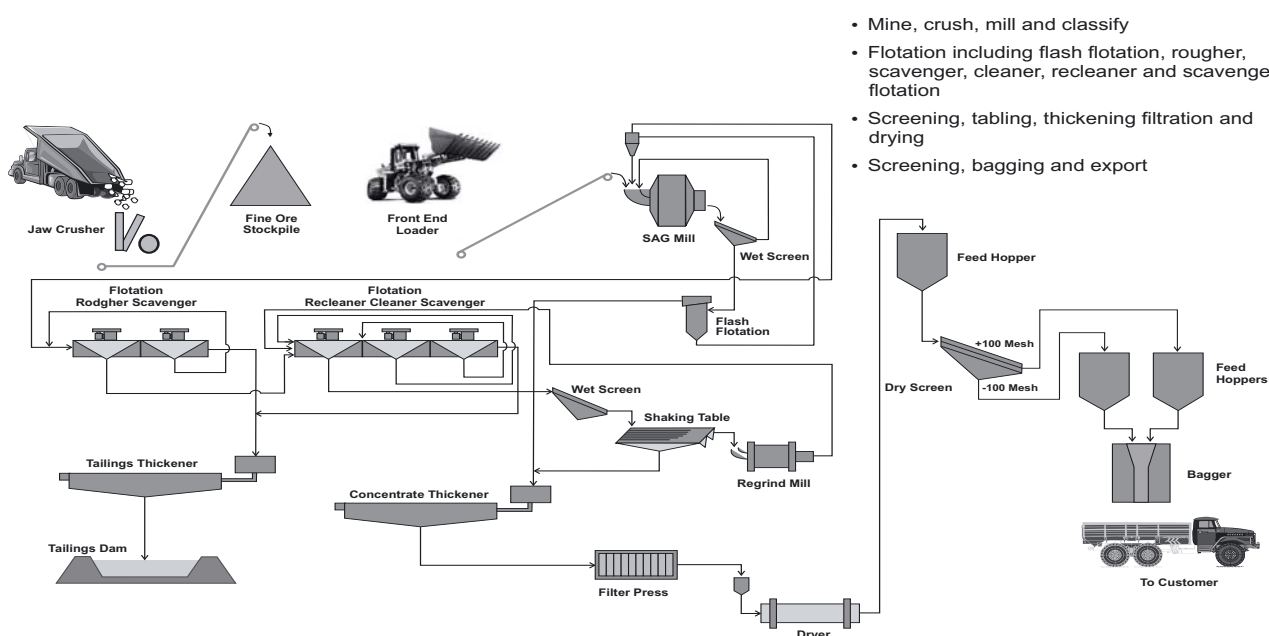
The next stage of metallurgical test work will be at a larger laboratory or mini pilot plant scale on a much larger bulk sample (50-200 tonnes).

Mine and Processing Plant Design and Scoping Study

A Scoping Study was undertaken by Parsons Brinckerhoff ("PB") for the Kookaburra Gully Graphite Project in mid-2012 to establish a conceptual process flow sheet and determine capital and operating costs for mine infrastructure and the process plant (*Lincoln Minerals Limited, ASX release 19 September 2012*). It contemplated an open-cut mining operation producing 200,000 tonnes of graphite ore per annum and an on-site processing plant delivering a high grade flake graphite concentrate (ca. 95% TGC).

LINCOLN MINERALS

Kookaburra Gully Conceptual Process Flowsheet



PARSONS
BRINCKERHOFF
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Conceptual graphite processing flow sheet for Kookaburra Gully Graphite Project

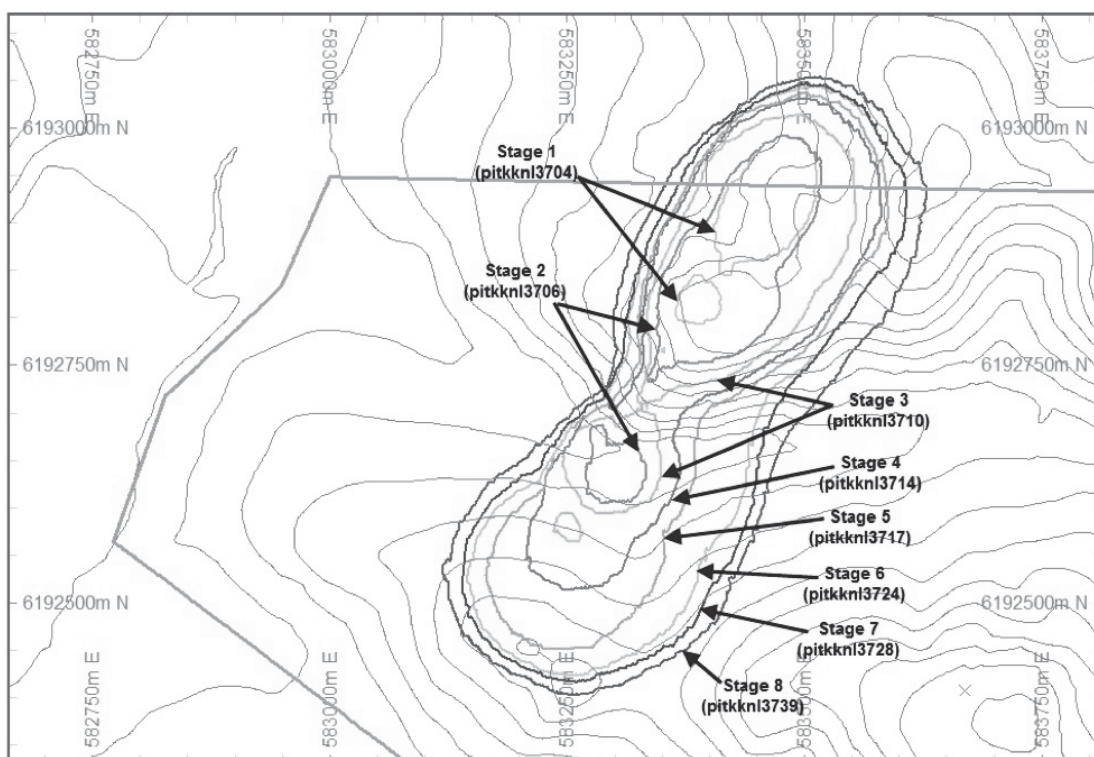
During 2013-14, AMC Consultants Pty Ltd carried out preliminary pit optimisations and prepared a conceptual mine plan for Kookaburra Gully based on this scoping study, graphite prices at the time and estimated mining costs. The assumptions were:

Nameplate capacity at 85% availability	Unit	Base Case
Treatment rate	dmt/a	250,000
Capital cost	\$m	40.4
Ore head grade	% TGC	15.1
Concentrate recovery	%	90
Concentrate grade (low-high)	%TGC	94 – 97
Concentrate	dmt/a	34,229
Revenue price assumption (low-high)	A\$/t concentrate	1,077 – 1,382
Pit slope	degrees	37
Mining cost – plant feed	\$/t feed	8.91
Mining cost – waste	\$/t	3.06
Drill-and-blast cost (below 30m)	\$/t	1.39
Process plant operating cost	\$/t feed	43.20
Transport of concentrate to Port Adelaide	A\$/t concentrate	100

Revenue price based on Industrial Minerals data and A\$/US\$ = 0.92

A 30-metre deep oxide zone was assumed and treated as free-digging when applying costs.

The ultimate pit limit and stages of development were determined using Whittle™ software and the two low and high revenue scenarios. From this, the optimum operating pit shells were determined.



Preliminary mine schedule for proposed Kookaburra Gully Graphite Mine (high revenue case)

Scenario	Graphite Price (A\$/t conc)	Life (yrs)	Production				Operating Cost (\$/t conc)
			Plant feed	Feed %TGC	Concentrate	Conc %TGC	
Low revenue	\$1,077	6.2	1.55 Mt	15.7	233 kt	94.0	\$630
High revenue	\$1,382	7.2	1.80 Mt	15.4	256 kt	97.0	\$704

The Conceptual Mine Plan is based on combined inferred and indicated mineral resources as defined above. The relevant proportions of inferred to indicated underpinning the conceptual mine plan in the proposed pit is 33% inferred to 67% indicated. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realized.

The price assumptions used for the estimates were based on Industrial Minerals graphite price data to the end of August 2013. The prices were in US\$ and an exchange rate of 0.92 (A\$/US\$) was assumed to get the A\$ prices. The product selling price was obtained as a weighted average of the price assumptions and the range of products (flake sizes) expected to be produced from the Kookaburra Gully project based on the laboratory metallurgical tests of trench samples.

The estimates used in the Scoping Study and Conceptual Mine Plan compare favourably with recent estimates for graphite operations in Canada. The capital (Capex) and operating (Opex) cost estimates contained in the Scoping Study, as well as the process flow design, will be re-examined by the Company following a pilot plant test processing program and anticipated refinement to the rates of recovery.

Pilot Processing Plant Options

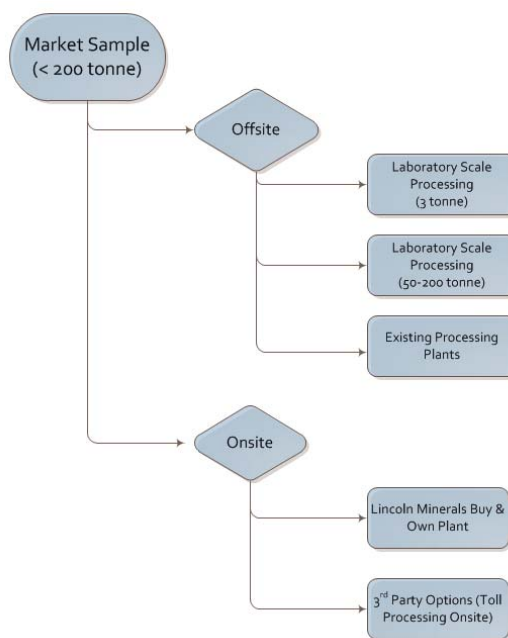
A pilot processing plant would allow Lincoln to process run-of-mine material to test and confirm laboratory-scale metallurgical characteristics of feed material for an optimal final process flow sheet. It will also produce a final graphite concentrate product and sufficient sample quantities for market and customer consideration in Australia and internationally.

Lincoln Minerals and Australian Graphite have examined a number of potential options for pilot plant processing of graphite ore from Kookaburra Gully. A study was undertaken by Ammjohn Pty Ltd and the results are summarised below.

The options included:

- Laboratory scale processing of either a 3 tonne or 50-200 tonne sample;
- Building and commissioning a pilot plant process facility on site. This would require significant funding to get off the ground (about \$4 million); and
- Third party toll processing either locally or overseas.

The latter removes the need for Australian Graphite to raise capital to build a plant and removes process risk if a suitable provider can be identified. It is also cheaper than the large laboratory-scale option but must be set up to effectively process the Kookaburra Gully ore without adversely affecting existing operations or cross contamination. Offshore pilot plant processing would need cost effective shipping options.



Pilot plant processing options investigated for Kookaburra Gully

Mining Lease Proposal

The results of the Mineral Resource estimates, metallurgical studies, mine plan and scoping studies undertaken for the Kookaburra Gully deposit indicate that the Company will be able to produce high-quality flake graphite (greater than 93% TGC) and that the anticipated graphite mining and processing program will be globally competitive. The Company anticipates that the resource can be mined from a small open pit mine with a low capital cost processing plant established on site.

The delineation of a world-class flake graphite resource at Kookaburra Gully underpins a mining operation processing 250,000 tonnes of ore per year for at least 6 years but with great long term potential based on Koppio Graphite Mine drilling and Kookaburra Gully Extended exploration targets.

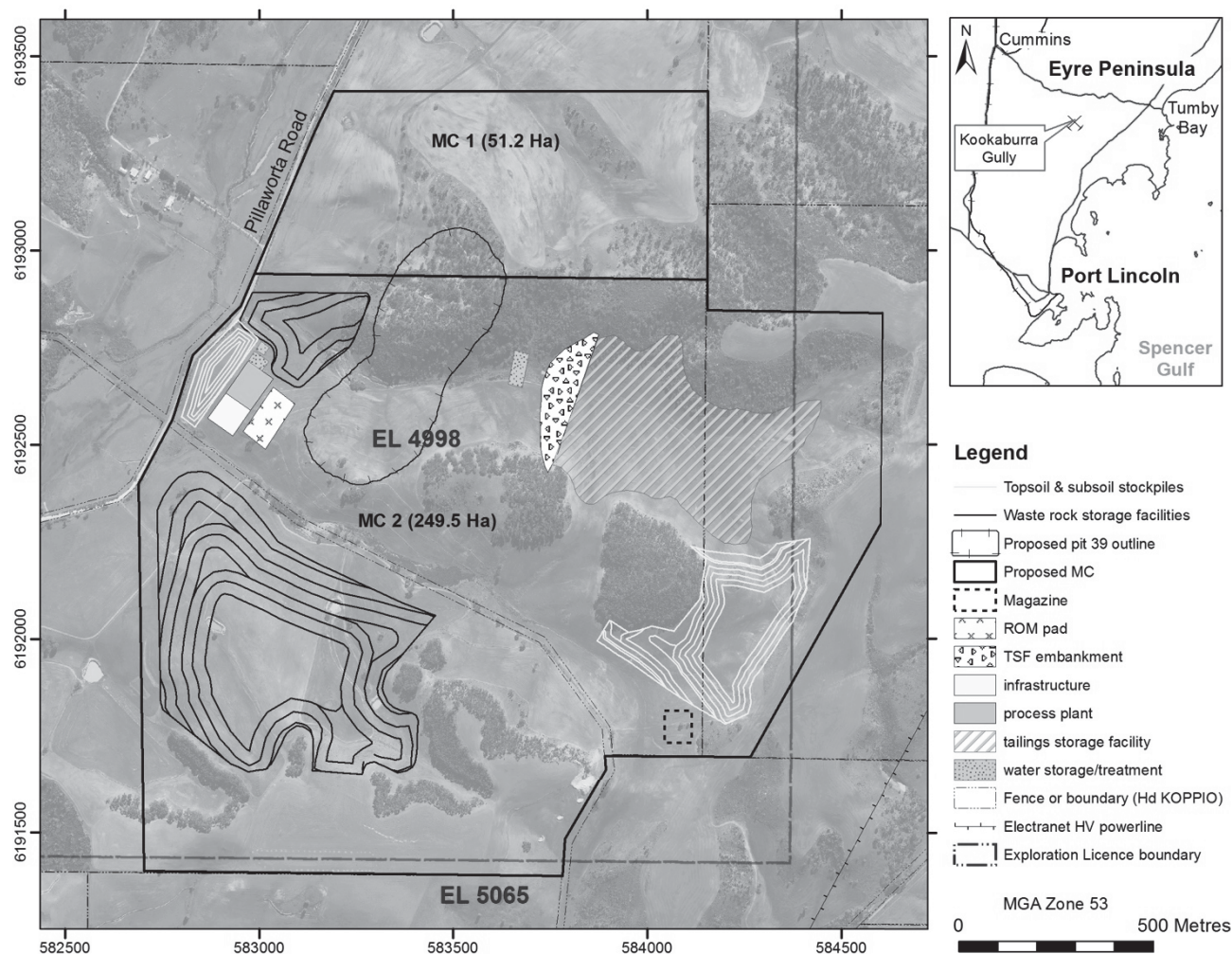
In November 2013, Parsons Brinckerhoff was appointed to prepare a Mining Lease Proposal (MLP) for the Kookaburra Gully flake graphite project. Australian Graphite has a target date of 2015 for full-scale production from Kookaburra Gully.

Parsons Brinckerhoff's scope of services included:

- Preparation of the MLP in support of a Mining Lease Application;
- Delivery of the required technical study components, either directly or through sub-consultants;
- Preparation and implementation of a Stakeholder Consultation Plan; and
- Meetings as necessary with DSD and other regulatory bodies.

The MLP will provide sufficient detail on the proposed open pit, tailings storage facility, waste rock storage facilities, processing plant, transport routes, water supply, power and other infrastructure to enable an assessment of the potential environmental and community impacts and mitigation/management measures associated with the project. AMC Consultants Pty Ltd prepared a conceptual mine plan, EBS Ecology has undertaken flora, fauna and cultural heritage surveys and Aldam Geoscience has undertaken various groundwater studies to support the MLP.

All the above studies have been compiled into a draft MLP based on the proposed site layout below. The final draft MLP is expected to be completed for lodgement in the fourth quarter 2014.



Mineral Claims and site layout for the proposed Kookaburra Gully Graphite Project

A key component of the Kookaburra Gully project has been the Stakeholder Consultation Plan. This has addressed impacts and benefits to surrounding landholders, stakeholders and the wider Eyre Peninsula community including impacts from general mining operations and traffic/truck movements on existing road users, groundwater, ephemeral creeks, community services such as school buses, and agricultural operations.

Parsons Brinckerhoff has extensive knowledge and experience in stakeholder engagement, coordinating studies that support mining lease applications and preparing the necessary documentation to facilitate the requirements of the statutory approvals process for mining developments in South Australia.

Ongoing vegetation assessment, species identification and mapping, and groundwater surveys have been undertaken within and surrounding the Kookaburra Gully project area in support of developing the Mining Lease Proposal.

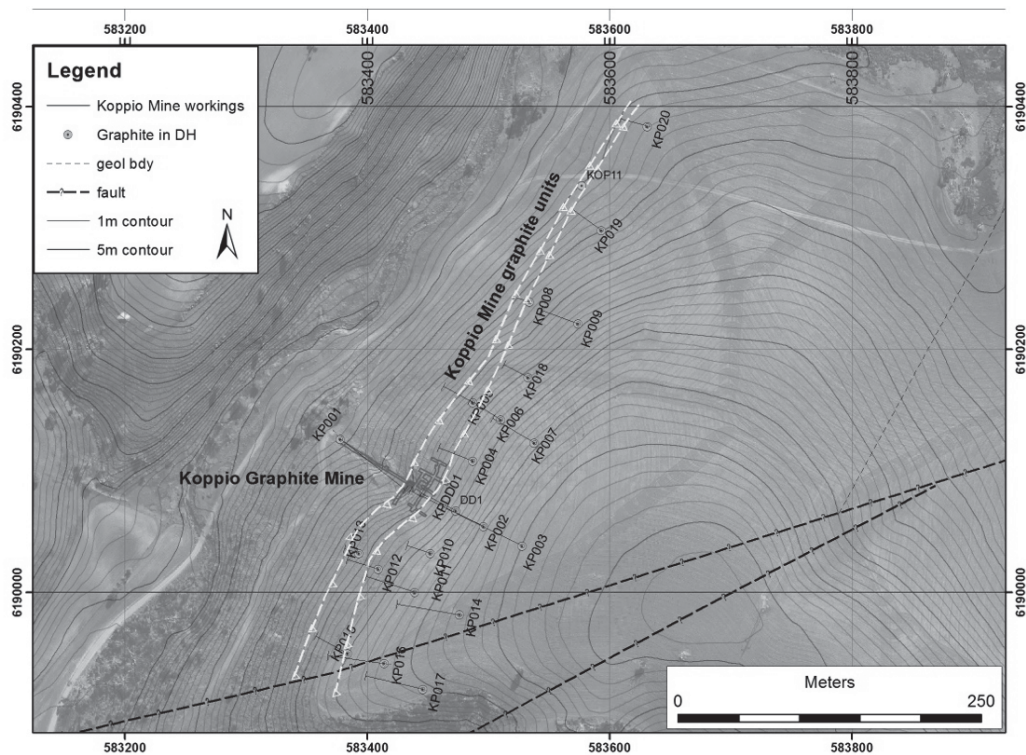
5.1.2 Koppio Graphite Mine

(Australian Graphite has exclusive rights to graphite and graphite-associated minerals)

The historic Koppio Graphite Mine was mined intermittently from the early 1900s to 1944. Historic mine records and a single drillhole from 1945 outlined high grade mineralisation up to 33.2% graphitic carbon within and immediately below the mine workings (refer *Lincoln Minerals Limited ASX Release, 26 March 2014*).

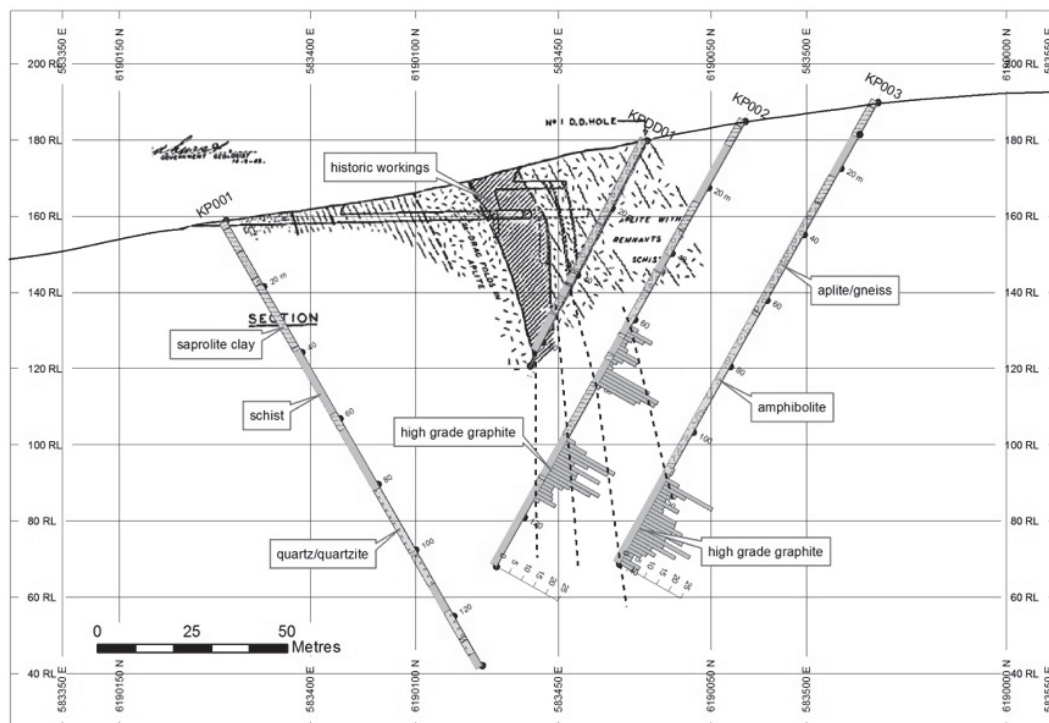
In April 2014, Lincoln completed a total of 20 aircore and RC drill holes over and along strike from the historic mine for a total of 1,679 metres (*Lincoln Minerals Limited, ASX Announcement 30 April 2014*). Drilling intersected varying grades and thicknesses with all but one drill hole intersecting minor to significant graphite mineralisation.

The one drill hole failing to hit graphite was drilled as a scissor hole to the mine section (see below) but was positioned too far away from the mineralisation to intersect graphite at depth.



Drillhole plan showing surface distribution of graphite units from drilling at Koppio Graphite Mine

Based on the initial assay results for total graphitic carbon, several zones were identified for further sampling to close off mineralisation before Mineral Resource estimation can commence. 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. A significant number of drill hole assay intercepts were greater than 10% TGC (refer to *Lincoln Minerals Limited, ASX Announcement 10 July 2014* for all results).



NW-SE geological section through historic mine workings and drillholes at Koppio Graphite Mine

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.

Previous petrological studies on samples from the old underground mine workings have shown that flake length is good and ranges up to 800 microns with an average flake length of 350-400 microns.

5.1.3 Other Graphite Targets

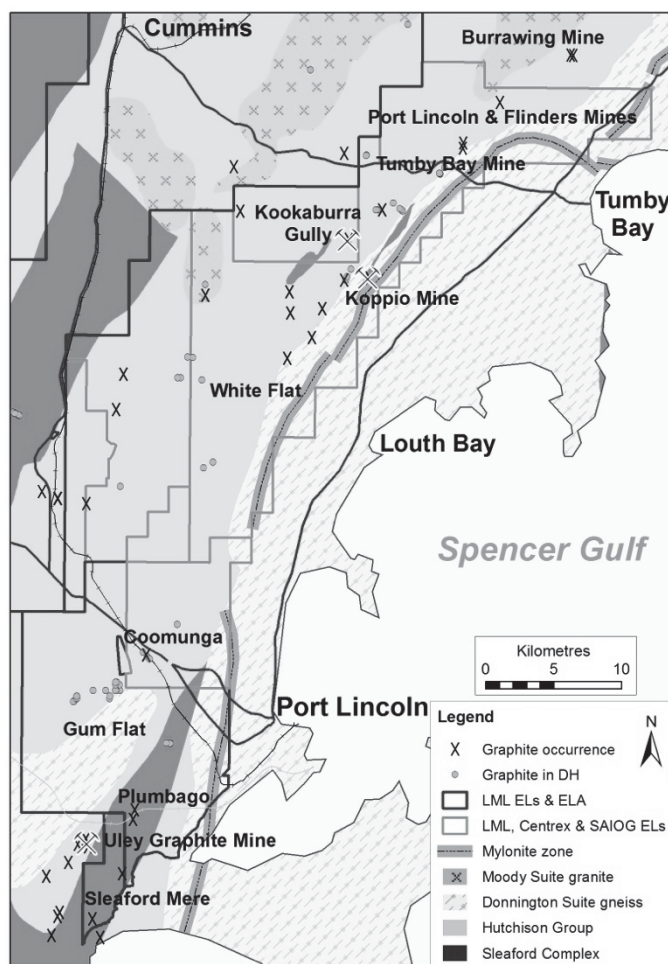
(Lincoln Minerals and Australian Graphite have exclusive rights to graphite on all tenements)

As previously noted, there are numerous graphite prospects and old mines on southern Eyre Peninsula. In addition, a search of LML, Eyre iron and DSD exploration drilling records has identified numerous graphite drill intersections. Lincoln's Gum Flat and Sleaford Mere project area is immediately north and east, respectively, of the Uley Graphite Mine and contains the historic Plumbago and Yarranyacka graphite prospects. Uley is the only "operating" graphite mine in Australia.

The Cockabidnie or Campoona Syncline Project includes ELs 4539, 4883 and 5091 and is located on central Eyre Peninsula immediately adjacent to Archer Exploration Limited's graphite prospects at Campoona Hill, Sugarloaf Hill, Jamieson Tank and Wilclo.

Archer has announced a number of significant graphite intersections in the Campoona Hill area both to the northeast and southwest of the southeastern corner of EL 4883. The EM anomaly connecting these occurrences extends across the southeast corner of EL 4883.

There are also subtle but significant EM anomalies in the Campoona Syncline area which correspond to graphite intersections in historic drilling by CRA Exploration Ltd (CRAE) in the early 1980's midway between Archer's Campoona Hill prospect and Sugarloaf Hill. These graphite intersections were not assayed by CRAE but resampling of old drillcore by Lincoln Minerals has identified intervals with up to 15% TGC.



Location of graphite prospects and drill intersections on southern Eyre Peninsula

5.2 Iron Ore

5.2.1 Gum Flat Iron Ore

(Lincoln Minerals and Australian Graphite have exclusive rights to all minerals)

Lincoln's Gum Flat Iron Ore Project is located on southern Eyre Peninsula which is a major world-class iron ore province extending from the Middleback Ranges to Port Lincoln.

Gum Flat EL 4643 contains a number of priority magnetic targets including Barns, Rifle Range and the Port Lincoln-Tulka suite. All are within 20km of Port Lincoln, an existing port capable of handling Panamax ships up to 15m draft.

The Project offers significant potential employment and commercial opportunities for people and businesses in Port Lincoln and southern Eyre Peninsula.

More than 100 million tonnes of iron mineralisation has been identified in the Barns-Rifle Range area, most of it magnetite but with some hematite-goethite suitable for direct shipping. The magnetite requires processing into a high grade concentrate before it can be exported.

It has been proposed to export DSO from the main wharf at Port Lincoln using a containerised system similar to that used recently at Port Adelaide in South Australia albeit with covered containers. Alternatively, it could be shipped out of the proposed bulk commodity ports at either Port Spencer, Cape Hardy or Lucky Bay.

The Company is proposing a two-stage development option:

Stage 1: Mine and export up to 250,000 tonnes per annum DSO via Port Lincoln including upgrading 1.4 Mtpa lower grade (40-55% Fe) hematite-goethite-magnetite to DSO grade over a 4-5 year mine life

Stage 2: Mine up to 10 Mtpa magnetite and process onsite to produce up to 2.5 Mtpa high grade concentrate for export subject to defining additional resources.

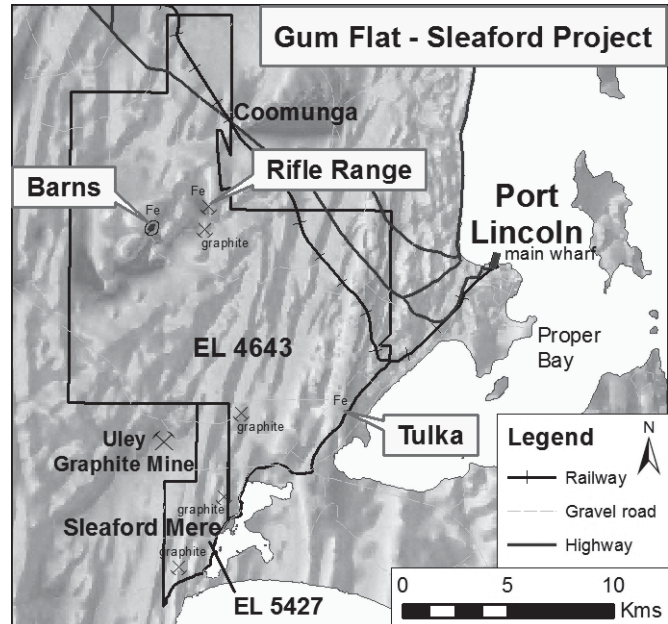
Planning is currently underway for Stage 1 only.

Extending west from Port Lincoln with a railway line and major highway running through the area, EL 4643 is ideally located with respect to infrastructure and proximity to a major shipping port.

Mining and Processing (Stage 1)

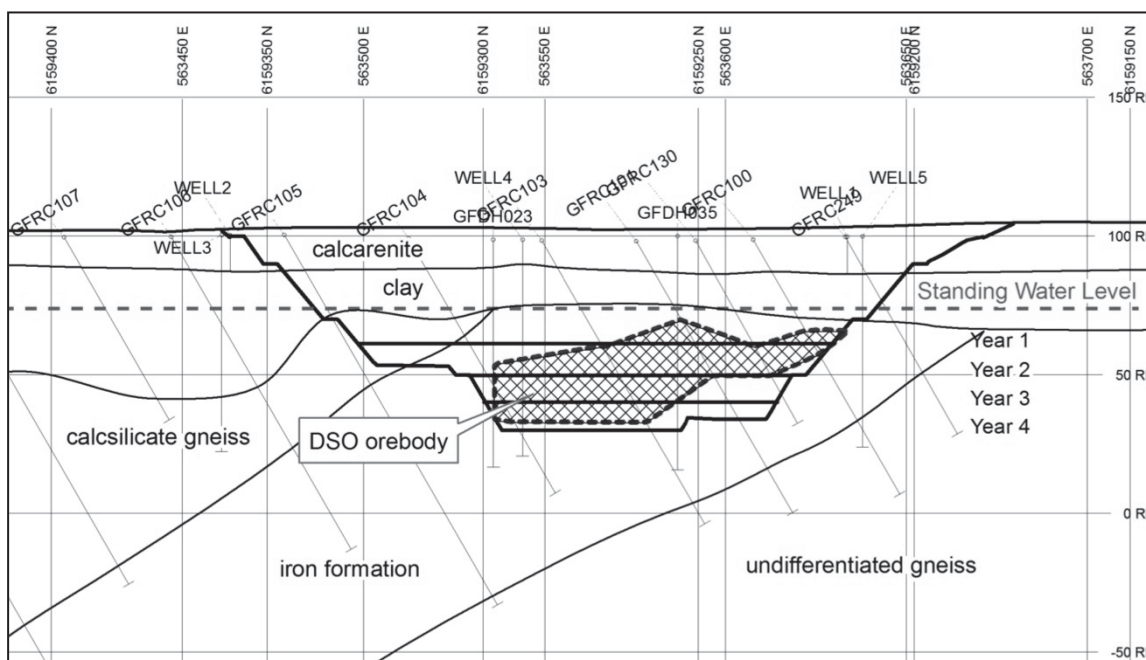
The proposed mine plan for Stage 1 mining of the Barns DSO hematite-goethite (+magnetite) deposit is based on the following:

- Mine up to 0.25 Mtpa DSO hematite-goethite from a conventional open cut pit or quarry over a 4-5 year period; and
- Crush, screen and transport ore by double road trains in covered containers to Port Lincoln or an alternate port for export.



Location of Barns iron ore deposit

An extension to Stage 1 would involve constructing a magnetic/gravity concentration plant at Barns to produce a fines concentrate from lower grade ore (40%-55% Fe) also for export.



NW-SE section through the proposed Barns Stage 1 pit showing the proposed mine schedule to progressively lower the pit floor and water level by 10% of the saturated aquifer thickness per year

Groundwater

Groundwater is a primary concern for the Barns mine plan since the proposed mine site is within the Southern Basins Prescribed Wells Area (SBPWA) used for groundwater extraction by the Eyre Peninsula community from the Quaternary Bridgewater Formation limestone or calcarenite aquifer. The Bridgewater Formation at the proposed mine site is not saturated. Therefore, mining operations will not directly affect it. However, there is groundwater in the underlying basement fractured-rock aquifer which is separated from the Bridgewater Formation by a saprolite clay aquitard.

Lincoln Minerals has devoted considerable time and resources to ensure that proposed mining activities will not have a detrimental or unsustainable effect on the aquifer system.

To mine the iron ore at Gum Flat, LML will need to extract groundwater from the basement fractured rock aquifer to lower and maintain the water level below mining operations.

In September 2014, the SA Minister for Sustainability, Environment and Conservation granted Lincoln Minerals a groundwater licence for the Company's proposed iron ore mine.

The groundwater licence is for the extraction of up to 435 megalitres per annum for "Industrial" purposes to progressively extract groundwater at a sustainable rate to facilitate the proposed iron ore mining operations and for other purposes ancillary to the proposed mine. This amount and the associated conditions of the licence are consistent with the Water Allocation Plan (WAP) allocation for the Basement aquifer of the SBPWA.

Lincoln Minerals emphasises that the licence is only for the extraction of groundwater from the region's Basement aquifer NOT the upper Bridgewater Formation aquifer that is host to groundwater in the Uley East and Uley South lenses. The proposed mine site is on topographic and palaeo-topographic highs where the upper aquifer does not contain groundwater. Independent modelling shows that mining operations will not affect the Uley East lens nor the Uley South lens which is more than 10km away. That is, the proposed mining operations will not have any effect on Eyre Peninsula's potable water supply in the short, medium or long term.

Conditions imposed by the SA Minister for Sustainability, Environment and Conservation include preparation of an approved Monitoring Plan, obtaining a Mining Lease within four years and maintaining detailed records of extraction from meters supplied, installed and maintained in accordance with South Australian Licensed Water Use Meter Specifications. The licence may be varied by the Minister in accordance with the Act at yearly intervals if it is necessary or desirable to more effectively regulate the use of water.

Lincoln Minerals recognises that the groundwater resource in the SBPWA is valuable and needs to be managed sustainably. The Company believes that the revised groundwater extraction scheme for its proposed mining operation is consistent with these principles and is committed to working within the WAP for the SBPWA.

Mining Lease Application

Lincoln Minerals' draft Mining Lease Proposal (MLP) for Stage 1 mining of the Barns DSO deposit at Gum Flat was completed in October 2011. This draft MLP was reviewed by DSD which listed some items that needed to be further addressed before lodging the MLP.

Of these items, an EPBC referral and groundwater licensing were the major obstacles.

In March 2012, the Federal Government Department of Sustainability, Environment, Water, Population and Communities for the second time formally backed plans by LML to develop the proposed Gum Flat Stage 1 iron ore mine. The decision upheld the authority's earlier decision in October 2011 that LML's proposed Gum Flat mine does not present any major environmental issues and is not a controlled action under the Environment Protection and Biodiversity Conservation Act (EPBC).

Upon receipt of the groundwater extraction licence, the Company can now attend to the remaining outstanding items required by DSD in relation to port access and lodge the MLP for formal assessment and approval.

5.2.2 Nantuma (iron) – EL 4815

(LML has exclusive rights to all metals)

In late 2011, Lincoln Minerals expanded its iron ore footprint on South Australia's Eyre Peninsula with the granting of a new exploration licence, EL 4815.

Nantuma is immediately adjacent Iron Road Limited's 3.7 billion tonne iron ore deposits and adds to Lincoln's strong portfolio of near mining and advanced iron ore deposits and tenements throughout the Peninsula. The aeromagnetic anomalies that define Iron Road's iron ore resources continue west onto EL 4815 and Lincoln Minerals has defined Exploration Targets(**) for iron ore totalling 0.7 billion to 1.8 billion tonnes at 14-20% Fe within relatively coarse-grained magnetite gneiss of possible Archaean age. Nantuma straddles the existing rail line to Warrambo and Iron Road's proposed infrastructure corridor to Cape Hardy.

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

5.2.3 Eurilla (iron and manganese) – ELs 4310, 5013, 5022 and 5297

(LML has exclusive rights to all metals)

The Eurilla project area is along strike from the Wilcherry Hill magnetite and Hercules iron ore deposits to the northwest and has potential for significant iron ore and manganese mineralisation.

Previous work on the Eurilla project has identified:

- 21.7 Mt @ 33.3% Fe Inferred Mineral Resource for Eurilla South iron ore with associated manganese grading up to 17.5% MnO;
- Manganese mineralisation grading up to 66% MnO at Uno.

The Company has not undertaken any field activities at Eurilla over the past 12 months but is considering various options including drilling and/or joint ventures to enhance the value of these prospects.

5.3 Base and Other Metals – Eyre Peninsula

(LML has exclusive rights to base metals on all tenements)

Lincoln Minerals has rights to base metals (including copper, lead, zinc and nickel) and associated minerals such as vanadium, silver and gold on all tenements including those it shares with Centrex Metals and the SA Iron Ore Group.

In January 2012, drilling at Minbrie identified significant copper-lead-zinc and silver mineralisation in diamond core drillhole, BUDD192 where a 29.5m interval from 131.1m to 160.6m defined an average grade of 0.76% Cu, 7.37% Pb, 1.88% Zn, 9.0g/t Ag and trace gold. Base metal grades ranged up to 4.8% Cu (145-146m), 47.1% Pb (141-142m), 5.5% Zn (133-134m) along with up to 36 g/t Ag (145-146m) and trace gold up to 0.1 g/t Au (156-157m and 158-159m).

Previous work at the Bungalow end of the Bungalow-Minbrie project area outlined significant vanadium associated with magnetite iron ore in a sub-vertical zone of ferrovanadium mineralisation that yields a magnetic concentrate (7% to 11.4% DTR) averaging 0.4% to 0.6% V₂O₅ with 59% to 65% Fe and 0.7% to 1.5% TiO₂.

At Eurilla, previous exploration has identified

- Uranium mineralisation grading up to 0.07% U along with up to 0.5% base metal (Zn+Pb+Ni+Cu+Co) over a 5 hectare area at Jungle Dam; and
- Multiple areas of anomalous soil Ag, Au, Cu, Zn and U, with four prospects (Skaro, Mondas, Gallifrey and Sonar Prospects) identified as being prospective for epithermal style mineralisation.

The soil sampling programs at Skaro, Mondas, Gallifrey and Sonar prospects have identified those targets as being prospective for epithermal Paris (Investigator Resources Limited) and Parkinson Dam (Tasman Resources Limited) style mineralisation.

Previous exploration by Lincoln Minerals in the Cockabidnie area on central Eyre Peninsula has identified significant saprolitic-style nickel-cobalt (+scandium) mineralisation grading up to 1.15% Ni and 0.33% Co over a strike length of ca. 3 kilometres in the Campoona Syncline. Also in and adjacent to the Campoona Syncline, Lincoln Minerals has discovered other base metals grading up to 2.4% Pb+Zn and up to 26ppm Ag with trace gold (0.26ppm Au).

Copper mined in the Lincoln Uplands near Tumby Bay from oxidised ore during the period 1840s to ~1915 recorded grades up to 30% Cu from areas of Hutchison Group outcrop, subcrop and shallow cover. Surface rock chip samples (Helix Resources and others) contain over 10% Cu and 4.5 g/t Au. Mineralisation is structurally controlled with sulphides at depth but prior exploration concentrated around known deposits with little or no drill testing of depth or along-strike extensions.

Also in the Tumby Bay area, nickel has been recorded in the Coultas Gabbro and vanadium in laterite near White Flat.

While all this work represents an early stage of base metal exploration on these various prospects, Lincoln Minerals is very encouraged by these discoveries and is looking for a suitable joint venture partner(s) to progress the projects.

5.4 Other Projects

The Company has maintained an ongoing program of review and monitoring but no significant field exploration was undertaken on Lincoln's other South Australian tenements during the year.

5.5 Capital Raising

During the 2013-2014 year, Lincoln Minerals initiated two fully-underwritten non-renounceable Rights Issues to raise A\$1.44 million and A\$3.35 million offering, respectively, approximately 28.8 million and 67.1 million new fully paid ordinary shares each at an issue price of A\$0.05 per share.

Proceeds of the successful capital raisings are to primarily fund the graphite and iron ore focused projects on Eyre Peninsula.

6 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.

6.1 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 building materials and pharmaceutical products 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 and is currently the Executive Chairman of ASX-listed mineral exploration and development company, Genesis Resources Limited.

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.

6.2 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.

6.3 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.

6.4 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	24.8

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*).

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.

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

Mineral Classification	Resource	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated		1.47	13.9	204,352	2.57
Inferred		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

Mineral Classification	Resource	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated		2.10	10.6	223,349	2.56
Inferred		1.13	12.2	137,370	2.52
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

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.

6.5 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).

6.6 CORPORATE PERFORMANCE

The performance of the Company / Group for the past 5 years is:

Year	Net (loss) for the year	(Loss) per share – cents (adjusted for rights issues)	Shareholders' Equity	Number of issued shares – end of year	Share price – end of the year – cents
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.

6.7 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.

6.8 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.

6.9 OPTIONS

There are no options outstanding as at the date of this report (2013: Nil).

6.10 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.

6.11 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.

6.12 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".

6.13 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.

Key Management Personnel 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)

	Short term		Post employment		Share-based payment	Total	Value of rights as a % of total remuneration
	Salary and fees	Contract payments	Super-annuation	Long service leave ⁷	Performance Rights		
	\$	\$	\$	\$	\$	\$	%
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
<u>Executives - Nil</u>			

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.

6.14 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:

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

No other auditors were engaged by the Group.

6.15 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



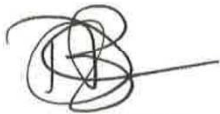
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

7 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

7.1 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.

7.2 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.

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.

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 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.

7.3 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.

7.4 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.

7.5 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.

7.6 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.

7.7 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.

7.8 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.

8 FINANCIAL STATEMENTS 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
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		3,138,750	523,235
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		15,781,616	14,740,898
TOTAL ASSETS		18,920,366	15,264,133
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	508,433	107,758
Employee entitlements – leave provisions		182,679	100,000
TOTAL CURRENT LIABILITIES		691,112	207,758
NON CURRENT LIABILITIES			
Employee entitlements – leave provisions		10,174	62,663
TOTAL NON CURRENT LIABILITIES		10,174	62,663
TOTAL LIABILITIES		701,286	270,421
NET ASSETS		18,219,080	14,993,712
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		18,219,080	14,993,712

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

		<u>2014</u>	<u>2013</u>
	Notes	\$	\$
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.
- 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;
- 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 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.

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	(1,226,779)	(1,625,072)
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	368,034	487,522
Income tax benefit attributable to operating loss	(95,970)	(220,813)

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	2,510,194	166,631
	<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 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.

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
<u>2013</u>					
At cost	555,825	60,938	331,825	139,809	1,088,397
Accumulated depreciation	-	(50,494)	(269,575)	(86,347)	(406,416)
Closing net book amount	555,825	10,444	62,250	53,462	681,981
Opening net book amount	515,825	5,951	102,314	60,312	684,402
Additions	40,000	8,561	1,785	5,000	55,346
Disposals	-	-	(8,552)	-	(8,552)
Depreciation charge 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.

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	73,365	73,365
 <u>Amortisation and impairment</u>		
Balance at beginning of the year	57,658	42,037
Amortisation for the year	7,832	15,621
Balance at the end of the year	65,490	57,658
 Closing net book amount	7,875	15,707

11. TRADE AND OTHER PAYABLES

Trade payables – external parties	443,566	47,815
Trade payables –related parties	12,571	7,810
Accrued expenses	52,296	52,133
	508,433	107,758

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.

12. CONTRIBUTED EQUITY

	<u>2014</u>	<u>2013</u>
(a) Share capital	\$	\$
Fully paid ordinary shares	27,987,352	23,631,175
	<hr/>	
Movements in share capital:	<u>Number</u>	<u>\$</u>
Fully paid ordinary shares		
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
	<hr/>	
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
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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
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The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

14. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is KPMG Australia.

	<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>

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 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.

20. SEGMENT INFORMATION

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

2014	Australia			Total
	Iron Ore	Graphite	Corporate	
	\$	\$	\$	\$
<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

2013	Australia			Total
	Iron Ore	Graphite	Corporate	
	\$	\$	\$	\$
<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

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		14,267,052	14,026,787
Total assets		<u>19,706,195</u>	<u>15,716,977</u>
Current liabilities		526,056	194,408
Non-current liabilities		10,174	62,663
Total liabilities		<u>536,230</u>	<u>257,071</u>
Total equity of the parent entity comprising of:			
		<u>2014</u>	<u>2013</u>
		\$	\$
Contributed equity	12	27,987,352	23,631,175
Reserves	13	96,285	96,285
Accumulated (Losses)		(8,913,672)	(8,267,554)
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 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



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*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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

9 ASX ADDITIONAL INFORMATION

9.1 Distribution as at 30 September 2014

Spread of Equity Security Holders

	Number of Holders Fully Paid Shares
0 – 1,000	41
1,001 – 5,000	143
5,001 – 10,000	229
10,001 – 100,000	651
100,001 and over	211
	<hr/> 1,275 <hr/>

There are 300 security holders holding less than a marketable parcel of ordinary shares (\$500 amounts to 9,616 shares at 5.2 cents per share).

9.2 Voting rights

At a general meeting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

9.3 Substantial shareholders

Poan Group Holdings Pty Ltd	37,184,429 shares	13.85%
Everchance International Industrial Ltd & Mr Xiezhi Tan	26,715,000 shares	9.95%
High Treasure International	15,000,000 shares	5.59%

9.4 Statement of quoted securities

	Shares
Quoted on ASX	268,386,949
Restricted	-
Total	<hr/> 268,386,949 <hr/>

9.5 Other information

There is no current on-market buy-back.

List of the 20 largest Shareholders – Fully Paid Ordinary Shares

	Shareholder	Number of Shares	%
1	Poan Group Holdings Pty Ltd	37,184,429	13.85
2	Everchance International Industrial Ltd	20,000,000	7.45
3	High Treasure International Ltd	15,000,000	5.59
4	Wynnwood Pty Ltd <The Pang Family S/F A/C>	10,816,532	4.03
5	HSBC Custody Nominees (Australia) Limited	9,878,027	3.68
6	Mr Eng Hoe Lim	9,078,000	3.38
7	Ms Yin Ping Abby Ko	7,945,867	2.96
8	Keng Chuen Tham	7,714,286	2.87
9	Mr Xiezhi Tan	6,715,000	2.50
10	Mr Kwang Hou Hung	6,675,000	2.49
11	Eastwood Financial & Investment Services Pty Ltd <G & E Super Fund A/C>	5,955,000	2.22
12	Mr Hock Guan Ng	5,442,857	2.03
13	Ms Guiqin Yang	5,000,000	1.86
14	Ms Lai Yoong Lim	4,100,000	1.53
15	Senheng Electric (Kl)Sdn Bhd	4,000,000	1.49
16	Mr Kok Bin Wee	4,000,000	1.49
17	JP Morgan Nominees Australia Limited <Cash Income A/C>	3,795,247	1.41
18	Mr David Wang & Ms Jessica Yue Zhao	2,260,811	0.84
19	Amalgamated Dairies Limited	2,000,000	0.75
20	Lands Superannuation Pty Ltd <Lands Super Fund A/C>	2,000,000	0.75
	Total 20 largest shareholders	169,561,056	63.17
	Total shares on issue	268,386,949	100.00

10 RESOURCES STATEMENT

Mineral Resources and Exploration Targets

Information in this report that relates to exploration activity and results, Mineral Resources and Exploration Targets was compiled by Dr A John Parker who is a Member of the Australasian Institute of Geoscientists.

Dr Parker is Managing Director of Lincoln Minerals Limited and has sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as a Competent Person as defined by the JORC Code, 2012. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.

Information extracted from previously published reports identified in this report is available to view on the Company's website www.lincolnminerals.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

10.1 Graphite

Mineral Resources in accordance with JORC Code 2012 at Kookaburra Gully are set out below (*Lincoln Minerals Limited, ASX Announcement 19 December 2013*). At a nominal 5% cut-off, the Indicated and Inferred Mineral Resources as at 30 June 2014 total 2.20Mt at 15.1% TGC for a total of 332,000 tonnes contained graphite.

Kookaburra Gully Mineral Resource (AGL 100%) at a nominal 5% TGC lower cut-off grade

	As at 30 June 2014		As at 30 June 2013	
Mineral Resource Classification	Tonnage (Mt)	Average Grade (% TGC)	Tonnage (Mt)	Average Grade (% TGC)
Indicated	1.47	13.9	1.56	14.3
Inferred	0.73	17.3	0.70	16.5
TOTAL (>5% TGC)	2.20	15.1	2.25	15.0

Kookaburra Gully Mineral Resource (AGL 100%) at a nominal 2% TGC lower cut-off grade

	As at 30 June 2014		As at 30 June 2013	
Mineral Resource Classification	Tonnage (Mt)	Average Grade (% TGC)	Tonnage (Mt)	Average Grade (% TGC)
Indicated	2.10	10.6	2.18	11.0
Inferred	1.13	12.2	0.98	12.5
TOTAL (>5% TGC)	3.23	11.2	3.16	11.5

Mt = million tonnes TGC = Total Graphitic Carbon

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

The changes in tonnages and grades are due to the incorporation of additional assay results around the margins of the mineralised intersections.

10.2 Iron Ore

Lincoln Minerals advises that no work has been performed or is required to further evaluate historical estimates of iron ore previously announced by the Company. As and when announcements relating to historical estimates are released by Lincoln, the required disclosure under JORC 2012 will be made.

JORC 2004 Mineral Resource estimates for combined hematite-goethite and magnetite iron ore mineralisation at Gum Flat total 109 million tonnes (*Lincoln Minerals Limited, ASX release 7 June 2012*). This includes a 12.3 Mt Indicated Mineral Resource for magnetite and a 1.4 Mt Indicated Mineral Resource for hematite-goethite at the Gum Flat, Barns deposit.

No new information or data has been acquired that materially affects the information included in the original market announcements and, in the case of the following estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed and have not been materially modified from the original market announcements.

Gum Flat Mineral Resources (JORC 2004) as at 30 June 2014. These remain unchanged from 30 June 2013.

Prospect	JORC Status	Million Tonnes (Mt)	Head Grade (% Fe)	DTR (%)
Barns magnetite*	Indicated	12.3	26.6	22.1
Barns magnetite*	Inferred	88.9	23.5	17.1
Rifle Range magnetite [#]	Inferred	3.5	27.1	22.6
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	24.8	

* Barns magnetite interpretation based on notional 10% Davis Tube Recovery (DTR) cut-off

[#] Rifle Range magnetite interpretation based on notional 15% DTR cut-off

[†] Barns hematite interpretation based on notional 40% head Fe cut-off

[‡] Rifle Range and Sheoak West hematite interpretation based on notional 35% head Fe cut-off

The *in situ* Inferred Mineral Resource for the Eurilla iron ore prospect within Lincoln's EL 5013 (formerly EL 3690) is 21.7 Mt @ 33.3% Fe (JORC 2004). This includes a small resource containing 17.5% Mn + 29.2% Fe as indicated below (*Lincoln Minerals Limited, ASX release 5 January 2009*).

Historical estimates in relation to the Eurilla project have not been verified in accordance with JORC 2012 since exploration activities were performed more than 3 years earlier (prior to 2011) and no further exploration has been undertaken on these projects since Lincoln has been required to report under JORC 2012. The historical estimates will be reported under JORC 2012 at the next opportunity that Lincoln undertakes further exploration in this project area.

Eurilla in situ Inferred Resource within EL 5013 (JORC 2004) as at 30 June 2014, using 0.001% Fe cut-off grades for domains 1, 2 and 4 and 0.001% Mn cut-off for domain 3 (after Golder, 2008). These remain unchanged from 30 June 2013 and are as reported in Lincoln Minerals' ASX release 5 January 2009.

Domain	Resource Category	Tonnage (Mt)	Fe (%)	Calcined Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	Mn (%)	S (%)	LOI (%)
1 Detrital	Inferred	2.2	41.21	44.40	21.68	7.35	0.05	0.32	0.12	6.99
2 Goethite-Hematite	Inferred	8.4	40.88	43.90	27.89	3.94	0.16	0.93	0.04	6.73
3 Goethite-Hematite-Manganese	Inferred	0.2	29.15	32.46	16.12	4.82	0.12	17.48	0.04	10.11
4 Magnetite	Inferred	11.0	25.99	26.44	49.39	1.89	0.18	0.40	0.07	2.60
Total	Inferred	21.7	33.27	35.01	38.09	3.25	0.16	0.73	0.06	4.69

NOTES

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