

Who we are

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

Our Mission

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

Highlights and Achievements 2015 - 2016

Mineral Lease granted 3 June 2016 for SA's Kookaburra Gully Graphite Project

Preparation of Program for Environment Protection and Rehabilitation (PEPR) well advanced

Community Engagement Plan (CEP) for Kookaburra Gully lodged with SA Government

Targeting first production – also Lincoln's maiden mining output – in 2017¹

Targeting production of high quality flake graphite >94% TGC²

Proposed mine site on Eyre Peninsula close to established infrastructure

Adjoining Koppio graphite Mineral Resource doubles total graphite inventory

Market forecasts continue to point to doubling of global graphite demand by 2020

Lincoln Minerals has large strategic tenement holding in world-class graphite province

Total tenement holdings 3,073 square kilometres

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.

¹ Subject to Government PEPR approval and financing

² TGC = Total Graphitic Carbon



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CORPORATE DIRECTORY

Directors

Mr Jin Yubo, Chairman
 Dr A John Parker, Managing Director
 Mr Eddie Lung Yiu Pang, Non-executive
 Mr James Tenghui Zhang, Non-executive³

Company Secretary

Jaroslav (Jarek) Kopias

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Auditor

Grant Thornton Australia⁴
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 Wayville SA 5034

ASX code LML

ABN 50 050 117 023

³ Appointed 17 February 2016

⁴ Appointed 27 November 2015

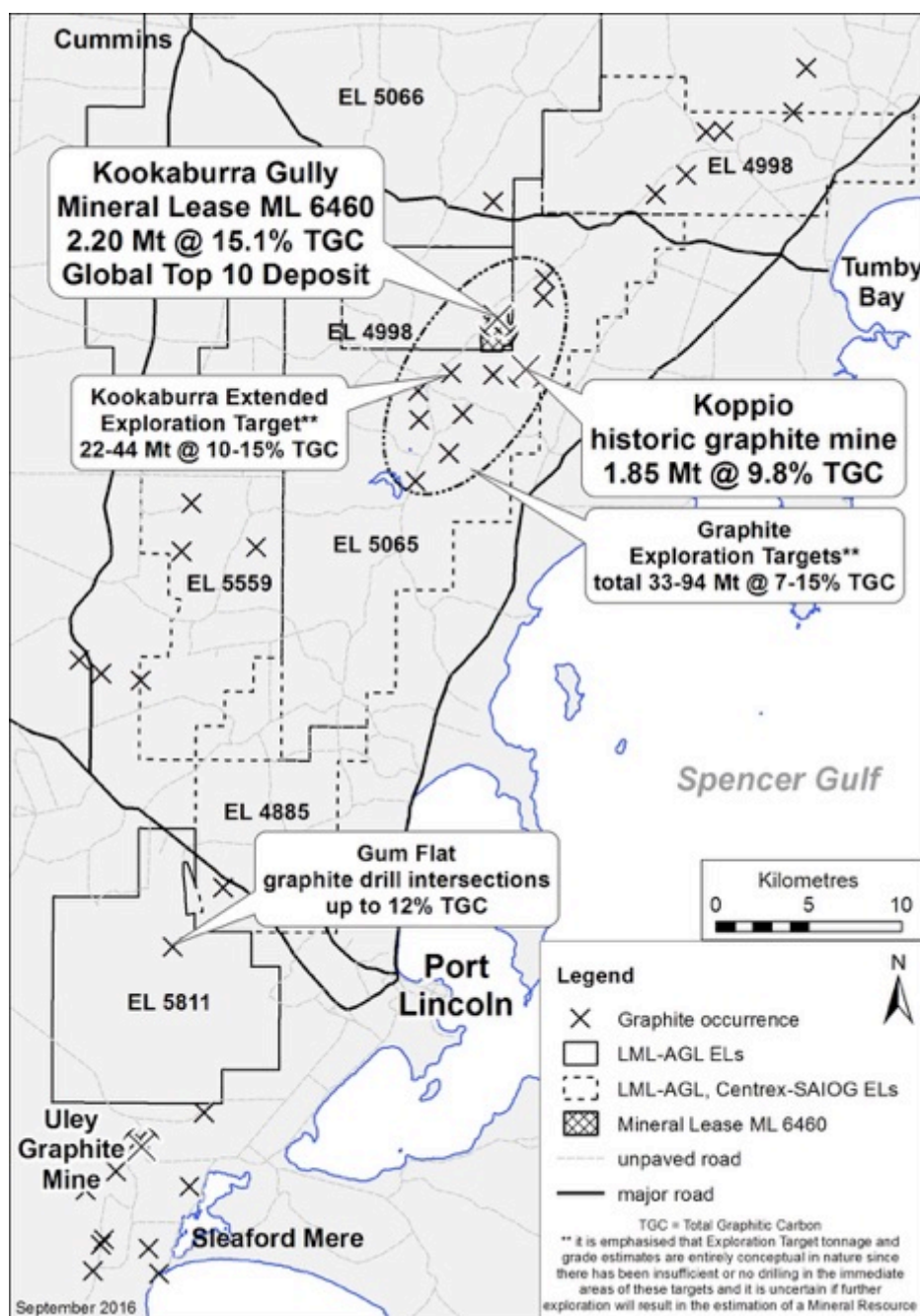
1 LINCOLN MINERALS – KEY ASSETS

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



Lincoln Minerals is shifting its focus from exploration to maiden production with plans in place for development and mining of graphite in 2017 at its wholly owned Kookaburra Gully Graphite Project.

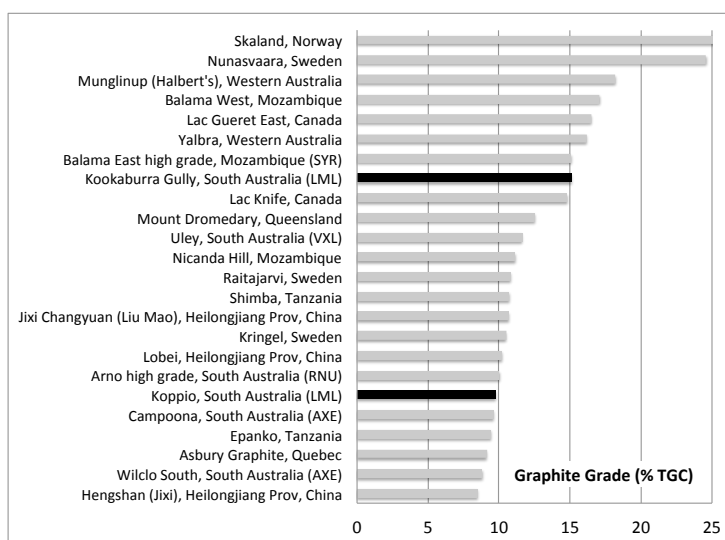
Lincoln Minerals has a Board and management team focused on sustainable mining development and commercialisation of graphite, as well as iron ore, copper and other growth opportunities.



Mt = million tonnes TGC = Total Graphitic Carbon

Kookaburra Gully Graphite Project – Southern Eyre Peninsula

- **Mineral Lease ML 6460 granted 3 June 2016** to Lincoln's wholly-owned subsidiary, Australian Graphite Pty Limited, for a period of 21 years commencing on 3 June 2016
 - A Community Engagement Plan (CEP) for Kookaburra Gully has been prepared and lodged with the SA Department of State Development (DSD)
 - Lincoln is working with DSD, the District Council of Tumby Bay, the southern Eyre Peninsula community and other stakeholders in the preparation of a Program for Environment Protection and Rehabilitation (PEPR) to facilitate its early completion, clearing the way for a start to mine construction
- **Mine production and processing plant construction targeted for second half of 2017** subject to Government approvals and financing
- **Favourable project economics** supported by proximity to transport and infrastructure
- **JORC 2012 Mineral Resources:**
 - 2.20Mt Indicated and Inferred Mineral Resources at 15.1% TGC (at 5% TGC cutoff)
 - or 3.23Mt Indicated and Inferred Mineral Resources at 11.2% TGC (at 2% TGC cutoff)
- Highly sought after **premium flake graphite globally competitive** on quality, grade, cost and economics
- **Simple flotation process** yields >80% recovery at grades >93% TGC without chemical leaching
- Chemical leaching can lift concentrate grades to >99.95% TGC
- World-class resource which ranks in grade as a **Global Top 10 deposit capable of delivering near-term production at low cost**
- **Kookaburra Gully Mine Plan:**
 - Based on mining 250,000t graphite ore per annum to produce up to 40,000t graphite concentrate per annum
 - Estimated capital expenditure A\$40-50 million including EPCM and 10% contingency
 - Estimated life-of-mine operating expenditure for mining and processing = A\$704 per tonne flake graphite concentrate based on 90% recovery
- **Historic Koppio Graphite Mine**
 - Mineralisation grades up to 42.8% TGC with a 1.85Mt JORC 2012 Inferred Mineral Resource at 9.76% TGC (at 5% TGC cutoff)
- Combined total Indicated and Inferred Mineral Resources for Kookaburra Gully and adjoining Koppio graphite deposits now stand at 4.03Mt grading 12.35% TGC with **497,890t of contained graphite** (within the high-grade core based on a nominal cut-off grade of 5% TGC).



Graphite grade of global graphite resources (excluding Sri Lanka)

Gum Flat Iron Ore Project – Southern Eyre Peninsula

- **109Mt Indicated and Inferred Mineral Resources at 24.8% Fe** including some potential Direct Shipping Ore (DSO)
- Draft Mining Lease Proposal prepared and groundwater licences granted but the project has been put on hold due to depressed global iron ore prices

Eurilla Multi-Commodity Project – Northern Eyre Peninsula

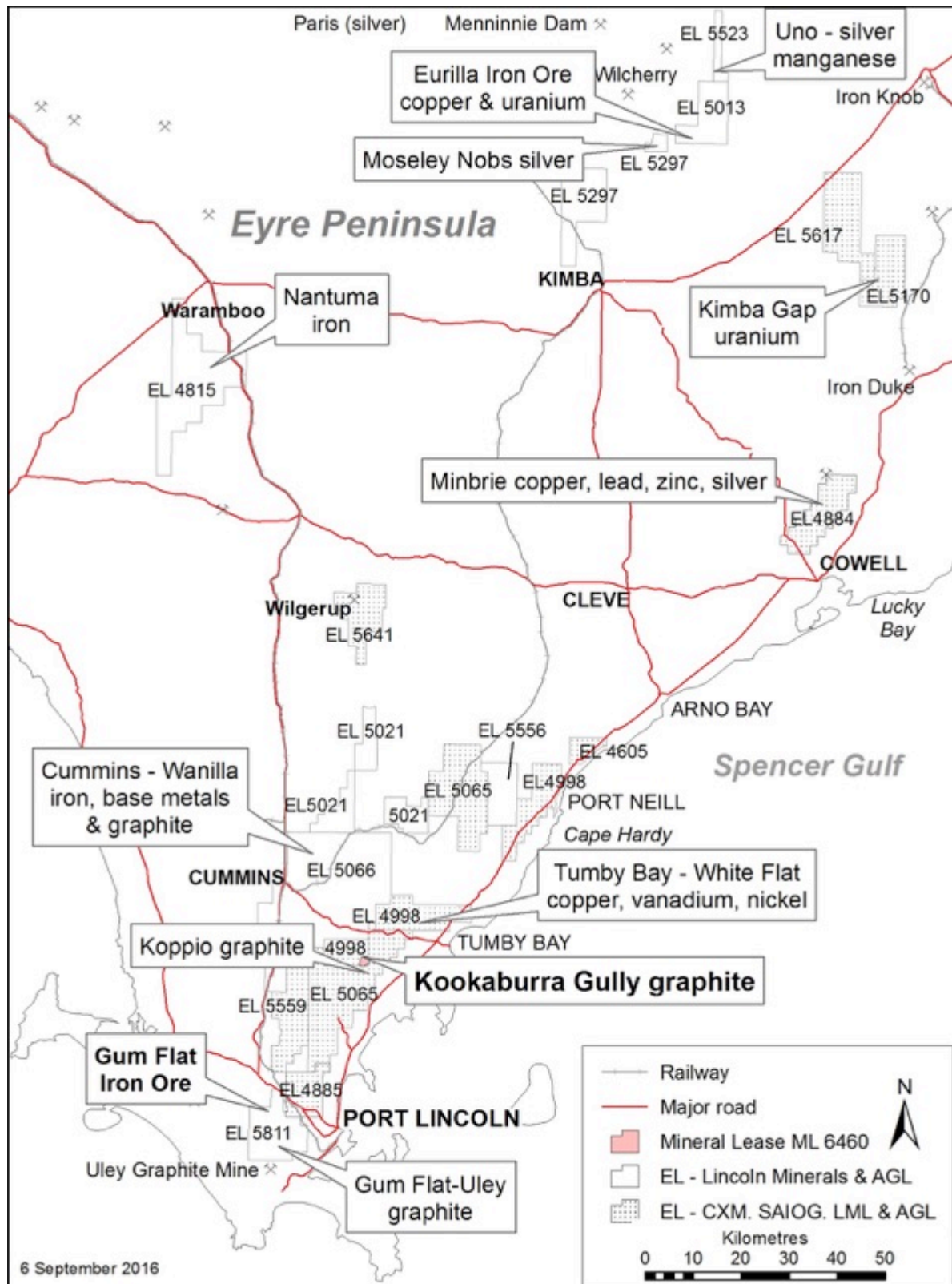
- *In situ* hematite-magnetite Inferred Resource of 21.7Mt @ 33.3% Fe
- Uranium up to 0.05%-0.07% U with up to 0.1% Pb, 0.7% Zn & 0.5% Cu in a 5 hectare zone
- Manganese up to 66% MnO and epithermal style silver, gold and base metal anomalies near Uno

Minbrie Copper Project – Central Eyre Peninsula

- Skarn base metal prospect 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

MAP OF OPERATIONS

Lincoln Minerals and its wholly owned subsidiary, Australian Graphite, have tenements totalling 3,073 square kilometres on South Australia's Eyre Peninsula.



Note, on all Centrex/SAIOG tenements shown on this map, Lincoln Minerals and Australian Graphite have the rights to all minerals except iron

Exploration Licence data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 6 September 2016, http://www.minerals.statedevelopment.sa.gov.au/geological_survey_of_sa/data

2 CHAIRMAN'S REPORT

During 2015 and 2016 and the opening months of 2016-17, Lincoln Minerals has continued to enhance shareholder value by progressing its potential South Australian graphite mining opportunities. In particular, a Mineral Lease ML 6460 was granted to Lincoln's wholly-owned subsidiary, Australian Graphite Pty Ltd, for its flagship Kookaburra Gully Graphite Project on SA's Eyre Peninsula.

Our Company is exceptionally pleased to have achieved this landmark step in the permitting process for the Kookaburra Gully graphite project. Kookaburra Gully is Australia's highest grade flake graphite deposit and in the world's Top 10 deposits based on grade.

"The grant of ML 6460 is the key pivot point and milestone to ensure delivery of Lincoln's transformation from mineral explorer and developer to an emerging graphite producer, in an industry at the forefront of the growing global green energy market and technology. It is also the de-risking step-change awaited by our potential project financiers and off-take customers to now elevate mine construction financing and operating negotiations to a level where commercial transaction outcomes can be achieved.

During 2015 and 2016, development activities at **Kookaburra Gully** included ongoing metallurgical bench-scale test work, ongoing environmental studies, geotechnical and resource definition drilling for mine planning, soil engineering investigations for design of the tailings facility, establishing groundwater monitoring wells and addressing community and Government requests for additional information or concerns. The Mining Lease Application for a proposed graphite mine and processing plant at Kookaburra Gully was lodged with the SA Department of State Development in February 2015 and the Response Documentation was submitted in January 2016 resulting in the **grant of a Mineral Lease on 3 June 2016**.

A Federal Government decision regarding the EPBC Referral was given on 24 December 2015 and declared that the proposed Kookaburra Gully mine is **Not a Controlled Action** if undertaken in a particular manner, namely, protection of a small Blue Gum Woodland within the Mineral Lease.

Lincoln is advancing a detailed Program for Environment Protection and Rehabilitation (PEPR) and is confident of Government approval in mid-2017.

Lincoln's JORC Inferred and Indicated Mineral Resources at Kookaburra Gully, just 35 km north of Port Lincoln, total 2.2 million tonnes at 15.1% TGC and rate within the Top 10 global graphite deposits on grade. Metallurgical studies have shown that a high grade 93%-98% TGC flake graphite concentrate can be produced at recoveries of 80%-90% from a simple 4- to 6-stage flotation process. Combined with the Inferred Mineral Resource at the historic Koppio Graphite Mine, Lincoln's graphite inventory is in excess of 4 million tonnes at 12.4% TGC.

Over the past 6 years, Lincoln Minerals has been working towards developing a small direct shipping (DSO) hematite-goethite iron deposit, the Gum Flat Barns deposit 20 kilometres west of Port Lincoln. A key component to enable mining of this deposit was to seek approval to extract ground water from the basement aquifer within Eyre Peninsula's Southern Basins Prescribed Wells Area. Licencing was achieved but due to the prolonged timing and depressed iron ore prices, this project has been put on hold.

Lincoln Minerals has maintained **extensive tenement holdings on Eyre Peninsula** close to infrastructure in a politically safe environment 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 giant iron ore deposit on Central Eyre Peninsula. Elsewhere on Eyre Peninsula, the Company has exploration opportunities for copper, silver, manganese, vanadium, uranium, nickel, gold and base metals at Eurilla, Uno, Minbrie and in the Tumby Bay region.

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 district councils. In April 2016, the Company signed a Memorandum of Understanding (MoU) with the District Council of Tumby Bay supporting the Company's proposed development of the Kookaburra Gully graphite project. We have made good progress in our graphite development schedule 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 and commend all our staff and my fellow Directors for their support and enthusiasm during the past year of substantial project achievement.

Jin Yubo
Chairman

3 REVIEW OF OPERATIONS

3.1 Strategy and Objectives

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

The Company's strategy is to focus on **world-class metallogenic provinces close to established infrastructure within a stable political environment – two factors strongly evident across the Company's extensive Eyre Peninsula tenement holdings**.

Lincoln Minerals is exploring iron, graphite, copper, uranium, gold, zinc-lead-silver, vanadium, manganese and nickel-cobalt targets on Eyre Peninsula.

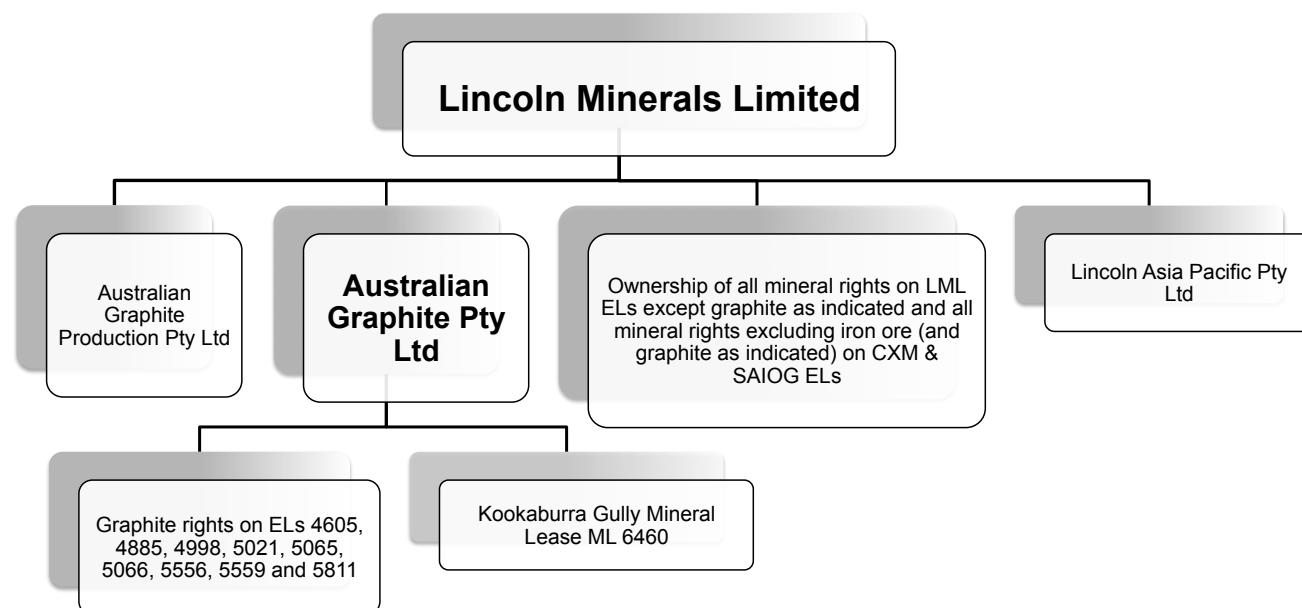
Eyre Peninsula is part of the highly endowed, world-class Gawler Craton mineral province that not only hosts iron ore mines of the Middleback Ranges but also the Olympic Dam and Prominent Hill iron oxide copper gold uranium (IOCGU) mines, the new Carapateena and Hillside copper deposits and the historic 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 delineation. 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 systems (GIS) and 3D modelling software to interpret data for exploration, target generation and resource definition. Results are 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, safety and the environment.

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.



Lincoln Minerals' business structure

3.2 Australian Graphite Pty Ltd

In mid-2013, Australian Graphite Pty Ltd (AGL) was formed as a **wholly-owned subsidiary company of Lincoln Minerals Limited** to hold key graphite assets of the Company. Australian Graphite owns Mineral Lease ML 6460 and the graphite and graphite-associated mineral rights over a number of Lincoln Minerals' and Centrex-SAIOG ELs (see the Tenement schedule below).

A Coordination Agreement between AGL 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.

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.

3.3 Qingdao International Graphite Exchange Center Co., Ltd

In September 2014, 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 provided for the parties to work together on launching a graphite spot trading platform and develop applications for graphene. It was proposed as a major project in the Qingdao High-tech Development Zone looking at energy saving and new materials.

In 2014-15, Lincoln Minerals became a 25% foundation shareholder of Qingdao International Graphite Exchange Center Co., Ltd. The Exchange's principal place of business was to be in Qingdao, Shandong Province, China.

The Graphite Exchange registration process has not yet been able to be completed and therefore the full amount of the investment has been refunded to Lincoln Minerals.

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 Pingdu, one of China's major industrial graphite producing regions.

3.4 Graphene Research Agreement

Lincoln Minerals has signed an international Project Cooperation Agreement with Monash University (Australia), Guangdong University of Technology (P.R. China) and the largest electronic components producer in China, for the advancement of Sino-Australian cooperation in the development and application of graphene materials.

The agreement is part of the 2015 Guangdong Province of China collaborative innovation and environment project and will involve research, development and commercialisation of graphene-based electronic applications. The Monash University team is led by Professor Dan Li.

Lincoln Minerals will assist with international promotion and application of graphene materials produced by the project and will share in the intellectual property.

3.5 Focused Board

The Board of Lincoln Minerals has considerable experience in Chinese investment and financial markets and an unwavering, long-term focus on owning, developing and profitably extracting the multi-commodity mineral wealth of South Australia's richly endowed Eyre Peninsula. Graphite is the main strategic investment.

Mr Jin Yubo, Non-Executive Chairman, has a Master of International Law from National Chi Nan University, is a chairman or board member of investment and real estate companies in China and Australia, a former committee member of a major Chinese city's People's Political Consultative Council, 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 Eddie Pang, Non-Executive Director, has a Bachelor of Science with Honours degree in Chemistry. He operates a Shanghai trading business supplying the Chinese market with Australian wool and wine, Chilean iron ore, cathode copper and timber, and exports Chinese products to Vietnam, the UAE and Canada. He is currently the Executive Chairman of ASX-listed mineral exploration and development company, Genesis Resources Limited.

Mr James Zhang was appointed as a Non-Executive Director to the Board of Lincoln Minerals on 17 February 2016. He has more than 20 years in real estate development and business management in mainland China, Hong Kong and Australia with extensive experience in funding real estate, infrastructure and property development and enterprise management. He is Director of Shanghai Jihai Investment Ltd Co. and member of the Asset Management Association of China (AMAC).

Mr Jin Yubo, Mr Eddie Pang and Mr James Zhang will provide crucial support to Lincoln Minerals and Australian Graphite at a time when funding and marketing will be vital for the development of the Company's graphite mining opportunities.

3.6 Experienced Management Team

The senior management team of Lincoln Minerals comprises Dr John Parker, Managing Director Technical, Mr Jaroslaw (Jarek) Kopias, Company Secretary and CFO, Mr Dwayne Povey, Chief Geologist, and PEPR consultant, Mr Andrew Minns of Envirocom.

Dr John Parker is a geologist and geophysicist with extensive knowledge of the geology, mineral deposits and mineralizing systems in the Gawler Craton in South Australia and extensive experience in iron ore, graphite and base metals mineralisation. He was formerly Chief Geologist with the mapping branch of the SA Geological Survey but has spent the last 23 years in mineral exploration. He has been Managing Director Technical of Lincoln Minerals since October 2006. He is a former Fulbright Post-Doctoral Fellow where he studied Lake Superior-style banded iron formations, and has made a major contribution to the identification and delineation of iron ore, graphite and other mineral resources on Eyre Peninsula.

Mr Jarek Kopias joined the Company in December 2010 and was appointed as Chief Financial Officer at that time and Company Secretary in November 2011. He is a Certified Practising Accountant and Chartered Secretary with more than 19 years experience in a wide range of financial and secretarial roles in the mining and resources industry including 5 years at WMC's Olympic Dam operations, 5 years at Newmont Mining Corporation (Australia's corporate office) and 5 years at oil and gas producer and explorer Stuart Petroleum Limited (prior to its merger with Senex Energy Limited).

Mr Dwayne Povey is a geologist with more than 16 years experience in the mining and mineral exploration industry including 7 years as mine geologist at Ernest Henry Copper Mine and 9 years with Lincoln Minerals. Based on site at Port Lincoln, he has been responsible for delineating the Kookaburra Gully and Koppio graphite Mineral Resources and previously delineated the Gum Flat iron ore deposits.

Mr Andrew Minns is an engineer with a Masters degree in Environmental Management and more than 30 years experience in the mining industry including Comalco Aluminium Limited, Normandy Mining Limited, Newmont Australia Limited and, more recently, Iluka Resources Limited (Jacinth Ambrosia and Balranald mineral sands projects). He provides consulting services in environmental management, resource development approvals, Government and community engagement, integrated HSEC management systems and is project managing preparation of the Kookaburra Gully PEPR.

3.7 Project Portfolio

The Company holds rights to South Australian exploration lease holdings totalling 3,073km².

Lincoln Minerals and its fully-owned subsidiary, Australian Graphite, have exclusive rights to all minerals including iron ore on leases totalling 1,607km². This includes Mineral Lease ML 6460 at Kookaburra Gully.

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 1,464km² with exclusive rights to all minerals excluding iron ore.

South Australia's Department for State Development (DSD) has granted Amalgamated Expenditure Agreements (AEA) 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 and Dutton Bay ELs (Southern Eyre AEA) and the Eurilla, Moseley Nobs and Uno ELs (Northern Eyre AEA).

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

Lincoln Minerals Limited tenements as at 6 September 2016

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-17	98	Eurilla (Lake Gilles)	LML	LML 100%	LML 100%	LML 100%
EL 5066	12-Feb-17	589	Wanilla	LML	AGL 100%	LML 100%	LML 100%
EL 5021	11-Feb-17	162	Cummins	LML	AGL 100%	LML 100%	LML 100%
EL 5091	Expired on 5-Aug-16		Campoona				
EL 5297	2-Mar-18	147	Moseley Nobs	LML	LML 100%	LML 100%	LML 100%
EL 4310	28-Sep-16	26	Uno	LML	LML 100%	LML 100%	LML 100%
EL 5556	3-Nov-16	82	Dutton River	LML	AGL 100%	LML 100%	LML 100%
EL 5811	6-Jan-18	128	Gum Flat	LML	AGL 100%	LML 100%	LML 100%
EL 4815	20-Dec-16	372	Nantuma	LML	LML 100%	LML 100%	LML 100%
EL 5427	Expired on 18-Jun-16		Sleaford Mere				
ML 6460	2-Jun-37	3.0	Kookaburra Gully	AGL	AGL 100%	LML 100%	LML 100%
Subtotal		1,607					
LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE							
EL 4884	13-Aug-16	117	Minbrie	CXM	LML 100%	0%	LML 100%
EL 4885	13-Aug-16	76	Greenpatch	CXM	AGL 100%	0%	LML 100%
EL 4998	11-Apr-17	272	Tumby Bay (Carrow)	SAIOG	AGL 100%	0%	LML 100%
EL 5065	05-Aug-17	465	Mount Hill (Tod River)	SAIOG	AGL 100%	0%	LML 100%
EL 5170	04-Nov-17	106	Kimba Gap	SAIOG	LML 100%	0%	LML 100%
EL 5559	15-Nov-16	138	Wanilla (Bald Hill)	CXM	AGL 100%	0%	LML 100%
EL 5617	14-Mar-17	155	Stony Hill	SAIOG	LML 100%	0%	LML 100%
EL 5641	18-Apr-17	104	Tooligie Hill (Wilgerup)	CXM	LML 100%	0%	LML 100%
EL 4605	16-Nov-17	31	Dutton Bay	CXM	AGL 100%	0%	LML 100%
Subtotal		1,464					
Grand total		3,073					

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

3.8 Centrex Metals Limited Coordination Agreement

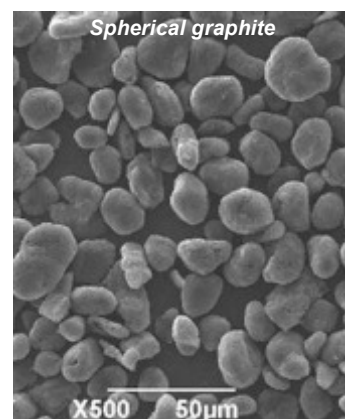
Under agreements signed in 2005, 2006 and 2010, Lincoln Minerals and Australian Graphite have the rights for all metals and minerals other than iron ore on all Exploration Licenses on Eyre Peninsula for which Centrex Metals Limited and its subsidiary, South Australian Iron Ore Group Limited, are the 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.

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

4 KEY BUSINESS DRIVERS

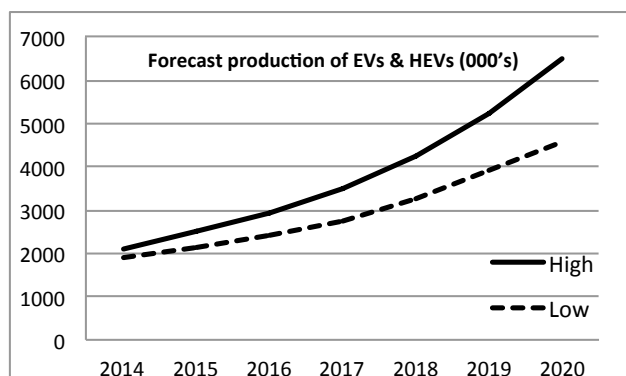
4.1 Graphite Demand and Prices

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 pebble-bed nuclear reactors, in electrical equipment as “brushes” in electrical motors and, in particular, as anodes in **lithium-ion batteries** where there is about 10 to 20 times more graphite than lithium – **a growing market** especially in new generation home power storage systems and electric cars where there can be up to 140 kilograms of spherical graphite in every electric car.



Demand for home storage and electric car batteries is forecast to increase, driven largely by demand for home solar power storage systems and government plans to increase hybrid and electric cars. Currently, there are about 270,000 electric cars in China but the government goal is to increase this to at least 5 million by 2020. Tesla (USA) produced 10,000 EVs in 2012 but its **goal is 500,000 EVs per year**.

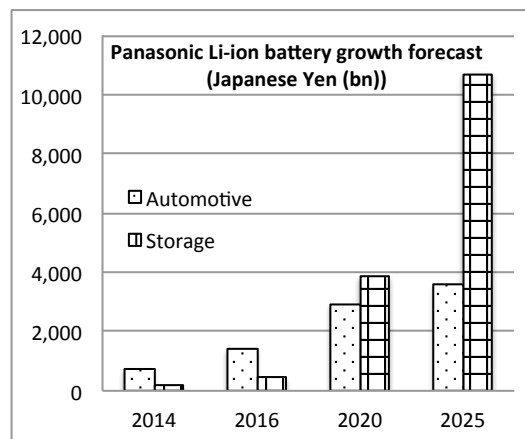
Battery-grade spherical graphite can be made from either natural flake graphite or synthetic graphite. However the latter is about 3 times more expensive. Furthermore, it has been claimed that batteries made from natural flake graphite produce greater range than batteries made from synthetic graphite.



Growth of the total graphite market since 2002 has been approximately 7.5% each year (compound annual growth rate (CAGR)) and this has been forecast to continue to grow from 2014 until 2025. Panasonic Corporation has forecast a growth rate of ca. 15% CAGR for automotive lithium-ion batteries over this period and an even more astounding growth rate of ca. 75% CAGR for residential and commercial lithium-ion battery storage systems.

Lithium-ion batteries on their own 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**. However, demand from other high-tech applications including grid-scale solar power systems is also projected to be increasing. High purity graphite has unique properties which make it ideal as an energy storage medium (much better than nitrate salt and other materials):

- High melting point (over 3500°C);
- High specific heat (capacity to hold heat energy);
- Chemically and mechanically stable at extremely high temperatures (>2,000°C); and
- Low emissivity (does not radiate heat readily).



Energy from either excess grid power or solar thermal power systems can be efficiently stored in high purity graphite blocks or storage systems for later reuse on demand by passing water through tubes embedded in the graphite to make steam to drive a turbine to generate electricity (www.graphiteenergy.com).

In June 2016, an Australian company, Solastor, presented a proposal to build a solar thermal power station at Port Augusta in South Australia (*The Adelaide Advertiser*, 4 June 2016). In the proposed Solastor system (www.solastor.com.au), a tower mounted, 10 tonne graphite solar thermal receiver is heated to 800°C and used to convert water to steam which is then used to generate electricity in a steam turbine generator. Graphite is a critical component of the Solastor proposal and for the Port Augusta proposal alone, at least 1700 graphite blocks or more than 17,000 tonnes of graphite would be required. Lincoln is looking forward to becoming a major supplier of graphite to the growing global green energy market including solar thermal power stations.

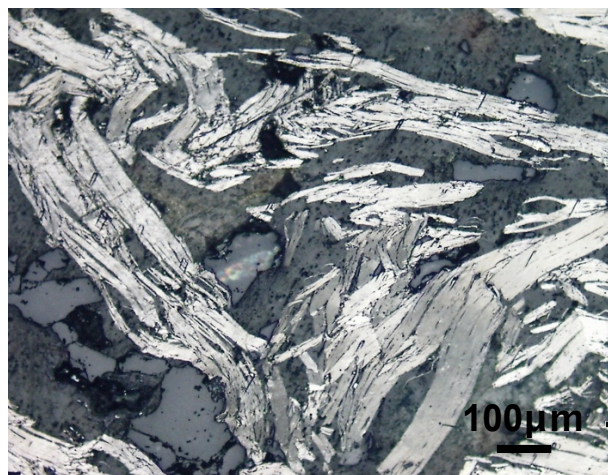
Naturally occurring graphite occurs as crystalline flake graphite – thin, flat, plate-like particles scattered within high metamorphic grade schist, and as amorphous graphite – very fine grained, low-grade graphite similar to the graphite utilised in pencils.

Flake graphite is most valuable with 2016 market prices for high grade large flake graphite (+80#, 94-97% C) ranging between US\$750 and US\$950 per tonne (FOB Qingdao) while fine grained flake graphite (-100#, 94-97% C) has been selling for US\$550 to US\$750 per tonne (source: *Benchmark Mineral Intelligence*).

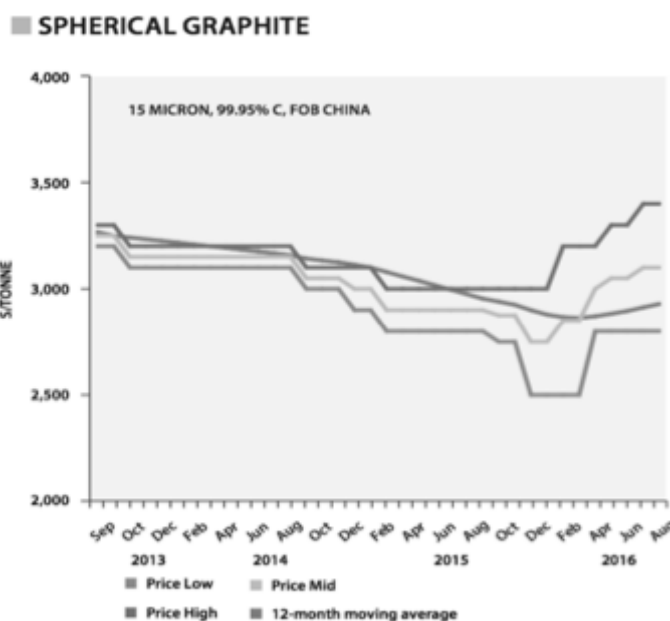
Spherical graphite is produced from flake graphite by purifying it to >99.95% C and grinding it down in a jet mill to spherical shape <20 micron in diameter. It generally takes about 2.5 tonnes of flake graphite to produce 1 tonne of spherical graphite.

Although prices (US\$) for flake graphite have fallen in the past 18 months, spherical graphite demand and prices have been steadily increasing in 2016. Expandable graphite, which is used as a fire retardant and to produce graphite foil, has also shown continued strong demand and pricing.

In summary, the type of demand growth from all these applications would require **several new graphite mines** and processing plants. While there are large new deposits of graphite being developed or proposed for development in eastern Africa (Mozambique and Tanzania), South Australia has maintained its status in the global Top 10 mining friendly jurisdictions with low sovereign risk (Canada's renowned Fraser Institute, March 2016). Therefore, there are continuing opportunities for Lincoln Minerals and Australian Graphite to take a share of this growing green energy market and become globally significant supplier of flake graphite.



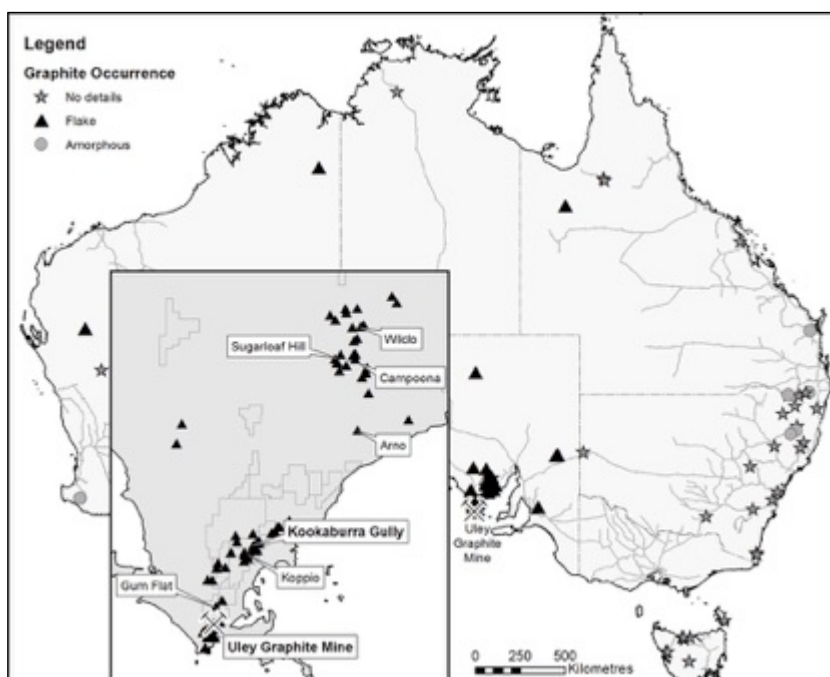
Microscope photo of flake graphite schist from Kookaburra Gully



Source: *Benchmark Mineral Intelligence*, 2016

4.2 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 including Kookaburra Gully, Koppio, Uley, Campoona and Arno within the Global Top 20 flake graphite deposits based on grade. Australian Graphite's Kookaburra Gully deposit rates at the top of those Eyre Peninsula deposits.



5 EXPLORATION AND DEVELOPMENT – SOUTH AUSTRALIA

5.1 Kookaburra Gully Graphite Project

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

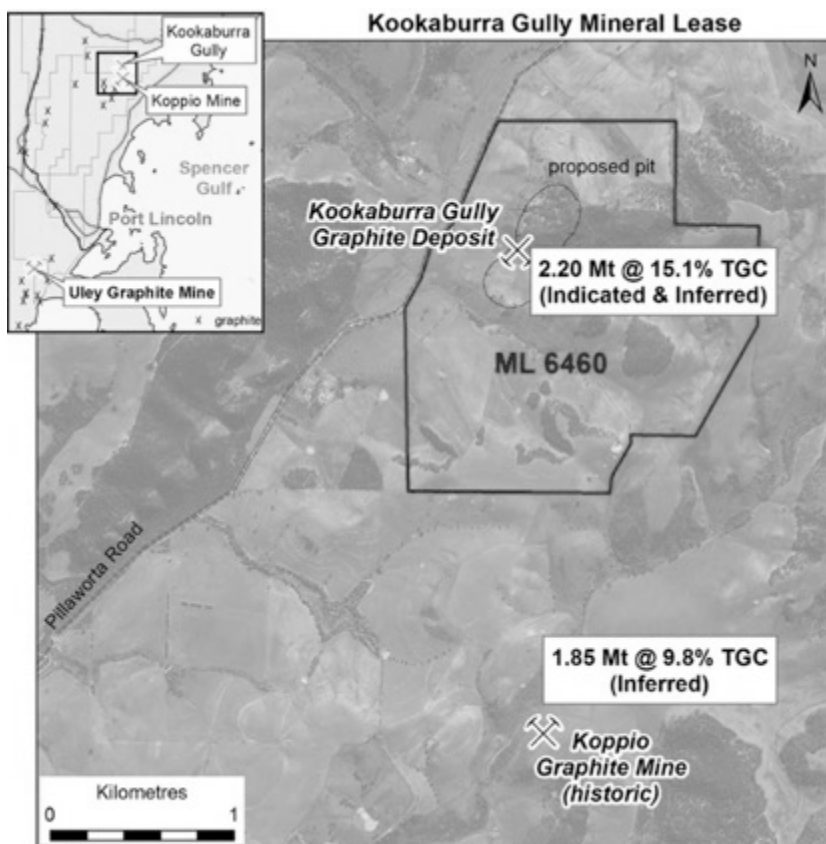
Australian Graphite is proposing the development of the Kookaburra Gully Graphite Project, located approximately 35km north of Port Lincoln and 20km west of Tumbly Bay on Eyre Peninsula in South Australia.

A Mineral Lease ML 6460 has been **granted** by the Honourable Tom Koutsantonis MP, South Australia's Treasurer, Finance Minister, Minister for State Development and Minister for Mineral Resources and Energy, to Lincoln's wholly-owned subsidiary, Australian Graphite Pty Limited, for a period of 21 years commencing on 3 June 2016.

This is a landmark step in the permitting process for the Kookaburra Gully Graphite Project.

The grant of ML 6460 is the key pivot point and milestone to ensure delivery of Lincoln's transformation from project explorer and developer to an emerging graphite producer, in an industry at the forefront of the growing global green energy market. It is also the de-risking step-change awaited by Lincoln's potential project financiers and off-take customers to now elevate mine construction financing and operating negotiations to a level where commercial transaction outcomes can be achieved.

Now that the Mineral Lease has been granted, Kookaburra Gully's Program for Environment Protection and Rehabilitation (PEPR) can be finalised. A geotechnical and resource definition drilling program, soil engineering test pits and investigations, and establishment of a groundwater and surface water monitoring network were completed at the proposed mine site early in May 2016 and further engineering studies are in progress. Once the PEPR is approved, Lincoln will be in a position to commit to and commence project development at Kookaburra Gully.



5.1.1 High grade mining potential

The shallow but high grade resource for the Kookaburra Gully flake graphite deposit extends to at least 125m depth, remains open at depth and along strike, and hosts total Indicated and Inferred Mineral Resources of 2.20Mt grading 15.1% TGC based on a nominal 5% TGC cut-off. It also abuts the Lincoln-owned and historic Koppio Graphite Mine which, as a second potential source for the proposed Kookaburra Gully mine, adds an Inferred Mineral Resource of 1.85Mt at a grade of 9.8% TGC into the overall project's mining potential (see *Resources Statement on pages 58-59*).

At a nominal 5% TGC cut-off, combined total Indicated and Inferred Mineral Resources for Kookaburra Gully and Koppio graphite deposits now stand at 4.03 million tonnes grading 12.35% TGC with **497,890 tonnes of contained graphite** within the high-grade core.

At a nominal 2% TGC cut-off, the Indicated and Inferred Mineral Resources for Kookaburra Gully total 3.23Mt at 11.2% TGC and for Koppio the Inferred Mineral Resource is 3.06Mt at 7.16% TGC. Total contained graphite for both these resources at the 2% TGC cut-off is 0.57Mt.

Lincoln is targeting an output of up to 40,000 tonnes per annum of high grade graphite concentrate from Kookaburra Gully for an initial mine life of at least 7 years.

Total combined Mineral Resources for Kookaburra Gully and Koppio

Mineral Resource Classification	Cutoff Grade (% TGC)	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Kookaburra Gully					
High-grade Core (Domain 1) - Indicated	5%	1.45	13.74	199,193	2.56
Low-grade Halo (Domain 2) – Indicated	2%	0.62	3.04	18,984	2.54
High-grade Core (Domain 1) – Inferred	5%	0.73	16.17	117,964	2.50
Low-grade Halo (Domain 2) – Inferred	2%	0.40	2.91	11,538	2.54
Koppio					
High-grade Core (Domain 1) – Inferred	5%	1.85	9.76	180,733	2.67
Low-grade Halo (Domain 2) – Inferred	2%	1.21	3.18	38,560	2.80
TOTAL (>2% TGC)		6.26	9.05	566,972	2.63

Mt = million tonnes TGC = Total Graphitic Carbon

5.1.2 Mineral Lease Application

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. For that reason, the Company pegged Mineral Claims over the Kookaburra Gully project area in October 2014 and prepared a Mining Lease Proposal (MLP) for the proposed Kookaburra Gully Graphite Mine. The project went through a comprehensive adequacy checking process with DSD from October 2014 to February 2015 and then late in February 2015, a Mineral Lease Application (MLA) was lodged with DSD for formal processing. The MLP included:

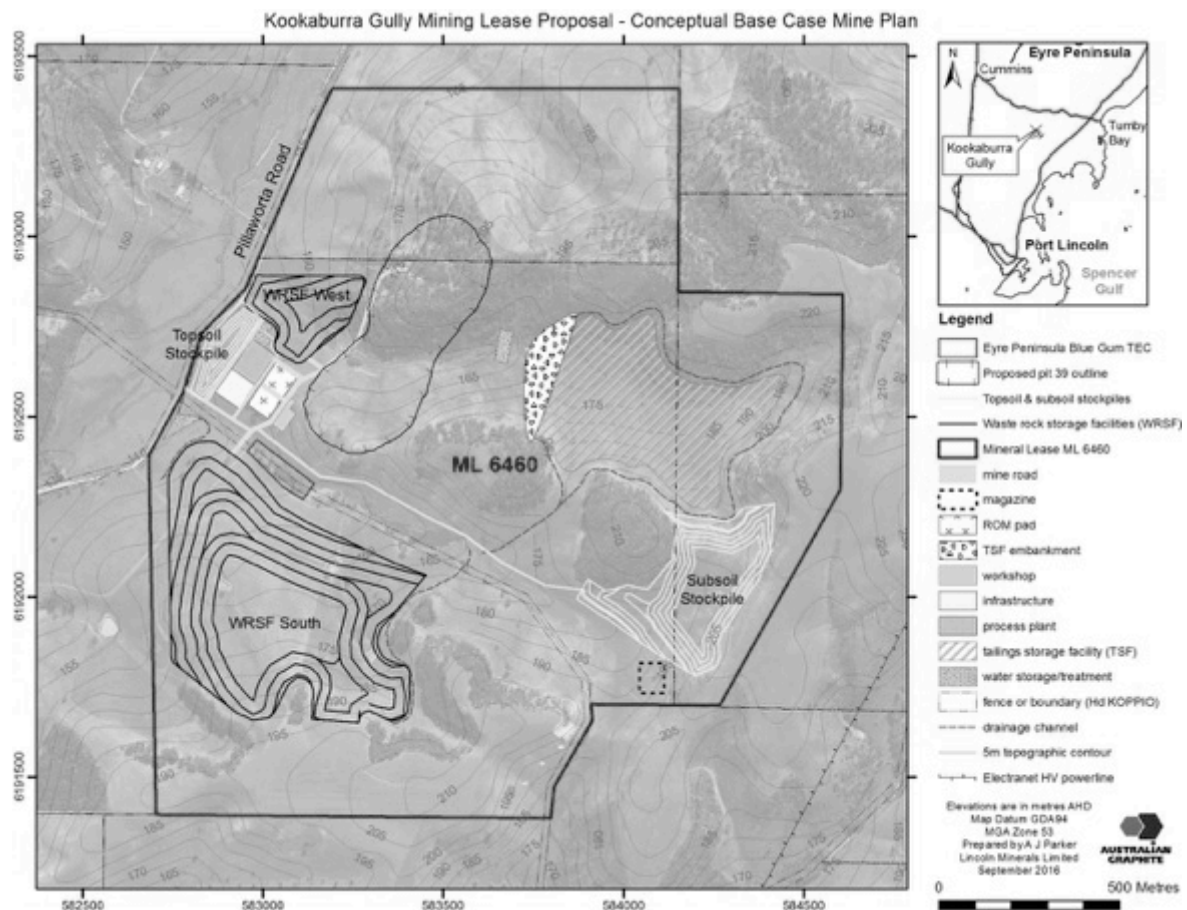
- Optimisation of the site layout for mining operations and the way the site will be progressively developed and rehabilitated, including the open pit, process plant, waste rock storage facilities, tailings storage facility and stockpiles (see figure below) to sustain, protect and preserve native vegetation, minimise the area of arable land impacted, and minimise environmental impacts such as dust, surface water flow, noise and carbon offsets;
- Technical assessments including flora, fauna, surface water, groundwater, geology, transport routes, noise and air quality surveys, to understand and mitigate any potential impacts; community consultation and feedback, and
- Risk assessment of the various potential impacts.

The MLP and MLA are in the name of Australian Graphite Pty Ltd (AGL). AGL is referred to in all of the application documentation relating to the proposed Kookaburra Gully Graphite Project. This will not impact or change any commitments that Lincoln has made with the community during the consultation period for the MLP and which are endorsed and will be adopted by AGL.

In September 2015, the MLP was made available by the DSD for public comment and remained open for submissions until 29 October 2015. Twenty five (25) public submissions were received from DSD in mid-November 2015 along with submissions from other State Government departments. Lincoln/AGL, with the support of various third party consultants, responded to matters raised in these submissions that either required clarification and/or additional information. This included an additional flora and fauna survey along Kookaburra Gully's proposed transport and pipeline routes and further groundwater modelling.

A Response Document was finalised on 5 February 2016. This enabled DSD to undertake a comprehensive assessment of the Kookaburra Gully MLP prior to final consideration by the South Australian Government.

A Mineral Lease ML 6460 was granted on 3 June 2016 for a period of 21 years.



5.1.3 EPBC Referral

In April 2015, Lincoln prepared and lodged an EPBC Referral under the Commonwealth Government *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) (EPBC Ref: 2015/7470).

On 24 December 2015, the Department of the Environment ruled that under sections 75 and 77A of the *EPBC Act*, Lincoln's proposal to develop, operate and decommission its open-cut Kookaburra Gully graphite mine is **not a controlled action** if undertaken in a particular manner.

This means the proposed mine does not require further Federal assessment and approval under the EPBC Act before it can proceed.

Under the Commonwealth EPBC ruling, AGL must now ensure that:

- No clearance of Eyre Peninsula Blue Gum (*Eucalyptus petiolaris*) Woodland occurs as a result of the proposed action;
- A fence and signage is to be erected around the Eyre Peninsula Blue Gum Woodland at a distance of at least 5 metres from the identified Threatened Ecological Community (TEC as illustrated on the map above) prior to construction;
- There is a minimum 20 metre buffer between construction and Eyre Peninsula Blue Gum Woodland; and
- Clearance on the proposed mine site is consistent with the map above.



Eucalyptus leucoxylon ssp. petiolaris (Eyre Peninsula Blue Gum) along Pillaworta Creek

These matters are consistent with Lincoln's approach to developing Kookaburra Gully and would not impinge on AGL's proposed development.

The protection of the Eyre Peninsula Blue Gum and other endangered or threatened species in the region and along transport routes has been and remains a priority for the Company.

5.1.4 Memorandum of Understanding (MoU) with District Council of Tumby Bay

A Memorandum of Understanding (MoU) with the District Council of Tumby Bay (DCTB) on SA's Eyre Peninsula was jointly signed on 6 April 2016 by the Mayor and CEO of the DCTB and the Chairman and Managing Director of Lincoln.

The agreement supports the Company's proposed development of its wholly-owned Kookaburra Gully graphite project on Eyre Peninsula.

In view of the strategic importance of the Council in relation to road, power and water infrastructure for the Kookaburra Gully graphite project, the parties have entered into a MoU which provides a framework for both parties to genuinely work together.

The outcomes include formulating an agreement on a proposed water pipeline from the Tod Reservoir, upgrading and maintenance of Pillaworta Road and intersections with Bratten Way and the Lincoln Highway, preparation of a Traffic Management Plan for trucking operations and local commuters, and continuing engagement with the local community in regard to business and employment opportunities.

The signing of the MoU shows the willingness of the Council and Lincoln Minerals to collaborate in order to achieve maximum benefits for this new mining opportunity for the Tumby Bay region through upgrading of roads, increasing business and employment opportunities, achieving improved environmental and social outcomes and reinforcing relationships already developed.



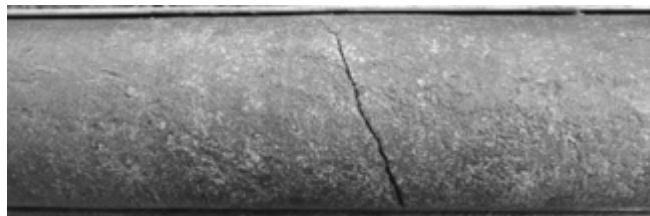
Signing of the MoU with DCTB: from left, DCTB Mayor Sam Telfer, DCTB CEO Trevor Smith, LML MD Dr John Parker and LML Chairman Yubo Jin

5.1.5 Program for Environment Protection and Rehabilitation (PEPR)

Now that a Mineral Lease (ML) has been granted for the Kookaburra Gully Graphite Project, the final approvals step is to complete a more detailed Program for Environment Protection and Rehabilitation (PEPR). This document is based on the ML proposal but must respond to conditions set by the Government in regard to the ML offer. The PEPR details and formulates management plans for construction, operations, rehabilitation and closure and is a key **final step for Government approval to commence graphite mining at Kookaburra Gully**.

With the assistance of environmental engineering consultant, Andrew Minns (Envirocom), Lincoln is well advanced in preparation of a PEPR for the Kookaburra Gully graphite project including a number of independent studies on geochemical data, the transport route, tailings storage facility, groundwater, flora and fauna, and water and power supply options. Lincoln is very keen to complete the PEPR by the end of 2016 and hence fast tracked various studies to facilitate this.

Geotechnical diamond core drilling commenced at the proposed mine site in March 2016 and, along with engineering soil testing and construction of groundwater monitoring wells and surface water flow monitoring stations, was completed early in May 2016. Eleven (11) geotechnical drillholes and one resource definition drillhole were completed for a total of 884.4m of diamond core drilling.



Massive high grade graphite schist at ~120.5m (top) and foliated graphite schist at ~129.5m (bottom) in KGR01 diamond core drillhole

Bar scale = 50mm

(KGR01 is located at 583470mE 6192798mN and was drilled at -60 degrees towards 310 degrees)



Drill core has been logged in detail and intervals selected for metallurgical investigations, geochemical analysis (ore definition, waste rock characterisation and tailings analysis) and comminution test work. Detailed analysis of drill data and core samples will enable detailed design of the proposed pit, tailings storage facility and other site infrastructure.

Studies are also in progress for other key infrastructure including the transport route, water supply and power supply options. Following community feedback and input throughout the MLP process, alternate transport routes are being evaluated including a ring route entering Pillaworta Road and the mine site from Bratten Way and exiting via Bailla Hill Road onto Lincoln Highway.

Groundwater and surface water monitoring programs have commenced as a precursor for proposed mine development in 2017. Twelve (12) groundwater monitoring wells have been established both on the Mineral Lease and off-lease adjacent to Pillaworta Creek to determine and monitor groundwater levels, salinities and water chemistry over the course of the four seasons. This is being supplemented by monitoring water flows and water pools within Pillaworta Creek and tributaries feeding into that creek.

A remotely-monitored weather station has been established within the Mineral Lease to continuously record temperature, wind speed and direction, rainfall, evaporation, humidity and solar radiation.

Additional flora and fauna surveys have been scheduled including a targeted road side orchid survey in September 2016 and broad vegetation association and condition mapping along sections of Bailla Hill Road (EBS Ecology). These feed into planning for transport, water pipeline and power line routes.

Scopes of Work have also been prepared for other key infrastructure studies including pilot plant test work, final process plant design, pit optimisation, waste rock storage facility design, tailings storage facility design and revision of capital and operating costs.

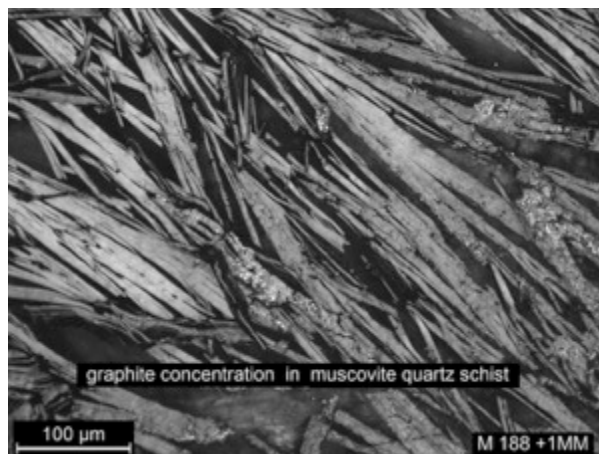


Kookaburra Gully weather station

5.1.6 Metallurgy

During 2015, Lincoln Minerals continued rigorous metallurgical bench-scale testing of representative trench samples of the Kookaburra Gully graphite deposit to optimise the flotation of graphite and removal of gangue minerals. 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.

In 2016, Lincoln commenced more detailed metallurgical tests on larger bulk samples (>50kg) including drill core and trench samples. A 150 kg master bulk sample (LMC9) representing ore below 130m AHD to the bottom of the planned pit (ca. 80m AHD) has been generated from drill core and detailed flotation tests on this sample are in progress including lock-cycle tests to finalise design of the graphite process flow sheet. This work has also included generation of bulk tailings samples for tailings storage facility (TSF) analysis and design. Metallurgical work is being undertaken at IMO Metallurgy in Perth and TSF test work is being undertaken by Golder Associates also in Perth.



Further petrological studies in 2016 have confirmed that Kookaburra Gully graphite occurs as fine to coarse flakes with the majority (75%) of graphite flakes in the size range of 200-500 microns disseminated in a quartz-mica matrix (\pm feldspar \pm sillimanite \pm tourmaline and other accessories including trace pyrite at depth). Near-surface lithologies are extensively altered to kaolinitic clay with remnant quartz and accessories.

Although 75% of the graphite in the host rock is coarser than 200 microns, metallurgical tests show that, to achieve 93%-97% TGC purity, only about 9%-12% of the final concentrates are in the coarse flake graphite range >150 microns (see table below)

Metallurgical test results for diamond drill core sample LMC9 and trench samples C and D

	Drill Core LMC9		Trench C-1		Trench D	
Depth BGL*	40-119 m		1-2 m		2-5 m	
Depth AHD (above sea level)	81-133 m		188-189 m		152-155 m	
Graphite recovery	ca. 90 ⁺ %		75.5%		86.6%	
Total Concentrate Grade	95.04% TGC		97.3% TGC		92.2% TGC	
Screened concentrate	Assay TGC%	Dist'n %	Assay TGC%	Dist'n %	Assay TGC%	Dist'n %
+300 µm	97.3	0.1		nd	93.4	1.1
+177 µm, -300 µm	97.3	3.7		nd	93.4	6.4
+150 µm, -177 µm	97.7	4.9		nd	93.4	4.5
+150 µm			97.8	8.9		
+106 µm, -150 µm	97.3	10.1	97.5	14.1	94.0	11.0
+75 µm, -106 µm	97.4	13.7	97.1	23.1	94.1	16.7
-75 µm	93.9	67.4				
+20 µm, -75 µm			96.7	47.3	94.2	49.1
-20 µm			94.5	6.6	79.8	11.1

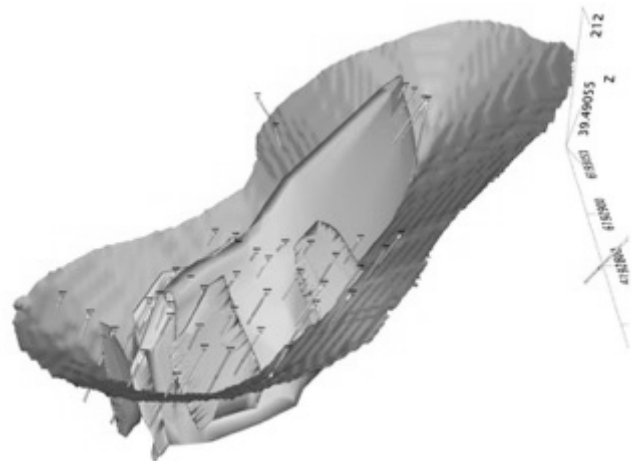
*BGL is below ground level; AHD is Australian Height Datum; Dist'n is distribution; nd is not determined
Standard Sieve/Mesh Sizes are: 80# = 177 µm; 100# = 150 µm; 200# = 75 µm

Mine and Processing Plant Design

The Mineral Lease is approximately 300ha in size, although only 105ha will be directly impacted by the mine and mine infrastructure. The proposed annual 250,000t mine production will have a mine-life of approximately 7.5 years subject to start-up and scaling up of operations, graphite prices and subsequent sales of graphite production.

Facilities include:

- An open pit mine or quarry that, upon completion, will be about 700m in length, 270m wide, 90-110m in depth and with an area at the pit crest of about 18.5ha. This will partially fill with water after mining ceases to form a lake with vegetated embankments.
- A processing plant to upgrade graphite ore into high grade graphite concentrate of approximately 25,000 to 40,000 tpa for export. The processing plant, including grinding mill, will be enclosed and will operate 24/7; however there will be no mining operations, including primary crushing, or transport operations at night.
- A site office comprised of transportable units with verandas. The site office will provide open plan office space, private offices, a conference/training room and a first aid room and will be the control point for site access and inductions. There will be a separate lunchroom, change rooms/toilet facilities and a small onsite laboratory.
- A maintenance workshop and fuel storage facilities for mining equipment.
- A run-of-mine (ROM) stockpile for temporary ore storage prior to processing.
- A Tailings Storage Facility (TSF) with an ultimate size of approximately 24ha for the storage and disposal of waste materials from the processing plant. The TSF would be rehabilitated on completion of mining and processing activities with the intention of returning the land to agricultural use.
- Waste rock storage facilities (WRSF) totalling approx. 58ha including topsoil and subsoil stockpiles. These would be progressively contoured, have subsoil and topsoil placed on them and then be revegetated and restored as far as practicable to agricultural use prior to relinquishment of the lease.



Oblique 3D model of preferred open-cut pit and graphite schist unit looking north

Waste rock will form the structural embankment wall for the TSF, which will also be contoured and rehabilitated upon completion of mining and processing activities.

- A small temporary topsoil stockpile which will provide a visual screen during operations for the processing plant and associated infrastructure from Pillaworta Road. This would be progressively removed for site rehabilitation.
- A temporary subsoil stockpile would also be removed as required for site rehabilitation.
- Water storage tanks, seepage ponds and drainage channels for process water and surface water management.
- An onsite power generator as required dependant on negotiations in regard to obtaining grid power.
- A magazine to store explosives if or when required.

The conceptual process flow sheet is being revised in line with metallurgical tests. The process design is based on an annual production capacity target of 250,000 dry tpa of graphite ore and a nominal total graphitic carbon head grade of 15% TGC.

The process flow sheet will incorporate conventional mineral processing technology starting with crushing of the ore followed by grinding in a rod mill. The ground product is treated by flash and rougher flotation to maximise the recovery of large flake. A desliming step may be included for shallow near surface ore that is clay rich. The rougher tailings are treated in a scavenger flotation circuit followed by several stages of regrinding and scavenger cleaning to maximise recovery. The flash and rougher concentrates then undergo regrinding and cleaner flotation.

Graphite concentrate is dewatered then dried in a dryer before screening and packaging of graphite products.

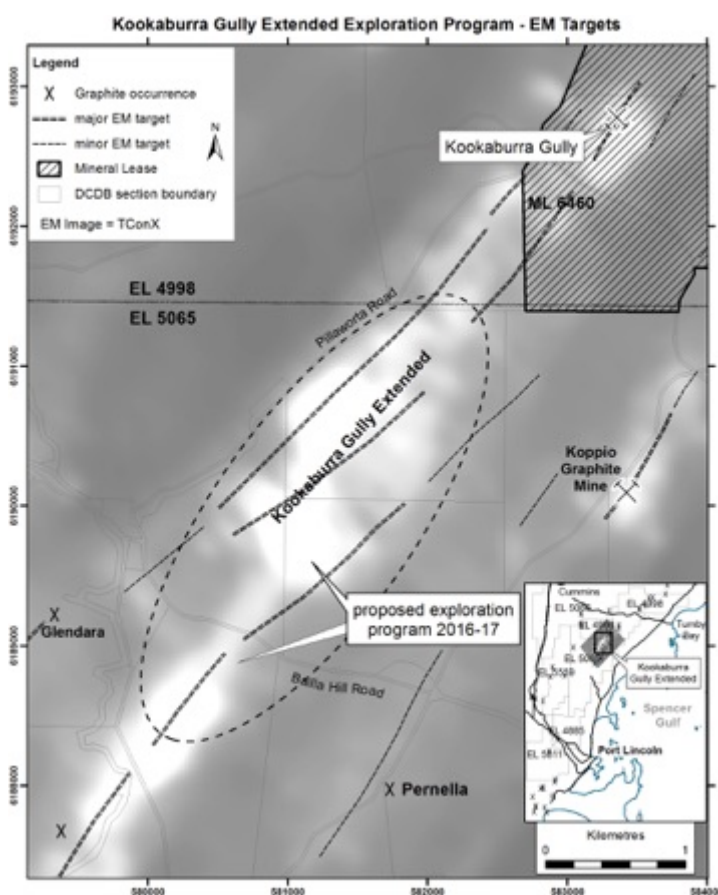
AMC Consultants Pty Ltd carried out pit optimisations in 2014 and prepared a conceptual mine plan for Kookaburra Gully based on graphite prices at the time, estimated mining costs and estimated capital and operating expenses at that time (refer *Lincoln Minerals Limited 2015 Annual Report, 26 October 2015*). These assumptions are now being revised in light of current graphite prices, the revised process flow sheet, current power and water costs, a revised resource model and geotechnical design considerations (e.g. pit wall slope) to prepare a new pit optimisation model.

5.2 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.

Lincoln has reprocessed and re-interpreted airborne electromagnetic (EM) data and maps over the Koppio-Kookaburra Gully area to identify an extensive suite of drilling Exploration Targets that total 33Mt to 94Mt of graphite mineralisation at 7-15% TGC (*Lincoln Minerals Limited, ASX Announcement 30 January 2014*). Except for the Kookaburra Gully and Koppio Mineral Resources, no drilling, trenching or sampling has been undertaken by Lincoln Minerals on any of the other Exploration Targets. *Therefore, it is emphasised that Exploration Target tonnage and grade estimates are entirely conceptual in nature since there has been insufficient or no drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*



An exploration PEPR has been prepared and submitted to the SA Government for reconnaissance and resource definition drilling over Kookaburra Gully Extended. It is proposed to drill the exploration targets early in 2017 after the harvest subject to Government and landowner approval. This target is about 2-4km southwest along strike from Kookaburra Gully and is defined by a large airborne EM anomaly. There has never been any drilling in the immediate vicinity of this target.

The Company is also considering options for graphite exploration in the Uley-Gum Flat area. Graphite was intersected in drilling near the Barns hematite-magnetite deposit on its Gum Flat tenement and the Uley Graphite Mine is located only a few kilometres south of the Gum Flat tenement boundary.

5.3 Iron Ore and Manganese

5.3.1 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 5811 (formerly 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.

More than 100Mt of iron mineralisation has been identified in the Barns-Rifle Range area (see *Resources Statement on page 60*), 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 one of either Port Spencer, Cape Hardy or Lucky Bay.

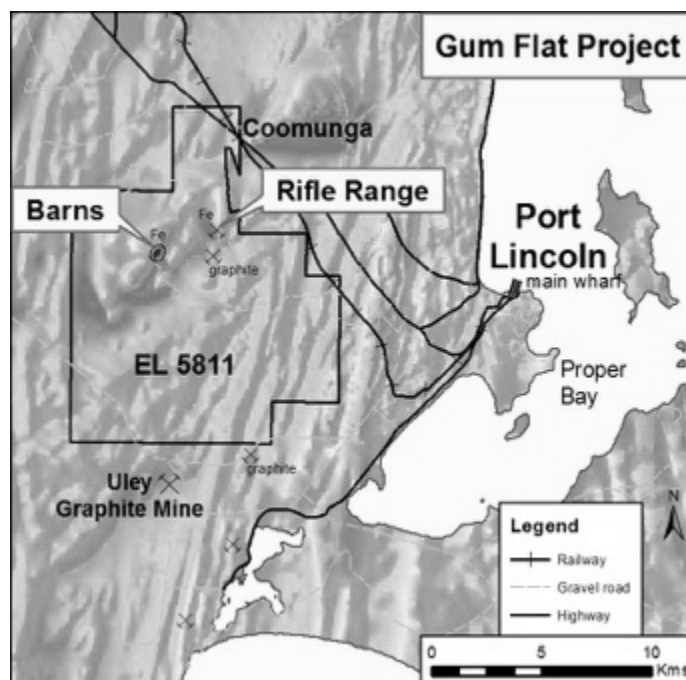
In 2010-11, the Company proposed to mine and export up to 250,000 tpa DSO via Port Lincoln including upgrading 1.4Mt lower grade (40-55% Fe) hematite-goethite-magnetite to DSO grade over a 4-5 year mine life.

However, to mine the iron ore at Gum Flat, Lincoln required a groundwater licence because the deposit is within the Southern Basins Prescribed Wells Area. Following a lengthy 3-year process in the Environment and Resources Development Court, the SA Minister for Sustainability, Environment and Conservation finally granted Lincoln Minerals a groundwater licence in September 2014.

Lincoln Minerals' draft Mining Lease Proposal (MLP) for 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 October 2011, the Commonwealth Department of the Environment ruled that LML's proposed Gum Flat mine did 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 transport and port access then lodge the MLP for formal assessment and approval. However, the Company has placed the project on hold due to the sustained low international iron ore prices.



Location of Barns iron ore deposit

5.3.2 Nantuma (iron) – EL 4815

(LML has exclusive rights to all metals)

Nantuma EL 4815 is immediately adjacent Iron Road Limited's 4.5 billion tonne Central Eyre or Warramboos iron ore deposits. The aeromagnetic anomalies that define Iron Road's iron ore resources continue west onto EL 4815 and Lincoln Minerals has defined significant Exploration Targets for iron ore within relatively coarse-grained magnetite gneiss. Nantuma straddles the existing rail line to Warramboos and Iron Road's proposed infrastructure corridor to Cape Hardy. The Company has not undertaken any field activities at Nantuma over the past 12 months.

5.3.3 Eurilla (iron and manganese) – ELs 5013, 5297 and 5523

(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 identified:

- 21.7Mt @ 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.

5.4 Copper, Uranium and Other Metals – Eyre Peninsula

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

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.

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

Previous 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, 47.1% Pb, 5.5% Zn along with up to 36 g/t Ag and trace gold up to 0.1 g/t Au.

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.

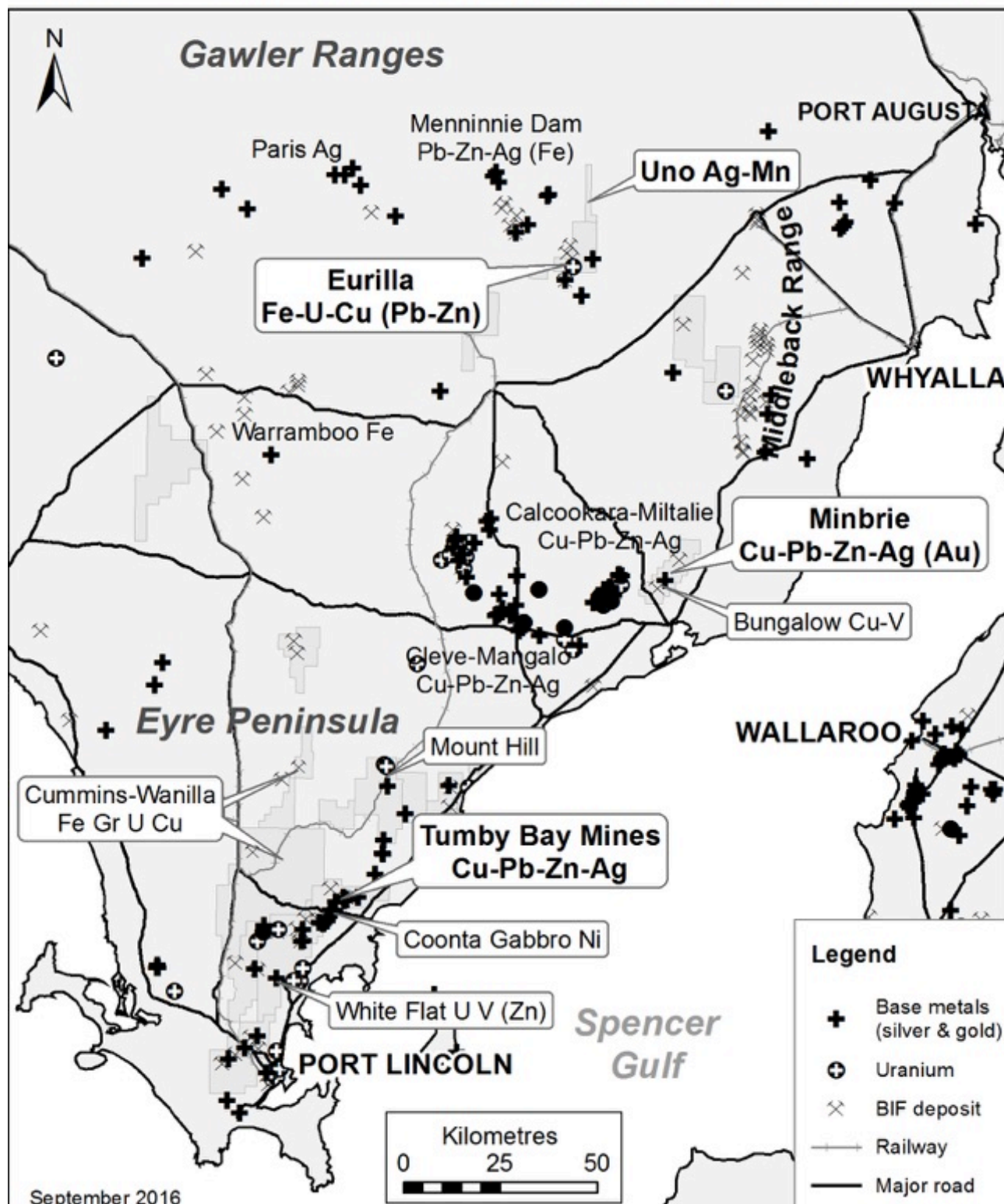
The Eurilla region has **significant potential for iron oxide-copper-gold-uranium (IOCGU) style mineralisation** associated with large concealed Hiltaba Suite granite plutons.

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 Coonta 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.

Copper-Lead-Zinc-Silver-Uranium Historic Mines and Prospects



6 DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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 past 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 22 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 (33 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 past three years: Nil

Eddie Lung Yiu Pang

Director (Non-Executive)

Appointed 1 December 2013

Mr Pang has a first-class Bachelor of Science with Honours degree in Chemistry. He operates a trading business based in Shanghai supplying the Chinese market with Australian wine and dairy products, along with marketing and export of Chinese pharmaceutical products and chemicals to the United Arab Emirates, Lebanon, Iraq and Canada. Mr Pang has a number of private business interests in Australia, including vineyards and timber plantations.

Mr Pang's extensive network of business associates in China (both national and private) and the Middle East will be an invaluable asset for Lincoln in its future capital raising and product marketing.

Other directorships of listed entities within the last three years:

Genesis Resources Limited from 6 March 2009 to date.

James TENGHUI Zhang

Director (Non-Executive)

Appointed 17 February 2016

Mr Zhang has spent more than 20 years in real estate development and business management in China and Australia, and has developed extensive experience across a wide variety of areas, including funding of real estate, infrastructure, property development and enterprise management. His experience extends across Australia, mainland China and Hong Kong.

Other directorships of listed entities within the past three years: Nil

Previous Directors

Alex Hooi-Kiang Lim

Director (Non-Executive)

Appointed 1 December 2013

Resigned 1 July 2015

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.

6.2 COMPANY SECRETARY

Mr Jaroslaw (Jarek) Kopias was appointed Company Secretary in 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 a number of ASX listed and unlisted companies.

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	6	6
AJ Parker	6	6
ELY Pang	6	4
JT Zhang	3	1

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

6.4 OPERATING AND FINANCIAL REVIEW

Financial

The Group made a loss after tax of \$552,495 (2015: \$14,512,666). In 2016 the Group capitalised \$997,885 (2015: \$1,084,933) of exploration and evaluation expenditure and expensed \$198,656 (2015: \$119,279) of such expenditure that was unable to be carried forward. Significant impairment write downs have also been recorded in relation to the Group's Gum Flat (\$11,973,033) Cockabidnie (\$509,897) and Eurilla Dam projects (\$1,193,959) in the prior year primarily due to a drop in global iron ore prices. A provision for impairment losses has been recognised in relation to these projects and will be assessed at each reporting date. Interest income was \$8,804 (2015: \$53,135).

During the year the Company issued 100,000,000 (2015: Nil) new ordinary shares at 3.2 cents per share raising \$3,200,000 before costs.

Cash at the end of June 2016 was \$2,989,483, (2015: \$443,863).

No dividends were paid and the Directors have not recommended the payment of a dividend (2015: Nil).

Operations

The risks associated with the projects listed below are those common to exploration and development activities generally. Exploration targets are conceptual in nature such that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The main environmental and sustainability risks that Lincoln currently faces are through ground disturbance when undertaking sampling or drilling activities. The Company's approach to exploration through environmental, heritage and other clearances allows these risks to be minimised.

The financial impact of the projects listed below is a requirement for further expenditure where successful exploration leads to follow-up activities. All exploration activities may be funded by the Company's own cash reserves or through joint venture arrangements.

Further technical detail on each of the prospects listed below is located in the Project Overview of the Annual Report.

During the year the Company continued to develop its licences in South Australia, where the majority of its effort was directed to the Kookaburra Gully Graphite Project on South Australia's southern Eyre Peninsula.

Mineral Lease ML 6460 was granted to Lincoln's wholly-owned subsidiary, Australian Graphite Pty Limited, for a period of 21 years commencing on 3 June 2016. A Community Engagement Plan (CEP) has been prepared and lodged with the SA Department of State Development (DSD). Lincoln is working with DSD, the District

Council of Tumby Bay, the southern Eyre Peninsula community and other stakeholders in the preparation of a Program for Environment Protection and Rehabilitation (PEPR) to facilitate its early completion, clearing the way for mine construction.

Commencement of mine and processing plant construction are targeted for the second half of 2017 subject to Government approvals and financing with favourable project economics supported by proximity to transport and infrastructure.

6.5 ENVIRONMENTAL REGULATION

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

6.6 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, mining operations 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 and development.

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.

6.7 OPTIONS

There are no options outstanding as at the date of this report (2015: Nil).

6.8 SIGNIFICANT EVENTS AFTER BALANCE DATE

There are no matters or circumstances that 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.

6.9 LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2016-17, the Group will be principally engaged in obtaining all approvals necessary for the development of a graphite mine and processing plant at Kookaburra Gully.

Kookaburra Gully graphite programme for 2016-17:

- Completion of detailed mine planning, a Program for Environment Protection and Rehabilitation (PEPR) and Government approvals for the Kookaburra Gully graphite project on South Australia's Eyre Peninsula;
- Water well drilling and bulk sample trenching at the Kookaburra Gully graphite deposit;
- Pilot plant testing and product assessment of the Company's Kookaburra Gully graphite deposit;
- Undertake a definitive feasibility study for Kookaburra Gully

- Detailed design and engineering of a graphite processing plant for the Kookaburra Gully graphite project;
- Establishing international markets and customers for graphite products from Kookaburra Gully;
- Reconnaissance and resource definition drilling of the Kookaburra Gully Extended graphite exploration targets;
- Ongoing exploration for graphite in the Uley-Gum Flat area on southern Eyre Peninsula;
- Advance current negotiations to secure and finalise mine financing and off-take agreements for the establishment and commissioning of the Kookaburra Gully graphite mine
- Ongoing exploration for manganese, copper, silver and other base metals at Uno and Eurilla on northern Eyre Peninsula, at Minbrie on central Eyre Peninsula, and in the Tumby Bay-Cummins area on southern Eyre Peninsula; and

The 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. It is proposed that the Company will seek to raise funds for detailed mine and process plant design, a definitive feasibility study, and, ultimately, for mine development.

6.10 CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at:

<http://www.lincolnminerals.com.au/corpgovernance.php>.

6.11 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	Chairman (non-executive)
AJ Parker	Managing Director
ELY Pang	Director (non-executive)
JT Zhang (from 17 February 2016)	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 KMP 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.

Corporate Performance

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

<u>Year</u>	<u>Net (loss) for the year</u>	<u>(Loss) per share – cents (adjusted for rights issues)</u>	<u>Shareholders' Equity</u>	<u>Number of issued shares – end of year</u>	<u>Share price – end of the year – cents</u>
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
2015	(14,512,666)	(5.41)	3,706,414	268,386,949	4.0
2016	(552,495)	(0.21)	6,088,348	368,386,949	6.0

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

Remuneration committee

Due to the relatively small size 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. In the future, share options may form part of a remuneration package and the 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 a General Meeting held in January 2007 when shareholders approved an aggregate remuneration of \$250,000 per year. The current fee level is \$40,000 (2015: \$40,000) per non-executive director per annum and the Chairman \$55,000 (2015: \$55,000) per annum, all inclusive of statutory superannuation for a total of \$109,944 (2015: \$165,000).

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 in cash.

Non-executive Directors' fees are not linked to the performance of the Group. However, Directors may be 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. Following a review of the Group's performance, the Board decided not to reward any variable remuneration in the current year.

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 was engaged by contract until 31 December 2015 with an automatic 12-month extension although the contract may be terminated by the Company giving twelve months' notice. As at the date of the report the Managing Director's contract has not been renewed beyond the 12 month extension (31 December 2016) and his annual salary is \$234,000 plus superannuation, subject to annual review by the Board.

The Chief Geologist has been engaged on staff but his employment may be terminated by the giving of four weeks' notice.

Other 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.



*Lincoln Minerals' Managing Director
Dr John Parker at Kookaburra Gully*

Compensation of Directors and Key Management Personnel (KMP)

	Short term		Post employment		Total
	Salary and fees	Contract payments	Super-annuation	Long service leave ⁴	
Year ended 30 June 2016	\$	\$	\$	\$	\$
<u>Directors</u>					
YB Jin	-	55,000	-	-	55,000
AJ Parker	221,230	-	35,000	6,407	262,637
ELY Pang	-	40,000	-	-	40,000
JT Zhang ¹	-	14,835	-	-	14,835
AHK Lim ²	-	109	-	-	109
<u>Executives</u>					
JK Kopias	-	62,512	-	-	62,512
DA Povey	113,850	-	10,816	3,109	127,775
Total Directors and KMP – 2016	335,080	172,456	45,816	9,516	562,868

	Short term		Post employment		Total
	Salary and fees	Contract payments	Super-annuation	Long service leave ⁴	
Year ended 30 June 2015	\$	\$	\$	\$	\$
<u>Directors</u>					
YB Jin	-	55,000	-	-	55,000
AJ Parker	221,230	-	35,000	2,826	259,056
AHK Lim	-	40,000	-	-	40,000
ELY Pang	-	40,000	-	-	40,000
KG Saw ³	-	30,000	-	-	30,000
<u>Executives</u>					
JK Kopias	-	78,750	-	-	78,750
DA Povey	113,850	-	10,816	2,728	127,394
Total Directors and KMP – 2015	335,080	243,750	45,816	5,554	630,200

¹ Mr Zhang was appointed to the board on 17 February 2016.

² Mr Lim was appointed to the board on 1 December 2013 and resigned on 1 July 2015.

³ Mr Saw was appointed to the board on 18 September 2013 and resigned on 31 March 2015.

⁴ 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 2016 or 2015.

No shares were issued in either 2016 or 2015 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.

Shareholdings of Key Management Personnel - 2016

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	-	-	-
AJ Parker	1,230,002	-	1,230,002
AHK Lim	-	-	-
ELY Pang	10,816,532	-	10,816,532
AHK Lim ¹	-	-	n/a
<u>Executives</u> - Nil			

¹ Resigned during the year, therefore not considered a KMP at the reporting date.

END OF REMUNERATION REPORT – AUDITED

6.12 AUDITOR'S INDEPENDENCE DECLARATION

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

During the year, Grant Thornton, the Company's auditor, has not performed any other services in addition to the audit and review of financial statements.

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

	2016 \$	2015 \$
<u>Audit services</u>		
Audit and review of financial reports (Grant Thornton)	29,000	-
Audit and review of financial reports (KPMG)	-	80,465
<u>Other services</u>		
Taxation advice, research & development advice and related matters (Grant Thornton)	-	-
Taxation advice, research & development advice and related matters (Grant Thornton)	-	31,095

No other auditors were engaged by the Group.

6.13 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 Melbourne, Victoria, this 30th day of September 2016 and signed in accordance with a resolution of the Directors.



Y Jin, Chairman

Independent Audit Report



Grant Thornton

An instinct for growth™

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lincoln Minerals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants


J L Humphrey
Partner

Adelaide, 30 September 2016

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7 FINANCIAL STATEMENTS 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	<u>2016</u> \$	<u>2015</u> \$
Other income		23,366	17,400
Exploration and evaluation expense	9	(198,656)	(119,279)
Impairment expense	9	-	(13,864,629)
Corporate and administrative expenses	3	(818,644)	(953,325)
Depreciation and amortisation		(6,766)	(11,717)
Gain / (Loss) on sale of assets		337,470	(77)
RESULTS FROM OPERATING ACTIVITIES		(663,230)	(14,931,627)
Finance income – interest		8,804	53,135
Finance costs		-	-
NET FINANCE INCOME		8,804	53,135
LOSS BEFORE TAX		(654,426)	(14,878,492)
Income tax benefit	4	101,931	366,690
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE PARENT		(552,495)	(14,512,666)
Other Comprehensive income attributable to owners of the parent		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(552,495)	(14,512,666)
Basic and diluted loss per share (cents)	18	(0.21)	(5.41)

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Issued capital	Accumulated losses	Share based payments reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2014	27,987,352	(9,864,557)	96,285	18,219,080
Total comprehensive loss for the year				
Loss	-	(14,512,666)	-	(14,512,666)
Total comprehensive loss for the year	-	(14,512,666)	-	(14,512,666)
Transactions with owners of the Company, recognised directly in equity				
Total contributions by owners of the Company	-	-	-	-
Balance at 30 June 2015	27,987,352	(24,377,223)	96,285	3,706,414
Balance at 1 July 2015	27,987,352	(24,377,223)	96,285	3,706,414
Total comprehensive loss for the year				
Loss	-	(552,495)	-	(552,495)
Total comprehensive loss for the year	-	(552,495)	-	(552,495)
Transactions with owners of the Company, recognised directly in equity				
Issue of ordinary shares	3,200,000	-	-	3,200,000
Share issue expenses	(265,571)	-	-	(265,571)
Performance Rights expired	-	96,285	(96,285)	-
Total contributions by owners of the Company	2,934,429	96,285	(96,285)	2,934,429
Balance at 30 June 2016	30,921,781	(24,833,433)	-	6,088,348

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,989,483	443,863
Trade and other receivables	7	201,235	443,449
TOTAL CURRENT ASSETS		3,190,718	887,312
NON CURRENT ASSETS			
Property plant and equipment	8	66,106	639,427
Exploration and evaluation	9	3,213,860	2,215,975
Intangible assets	10	1,973	3,948
Equity-accounted investee	11	-	320,343
TOTAL NON CURRENT ASSETS		3,281,939	3,179,693
TOTAL ASSETS		6,472,657	4,067,005
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	166,216	161,577
Employee entitlements – leave provisions		218,093	193,695
TOTAL CURRENT LIABILITIES		384,309	355,272
NON CURRENT LIABILITIES			
Employee entitlements – leave provisions		-	5,319
TOTAL NON CURRENT LIABILITIES		-	5,319
TOTAL LIABILITIES		384,309	360,591
NET ASSETS		6,088,348	3,706,414
EQUITY			
Contributed equity	13	30,921,781	27,987,352
Reserves	14	-	96,285
Accumulated losses		(24,833,433)	(24,377,223)
TOTAL EQUITY		6,088,348	3,706,414

The accompanying notes form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(764,783)	(936,194)
Other Income		23,366	17,400
Research & Development tax concession received		366,690	95,970
Net cash (outflow) from operating activities	6	(374,727)	(822,824)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(1,153,918)	(1,154,658)
Payments for property, plant and equipment	8	(4,012)	(10,376)
Return of capital / (investment in) equity-accounted investee	11	320,343	(320,343)
Interest Received		9,250	52,834
Proceeds on sale of assets		803,197	218
Net cash (outflow) from investing activities		(25,140)	(1,432,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		3,200,000	-
Share issue expenses		(254,513)	(190,568)
Net cash (outflow)/inflow from financing activities		2,945,487	(190,568)
Net (decrease)/increase in cash and cash equivalents		2,545,620	(2,445,717)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		443,863	2,889,580
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	2,989,483	443,863

The accompanying notes form part of these Financial Statements



Soil test pit at Kookaburra Gully

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

1. THE REPORTING ENTITY

The consolidated financial report of Lincoln Minerals Limited ("the Company") for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group") was authorised for issue in accordance with a resolution of the directors on 30 September 2016.

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

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.

New accounting standards and interpretations not yet adopted

The accounting standards that have not been early adopted for the year ended 30 June 2016 but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods but are considered insignificant to the Group.

<i>Standard / Interpretation</i>	<i>Effective Date</i>
- AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E- Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).	1 January 2018
- AASB 16 'Leases'	1 January 2019
- AASB 2014-4 'Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
- AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016
- AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016
- AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017
- AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017

We do not expect these accounting standards will have any material impact on our financial results upon adoption

New and amended standards adopted by the company

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2015:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 1057 Application of Australian Accounting Standards;
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010); and
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

Management has reviewed the requirements of the above standards and has concluded that there was no effect on the classification or presentation of balances.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date control commenced. The Company retains control as at the date of this report of the following companies, Lincoln Asia-Pacific Pty Ltd, Australian Graphite Pty Ltd and Australian Graphite Production Pty Ltd. Lincoln Asia-Pacific Pty Ltd has not traded or operated between its registration (during 2009/10) and the date of this report. Australian Graphite Pty Ltd was registered in 2012/13 and holds the Group's graphite related assets. Australian Graphite Production Pty Ltd was acquired in 2013/2014, holds no assets and has not traded.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interests in equity-accounted investees

The Group's interest in an equity-accounted investee comprises interest in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

(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.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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. Land is not depreciated.

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. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(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 corporate 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.

(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.

(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.

Research and development tax concessions are presented as a reduction of tax expense.

(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. 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 may provide 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

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 ADMINISTRATIVE EXPENSES

	2016	2015
	\$	\$
ASX fees	27,943	28,031
Audit fees	63,750	55,465
Directors' fees	109,944	165,000
Head office administration	207,227	190,346
Insurances	35,962	35,098
Legal fees	12,050	18,124
Operating lease payments	73,226	78,743
Public relations	13,251	45,475
Share registry	21,826	27,558
Staff recruitment, re-location, conferences, training	21,730	16,039
Travel	78,863	89,332
Employee benefits recorded in profit or loss ¹	152,872	204,114
	<u>818,644</u>	<u>953,325</u>

¹ In addition, employee benefits of \$357,631 (2015: \$313,595) are capitalised into exploration and evaluation expenditure (Note 9).

4. INCOME TAX BENEFIT

Numerical reconciliation between tax benefit and pre-tax net loss

	2016	2015
	\$	\$
Loss before tax	(654,426)	(14,879,356)
Prima facie income tax benefit at 30% (2015: 30%)	<u>(196,328)</u>	<u>(4,463,807)</u>
Research and development tax refund	(101,931)	(366,690)
Effect of permanent and temporary differences and tax losses not recognised	196,328	4,463,807
Income tax benefit attributable to operating loss	<u>(101,931)</u>	<u>(366,690)</u>

A deferred tax asset with respect to accumulated tax losses has been recognised to the extent of the Company's deferred tax liability regarding temporary differences of approximately \$1,029,000 (2015: \$665,000), relating mainly to capitalised exploration assets. The unrecognised deferred tax asset mainly with respect to accumulated tax losses is \$7,272,000 tax effected at 30% (2015: \$6,746,000), 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

	2016	2015
	\$	\$
Cash at bank and in hand	2,950,866	405,246
Short term deposits	38,617	38,617
	<u>2,989,483</u>	<u>443,863</u>

Short term deposits are made for varying periods of between 30 and 90 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 2016 was 1.42% (2015: 3.66%). An amount of \$38,617 of short term deposits remains in place to secure a bank guarantees in respect of a bond for Exploration Licence 4643 in favour of Department of State Development \$10,000 (2015: \$10,000) and a bond for Melbourne office rental \$28,617 (2015 \$28,617).

The Company has no available undrawn loan facilities.

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating (loss) after income tax	(552,495)	(14,512,666)
Depreciation and amortisation	6,766	11,717
Exploration expenditure expense	198,656	119,279
Impairment expense	-	13,864,629
Interest Earned	(8,804)	(52,834)
Changes in Assets and Liabilities		
(Increase) in other current operating assets	(54,173)	(217,488)
(Decrease) / Increase in operating creditors and accruals	16,244	(41,622)
Decrease in leave provisions	19,079	6,161
Net cash used in operating activities	<u>(374,727)</u>	<u>(822,824)</u>

7. RECEIVABLES AND OTHER ASSETS

Accrued interest receivable	830	1,276
Bonds and deposits	15,000	15,000
Prepaid expenses	25,705	25,985
GST refundable	57,769	34,260
Research & Development tax refund	101,931	366,690
Other	-	238
	<u>201,235</u>	<u>443,449</u>

No receivables are interest-bearing and 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>2016</u>	\$	\$	\$	\$	\$
At cost	-	33,034	302,236	139,809	475,079
Accumulated depreciation	-	(24,236)	(273,639)	(111,098)	(408,973)
Closing net book amount	-	8,798	28,597	28,711	66,106
Opening net book amount	555,825	10,076	38,188	35,338	639,427
Additions	-	3,513	499	-	4,012
Disposals	(555,825)	-	-	-	(555,825)
Transfers	-	-	-	-	-
Depreciation charge to P&L	-	(4,791)	-	-	(4,791)
Depreciation charged to exploration	-	-	(10,090)	(6,627)	(16,717)
Closing net book amount	-	8,798	28,597	28,711	66,106
<u>2015</u>					
At cost	555,825	29,520	301,736	139,809	1,026,890
Accumulated depreciation	-	(19,444)	(263,548)	(104,471)	(387,463)
Closing net book amount	555,825	10,076	38,188	35,338	639,427
Opening net book amount	555,825	16,174	43,327	43,465	658,791
Additions	-	3,160	7,216	-	10,376
Disposals	-	(295)	-	-	(295)
Transfers	-	(1,173)	1,173	-	-
Depreciation charge to P&L	-	(7,790)	-	-	(7,790)
Depreciation charged to exploration	-	-	(13,528)	(8,127)	(21,655)
Closing net book amount	555,825	10,076	38,188	35,338	639,427

9. EXPLORATION AND EVALUATION

	<u>2016</u>	<u>2015</u>
	\$	\$
Opening net book amount	2,215,975	15,114,950
Exploration expenditure during the year	1,179,824	1,063,279
Depreciation charged to exploration	16,717	21,654
Less, exploration & evaluation expensed	(198,656)	(119,279)
Less, Impairment of Gum Flat	-	(11,973,033)
Less, Impairment of Eurilla Dam	-	(1,193,959)
Less, Impairment of Cockabindie	-	(509,897)
Less, expensed amounts previously capitalised	-	(187,740)
Closing net book amount	3,213,860	2,215,975
Gross exploration assets capitalised	16,947,408	16,080,604
Provision for impairment	(13,733,548)	(13,864,629)
Net exploration assets	3,213,860	2,215,975

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

The carrying value of assets was assessed at 30 June 2016 and a total of \$198,656 (2015: \$13,983,908) was incurred and expensed during the period. For the comparative period, \$241,035 was incurred and expensed for the year and \$13,742,873 related to the impairment write-off of assets carried from prior periods. The impairment write down was due to an assessment of the carrying value based on prospectivity of tenements held by the Group.

The write downs in the current period relate primarily to exploration expenditure on non-graphite exploration. The most significant write downs in the comparative period relate to the Gum Flat project (\$11,973,003) and the Eurilla Dam project (\$1,193,959) which have been written down due to falling iron ore prices and increased uncertainty around the timing and extent of any price recovery. The recoverable amounts of the assets, as assessed by the Board, have been assessed on a fair value less cost to sell basis using a net present value calculation of the potential development of the Gum Flat and Eurilla projects and have been written down to \$nil.

These impairments have been recognised in "impairment expense" in the consolidated statement of profit or loss and other comprehensive income.

10. INTANGIBLE ASSETS

<u>Computer software</u>	<u>2016</u>	<u>2015</u>
<u>Cost</u>	<u>\$</u>	<u>\$</u>
Balance at beginning of the year	73,365	73,365
Balance at the end of the year	73,365	73,365
<u>Amortisation and impairment</u>		
Balance at beginning of the year	69,417	65,490
Amortisation for the year	1,975	3,927
Balance at the end of the year	71,392	69,417
Closing net book amount	1,973	3,948

11. EQUITY ACCOUNTED INVESTEEES

During the year 2014/15 the Group acquired a 25% interest in the Qingdao International Graphite Exchange Centre Co., Ltd (Exchange) through a share investment and has determined that it has significant influence because it has representation on the board of the investee and holds 25% of the voting rights. The Exchange's principal place of business was in Qingdao, Shandong Province, China. The Exchange was established to provide a platform to promote the Groups graphite and related products globally.

During the year the Graphite Exchange registration process was not able to be completed and therefore the full amount of the investment was refunded to the Group. As at the end of the year the Group does not hold an investment in the Graphite Exchange.

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Percentage ownership interest	-	25%
Current and non-current assets	-	1,281,372
Current and non-current liabilities	-	-
Net assets (100%)	-	1,281,372
Carrying amount of interest in associate (0%:25%)	-	320,343

Current assets represented cash and cash equivalents which was the only asset of the Exchange at the prior reporting date.

12. TRADE AND OTHER PAYABLES

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables – external parties	115,318	82,326
Trade payables – related parties	8,140	5,500
Accrued expenses	42,758	73,751
	<u>166,216</u>	<u>161,577</u>

Trade payables are non-interest bearing and normally settled on 30-day terms. Trade payables and accrued expenses are stated at cost. No adjustment is required for fair value.

13. CONTRIBUTED EQUITY

	<u>2016</u>	<u>2015</u>
	\$	\$
Share capital		
Fully paid ordinary shares	30,921,781	27,987,352
Opening balance	<u>27,987,352</u>	<u>27,987,352</u>
Share placement	3,200,000	-
Share issue costs	(265,571)	-
Closing balance	<u>30,921,781</u>	<u>27,987,352</u>
Movements in share capital:	<u>Number</u>	<u>\$</u>
<u>Fully paid ordinary shares</u>		
Balance at 1 July 2014 and 30 June 2015	<u>268,386,949</u>	<u>27,987,352</u>
Share placement	<u>100,000,000</u>	<u>2,934,429</u>
Closing balance	<u>368,386,949</u>	<u>30,921,781</u>

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.

No options were outstanding at 30 June 2016 and no options have been granted or exercised between the end of the year and the date of this report.

14. RESERVES

	<u>2016</u>	<u>2015</u>
	\$	\$
Share-based payments reserve		
Balance at beginning of the year	96,285	96,285
Lapse of performance rights	(96,285)	-
Balance at the end of the year	<u>-</u>	<u>96,285</u>

The share-based payments reserve is used to recognise the fair value of options issued but not exercised. The lapse of performance rights relates to rights issued to the managing director in a prior year that did not vest due to a share price based performance condition that was not met.

15. AUDITOR'S REMUNERATION

The Auditor of Lincoln Minerals Limited is Grant Thornton (previously KPMG Australia).

	<u>2016</u>	<u>2015</u>
	\$	\$
Audit or review of financial reports	29,000	80,465
Other services - taxation advice and related matters	-	31,095
Total remuneration	<u>29,000</u>	<u>111,560</u>

16. 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>2016</u>	<u>2015</u>
Expenditure required to maintain tenure of all of the exploration licences	\$	\$
Within one year	505,000	626,960
After one year but not more than five years	660,000	661,125
	<u>1,165,000</u>	<u>1,288,085</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 Group, Centrex Metals Limited and SAIOG whereby the Group 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 Pty Limited (AGL), a wholly-owned subsidiary of the Company. 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.

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>2016</u>	<u>2015</u>
	\$	\$
Within one year	30,227	52,116
After one year but not more than five years	56,815	45,602
	<u>87,042</u>	<u>97,718</u>

Contingencies

As at 30 June 2016 and the date of this report there were no contingencies.

17. 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.

18. EARNINGS PER SHARE

	<u>2016</u>	<u>2015</u>
Loss used to calculate basic and diluted loss per share - \$	(552,495)	(14,512,666)
Basic and diluted loss per share (cents)	(0.21)	(5.41)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	268,933,397	268,386,949

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.

19. 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 and debt securities 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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits, receivables and investments in debt securities.

Management has established a credit policy under which the counterparties are analysed for credit worthiness by reference to available information so as to manage the risk of exposure to default. The credit risk exposure is concentrated with banks (for cash) and the federal government (tax receivable).

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>2016</u>	<u>2015</u>
	\$	\$
Cash and cash equivalents	2,989,483	443,863
Receivables and other assets	201,235	443,449
	<u>3,190,718</u>	<u>887,312</u>

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 2016 and 2015 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>2016</u>	<u>2015</u>
Carrying amounts	\$	\$
Fixed rate instruments		
Cash and cash equivalents	2,921,578	428,359
	<u>2,921,578</u>	<u>428,359</u>

The weighted average interest rate on deposits for 2015/16 was 1.42% (2015: 3.66%).

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 \$6,200 (2015: \$14,537). 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.

20. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

Key Management Personnel of the Company comprise:

Directors		Executives	
Y Jin	Chairman	JK Kopias	Chief Financial Officer and
AJ Parker	Managing Director		Company Secretary
ELY Pang	Director	DA Povey	Chief Geologist
JT Zhang	Director		

Compensation options

Compensation of Key Management Personnel by category:

	<u>2016</u>	<u>2015</u>
	\$	\$
Short term employee benefits	507,536	578,830
Post-employment benefits - superannuation	45,816	45,816
Post-employment benefits - long service leave	9,516	5,554
Total	<u>562,868</u>	<u>630,200</u>

Loans to Key Management Personnel

Nil.

Other transactions with Key Management Personnel

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 received services from Kopias Consulting, 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 \$8,140 (2015: \$5,500).

There were no bonuses or rights to bonuses earned or paid in either 2015 or 2016.

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.



Geotechnical drilling at Kookaburra Gully, April 2016

21. SEGMENT INFORMATION

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

2016	Australia		Corporate	Total
	Iron Ore	Graphite		
	\$	\$	\$	\$
<u>Income</u>				
Financial Income	-	-	8,804	8,804
Other Income	-	-	23,366	23,366
<u>Expenses</u>				
Exploration and evaluation expenses	(198,183)	(473)	-	(198,656)
Depreciation	-	-	(4,791)	(4,791)
Amortisation	(1,975)	-	-	(1,975)
Other expenses	-	(85,340)	(733,304)	(818,644)
Gain on sale of assets	-	-	337,470	337,470
Loss before income tax	(200,158)	(85,813)	(368,455)	(654,426)
Income tax benefit	-	101,931	-	101,931
Net loss for the year	(200,158)	16,118	(368,455)	(552,495)
<u>Assets</u>				
Exploration and evaluation	-	3,213,860	-	3,213,860
All other assets	1,973	101,931	3,154,893	3,562,785
Total assets	1,973	3,315,791	3,154,893	6,776,645
Total liabilities	-	(76,451)	(307,858)	(688,297)
Net assets	1,973	3,239,340	2,847,035	6,088,348
2015	Australia		Corporate	Total
	Iron Ore	Graphite		
	\$	\$	\$	\$
<u>Income</u>				
Financial Income	-	-	53,135	53,135
Other Income	-	-	17,400	17,400
<u>Expenses</u>				
Exploration and evaluation expenses	(107,567)	(11,712)	-	(119,279)
Impairment expense	(13,722,141)	(142,488)	-	(13,864,629)
Depreciation	-	-	(7,790)	(7,790)
Amortisation	(3,927)	-	-	(3,927)
Other expenses	-	(69,884)	(884,382)	(954,266)
Loss before income tax	(13,833,635)	(224,084)	(821,637)	(14,879,356)
Income tax benefit	75,414	291,276	-	366,690
Net loss for the year	(13,758,221)	67,192	(821,637)	(14,512,666)
<u>Assets</u>				
Exploration and evaluation	-	2,215,975	-	2,215,975
All other assets	355,504	349,261	1,146,265	1,851,030
Total assets	355,504	2,565,236	1,146,265	4,067,005
Total liabilities	(649)	(94,909)	(265,033)	(360,591)
Net assets	354,855	2,470,327	881,232	3,706,414

22. PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2016 the parent company was Lincoln Minerals Limited.

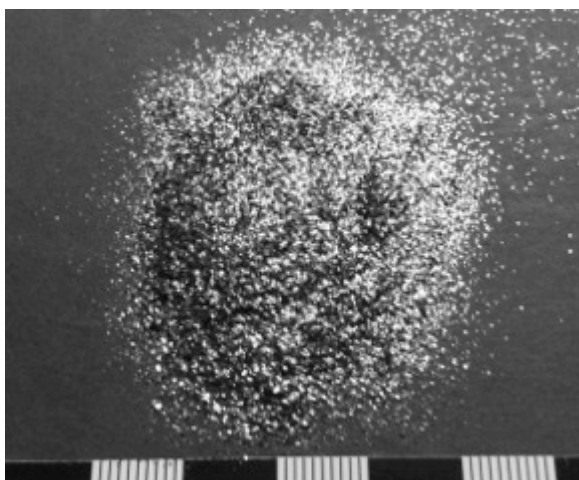
		<u>2016</u>	<u>2015</u>
		\$	\$
Result of the parent entity			
Gain / (loss) for the period		(2,189,471)	(13,826,576)
Other comprehensive income		-	-
Total loss for the period		<u>(2,189,471)</u>	<u>(13,826,576)</u>
Financial position of parent entity at year end			
Current assets		8,564,830	4,324,312
Non-current assets		68,079	963,718
Total assets		<u>8,632,909</u>	<u>5,288,030</u>
Current liabilities		2,544,561	260,363
Non-current liabilities		-	5,319
Total liabilities		<u>2,544,561</u>	<u>265,682</u>
		<u>2016</u>	<u>2015</u>
Total equity of the parent entity comprising of:	Note	\$	\$
Contributed equity	13	30,921,781	27,666,311
Reserves	14	-	96,285
Accumulated Losses		(24,833,433)	(22,740,248)
Total equity		<u>6,088,348</u>	<u>5,022,348</u>

Parent entity contingencies

At 30 June 2016 there were no contingencies.

Parent entity commitments

Parent entity commitments are the same as those for the Group which are disclosed in note 16.



Coarse (>150 micron) flake graphite concentrate from Kookaburra Gully

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 2016 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 2016.
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 30th day of September 2016
Melbourne, Victoria

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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 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity 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*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements 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. Those standards require us to 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.

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In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

- a the financial report of Lincoln Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Lincoln Minerals Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner - Audit & Assurance

Adelaide, 30 September 2016

8 ASX ADDITIONAL INFORMATION

8.1 Distribution as at 31 August 2016

Spread of Equity Security Holders

	Number of Holders Fully paid shares
1 – 1,000	44
1,001 – 5,000	132
5,001 – 10,000	236
10,001 – 100,000	697
100,001 and over	192
	<hr/> 1,301 <hr/>

There are 297 security holders holding less than a marketable parcel of ordinary shares (\$500 amounts to 9,804 shares at 5.1 cents per share).

8.2 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.

8.3 Substantial shareholders

Poan Group Holdings Pty Ltd	57,184,429 shares	15.52%
Regal Fortress Inc	41,581,788 shares	11.29%
Good Make Inc	38,956,448 shares	10.57%
Everchance International Industrial Ltd & Mr Xiezhi Tan	21,834,293 shares	5.93%
Able Creativity Investment Limited	20,000,000 shares	5.43%

8.4 Statement of quoted securities

	Shares
Quoted on ASX	368,386,949
Restricted	-
Total	<hr/> 368,386,949 <hr/>

8.5 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	57,184,429	15.52
2	Regal Fortress Inc	41,581,788	11.29
3	Good Make Inc	38,956,448	10.57
4	Able Creativity Investment Limited	20,000,000	5.43
5	Everchance International Industrial Ltd	20,000,000	5.43
6	High Treasure International Ltd	15,000,000	4.07
7	Wynnwood Pty Ltd <The Pang Family S/F A/C>	10,816,532	2.94
8	HSBC Custody Nominees (Australia) Limited	10,307,745	2.80
9	Ms Yin Ping Abby Ko	7,945,867	2.16
10	Mr Yong Chai	6,400,000	1.74
11	Mr Hock Guan Ng	6,099,107	1.66
12	Mr Kwang Hou Hung	6,000,000	1.63
13	Mr Yingkang Zhong	5,259,194	1.43
14	Ms Guiqin Yang	4,185,640	1.14
15	Eastwood Financial & Investment Services Pty Ltd <G & E Super Fund A/C>	4,185,000	1.14
16	Ms Lai Yoong Lim	4,100,000	1.11
17	Senheng Electric (Kl)Sdn Bhd	4,000,000	1.09
18	Mr Kok Bin Wee	4,000,000	1.09
19	J P Morgan Nominees Australia Limited	2,725,795	0.74
20	Mr David Wang & Ms Jessica Yue Zhao	2,471,246	0.67
	Total 20 largest shareholders	271,218,791	73.65
	Total shares on issue	368,386,949	100.00

9 RESOURCES STATEMENT

9.1 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.

Lincoln relies on drilling results from accredited laboratories in providing assay results used to estimate Mineral Resources.

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 2016 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 2016. These remain unchanged from 30 June 2015.

Mineral Resource Classification	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
NB tonnages may not add up exactly as shown due to rounding of significant figures*

Kookaburra Gully Mineral Resource (AGL 100%) at a nominal 2% TGC lower cut-off grade as at 30 June 2016. These remain unchanged from 30 June 2015.

Mineral Resource Classification	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 Koppio Mineral Resource, reported in accordance with JORC Code, 2012 is set out in the table below (*Lincoln Minerals Limited, ASX Announcement 13 July 2015*). At a nominal 5% cut-off, the Inferred Mineral Resource is 1.85 Mt at 9.76% TGC. Total contained graphite for this Mineral Resource is 180,733 tonnes.

At a nominal 2% TGC cut-off, the total Koppio Inferred Mineral Resource is 3.06 Mt at 7.16% TGC. Total contained graphite for this resource is 219,293 tonnes.

Koppio Mineral Resource (AGL 100%) as at 30 June 2016. These remain unchanged from 13 July 2015

Mineral Resource Classification	Lower Cut-off Grade (% TGC)	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Inferred – Domain 1	5%	1.85	9.76	180,733	2.67
Inferred – Domain 2	2%	1.21	3.18	38,560	2.80
TOTAL (>2% TGC)		3.06	7.16	219,293	2.72

Mt = million tonnes TGC = Total Graphitic Carbon

Exploration Targets (JORC 2012) have been generated from interpretation of a 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*). These remain unchanged from 30 June 2014.

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.

Kookaburra Gully and Koppio region Exploration Targets (SG = 2.5) as at 30 June 2016. These remain unchanged from 30 June 2015.

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 (including Mineral Resource)	10-15m	900-1200m	50-100m	70-90 ⁰	1.1-4.8 Mt	10-15%	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

Iron Ore

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. The Company has not been required to re-assess these estimates and will undertake the necessary verification under JORC 2012 as required.

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 2016. These remain unchanged from 30 June 2015.

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*). The Company has not been required to re-assess these estimates and will undertake the necessary verification under JORC 2012 as required.

Eurilla in situ Inferred Resource within EL 5013 (JORC 2004) as at 30 June 2016, 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 2015

	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

Mt = million tonnes

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