LINCOLN MINING CORPORATION

Unaudited condensed interim consolidated financial statements

for the six months ended June 30, 2014

Table of Contents

Notice to Reader 1
Condensed Interim Consolidated Statements of Financial Position 2
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss 3
Condensed Interim Consolidated Statements of Cash Flows 4
Condensed Interim Consolidated Statements of Changes in Equity 5
Notes to the Condensed Interim Consolidated Financial Statements 6

Notice to Reader

Management has prepared the unaudited condensed interim consolidated financial statements for Lincoln Mining Corporation (the Company) in accordance with National Instrument 51-102 released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended June 30, 2014.

LINCOLN MINING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	As at June 30, 2014	As at December 31, 2013
		$	$
Assets			
Current assets			
Cash		37,379	43,958
Other receivables		11,160	3,831
Prepaid expenses		29,387	23,234
		77,926	71,023
Non-current assets			
Reclamation bonds	4c	21,955	21,873
Equipment		10,331	13,999
Deposits		44,678	44,678
Mineral properties	4	3,047,630	3,047,630
		3,124,594	3,128,180
Total assets		**3,202,520**	**3,199,203**
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		1,104,746	1,091,064
Loans from directors	5	1,160,641	1,087,409
Property acquisition liability	4	757,323	1,171,846
		3,022,710	3,350,319
Non-current liabilities			
Convertible debenture	6	-	2,155,138
Promissory note	7	3,581,078	-
Provision for environmental rehabilitation		69,394	69,134
		3,650,472	2,224,272
Total liabilities		**6,673,182**	**5,574,591**
Equity			
Share capital	9	20,155,769	20,155,769
Capital reserves	9(b)	1,323,896	1,323,896
Deficit		(24,950,327)	(23,855,053)
Total Equity		**(3,470,662)**	**(2,375,388)**
Total Liabilities and Equity		**3,202,520**	**3,199,203**

Nature of operations (Note 1)
Subsequent events (Note 13)

Approved and authorized by the Board on August 28, 2014.

"Paul Saxton"	Director	*"Andrew Milligan "*	Director
Paul Saxton		Andrew Milligan	

LINCOLN MINING CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and six months ended June 30, 2014 and 2013

(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
		$	$	$	$
Exploration expenses	**4**	**250,248**	**1,091,215**	**413,488**	**1,413,108**
Administrative expenses					
Professional fees		17,911	231,862	54,926	370,344
Settlement of dispute		-	350,000	-	350,000
Investor relations and shareholder services		49,338	17,075	56,284	126,906
Office maintenance		56,844	57,666	106,645	110,527
Administrative support		44,537	52,765	76,318	105,120
Consulting and management fees		21,780	54,416	62,875	81,688
Travel		5,639	9,237	7,891	17,352
Depreciation		1,828	3,919	3,669	6,592
Foreign exchange loss (gain)		(12,414)	2,066	7,292	27,538
		185,463	779,006	375,900	1,196,067
Finance expenses (income)					
Interest income		-	-	-	-
Interest expense		83,015	88,035	305,886	176,357
		83,015	88,035	305,886	176,357
Loss and comprehensive loss for the period		**518,726**	**1,958,256**	**1,095,274**	**2,785,532**
Basic and diluted loss per common share		(0.03)	(0.12)	(0.07)	(0.18)
Weighted average number of common shares outstanding		**15,886,020**	**15,886,020**	**15,886,020**	**15,886,020**

(All amounts are in Canadian Dollars, unless otherwise stated)

	Six months ended June 30, 2014	**Six months ended June 30, 2013**
	$	**$**
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	**(1,095,274)**	**(2,785,532)**
Items not affecting cash:		
Accrued interest expense	305,886	176,357
Depreciation	3,669	6,592
Unrealized loss on foreign exchange	510	27,538
Changes in non-cash working capital items:		
Increase in accounts payable and accrued liabilities	163,025	324,024
Decrease (increase) in prepaid and deposits	(6,153)	108,412
Increase in other receivables	(7,329)	(38,149)
Interests paid	(175,053)	-
Net cash used in operating activities	**(810,719)**	**(2,180,758)**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of water rights	-	(25,097)
Payment of property	-	(350,000)
Purchase of equipment	-	(9,641)
Reclamation bonds	-	(20,886)
Net cash used in investing activities	**-**	**(405,624)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Promissory note issued for cash	3,584,054	-
Payment of property acquisition liability	(462,414)	-
Payment of convertible debenture	(2,300,000)	-
Payment of promissory note	(40,000)	-
Loans from directors	22,500	650,000
Net cash provided by financing activities	**804,140**	**650,000**
Net change in cash for the period	(6,579)	(1,939,382)
Cash, beginning of the period	43,958	2,202,131
Cash, end of the period	**37,379**	**265,749**

(All amounts are in Canadian Dollars, unless otherwise stated)

	Number of shares	Share capital	Capital Reserves	Deficit	Total
		$	$	$	$
Balance at December 31, 2013	**15,886,020**	**20,155,769**	**1,323,896**	**(23,855,053)**	**(2,375,388)**
Loss for the period	-	-	-	(1,095,274)	(1,095,274)
Balance as at June 30, 2014	**15,886,020**	**20,155,769**	**1,323,896**	**(24,950,327)**	**(3,470,662)**
Balance at December 31, 2012	**15,886,020**	**20,155,769**	**1,323,896**	**(18,206,298)**	**3,273,367**
Loss for the period	-	-	-	(2,785,532)	(2,785,532)
Balance at June 30, 2013	**15,886,020**	**20,155,769**	**1,323,896**	**(20,991,830)**	**487,835**

1 Nature of operations

Lincoln Mining Corporation (the "Company") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 350 – 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5. Lincoln Mining Corp. is a precious metals exploration and development company with several projects in various stages of exploration, which include the Pine Grove and the Bell Mountain gold properties in Nevada, USA, and the Oro Cruz gold property in California, USA. The Company also holds the La Bufa property, located in Mexico. In the United States, the Company operates under its subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp.

The interim consolidated financial statements of the Company for the six month period ended June 30, 2014 comprise the Company and its subsidiaries. These interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The Company is listed on the TSX Venture Exchange ("TSX-V: LMG") and the Frankfurt Stock Exchange ("ZMG").

2 Summary of significant accounting policies

(a) Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2013.

The accounting policies followed in these interim financial statements are consistent with those applied in the Company's most recent annual financial statements for the year ended December 31, 2013.

Going concern assumption

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has not yet determined whether its mineral properties contain ore reserves; therefore, the Company has incurred ongoing losses. The recovery of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

To date, management has raised adequate financing to proceed towards the completion of the technical feasibility of certain mineral properties. The continued success of the Company is dependent on the Company's ability to continue raising additional funds from the issuance of common shares and/or debt, and the continued support of the Company's shareholders and creditors.

New standards and interpretations not yet adopted

There are no new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Consolidation

The consolidated financial statements include financial statements of Lincoln Mining Corporation, a parent company and the subsidiaries listed below:

	Country of Incorporation	Economic interests	Principal activity
Lincoln Gold Corporation	Canada	100%	Holding company
Lincoln Gold US Corporation	United States of America	100%	Mineral exploration
Lincoln Resource Group Corporation	United States of America	100%	Mineral exploration
Minera Lincoln de Mexico, S.A. de C.V.	Mexico	100%	Mineral exploration

(c) Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IFRS 6. The Company capitalizes mineral property interest acquisition costs, which include the cash consideration, option payment under an earn-in arrangement and, the fair value of common shares issued for mineral property interests. The acquisition costs are deferred until the property is placed into development (when commercial viability and technical feasibility are established), sold or abandoned or determined to be impaired. Before moving acquisition costs into property, plant and equipment upon commencement of development stage, the property is first tested for impairment. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Exploration and evaluation expenditures

The Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property-by-property basis.

(d) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(e) Financial liabilities

Borrowings

Borrowings are recognized initially at fair value (net of transaction costs incurred). Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debenture that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of the similar liability that does not have an equity conversion option. The equity component is recognized initially as a difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(f) Provision for environmental rehabilitation

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profess or loss on a straight-line basis over the period of the lease.

(h) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and income taxes.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Recoverability of mineral property interests

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(All amounts are in Canadian Dollars, unless otherwise stated)

Company's title on mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Provision for environmental rehabilitation

The Company's estimates of future rehabilitation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

4 Mineral properties

	United States		Total
	Pine Grove	Bell Mountain	
	$	$	$
Acquisition costs as at December 31, 2013 and June 30, 2014	784,116	2,263,514	3,047,630

Exploration expenditures (recoveries) incurred during the six months ended June 30, 2014:

	United States				Mexico	Total
	Pine Grove	Oro Cruz	Bell Mountain	Other	La Bufa	
	$	$	$	$	$	$
Option, lease and advance royalty payments	-	21,810	-	-	-	**21,810**
Contractors	20,955	21,749	20,115	-	-	**62,819**
Drilling and metallurgical	245	-	39,118	-	-	**39,363**
Field supplies	2,405	19	2,105	-	-	**4,529**
General administration	10,197	4,438	10,473	2,181	-	**27,289**
Geochemistry	33,700	9,084	22,072	-	-	**64,856**
Land maintenance	28,481	33,917	-	-	-	**62,398**
Permitting environment	120,558	-	7,088	-	-	**127,646**
Travel and accommodation	172	70	325	-	-	**567**
Vehicle operating	1,114	-	1,032	65	-	**2,211**
Total mineral property expenditures	**217,827**	**91,087**	**102,328**	**2,246**	**-**	**413,488**

(All amounts are in Canadian Dollars, unless otherwise stated)

Exploration expenditures (recoveries) incurred during the six months ended June 30, 2013:

	United States				Mexico	Total
	Pine Grove	Oro Cruz	Bell Mountain	Other	La Bufa	
	$	$	$	$	$	$
Option, lease and advance royalty payments	-	74,408	-	-	19,015	**93,423**
Contractors	5,360	-	5,360	893	-	**11,613**
Drilling and metallurgical	32,945	-	679,020	5,998	-	**717,963**
Field supplies	762	-	1,124	-	34	**1,920**
General administration	4,807	-	1,134	107	16,413	**22,461**
Geochemistry	13,822	495	118,631	15,552	16,537	**165,037**
Land maintenance	4,599	-	42,199	-	-	**46,798**
Permitting environment	101,263	-	156,497	-	-	**257,760**
Property evaluations	2,746	-	27,076	2,838	-	**32,660**
Surveying	-	-	23,832	1,936	-	**25,768**
Travel and accommodation	3,448	-	17,397	3,024	2,283	**26,152**
Vehicle operating	1,683	-	8,660	1,210	-	**11,553**
Total mineral property expenditures	**171,435**	**74,903**	**1,080,930**	**31,558**	**54,282**	**1,413,108**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

United States

(a) Pine Grove Property, Nevada

During fiscal 2007 the Company entered into three separate agreements with Wheeler Mining Company ("Wheeler"), Lyon Grove, LLC ("Lyon Grove") and Harold Votipka ("Votipka") which collectively comprise the Pine Grove Property. In fiscal 2010, the Company added the Cavanaugh property.

(i) In July 2007 the Company entered into an agreement with Wheeler to lease Wheeler's 100% owned mining claims in Lyon County, Nevada from July 13, 2007 to December 31, 2022 with an exclusive option to renew the lease by written notice to December 31, 2023. If the property is and remains in commercial production by November 1 of each year after 2022, the Company may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year.

The Company was required to produce a bankable feasibility study on the properties by December 31, 2010 and obtain all necessary funding to place the properties into commercial production. The Company has since received an extension as new technical data is being developed. The Company must pay an NSR of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% NSR on metals or minerals other than gold produced and sold from the properties.

The following non-refundable advance NSR payments must be made by the Company:
- US$10,000 upon signing the agreement (paid); and
- US$30,000 prior to each one year anniversary of the lease (years 1-6 paid)

(ii) In July 2007 the Company entered into an agreement with Votipka to acquire three claims located within the Pine Grove Mining District in Lyon County, Nevada in return for a payment of US$12,000 (paid in 2007). Upon commencement of commercial production, the Company will pay a 5% NSR to Votipka. The Company retains the right to buy down up to 2.5% of the NSR at any time for US$100,000 per percentage point.

(iii) In August 2007 the Company entered into an agreement with Lyon Grove to lease the Wilson Mining Claim Group located in Lyon County, Nevada from August 1, 2007 to July 31, 2022, with an option to purchase. The Company can extend the term of the lease for up to ten additional one year terms providing the Company is conducting exploration mining activities at the expiration of the term immediately preceding the proposed extension term.

The following lease payments must be made by the Company:

- US$10,000 upon signing the agreement (paid) and
- US$25,000 prior to each one year anniversary of the lease (Years 1-6 paid).

The lease payment made for any one calendar year may be credited against any NSR due and payable during the same calendar year.

The following work commitments must be made by the Company:

- US$25,000 by August 1, 2008; (incurred)
- US$25,000 by August 1, 2009; (incurred)
- US$50,000 by August 1, 2010; (incurred)
- US$50,000 by August 1, 2011; (incurred)
- US$50,000 by August 1, 2012; (incurred) and each subsequent lease year

Upon commencement of production the Company must pay an NSR of 2.5% - 5% on various claims and areas of interest. Lyon Grove retains the right to require the Company to purchase the property any time after the Company has made application to permit and develop a mine on the property, subject to the Company's continued obligation to pay the royalties, for US$1,000.

(iv) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors have received a total of US$650,000 and 40,000 common shares of the Company as follows:

- On closing US$250,000 and 15,000 shares (paid)
- August 23, 2011 US$150,000 and 15,000 shares (paid)
- August 23, 2012 US$150,000 and 10,000 shares (paid)
- August 23, 2013 US$100,000 (paid)

At inception of the agreement a US$400,000 promissory note was issued for the remaining cash payments required, non-interest bearing, except in the event of default, in which case the rate of interest shall be eight percent per annum until payment is made. The promissory note was secured by the Cavanaugh property. The fair value of the promissory note on the date of issuance was $361,685 (US$346,873), which was calculated using a discount rate of 8%. The Company's commitment to issue the remaining 25,000 shares was valued at $1.85 per share totaling $46,250. As a result of the purchase agreement, $696,360 has been capitalized as mineral property acquisition costs as at December 31, 2010.

The vendors will also retain a 1.5% NSR subject to the Company's option to buy down the royalty at a rate of US$75,000 per one-half percent at any time up until 3 years after the Company's Board of Directors approves mine construction.

(b) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln US, concluded a lease agreement (the "Lease") to lease certain lode claims covering the Oro Cruz Property in Imperial County, California. The Lease involves advance royalty payments beginning at US$50,000 per year and gradually increasing to US$200,000 per year on the seventh anniversary and each subsequent anniversary of the effective date of February 22, 2010 as follows:

- US$50,000 on the execution date of the agreement (paid)
- US$50,000 by February 22, 2011 (paid)
- US$75,000 by February 22, 2012 (paid)
- US$75,000 by February 22, 2013 (paid)
- US$100,000 by February 22, 2014 ($30,000 paid)
- US$100,000 by February 22, 2015
- US$150,000 by February 22, 2016
- US$200,000 by February 22, 2017 and each subsequent anniversary of the effective date

The NSR has been set at 3% for the first 500,000 ounces of gold production and 4% thereafter. An aggregate of 2% of the royalty can be bought down at a rate of US$500,000 per half percent.

Pursuant to this agreement, Lincoln must also incur expenditures in the amounts and during the periods described as follows:

- US$250,000 cumulative amount expended by the end of the second lease year (incurred)
- US$300,000 during the third lease year (incurred)
- US$350,000 during the fourth lease year
- US$400,000 during the fifth lease year
- US$450,000 during the sixth lease year
- US$500,000 during the seventh lease year

See below for discussion on option agreement granting Elgin Mining Inc. the option to acquire up to a 60% undivided interest in each of Lincoln's Oro Cruz and La Bufa properties.

(c) Bell Mountain Property, Nevada

In November 2012, the Company entered into a purchase agreement – Bell Mountain Project with Laurion Mineral Exploration Inc. and its Nevada subsidiary Laurion Mineral Exploration USA LLC (together, "Laurion"), pursuant to which the Company's subsidiary (Lincoln Resource Group Corporation) has acquired from Laurion certain unpatented mining claims and the assignment and assumption of Laurion's option (the "Bell Mountain Option") to earn a 100% interest in the Bell Mountain property from Globex Nevada Inc. ("Globex").

The purchase price of the transaction is an aggregate of $2,350,000 cash, payable by the Company to Laurion as follows:

- $350,000 within five business days of all necessary TSXV approvals (paid),
- $350,000 by November 30, 2012 (paid),
- $750,000 on completion of a pre-feasibility study (paid), and
- $900,000 on or before five months after completion of the pre-feasibility study ($191,000 see below).

The Company renegotiated the payment schedule for the Bell Mountain project whereby principal repayments outstanding at September 30, 2013 would accrue interest at a rate of 4% per annum and would be due in full by December 31, 2013. During the year ended December 31, 2013, the Company made principal repayments of $490,000 and for the six month period ended June 30, 2014, made additional principal payments of $451,000. The Company is engaged in ongoing negotiation with the Vendor to make staggered payments of the remaining principal balance of $709,000 plus accrued interest (Note 7).

(All amounts are in Canadian Dollars, unless otherwise stated)

In order to complete the exercise of the Bell Mountain Option to acquire a 100% interest in the property from Globex, the Company must incur an additional $1,755,000 (incurred) in exploration expenditures on the property by June 28, 2015. The Bell Mountain property is also subject to two royalties which will take effect upon commencement of commercial production. The first royalty is a 2% net smelter return royalty payable to N.A, Degerstrom Inc., which can be acquired for US$167,000. In addition, Globex will maintain a sliding-scale gross metal royalty ("GMR") on all mineral production (gold, silver etc) benchmarked upon the price of gold (1% GMR at a gold price under US$500/troy ounce, 2% GMR at a gold price between US$500 and US$1,200/troy ounce and 3% GMR at a gold price over US$1,200/troy ounce). Pursuant to the Globex Agreement, upon exercise of the option and the acquisition of a 100% interest in the Bell Mountain property from Globex, the Company would be required to pay annually a $20,000 advance royalty payment, which would be credited against the royalty payable to Globex described above.

In March 2013, the Company placed a bond of US$20,565 with the US Bureau of Land Management to permit the Company's drilling program at the Bell Mountain property.

The Company recognized initially the liabilities in relation with Bell Mountain acquisition at fair value of $1,527,372 and subsequently measured at amortized cost using effective interest rate of 9.6%.

The liability is summarized as follows:

	Six months ended June 30, 2014	Year ended December 31, 2013
	$	$
Opening balance	1,171,846	1,539,422
Initial recognition	-	-
Repayments	(462,414)	(490,000)
Accretion	28,076	110,574
Interest payable	19,815	11,850
Closing balance	**757,323**	**1,171,846**

Mexico

(d) La Bufa Property, Chihuahua

In February 2010, the Company purchased the 100% interest in La Bufa property by issuing 600,000 common shares, valued at $1,770,000, and granting a 2% NSR on all future production from La Bufa to Almaden. The $1,770,000 was capitalized as mineral property acquisition costs as at December 31, 2010. The Company had the option to buy down 1% of the NSR within one year following the decision to place the property into production, for a price to be determined at that time.

In fiscal 2013, the Company wrote-off the capitalized value of its La Bufa property of $1,833,153.

(e) Option agreement with Elgin Mining Inc.

In March 2011, the Company entered into an option agreement (the "Agreement") granting Elgin Mining Inc. ("Elgin") the option to acquire up to a 60% undivided interest in each of Lincoln's Oro Cruz and La Bufa properties (collectively the "Properties" and individually a "Property").

In September 2012, the Company announced that the letter agreement with Elgin was terminated as certain obligations under the agreement had not been fulfilled by Elgin. Elgin disputed the validity of the Company's termination of the agreement and the parties proceeded to arbitration to address to resolve the issue.

(All amounts are in Canadian Dollars, unless otherwise stated)

In June 2013, the Company and Elgin reached a full and final settlement of the arbitration proceedings and have agreed to terminate the Agreement in relation to the La Bufa and Oro Cruz properties for the following consideration:

- The Company paid $350,000 cash to Elgin upon execution of Elgin's quitclaim deed in relation to the Oro Cruz property, whereby control of the Oro Cruz property has reverted to the Company; and
- The Company shall take all commercially reasonable steps to market and sell the La Bufa property whereby the net proceeds of such sale (after allowable expenses) will be split equally between the Company and Elgin.

In August 2014, the Company entered into a Purchase Agreement with Endeavour Silver Corp. for La Bufa, the proceeds of which will be split equally with Elgin (Note 13).

5 Loans from directors

The following loans were provided by directors to the Company to support the working capital requirements. The loans bear interest of 5%-10% per annum.

	Six months ended June 30, 2014	**Year ended December 31, 2013**
	$	**$**
Opening balance	1,087,409	43,784
Reclassified from accounts payable	-	25,000
Loans provided during the period	22,500	980,000
Interest accrued during the period	50,732	38,625
Closing balance	**1,160,641**	**1,087,409**

During the six months ended June 30, 2014, the Company received a $22,500 unsecured demand loan from the President of the Company to fund the Company's current working capital requirements. The loan is currently unsecured and non-interest bearing, with no specific repayment schedule, as the terms are still being negotiated.

During the year ended December 31, 2013, the Company received a $650,000 unsecured demand loan from Prairie Enterprises (Alberta) Inc. ("Prairie Enterprises") to fund the Company's current working capital requirements. Prairie Enterprises is owned and controlled by a former director of the Company. The loan bears interest at 10% per annum, calculated and payable on the first day of each month.

During the year ended December 31, 2013, the Company also received an additional $300,000 of demand loan from a former director of the Company to fund the Company's current working capital requirements. The loan bears interest at 10% per annum, calculated and payable on the first day of each month. Under the terms of the loan, the Company has granted a security interest in the Company's portion of the proceeds from any future sale of the La Bufa property to this director. The Company also received an advance of $30,000 with no specific terms of repayment from the same individual.

During the year ended December 31, 2013, an advance of $25,000 from the president of the Company was reclassified from accounts payable during the year. The loan is unsecured, bears interest at 5% annually and has no specific terms of repayment.

(All amounts are in Canadian Dollars, unless otherwise stated)

6 Convertible debenture

In November 2012, the Company issued a convertible debenture ("Debenture") to a related party in an aggregate principal amount of $2,300,000, which is due on November 22, 2015. The Debenture is convertible at any time, in whole or in part at the election of the holder, into up to 2,300,000 common shares of the Company on the basis of one common share for each $1.00 (post-consolidation) of principal. The Debenture bears interest at the rate of 6% per annum, calculated payable monthly, on the outstanding principal amount. The Debenture is secured by a general security agreement granted by the Company.

Upon the initial recognition, the Company allocated the proceeds and transaction costs between the components based on their fair value of the debt as follows:

	$
Conversion feature (equity component)	215,386
Convertible debenture (liability component)	2,084,614
Total	**2,300,000**

The fair value of the liability component was calculated using a market rate of 9.6%, with the residual value allocated to the equity component.

Subsequent to the initial recognition, the convertible debenture is carried at amortized cost using the effective interest method at a discount rate of 9.6%.

	Six months ended June 30, 2014	**Year ended December 31, 2013**
	$	**$**
Balance, beginning of the year	2,155,138	2,089,719
Accretion of debt discount	144,862	65,419
Repayment (Note 7)	(2,300,000)	-
Closing balance	**-**	**2,155,138**

Interest expense in amount of $175,053 was paid when the convertible debenture was repaid on February 28, 2014 (Note 7).

7 Promissory note

On February 28, 2014, the $2,300,000 convertible debenture held by Procon (plus approximately $175,000 in accrued interest), was repaid in full and discharged using funds advanced to the Company through unsecured, non-convertible loans from companies controlled by two former directors of the Company (the "Loan") (Note 6). The Loans bear interest at a rate of 6% per annum, payable monthly commencing April 1, 2014 for a term of five years at which point the principal amount owing under the Loans is due. Concurrent with the transaction, the two directors resigned from the Company.

During the six months ended June 30, 2014, the Company also received advances of $1,069,000 from certain parties, of which $462,414 was paid to Laurion pursuant to the terms of the 2014 amendment of the acquisition of the Bell Mountain property (Note 4c). The advances relate to a $1,029,000 unsecured loan from Golden Dreams Limited Partnership, the general partner of which is controlled by Mr. Ronald K. Netolitzky, a control person of the Company. The loan is unsecured and evidenced by a promissory note with the principal payable at the end of a two year term expiring May 7, 2016. Commencing November 7, 2014, the note bears interest at 6% per annum, calculated and payable on the first day of each month during the remainder of the term, with the first interest payment due on December 1, 2014

(All amounts are in Canadian Dollars, unless otherwise stated)

8 Related party transactions

The following transactions were carried out with related parties:

Key management personnel – services rendered and other compensation

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the six month period ended June 30, 2014 and 2013 is following:

	Six month ended June 30, 2014	Six month ended June 30, 2013
	$	$
Directors fees	15,000	27,688
Management fees	27,000	54,000
Exploration expenses	143,401	110,124
Accounting fees	36,010	-
Administrative support	20,875	16,346
Total	**242,286**	**208,158**
Outstanding balance included in accounts payable:	**382,347**	**23,039**

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

9 Share capital and reserves

In May 2014, the Company consolidated the Company's common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. All figures in the interim consolidated financial statements are adjusted to reflect the 10:1 share consolidation.

a) Authorized share capital

As at June 30, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

b) Capital Reserves

	Capital reserve - options	Capital reserve - warrants	Capital reserve – convertible debenture	Total
	$	$	$	$
Balance as at December 31, 2013	985,639	122,871	215,386	1,323,896
Balance as at June 30, 2014	**985,639**	**122,871**	**215,386**	**1,323,896**

(All amounts are in Canadian Dollars, unless otherwise stated)

c) Stock options

As at June 30, 2014, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
240,000	1.90	September 29, 2014
5,000	2.90	January 28, 2015
60,000	2.90	March 3, 2015
35,000	2.20	June 4, 2015
60,000	1.90	December 15, 2015
12,500	2.10	December 20, 2015
412,500		

Stock option transactions for the six months ended June 30, 2014 and for the year ended December 31, 2013 are summarized as follows:

	Six months ended June 30, 2014		**Year ended December 31, 2013**	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		$		**$**
Balance, beginning of period	442,500	2.10	720,000	2.10
Expired	-	-	(42,500)	2.00
Forfeited	(30,000)	1.90	(235,000)	2.10
Balance, end of period	412,500	2.09	442,500	2.10
Options exercisable, end of period	412,500	2.09	442,500	2.10

d) Warrants

As at June 30, 2014 and December 31, 2013, the Company had no outstanding warrants.

Warrant transactions for the six months ended June 30, 2014 and for the year ended December 31, 2013, are summarized as follows:

	Six months ended June 30, 2014		**Year ended December 31, 2013**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		$		**$**
Balance, beginning of period	-	-	783,464	**2.30**
Issued warrants	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	(783,464)	2.30
Balance, end of the period	**-**	**-**	**-**	**-**

10 Financial instruments. Risk management.

Capital risk management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos. The Company does not believe it is exposed to significant foreign exchange risk.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

(All amounts are in Canadian Dollars, unless otherwise stated)

11 Commitments

In addition to commitments disclosed elsewhere in the interim consolidated financial statements, pursuant to a premises lease, the Company's minimum annual commitments as at June 30, 2014 are as follows:

No later than 1 year	$ 53,678
Later than 1 year and no later than 5 years	$ -

12 Segmented information

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties. The Company's reporting operating segment reflects the Company's individual mining interests and are reported in a manner consistent with the internal reporting used by the Company's management to assess the Company's performance. The Company did not generate any revenue for the reporting periods.

	Non-current assets
	$
December 31, 2013	
Exploration and evaluation of mineral properties	3,074,618
Corporate	53,562
	3,128,180
June 30, 2014	
Exploration and evaluation of mineral properties	3,073,564
Corporate	51,030
	3,124,594

The Company's reportable segment operates within three geographic areas – United States of America, Mexico and Canada.

	Non-current assets
	$
December 31, 2013	
United States of America	3,080,397
Mexico	-
Canada	47,783
	3,128,180
June 30, 2014	
United States of America	3,078,317
Mexico	-
Canada	46,277
	3,124,594

13 Subsequent events

Subsequent to the six months ended June 30, 2014, the Company received advances of $150,000 from a control person of the Company. The advances are currently unsecured, non-convertible and non-interest bearing, with no specific repayment schedule as the terms are still being negotiated.

In August 2014, The Company entered into a Purchase Agreement (the "Agreement") with Endeavour Silver Corp. ("Endeavour" or the "Purchaser") to sell the La Bufa property for a total consideration of 90,000 common shares of Endeavour (the "Payment Shares") at an issue price per Payment Share equal to the volume weighted average price (VWAP) of the Purchaser's shares for the ten (10) trading days immediately preceding the Closing Date less that number of Payment Shares equal to the Prepayment Amount (as defined below).

The Prepayment Amount of $19,000 is evidenced by a Promissory Note (the "Note") dated July 29, 2014 for the principal amount of $19,000 bearing interest at 5% per annum and maturing on December 31, 2014. The Note will be repaid at the closing of the transaction by deducting from the Payment Shares that number of Payment Shares equal to the Prepayment Amount.

The Agreement is subject to a due diligence period ending September 12, 2014 and the Payment Shares, if and when issued, will be subject to a four month hold period from date of issue.

LINCOLN
MINING CORP.

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF JUNE 30, 2014 TO ACCOMPANY THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE “COMPANY” OR “LINCOLN”) FOR THE QUARTER ENDED JUNE 30, 2014.

This Management’s Discussion and Analysis (“MD&A”), which has been prepared as of August 28, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2014. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of Lincoln Mining Corporation. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undo reliance on these forward-looking statements.

Additional information relating to the Company’s activities may be found on the Company’s website at www.lincolnmining.com and at www.sedar.com.

1. Overview

Lincoln Mining Corporation (the “Company”) is incorporated under the Business Corporations Act, British Columbia. The Company’s head and registered office, principal address and records is Suite 350 – 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5. The Company is listed on the TSX Venture Exchange (“TSX-V: LMG”) and Frankfurt Stock Exchange (“ZMG”).

Lincoln Mining Corp. is a precious metals exploration and development company with several projects in various stages of exploration, development and permitting which include the Pine Grove and the Bell Mountain gold properties in Nevada, USA, the Oro Cruz gold property in California, USA and the La Bufa gold-silver property in Chihuahua, Mexico. In the United States, the Company operates under its subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp.

The Company’s intention and strategies are to continue to advance its projects, with a long term goal of building Lincoln into a mid-tier gold producer. The Company’s immediate objective is to become a precious metals producer within two years, with increasing production each year after that.

The Company is now well positioned to proceed with the development of the Pine Grove and Bell Mountain projects.

Bell Mountain Project Acquisition

In November 2012, the Company entered into a purchase agreement with Laurion Mineral Exploration Inc. and its Nevada subsidiary Laurion Mineral Exploration USA LLC (together, "Laurion"), pursuant to which the Company’s subsidiary (Lincoln Resource Group Corporation) has acquired from Laurion certain unpatented mining claims and the assignment and assumption of Laurion's option (the “Bell Mountain Option”) to earn a 100% interest in the Bell Mountain property from Globex Nevada Inc. (“Globex"). The total Bell Mountain land package is 1,212 hectares (2,900 acres). . In March 2014, the payment schedule under the purchase agreement with Laurion was amended such that the final payment of $900,000 was deferred to June 2014. Lincoln is in negotiation with Laurion in an effort to extend the payment schedule.

On May 16, 2014, the Company consolidated its common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. As a result of the consolidation, the Company's 158,860,203 issued and outstanding common shares were reduced to approximately 15,886,020 common shares. Similarly, the Company's outstanding 4,125,000 stock options exercisable ranging from $0.19 to $0.29 are now 412,500 stock options at exercise prices ranging from $1.90 to $2.90. There are currently no outstanding warrants.

Om May 10, 2014 the Company received a $1,029,000 loan from Golden Dreams Limited Partnership (the "Loan"), the general partner of which is controlled by Mr. Ronald K. Netolitzky, a control person of the Company (see Lincoln's news release dated March 3, 2014 for further details). The Loan is unsecured and evidenced by a promissory note with the principal payable at the end of a two year term expiring May 7, 2016. Commencing November 7, 2014, the note bears interest at 6% per annum, calculated and payable on the first day of each month during the remainder of the term, with the first interest payment due on December 1, 2014. The Company may prepay the principal, in whole or in part, at any time without penalty.

In addition to the Loan described above, during the three month period ending June 30, 2014, the Company received a $40,000 advance from Mr. Netolitzky which is unsecured and non-interest bearing with no set terms of repayment. As of the date of this report, a further $150,000 has been advanced under the same terms.

In August 2014, The Company entered into a Purchase Agreement (the "Agreement") with Endeavour Silver Corp. ("Endeavour" or the "Purchaser") to sell the La Bufa property for a total consideration of 90,000 common shares of Endeavour (the "Payment Shares") at an issue price per Payment Share equal to the volume weighted average price (VWAP) of the Purchaser's shares for the ten (10) trading days immediately preceding the Closing Date less that number of Payment Shares equal to the Prepayment Amount (as defined below).

The Prepayment Amount of $19,000 is evidenced by a Promissory Note (the "Note") dated July 29, 2014 for the principal amount of $19,000 bearing interest at 5% per annum and maturing on December 31, 2014. The Note will be repaid at the closing of the transaction by deducting from the Payment Shares that number of Payment Shares equal to the Prepayment Amount.

The Agreement is subject to a due diligence period ending September 12, 2014 and the Payment Shares, if and when issued, will be subject to a four month hold period from date of issue.

2. Results of Operations

Results of Operations – For the three months ended June 30, 2014

For the three months ended June 30, 2014, the Company incurred an operational loss of $518,726 (2013: $1,958,256). Significant expenses included exploration expenses of $250,248 (2013: $1,091,215); professional fees (legal and audit) of $17,911 (2013: $231,862); office maintenance of $56,844 (2013: $57,666); administrative support of $44,537 (2013: $52,765); consulting and management fees of $21,780 (2013: $54,416) and interest expense of $83,015 (2013: $88,035).

The decrease in professional fees was mainly caused by reduction in legal costs incurred in 2013 in relation with CFIUS process and legal costs caused by the dispute with Elgin Mining Inc. Due to cash restraint, the Company decreased its costs related to investor relations and shareholder services compared to 2013. Similarly, the Company experience slight decrease in administrative support and consulting and office maintenance. Consulting and management fees increase slightly as a result of corporate restructuring and bringing on new members to the executive team.

The significant increase in interest expense was caused by the interest incurred in relation to the outstanding liabilities for Bell Mountain acquisition and the convertible debenture which was fully repaid to Procon during the three months ended March 31, 2014.

(in Canadian dollars, unless otherwise stated)

Results of Operations – For the six months ended June 30, 2014

For the six months ended June 30, 2014, the Company incurred an operational loss of $1,095,274 (2013: $2,785,532). Significant expenses included exploration expenses of $413,488 (2013: $1,413,108); professional fees (legal and audit) of $54,926 (2013: $370,344); office maintenance of $106,645 (2013: $110,527); administrative support of $76,318 (2013: $105,120); consulting and management fees of $62,875 (2013: $81,688) and interest expense of $305,886 (2013: $176,357).

The decrease in professional fees was mainly caused by reduction in legal costs incurred in 2013 in relation with CFIUS process and legal costs caused by the dispute with Elgin Mining Inc. Due to cash restraint, the Company decreased its costs related to investor relations and shareholder services compared to 2013. Similarly, the Company experience slight decrease in administrative support, consulting and management fees and office maintenance.

The significant increase in interest expense was caused by the interest incurred in relation to the outstanding liabilities for Bell Mountain acquisition and the convertible debenture which was fully repaid to Procon during the six months ended June 30, 2014.

The Company's key projects in 2013 were Pine Grove, Oro Cruz, and Bell Mountain property. The total costs incurred on those projects since 2007 is summarized in the table below:

Exploration expenses (recoveries)	**Pine Grove**	**Oro Cruz**	**Bell Mountain**	**La-Bufa**	**Other properties (refunds)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Six months ended March 31, 2014	217,827	91,087	102,328	-	2,246	413,488
2013, (IFRS reporting)	326,388	119,081	1,200,383	87,646	32,150	1,765,648
2012, (IFRS reporting)	234,525	247,285	100,461	402,810	7,590	992,671
2011, (IFRS reporting)	610,664	404,483	-	1,240,844	11,288	2,267,279
2010, (IFRS reporting)	1,609,436	310,637	-	472,534	1,645	2,394,252
2009, (Canadian GAAP)	553,319	7,586	-	121,861	(7,898)	674,868
2008, (Canadian GAAP)	509,333	-	-	1,501,906	14,347	2,025,586
2007, (Canadian GAAP)	154,145	-	-	163,705	25,287	343,137
	4,215,637	**1,180,159**	**1,403,172**	**3,991,306**	**86,655**	**10,876,929**
Less recoveries	**-**	**(328,765)**	**-**	**(1,051,735)**	**-**	**(1,380,500)**
Total exploration expenses incurred	**4,215,637**	**851,394**	**1,403,172**	**2,939,571**	**86,655**	**9,496,429**

Summary of Quarterly Results:

2014 Quarterly Results:	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
	$	**$**	**$**	**$**
Revenue	-	-	-	-
Exploration expenses	-	-	250,248	163,240
Administrative expenses (incl. interest expense)	-	-	268,478	413,308
Loss and comprehensive loss	-	-	518,726	576,548
Basic and diluted loss per share	-	-	(0.03)	(0.04)
Total assets	-	-	3,202,520	3,245,298
Working capital (deficiency)	-	-	(2,944,784)	(3,064,089)

(in Canadian dollars, unless otherwise stated)

2013 Quarterly Results:	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
	$	**$**	**$**	**$**
Revenue	-	-	-	-
Exploration expenses	65,969	286,571	1,091,215	321,893
Impairment provision for mineral properties	-	1,833,153	-	-
Administrative expenses (incl. interest expense)	308,723	368,807	867,041	505,383
Loss and comprehensive loss	374,692	2,488,531	1,958,256	827,276
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.01)
Total assets	3,199,203	3,514,555	5,411,603	6,679,303
Working capital (deficiency)	(3,279,296)	(2,926,501)	(2,207,446)	(273,087)

2012 Quarterly Results:	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
	$	**$**	**$**	**$**
Revenue	-	-	-	-
Exploration expenses	322,227	247,315	90,217	332,254
Administrative expenses	543,711	307,770	241,449	276,061
Loss and comprehensive loss	928,973	554,867	331,666	598,187
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)
Total assets	7,373,347	3,128,889	2,827,649	2,828,312
Working capital (deficiency)	511,491	(695,809)	(901,195)	(583,223)

The administrative expenses for three months ended June 30, 2014 in amount of $268,478 (2013: $867,041) comprise of the following: professional fees (legal and audit) of $17,911 (2013: $231,862), investor relations and shareholder services of $49,338 (2013: $17,075), office maintenance of $56,844 (2013: $57,666), administrative support of $44,537 (2013: $52,765), consulting and management fees of $21,780 (2013: $54,416), travel costs of $5,639 (2013: $9,237), depreciation of $1,828 (2013: $3,919), foreign exchange gain of $12,414 (2013: loss of $2,066) and interest expense of $83,015 (2103: $88,035)

The administrative expenses over the past two quarters in 2014 decreased in comparison to the previous corresponding period as a result of a serious working capital deficiency experienced by the Company.

Interest expense increased as a result of the Company fully repaying the convertible debt on February 28, 2014. Debt discount previously recognized on the convertible debt was fully amortized on the date of the repayment.

3. Project Summaries and Activities

PROJECTS - Overview

Pine Grove Property, Nevada – In December 2011, Lincoln announced a positive Preliminary Economic Assessment ("PEA") on the proposed open-pit mining and heap-leach operation at its Pine Grove project. The PEA reports a combined total Measured and Indicated gold resource of 203,900 ounces gold and Inferred gold resources of 43,100 ounces (see table in Pine Grove Property discussion). Metallurgical work was completed in Q3 and reports were issued in mid-October 2013. All new field work was halted in Q3 owing to the CFIUS order which has now been lifted. Permitting work has been reactivated.

Bell Mountain Property, Nevada - In November 2012, Lincoln finalized a purchase agreement with Laurion Mineral Exploration Inc. to earn a 100% interest in the Bell Mountain property in Churchill County, Nevada. On December 19, 2012, the Company announced that it had filed an updated NI 43-101 compliant technical report for the Bell Mountain project. The report summarizes the mineral resource estimate of Measured and Indicated 265,634 ounces gold and Inferred gold resources of 45,412 ounces gold. Lincoln plans to advance the project with a Preliminary Economic Assessment during 2014. A total of 34 holes were drilled in 2013 prior to being shut down by order of CFIUS. As a result, field studies supporting permitting were also terminated. The CFIUS order has now been lifted. Permitting work has been reactivated. Plans are to mine Pine Grove and Bell Mountain projects together.

Oro Cruz Property, California - The Oro Cruz property has excellent potential for open-pit and underground mining. An Inferred resource for the project was reported in a NI 43-101 Technical Report in September 2010. Lincoln's immediate goal is to increase and advance the 376,600 Inferred ounces gold to Measured and Indicated categories by confirmation drilling. No significant work was completed since early 2013 due to arbitration with Elgin Mining which has now been resolved. Additionally, no work was completed due to the CFIUS order which has now been lifted. Lincoln is now free to advance the project towards production. New funding will be required for the confirmation program.

La Bufa, Mexico - The large La Bufa property in Chihuahua State encompasses a historical mining district in the Sierra Madre Occidental and has multi-million ounces gold and silver potential. Past and recent exploration drilling has encountered encouraging results. Lincoln completed a 20-hole drilling program in December 2011. Significant silver-gold intercepts warrant further offset drilling. No significant work has been conducted since 2013 due to arbitration with Elgin Mining which has now been resolved.

UNITED STATES

Pine Grove Gold Property, Lyon County, Nevada

Pine Grove – Overview:

The Pine Grove Property continues as a development-stage gold project with potential for near-term production. The project lies approximately 20 miles south of Yerington, in the Pine Grove Hills, Lyon County, Nevada. The Company has mining leases on the Wilson and Wheeler mines (patented claims) and 221 unpatented claims owned directly by Lincoln. The Company's land position covers the main gold mineralization in the district, exploration targets and adequate land for mine facilities.

Two hundred seventy-three holes have been drilled in the district. On March 21, 2011, Lincoln filed an updated NI 43-101 reporting Indicated resources of 177,000 ozs gold at an average grade of 0.033 opt gold and Inferred resources of 115,000 ozs gold at an average grade of 0.028 opt gold, both at a cutoff grade of 0.010 opt gold.

On December 8, 2011, Lincoln announced that it had received a positive preliminary economic assessment ("PEA") for a proposed open-pit mining and heap-leach operation at its Pine Grove gold project. The PEA, completed by Telesto Nevada Inc., reported combined Measured and Indicated resources total of 6,055,000 tons grading 0.034 opt gold containing 203,900 ozs gold at a cutoff grade of 0.007 opt gold and an Inferred resources of 1,596,000 tons grading 0.027 opt gold containing 43,100 oz gold at a cutoff grade of 0.007 opt gold. Gold recovery from heap-leach operations is estimated at 75%. Mine life is an estimated 6 years with pre-production work in the first year followed by 4 years of production of 26,200 to 28,200 ounces per year followed by a final year of pad rinsing. The project is relatively sound with a free cash flow of US $32 million dollars at a gold price of US $1,425 oz.

Pine Grove – Location:

The Pine Grove gold property is located in the Pine Grove Hills, approximately 20 miles south of the town of Yerington, Nevada. Pine Grove is the Company's most advanced property. The property consists of the Wheeler gold deposit and the nearby Wilson gold deposit with immediate exploration potential on intervening and surrounding ground. The Company intends to develop additional resources and advance the project to production.

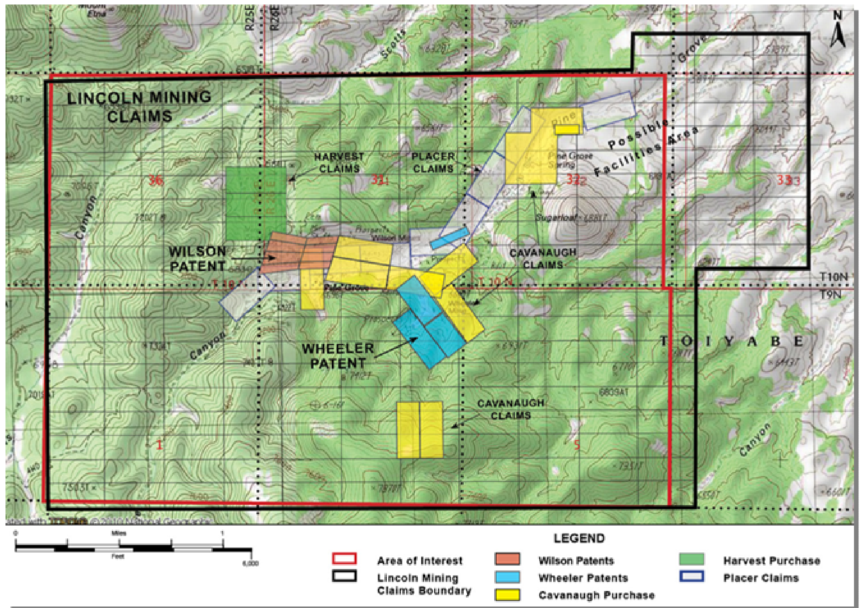
Pine Grove – Geology & Mineralization:

The Pine Grove district is dominated by Jurassic granodiorite and its variations. The style of mineralization appears to be of the "Shear Zone" sub-type of Plutonic-Related Gold Quartz Veins and Veinlets. The shallow-dipping Pine Grove fault zone is approximately 600 ft wide and at least 1 mile long and appears to be the primary structural control of gold mineralization. Significant gold mineralization occurs as stacked, sub-horizontal zones and pods ranging from 10 to 50 ft in thickness. Although high-grade gold (>0.5 oz per ton) was the target in the historic past, the enclosing lower grade material offers immediate open-pit potential.

Pine Grove - Technical Report

Tetra Tech, Inc. in Golden, Colorado completed a technical report dated March 16, 2011, which is compliant with Canadian National Instrument 43-101. The report was filed on SEDAR (www.sedar.com) on March 21, 2011 under the Company's profile. See below.

Pine Grove – Resources



Total Measured and Indicated Gold Resources at Pine Grove

At 0.007 opt Au cutoff (as at December 8, 2011)

Category	Tons (000s)	Cutoff Grade Gold (opt)	Average Gold Grade (opt)	Contained Ounces Gold
Measured	4,043	0.007	0.035	141,500
Indicated	2,012	0.007	0.031	62,400
Measured + Indicated	6,055	0.007	0.034	203,900

Measured and Indicated Resources within Pit Shell
At 0.007 opt Au cutoff and $1,425 per oz gold (as at December 8, 2011)

Category	Tons (000s)	Cutoff Grade Gold (opt)	Average Gold Grade (opt)	Contained Ounces Gold
Measured	2,806	0.007	0.041	115,100
Indicated	663	0.007	0.046	30,200
Measured + Indicated	3,469	0.007	0.042	145,300

Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Pine Grove – Recent Activities

Permitting work has been reactivated in 2014 to include the following:

- Submission of a Plan of Operation to the U.S. Forest Service for geotechnical drilling, condemnation drilling, monitor well drilling, water well test drilling, and various geotechnical work.
- Submission of a Reclamation Plan to the Nevada Bureau of Mine Regulations and Reclamation.
- Habitat evaluation and wildlife surveys including raptors, bats, and bi-state sage-grouse
- Threatened, endangered, sensitive, and non-native species surveys

Additional work will include expanded archaeological surveys and hydrologic basin analysis. Also, some additional geochemical testing for acid-base accounting and meteoric water mobility is planned. This work will require new funding.

Lincoln plans to advance the Pine Grove project to an open-pit mine with heap-leach gold recovery.

Bell Mountain Gold-Silver Property, Churchill County, Nevada

Bell Mountain – Overview:

The Bell Mountain property is an advanced-stage project with near term potential for open pit gold and silver production. On November 28, 2012, Lincoln Mining announced that the Company had signed a definitive purchase agreement with Laurion Mineral Exploration Inc. ("Laurion") for the purchase and assignment of an option to earn a 100% interest in the Bell Mountain property located in Churchill County, Nevada.

A NI 43-101 technical report dated May 4, 2011, prepared by Telesto Nevada Inc., was filed on SEDAR by Laurion, which disclosed a preliminary equivalent gold and silver resource estimate of Measured & Indicated and Inferred resource categories for Bell Mountain. On December 18, 2012, Lincoln Mining filed a report, prepared by Telesto Nevada Inc., entitled "Amended and Restated NI 43-101 Technical Report for the Bell Mountain Project" (see table on reverse side for details).

Bell Mountain – Location:

Bell Mountain is located east-southeast of Reno, Nevada in the Fairview mining district, approximately 54 road miles (86 kilometers) from Fallon, Nevada. It is comprised of 174 unpatented lode claims and six mill site claims covering a land package of 1,420 hectares (3,510 acres). The six mill site claims cover an existing water well approximately 8 miles north of the main claim block. This well is part of the Bell Mountain project and was tested in 2013 at 220 gpm with drinking water quality once the well was flushed.

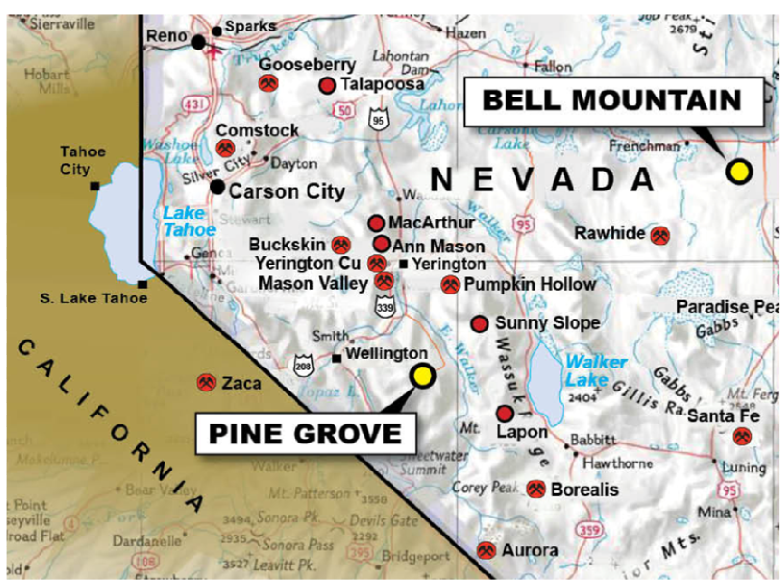
Bell Mountain is located approximately 65 straight line miles northeast of Lincoln's Pine Grove project.

Bell Mountain – Geology:

The Bell Mountain project is located in the Basin and Range physiographic province and within the Walker Lane Mineral Trend, which hosts major precious metals deposits. The Bell Mountain gold-silver mineralization is structurally controlled and consists of various epithermal calcite/quartz veins hosted within the Tertiary Bell Mountain Caldera. To date, three main bodies of gold-silver mineralization have been defined by drilling. These are the Spurr, Varga and the Sphinx deposits. Additional potential exists at East Ridge and at various locations elsewhere on the property.

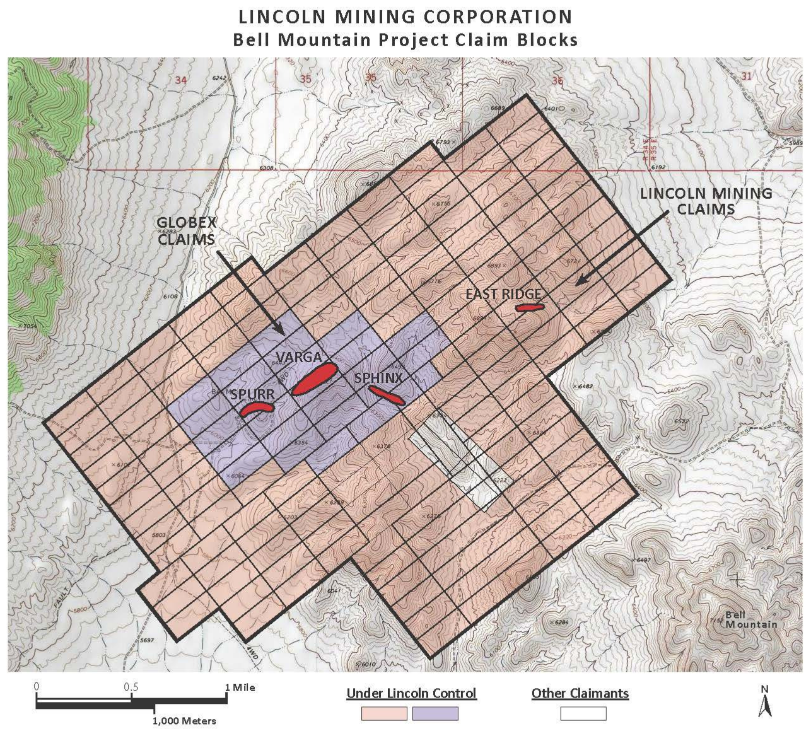
Bell Mountain – Agreements:

In November 2012, the Company entered into a purchase agreement with Laurion Mineral Exploration Inc. and its Nevada subsidiary Laurion Mineral Exploration USA LLC (together, "Laurion"), pursuant to which the Company's subsidiary (Lincoln Resource Group Corporation) has acquired from Laurion certain unpatented mining claims and the assignment and assumption of Laurion's option (the "Bell Mountain Option") to earn a 100% interest in the Bell Mountain property from Globex Nevada Inc. ("Globex").



The Company renegotiated the payment schedule for the Bell Mountain project whereby principal repayments outstanding at September 30, 2013 would accrue interest at a rate of 4% per annum and would be due in full by December 31, 2013. During the year the Company made principal repayments of $490,000. The Company further renegotiated the terms whereby the Company would make staggered payments of the remaining principal balance plus accrued interest through to June 2014. Lincoln is presently negotiating with Laurion in an effort to further adjust the payment schedule.

The Bell Mountain property is also subject to two royalties which will take effect upon commencement of commercial production. See year end MDA for details.



Bell Mountain – Work & Claims:

The project consists of 174 unpatented lode claims and six (6) mill site claims (not shown) located on BLM land. Proposed mining activities will be subject to Federal land use regulations as well as State of Nevada regulations. Over the past 21 years multiple companies have drilled at Bell Mountain for a total of 288 drill holes totaling 57,742 ft, including Lincoln drilling in 2013. Of this drilling, 227 holes for over 35,000 ft with 8,727 assays are in the present resource data base.

The following table is a resource estimate for the Bell Mountain property as disclosed in the NI 43-101 technical report, prepared by Telesto Nevada Inc., for Lincoln Mining and filed on SEDAR on December 18, 2012:

All Gold, Silver and Gold-Equivalent Measured and Indicated Resources at Bell Mountain at 0.192 g/t AuEQ Cutoff

Category	Tonnes (000s)	Tons (000s)	Gold				Silver				Total Ounces of Gold Equivalent (oz AuEQ)
			Gold Cutoff Grade (g/t)	Average Grade Gold (opt)	Average Grade Gold (g/t)	Gold (oz)	Average Grade Silver (opt)	Average Grade Silver (g/t)	Silver (oz)	Ounces of Silver as Gold Equivalent	
Measured	5,952	6,561	0.192	0.015	0.531	101,534	0.485	16.62	3,180,127	57,820	159,355
Indicated	3,810	4,199	0.192	0.015	0.518	63,484	0.561	19.22	2,353,780	42,796	106,280
Measured + Indicated	9,761	10,760	0.192	0.015	0.526	165,018	0.514	17.63	5,533,907	100,616	265,635

All Gold, Silver and Gold-Equivalent Inferred Resources at Bell Mountain at 0.192 g/t AuEQ Cutoff

Category	Tonnes (000s)	Tons (000s)	Gold				Silver				Total Ounces of Gold Equivalent (oz AuEQ)
			Gold Cutoff Grade (g/t)	Average Grade Gold (opt)	Average Grade Gold (g/t)	Gold (oz)	Average Grade Silver (opt)	Average Grade Silver (g/t)	Silver (oz)	Ounces of Silver as Gold Equivalent	
Inferred	2,046	2,255	0.192	0.013	0.449	29,550	0.387	13.26	872,411	15,862	45,412

Bell Mountain – Recent Activities:

Work in 2014 has focused on biological base line studies by Stantec (previously JBR Environmental Consultants). Metallurgical core samples are presently being held by McClelland Laboratories in Reno, NV for column leach tests as funding becomes available.

Lincoln intends to advance the Bell Mountain property to an open-pit mine with heap-leach recovery to gold and silver.

Oro Cruz Gold Property, Imperial County, California

Oro Cruz – Overview:

The Oro Cruz Property is located in the Tumco Mining District of southeastern California. The project is approximately 14 miles southeast from the operating Mesquite gold mine (New Gold Inc.) and adjacent to the past producing American Girl and Padre-Madre gold mines. Acquired in February 2010, Oro Cruz consists of 151 lode claims covering approximately 3,000 acres. Oro Cruz is a pre-development stage gold project.

In September 2010, Lincoln filed a NI 43-101 technical report. Oro Cruz has an Inferred resource estimate of 376,600 ozs gold, grading 0.050 opt gold at a 0.01 opt cutoff grade. The existing pit and underground decline expose gold mineralization. Previous work has identified multiple exploration targets and Lincoln has identified several satellite gold zones, which offer potential for increasing gold resources.

Oro Cruz – Location:

The Oro Cruz project is located northwest of Yuma, Arizona, in the Tumco mining district within in the Cargo Muchacho Mountains, Imperial County, California. All-weather access is excellent and takes about 35 minutes from Yuma, Arizona, via Interstate highway 8 westward from Yuma, Arizona, approximately 13 miles to paved county road S34, then northeast approximately 8 miles to Tumco. Dirt roads provide property access. Some local access restrictions exist owing to historic mine ruins. The area has electrical power from the state grid. Logistics are excellent for mining.

(in Canadian dollars, unless otherwise stated)

Oro Cruz – Geology & Mineralization:

The local geology consists largely of Jurassic schist and gneiss of the Tumco Formation. Conspicuous white Tertiary pegmatite dikes and latite dikes cut the metamorphic terrain. The main Oro Cruz gold deposit is an irregular, elongate, tabular zone that dips approximately 25° downward from the open-pit floor for at least 1,800 ft. Mineralized thicknesses are variable at multiple tens of feet. Lesser parallel zones of mineralization are also present. The deposit remains open down-dip with the last vertical hole containing 57.5 ft grading 0.389 oz per ton gold *(not true thickness)*.

Oro Cruz – Agreements & Claims:

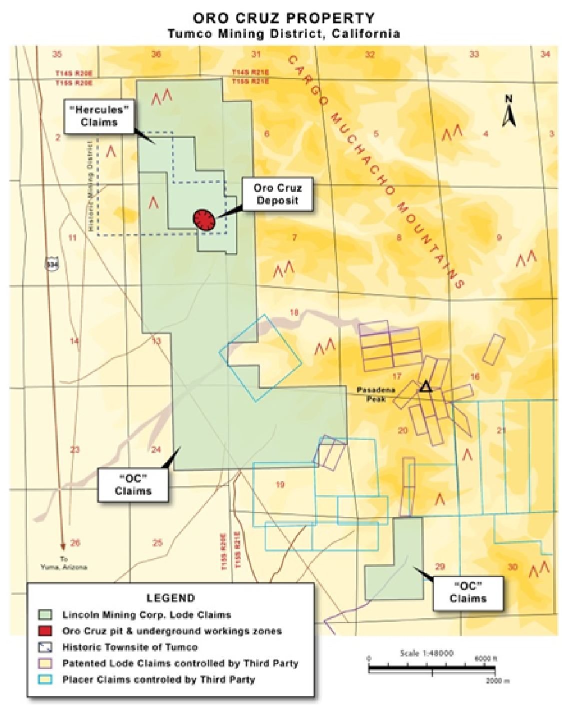
On February 22, 2010, Lincoln entered into a Mining Lease agreement on the Oro Cruz Property with ADGIS, Inc., a Nevada corporation. The agreement covers 20 unpatented lode claims which encompass an open pit with exposed ore-grade gold mineralization and an underground ramp that intersects ore-grade material below the pit. The term of the agreement is 20 years and so long thereafter Lincoln is conducting exploration, development, mining, or processing of minerals from the property. The agreement includes a NSR of 3% on the first 500,000 ozs of gold produced which increases to 4% thereafter. Minimum advance royalty payments begin with a US$50,000 payment upon execution of the agreement and escalates annually to a maximum of US$200,000 upon the seventh anniversary and annually thereafter. Lincoln has the option to buy down the royalty at a rate of US$500,000 per half percent. The production royalty applies to an Area of Interest of approximately 7 square miles surrounding the core 20 unpatented lode claims.

In anticipation of acquiring the 20 core Oro Cruz claims, Lincoln staked 68 contiguous lode claims in November of 2009. In November of 2010, the Company located an additional 63 lode claims to cover potential targets areas south of the main claim group. The entire land position encompasses 151 lode claims comprising approximately 3,000 acres.

Oro Cruz – Work:

The Oro Cruz data base consists of 431 surface drill holes and 60 underground drill holes. In addition, there is information from 13,628 blast holes and 2,960 underground samples. The data base contains 17,586 assays plus assays from 1,684 surface samples. In January 2010, these data, along with geologic information, were provided to Tetra Tech, Inc. of Golden, Colorado for preparation of a technical report compliant with Canadian National Instrument 43-101. The final report was submitted to the Company on September 21, 2010. A resource summary for Oro Cruz is presented in the table below.

Owing to a past arbitration issue with Elgin Mining Inc. and an order to cease work issued by the Committee on Foreign Investment in the United States, no work has been conducted recently at Oro Cruz. However, both issues have been resolved and Lincoln retains 100% controlling interest of in the property and is ready to advance the confirmation drilling as soon as additional funding is available.



Oro Cruz Gold Resources – September 2010

Category	Cutoff Grade (opt gold)	Short Tons	Average Grade (opt gold)	Contained Ozs Gold
Inferred	0.02	4,835,000	0.070	341,800
Inferred	0.01	7,860,000	0.050	376,600

MEXICO

La Bufa Gold-Silver Property, Chihuahua, Mexico

La Bufa – Overview:

The La Bufa Property is a gold-silver exploration project. The property consists of four concessions in the Guadalupe y Calvo mining district of southwestern Chihuahua State, Mexico. The concessions cover an area of 2,300 hectares (5,711 acres) and extend along a 9 km long mineral trend. La Bufa surrounds the historic area of production from the Rosario mine, which is now held by Endeavour Silver Corp.

Past core drilling by Lincoln in 2008 and by Grid Capital in 2004 produced encouraging results. Widely spaced core drilling was conducted to get a better perspective of vein system on the property.

In early 2010 Lincoln completed a geophysical and soil sampling program over a portion of the northern La Bufa concession and new target areas were identified. A drill program was developed to test new targets in the north and in the vicinity of the Rosario mine. Work to develop drill roads and pad areas began in late spring 2011. A drill program of 20 core holes began in mid-July 2011 and work on the project continued until late November. Drilling has confirmed the presence of anomalous gold-silver mineralization in high-angle quartz breccia veins and stockworks.

Lincoln Mining, with its joint venture partner Elgin Mining Inc. ("Elgin Mining"), conducted the drill program at La Bufa in 2011. However, in September 2012, Lincoln announced that it had terminated its agreement with Elgin Mining due to certain unfulfilled obligations. The issue with Elgin Mining has now been resolved and Lincoln has entered a Purchase Agreement with Endeavour Silver Corp. to sell the property..

La Bufa – Location:

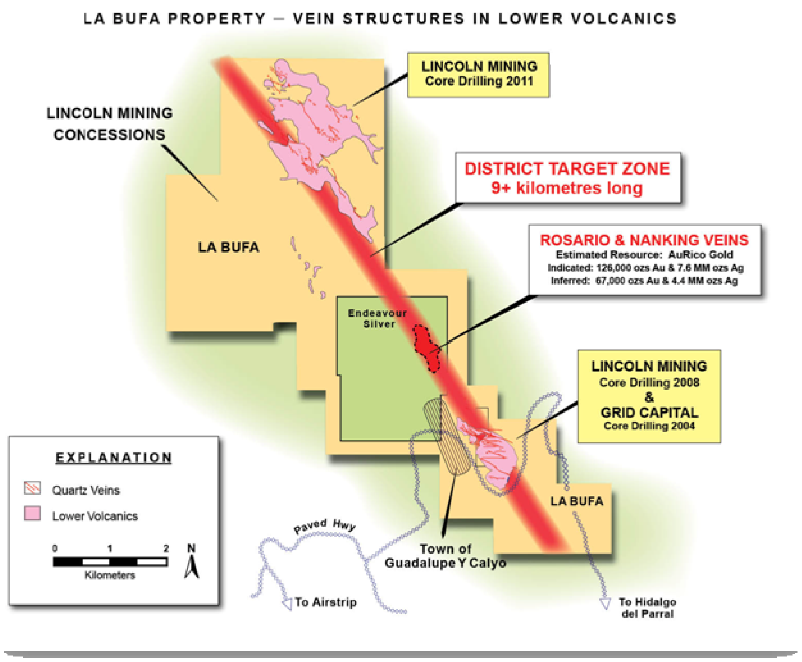
The La Bufa gold-silver property is located in the Sierra Madre Occidental in the far southwestern corner of the State of Chihuahua, Mexico, near the small town and mining district of Guadalupe y Calvo. La Bufa is comprised of four mining concessions totaling 2,311.1 hectares (5,711 acres) which cover much of the northwest-trending zone of gold-silver mineralization.

La Bufa – Claims & History

Lincoln originally held the La Bufa Property under a Joint Venture agreement with Almaden Minerals through their Mexican subsidiary Minera Gavilan, S.A. de C.V. In February 2010, Lincoln acquired 100% interest in La Bufa by issuing to Almaden six million shares and granting to Almaden a 2% NSR on all future production from the property. Lincoln has the option to buy down 1% of the NSR for a price to be independently determined. Also during 2009, Lincoln acquired a 100% interest in the 20-hectare El Chapito concession which is an internal claim within the larger La Bufa concession. Lincoln also controls various surface agreements with individuals, ejidos, and the town of Guadalupe y Calvo which allows the Company drill access.

La Bufa – Geology & Mineralization

The La Bufa Property is an early-stage exploration gold-silver property. The key target is an epithermal quartz-breccia vein and stockwork system hosted in "Lower Volcanic



Summary of Anomalous Gold and Silver in La Bufa Core Holes.

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New Opportunities

Lincoln continues to evaluate mineral properties which contain significant drilled gold resources. Evaluations are focused on deposits in the western United States. Gold properties with economic merit and good logistics will be considered for acquisition.

4. Outstanding Share Data

On May 16, 2014, the Company effected a 10:1 consolidation such that the Company's issued and outstanding common shares are 15,886,020 as at the date of this report.

Similarly, the Company now has a total of 412,500 outstanding options with exercise prices from $1.90 to $2.90.

5. Related Party Transactions

The following transactions were carried out with related parties:

Key management personnel – services rendered and other compensation

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the three month period ended March 31, 2014 and 2013 is following:

(in Canadian dollars, unless otherwise stated)

	Six month ended June 30, 2014	Six month ended June 30, 2013
	$	$
Directors fees	15,000	27,688
Management fees	27,000	54,000
Exploration expenses	143,401	110,124
Accounting fees	36,010	-
Administrative support	20,875	16,346
Total	**242,286**	**208,158**
Outstanding balance included in accounts payable:	**382,347**	**23,039**

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

Loans from directors

During the six months ended June 30, 2014, the Company received a $22,500 unsecured demand loan from the President of the Company to fund the Company's current working capital requirements. The loan is currently unsecured and non-interest bearing, with no specific repayment schedule, as the terms are still being negotiated.

During the six month period ending June 30, 2014, the Company has received advances from Mr. Netolitzky totaling $1,069,000 which are unsecured and non-interest bearing with no set terms of repayment. As of the date of this report, a further $180,000 has been advanced under the same terms.

In February 2014, the $2,300,000 convertible debenture held by Procon (plus approximately $175,000 in accrued interest), was repaid in full and discharged using funds advanced to Lincoln through unsecured, non-convertible loans from companies controlled by two directors of Lincoln (the "Loans"). The Loans bear interest at a rate of 6% per annum, payable monthly commencing April 1, 2014 for a term of five years at which point the principal amount owing under the Loans is due.

In May 2014, the Company received a C$1,029,000 loan (the "Loan") from Golden Dreams Limited Partnership ("GDLP"), the general partner of which is controlled by Mr. Ronald K. Netolitzky, a control person of the Company (see Lincoln's news release dated March 3, 2014 for further details).

The Loan is unsecured and evidenced by a promissory note with the principal payable at the end of a two year term expiring May 7, 2016. Commencing November 7, 2014, the note bears interest at 6% per annum, calculated and payable on the first day of each month during the remainder of the term, with the first interest payment due on December 1, 2014. The Company may prepay the principal, in whole or in part, at any time without penalty.

In addition to the Loan described above, during the three month period ending June 30, 2014, the Company received a $40,000 advance from Mr. Netolitzky which is unsecured and non-interest bearing with no set terms of repayment. As of the date of this report, a further $150,000 has been advanced under the same terms.

(in Canadian dollars, unless otherwise stated)

6. Liquidity and Solvency

The following table summarizes the Company's cash on hand, working capital and cash flow:

	June 30, 2014	**December 31, 2013**
	$	**$**
Cash	37,379	43,958
Working capital (deficiency)	(2,944,784)	(3,279,296)
Long-term debt	3,650,472	2,224,272

	Six months ended June 30, 2014	**Six months ended June 30, 2013**
	$	**$**
Cash used in operating activities	(810,719)	(2,180,758)
Cash used in investing activities	-	(405,624)
Cash provided by financing activities	804,140	650,000
Change in cash	(6,579)	(1,939,382)

The Company is dependent on the sale of shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

7. Commitments

In addition to commitments disclosed in the current document, pursuant to a premises lease, the Company's minimum annual commitments as at June 30, 2014 are as follows:

No later than 1 year	$ 53,678
Later than 1 year and no later than 5 years	$ -

8. Capital Resources

The Company's capital resources as at June 30, 2014 included cash. The Company's primary sources of funding are equity financing through the issuance of stock, debt financing. The Company has no operations that generate cash flows and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable.

The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions and working capital.

Capital risk management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

9. Off-Balance Sheet Arrangements

None.

10. Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company.

11. Accounting policies - International Financial Reporting Standards (IFRS)

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The interim condensed consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2013.

The accounting policies followed in these interim financial statements are consistent with those applied in the Company's most recent annual financial statements for the year ended December 31, 2013.

Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Recoverability of mineral property interests

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Company's title on mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

(in Canadian dollars, unless otherwise stated)

12. Financial Instruments

Categories of financial instruments

	June 30, 2014	December 31, 2013
	$	$
Financial assets *		
Loans and receivable		
Cash	37,379	43,958
	37,379	43,958
Financial liabilities		
Current		
Amortized at cost		
Accounts payable and accrued liabilities	1,104,746	1,091,064
Loans from directors	1,160,641	1,087,409
Debt and borrowings	757,323	1,171,846
Non-current		
Amortized at cost		
Convertible debenture	-	2,155,138
Promissory note	3,581,078	-
	6,603,788	5,505,457

* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Fair value

The carrying value of cash, accounts payable, and promissory note approximated their fair value because of the relatively short-term nature of these instruments. The fair value of the convertible debt approximates its carrying value as there have not been significant changes in market interest rates since the inception of the loan.

Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollar, as well as the Canadian dollar and Mexican peso. The Company does not believe it is exposed to significant foreign exchange risk.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

13. Risks and Uncertainties

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economical.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments.

The properties that the Company has an option to earn interests in are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines.

Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

14. Trends

Trends in the industry can materially affect how well any junior exploration company is performing. There are two trends that seem to affect the well-being of junior miners. One is the price of the commodity, which is being produced and the other is the general market condition. Over the last few years the trend in the prices of precious metals, in particular gold and silver, has been upward on the spot basis as well as the average trailing prices of the metals. Lincoln management believes that gold and silver prices will continue their general upward trend and that the prices will remain reasonably consistent during 2014. The other aspect is the general stock market conditions. Unfortunately, the junior mining sector has been under tremendous negative pressure in the market and this condition is expected to continue. Lincoln is committed to advance its properties to production as quickly as possible to get into a cash flow position.

15. Outlook

The outlook for precious metals appears to be upward. Lincoln's advanced-stage properties, Pine Grove, Bell Mountain and Oro Cruz, will require significant investment as they transition into development stage projects. Staff and contractor requirements are expected to increase as Lincoln fast-tracks these properties to production. Because of the Procon/Camce investment into the Company, Lincoln should be able to continue as a viable entity. Lincoln management believes that the Company is on its way to becoming a new junior gold-silver producer in the United States, where there is no threat to mineral tenure or repatriation of mining profits.

Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.