LINCOLN MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2012 and 2011

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and management of the company.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based in currently available information. The company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by Davidson & Company LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Jimmy Mah, CMA

Chief Financial Officer
Vancouver, Canada

March 13, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lincoln Mining Corporation

We have audited the accompanying consolidated financial statements of Lincoln Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of operating results, loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lincoln Mining Corporation as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 13, 2013

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LINCOLN MINING CORPORATION
Consolidated Statements of Financial Position

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

	Notes	As at December 31, 2012	As at December 31, 2011
		$	$
Assets			
Current assets			
Cash		2,202,131	47,977
Other receivables	4	61,734	53,860
Prepaid expenses	5	193,946	110,900
		2,457,811	212,737
Non-current assets			
Equipment	6	14,664	12,246
Deposits	5	44,678	44,678
Mineral properties	7	4,856,194	2,592,680
		4,915,536	2,649,604
Total assets		**7,373,347**	**2,862,341**
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		264,770	386,739
Loans from directors	10	43,784	20,000
Promissory note, current portion	7(a)(iv)	98,344	145,145
Property acquisition liability	7(c)	1,539,422	-
		1,946,320	551,884
Non-current liabilities			
Promissory note, non-current portion	7(a)(iv)	-	92,626
Convertible debenture	9	2,089,719	-
Provisions	8	63,941	66,105
		2,153,660	158,731
Total liabilities		**4,099,980**	**710,615**
Equity			
Share capital	11	20,155,769	16,862,004
Capital reserves	2(a),11(c)	1,323,896	1,057,827
Commitment to issue shares	7(a)(iv)	-	24,500
Deficit	2(a)	(18,206,298)	(15,792,605)
Total Equity		**3,273,367**	**2,151,726**
Total Liabilities and Equity		**7,373,347**	**2,862,341**

Approved and authorized by the Board on March 13, 2013.

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

Years ended December 31, 2012 and 2011
(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
		$	$
Exploration expenses	**7**	**992,013**	**887,437**
Administrative expenses			
Consulting and management fees		489,756	469,637
Office maintenance		193,444	183,057
Administrative support		152,166	139,129
Professional fees		226,854	175,085
Investor relations and shareholder services		191,391	320,858
Share-based compensation	**11 (d)**	42,333	267,865
Travel		59,900	164,349
Depreciation		7,678	7,954
Foreign exchange loss (gain)		5,469	(3,550)
		1,368,991	**1,724,384**
Finance income (expenses)			
Interest income		362	1,604
Interest expense		(53,051)	(26,963)
		(52,689)	**(25,359)**
Loss and comprehensive loss for the year		**2,413,693**	**2,637,180**
Basic and diluted loss per common share		$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding		**108,277,198**	**87,018,003**

LINCOLN MINING CORPORATION
Consolidated Statements of Cash Flows

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

	Year ended December 31, 2012	Year ended December 31, 2011
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(2,413,693)**	**(2,637,180)**
Items not affecting cash:		
Accrued interest expense	53,051	26,963
Share-based compensation	42,333	267,865
Depreciation	7,678	7,954
Unrealized loss on foreign exchange	5,469	2,209
Changes in non-cash working capital items:		
Increase (decrease) in accounts payable and accrued liabilities	(143,349)	170,132
Decrease (increase) in prepaid and deposits	(83,046)	(57,457)
Decrease in other receivables	(7,874)	(4,009)
Interests paid	(7,206)	-
Net cash used in operating activities	**(2,546,637)**	**(2,223,523)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(736,142)	-
Purchase of equipment	(10,096)	(1,343)
Net cash used in investing activities	**(746,238)**	**(1,343)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	3,426,850	1,373,702
Share issue costs	(149,236)	(114,570)
Issuance of convertible debenture	2,300,000	-
Payment of promissory note	(152,085)	(143,295)
Loans from directors	98,000	20,000
Loans re-paid to directors	(76,500)	-
Net cash provided by financing activities	**5,447,029**	**1,135,837**
Net change in cash for the year	2,154,154	(1,089,029)
Cash, beginning of year	47,977	1,137,006
Cash, end of year	**2,202,131**	**47,977**

Supplemental disclosure with respect to cash flows (Note 14)

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

	Number of shares	Share capital	Capital reserves (Note 2(a), 11(c))	Commitment to issue shares	Deficit (Note 2(a))	Total
		$	$	$	$	$
Balance at December 31, 2010 (Note 2(a))	**83,171,916**	**15,636,628**	**734,458**	**46,250**	**(13,155,425)**	**3,261,911**
Year ended December 31, 2011						
Warrant exercise	65,000	16,250	-	-	-	16,250
Private placements	9,223,287	1,357,452	-	-	-	1,357,452
Share issue costs	-	(114,570)	-	-	-	(114,570)
Share issue costs – finder's warrants	-	(55,506)	55,506	-	-	-
Shares issued for property	150,000	21,750	-	(21,750)	-	-
Share-based compensation	-	-	267,863	-	-	267,863
Loss for the year	-	-	-	-	(2,637,180)	(2,637,180)
Balance at December 31, 2011 (Note 2(a))	**92,610,203**	**16,862,004**	**1,057,827**	**24,500**	**(15,792,605)**	**2,151,726**
Year ended December 31, 2012						
Private placements	66,150,000	3,426,850	-	-	-	3,426,850
Shares issued for property	100,000	24,500	-	(24,500)	-	-
Share issue costs – finder's warrants	-	(8,350)	8,350	-	-	-
Share issue costs	-	(149,235)	-	-	-	(149,235)
Share-based compensation	-	-	42,333	-	-	42,333
Issuance of convertible debenture – equity component	-	-	215,386	-	-	215,386
Loss for the year	-	-	-	-	(2,413,693)	(2,413,693)
Balance at December 31, 2012	**158,860,203**	**20,155,769**	**1,323,896**	**-**	**(18,206,298)**	**3,273,367**

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, 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 Nevada subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp.

The consolidated financial statements of the Company for the year ended December 31, 2012 comprise the Company and its subsidiaries. These 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").

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of Lincoln Mining Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's date of transition to IFRS was January 1, 2010. The Company's first IFRS financial statements were published on SEDAR on April 30, 2012.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities (convertible debenture, promissory notes, property acquisition liability), which were recognized initially at fair value, net of transaction costs and subsequently carried at amortized cost.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

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.

During the reporting period management raised adequate financing to proceed towards the completion of the technical feasibility of certain mineral properties. Management has an assurance from the Company's main shareholder that an adequate financing will be provided to advance the work on its mineral projects and for the general working capital purposes during the foreseeable future.

Change in accounting policy and disclosures

The Company has previously reclassified amounts relating to expired compensatory options and warrants back into deficit where they were originally recorded. Management revised the previous position and took the view that the lapse of share options at the end of the exercise period does not change the fact that the original transaction occurred, that is, goods or services were received as consideration for the issue of an equity instruments. Management considers that share option lapsing does not represent a gain to the Company as there is no change to the Company's net assets. The Capital reserves and Deficit balances as at December 31, 2010 and December 31, 2011 were restated accordingly as management considers that the revised presentation provides more relevant information on the Company's deficit. The change is not significant and there is no effect on the net Equity balance.

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

	Capital reserves	Deficit
	$	$
Balance at December 31, 2010 (as previously reported)	719,143	(13,140,110)
Effect of change in accounting policy	15,315	(15,315)
Balance at December 31, 2010, restated	**734,458**	**(13,155,425)**
Balance at December 31, 2011, (as previously reported)	995,937	(15,730,715)
Effect of change in accounting policy – year ended December 31, 2010	15,315	(15,315)
Effect of change in accounting policy – year ended December 31, 2011	46,575	(46,575)
Balance at December 31, 2011, restated	**1,057,827**	**(15,792,605)**

Consistency of presentation

The Company retains the presentation and classification of items in the financial statements from the previous period, however, some items were reclassified in order to improve the presentation of the financial statements. The previous period presentation was amended accordingly to be consistent with the current presentation:

- "Note payable" issued to a director in 2011 period was classified as "Loans from directors" in 2012 period and was aggregated with the other similar items into one group "Loans from directors" on the face of the consolidated statement of financial position;
- "Reserves" item was renamed into "Capital reserves" and was further subdivided into "Capital reserve – options", "Capital reserve – warrants" (Note 11 (c)) in order to improve the presentation of the nature of the capital reserves transactions.
- Items "Computer Software", "Computer Equipment" and "Office equipment" was aggregated into one class "Office and Computer equipment" due to insignificance and similar nature.

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is

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

that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

(b) Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The activities undertaken by exploration and evaluation segment are supported by corporate activities. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and by the Board of Directors that makes strategic decisions.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the Canadian dollar, which is the Company's, and its subsidiaries' functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operating results and are presented within “Administrative expenses – Foreign exchange loss (gain)”.

(e) 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.

(f) Equipment

Equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation is provided on a straight line basis over the estimated useful lives as follows:

- mining equipment: 3 years
- vehicles: 4 years
- office and computer equipment: 2-5 years;

Depreciation expense is allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of operations.

(g) 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Financial assets

The Company classifies its financial assets into one of the following categories: at fair value though profit or loss; loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. There are no items in this category.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Cash and other receivables are classified as loans and receivables.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). There are no items in this category.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(i) Financial liabilities

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

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.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(l) Share-based compensation

The Company operates a share-based compensation plan, under which the Company receives services from directors, officers, employees and consultants as consideration for equity instruments (options) of the Company.

The fair value of stock options granted to directors, officers and employees is measured on the grant date, using the Black-Scholes option pricing model. Equity-settled awards are not re-measured subsequent to the initial grant date. The Company uses accelerated method (also referred to as 'graded' vesting) for attributing stock option expense over the vesting period. Stock option expense incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates. The adjustment is made if the actual forfeiture rate differs from the expected rate, when the equity instrument vests.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. The fair value of exercised options is reclassified from capital reserve - options to share capital.

(m) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Provision

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(o) 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 the income statement on a straight-line basis over the period of the lease.

(p) 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:

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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.

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 Other receivables

The Company's other receivables consist of:

	December 31, 2012	December 31, 2011
	$	$
Sales taxes recoverable	61,734	21,622
Accrued exploration recovery	-	32,238
Closing balance	**61,734**	**53,860**

5 Prepaid expenses and deposits

The Company's current prepaid expenses are as follows:

	December 31, 2012	December 31, 2011
	$	$
Prepaid insurance	17,560	25,086
Advances to suppliers and retainer fees	176,386	85,814
Closing balance	**193,946**	**110,900**

The Company's long-term deposits are as follows:

	December 31, 2012	December 31, 2011
	$	$
Premises lease deposit	15,928	15,928
Restricted cash deposit	28,750	28,750
Closing balance	**44,678**	**44,678**

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

6 Equipment

	Mining equipment	Office and computer equipment	Vehicles	Total
	$	$	$	$
Cost				
Balance, December 31, 2010	11,804	16,645	22,211	50,660
Additions during 2011	-	1,343	-	1,343
Balance, December 31, 2011	11,804	17,988	22,211	52,003
Additions during 2012	-	10,096	-	10,096
Write off of obsolete items	-	(12,240)	-	(12,240)
Balance, December 31, 2012	11,804	15,844	22,211	49,859
Accumulated depreciation				
Balance, December 31, 2010	10,627	13,772	7,404	31,803
Depreciation for 2011	1,177	1,225	5,552	7,954
Balance, December 31, 2011	11,804	14,997	12,956	39,757
Depreciation for 2012	-	2,125	5,553	7,678
Write off of obsolete items	-	(12,240)	-	(12,240)
Balance, December 31, 2012	11,804	4,882	18,509	35,195
Carrying amounts				
As a December 31, 2011	-	2,991	9,255	12,246
As a December 31, 2012	**-**	**10,962**	**3,702**	**14,664**

7 Mineral properties

The Company's mineral property interests are comprised of properties located in the United States and in Mexico.

	United States		**Mexico**	
	Pine Grove	Bell Mountain	La Bufa	**Total**
	$	$	$	$
Balance, December 31, 2010	696,360	-	1,833,153	2,529,513
Estimated environmental provision costs capitalized during the year	63,167	-	-	63,167
Balance, December 31, 2011	759,527	-	1,833,153	2,592,680
Acquisition of Bell Mountain	-	2,263,514	-	2,263,514
Balance, December 31, 2012	**759,527**	**2,263,514**	**1,833,153**	**4,856,194**

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

During the year ended December 31, 2012, the Company incurred exploration expenditures as follows:

	United States					Mexico		
	Pine Grove	**Oro Cruz**	**Oro Cruz - Elgin**	**Bell Mountain**	**Other**	**La Bufa**	**La Bufa - Elgin**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Option, lease and advance royalty payments	55,520	75,162	-	9,702	-			**140,384**
Contractors	68,009	68,498	79,390	40,210	7,590	184,958	27,544	**476,199**
Drilling and metallurgical	55,823	-	-	125	-	9,923	119,424	**185,295**
Field supplies	54	24	-	163	-	9,078	6,268	**15,587**
General administration	4,875	-	2,310	1,460	-	13,235	21,329	**43,209**
Geochemistry	-	-	-	-	-	-	702	**702**
Insurance	-	-	-	-	-	-	1,870	**1,870**
Land maintenance	36,716	21,524	-	4,178	-	10,028	9,316	**81,762**
Permitting environment	8,283	-	-	5,875	-	-	-	**14,158**
Property evaluations	-	-	-	3,424	-	-	(26,177)	**(22,753)**
Surveying	1,618	-	-	30,335	-	7,394	6,020	**45,367**
Travel and accommodation	1,565	312	-	4,989	-	1,098	800	**8,764**
Vehicle operating	2,062	-	65	-	-	-	-	**2,127**
Total mineral property expenditures before recoveries	**234,525**	**165,520**	**81,765**	**100,461**	**7,590**	**235,714**	**167,096**	**992,671**
Less: mineral property recoveries, Note 7(e)	-	-	(658)	-	-	-	-	**(658)**
Total mineral property expenditures	**234,525**	**165,520**	**81,107**	**100,461**	**7,590**	**235,714**	**167,096**	**992,013**

For the year ended December 31, 2011, the Company incurred exploration expenditures as follows:

	United States					Mexico		
	Pine Grove	**Oro Cruz**	**Oro Cruz - Elgin**	**Bell Mountain**	**Other**	**La Bufa**	**La Bufa - Elgin**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Option, lease and advance royalty payments	200,244	49,695	-	-	-	-	-	**249,939**
Contractors	117,347	1,984	155,172	-	10,732	128,187	170,170	**583,592**
Drilling and metallurgical	16,482	-	19	-	-	-	645,741	**662,242**
Field supplies	257	44	99	-	116	3,769	22,990	**27,275**
General administration	-	-	13,221	-	-	11,664	46,778	**71,663**
Geochemistry	-	-	-	-	-	958	81,756	**82,714**
Insurance	1,500	-	25,000	-	-	-	5,777	**32,277**
Land maintenance	14,847	11,999	20,314	-	-	8,749	9,535	**65,444**
Permitting environment	69,772	1,236	4,815	-	-	-	6,818	**82,641**
Property evaluations	181,047	11,418	16,735	-	440	-	26,176	**235,816**
Surveying	6,213	-	78,391	-	-	9,000	-	**93,604**
Travel and accommodation	167	-	13,334	-	-	8,377	33,388	**55,266**
Vehicle operating	2,788	-	1,007	-	-	-	21,011	**24,806**
Total mineral property expenditures before recoveries	610,664	76,376	328,107	-	11,288	170,704	1,070,140	**2,267,279**
Less: mineral property recoveries, Note 7(e)	-	-	(328,107)	-	-	-	(1,051,735)	**(1,379,842)**
Total mineral property expenditures	**610,664**	**76,376**	**-**	**-**	**11,288**	**170,704**	**18,405**	**887,437**

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 1-5 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 1-5 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 3% - 7% based on gold prices. 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.

In July 2010, the Company entered into an amending lease agreement ("Amending Agreement") with Lyon

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

Grove LLC on its Wilson Property. The Amending Agreement, amongst other things, changes the sliding scale NSR of 3 - 7% currently applicable in respect of any future production from the Wilson Property, to a fixed NSR at a reduced rate of 2.5%. In addition, a fixed 5% NSR in the area of interest will apply only to unpatented lode claims staked by the Company and will exempt various other claims acquired by the Company. As consideration for the royalty reduction, Lyon Grove was paid US$300,000 cash and issued 500,000 common shares of the Company at a value of $90,000.

(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 will receive a total of US$650,000 and 400,000 common shares of the Company as follows:

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

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 is 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 250,000 shares was valued at $0.185 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 promissory note is summarized as follows:

	December 31, 2012	**December 31, 2011**
	$	**$**
Value at issuance	361,685	361,685
Accretion interest	52,037	36,973
Payment	(295,380)	(143,295)
Changes in exchange rates	(19,998)	(17,592)
	98,344	237,771
Less: current portion	(98,344)	(145,145)
Closing balance	**-**	**$ 92,626**

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
- US$100,000 by February 22, 2014
- US$100,000 by February 22, 2015
- US$150,000 by February 22, 2016

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

- 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
- 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. The Company shall use its commercially reasonable efforts to complete the pre-feasibility study by June 30, 2013, and
- $900,000 on or before five months after completion of the pre-feasibility study.

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 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.

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:

	Year ended December 31, 2012
	$
Value at initial recognition	1,527,372
Accretion interest	12,050
Closing balance	**1,539,422**

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

Mexico

(d) La Bufa Property, Chihuahua

In February 2010, the Company purchased the 100% interest in La Bufa property by issuing 6,000,000 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 has 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.

(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") by funding expenditures totaling $10,000,000 over a maximum four year period. Pursuant to the Agreement, Elgin shall as a binding commitment (the "Initial Exploration Commitment") fund an initial aggregate amount of $4,000,000 in exploration expenditures on the Properties ($3,000,000 on Oro Cruz and $1,000,000 on La Bufa) over a period of up to two years from the date of the Agreement prior to earning any interest in the Properties. If within two years, Elgin fails to fund at least $1,000,000 in respect of a Property, Elgin shall acquire no interest in that Property. The parties have agreed to negotiate and enter into a formal option and joint venture agreement, based on the terms of the Agreement, following Elgin's completion of the Initial Exploration Commitment. The Company will continue to be the operator of the Properties until such time as Elgin has earned a greater than 50% interest in a Property, at which time Eglin will be entitled to be the operator of such Property.

The Company has received $1,380,500 to date from Elgin pursuant to this agreement, which has been fully spent.

In September 2012, the Company announced that the letter agreement with Elgin Mining Inc. has been terminated by Lincoln as certain obligations under the agreement have not been fulfilled by Elgin. Elgin has disputed the validity of the Company's termination of the agreement and the parties are now proceeding to arbitration to address and resolve the issue. As a result of the arbitration process, progress on the Company's Oro Cruz and La Bufa projects has been restricted and limited.

8 Provisions

The Company's recognized a constructive provision for environmental rehabilitation relating to its Pine Grove Property road, which will require future cleanup costs estimated to be approximately US$80,000. Management expects that the cleanup costs would be incurred in the future, at the end of the expected useful life of the property, however, as the technical feasibility of Pine Grove Property has not been completed yet, the life of the property is uncertain at the reporting date. The provision represents best management estimates and includes the following assumptions: useful life of mine - 15 years; inflation rate - 3%, pre-tax risk-free interest rate - 4.4%.

The closing balance is summarized as follows:

	December 31, 2012	December 31, 2011
	$	$
Beginning balance	66,105	-
Additions	-	63,167
Changes in exchange rates	(2,164)	2,938
Closing balance	**63,941**	**66,105**

During the year ended December 31, 2012, and 2011 the finance cost in relation to the accretion of the provision is negligent.

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

9 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 23,000,000 common shares of the Company on the basis of the one common share for each $0.10 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 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%.

	Year ended December 31, 2012
	$
Balance, beginning of the year	-
Issuance of convertible debenture	2,084,614
Accretion of debt discount	5,105
Closing balance	**2,089,719**

Interest expense in amount of $16,447 is unpaid at the end of the reporting period and is included in accrued liabilities.

10 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 years ended December 31, 2012 and 2011 is following:

	Year ended December 31, 2012	Year ended December 31, 2011
	$	$
Directors fees	55,896	54,000
Management fees	108,000	108,000
Exploration expenses - contractors	237,090	106,692
Consulting fees*	162,000	248,426
Share based compensation**	27,818	182,739
Total	**590,804**	**699,857**
Outstanding balance included in accounts payable:	**40,270**	**42,824**

*The severance fee of $70,000 paid to a former officer was included

**Share-based compensation is the vested portion of the fair value of options granted to directors and key management personnel

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

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

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

	Year ended December 31, 2012	Year ended December 31, 2011
	$	$
Opening balance	20,000	-
Loans provided during the year	98,000	20,000
Loans re-paid during the year	(76,500)	-
Interest accrued during the year	3,735	-
Interest paid during the year	(1,451)	-
Closing balance	**43,784**	**20,000**

Borrowings from other related parties

As disclosed in Note 9, in November 2012 the Company issued a convertible debenture in the amount of $2,300,000 to Procon Mining and Tunnelling Ltd., a significant shareholder and a party related by common directors. The convertible debenture is due payable on November 22, 2015.

11 Share capital and reserves

a) Authorized share capital

As at December 31, 2012, 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) Issued share capital

Year ended December 31, 2012:

In November 2012, the Company issued a total of 32,000,000 shares at a price of $0.05 per share for total proceeds of $1,600,000.

In October 2012, the Company issued a total of 5,376,000 shares at a price of $0.05 per share for total proceeds of $268,800.

In September 2012, the Company issued a total of 24,000,000 shares at a price of $0.05 per share for total proceeds of $1,200,000.

No warrants or finder's fees were issued in connection with the above mentioned private placements.

In August 2012, the Company issued 100,000 shares at a value of $24,500 towards a commitment to issue shares with respect to the Pine Grove property (Note 7(a)).

In February 2012, the Company issued a total of 4,774,000 units at a price of $0.075 per unit for total proceeds of $358,050. Each Unit is comprised of one common share of the Company and one- half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.10 per share until February 17, 2013. As compensation, the Company issued a total of 394,440 finder's warrants with a value of $8,349 which entitles the holder to acquire one common share of the Company at a price of $0.075 per share until February 17, 2013.

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

The following assumptions were used for the Black-Scholes valuation of finders warrants granted in 2012:

Risk-free interest rate	0.98%
Expected life	1.0 years
Annualized volatility	78.00%
Dividend rate	0.00%

Year ended December 31, 2011

In December 2011, the total of 909,090 units at a price of $0.11 per unit for total proceeds of $100,000 was issued. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.22 per share until December 21, 2013. No commissions or finder's fees were paid in connection with the private placement.

In November 2011, the total of 2,228,020 units at a price of $0.10 per unit for total proceeds of $222,802 was issued. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.22 per share until November 4, 2013. Each finders warrant entitles the holder to acquire one common share of the Company at a price of $0.22 per share until November 4, 2013. In connection with the private placement, the Company issued a total of 71,961 finders warrants with a value of $2,074 and paid a total of $13,603 in cash commissions and other costs.

In June, 2011, the Company issued a total of 6,086,177 units at a price of $0.17 per unit for total proceeds of $1,034,650. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.35 per share for two years.

Each finders warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share for two years. In connection with the private placement, the Company issued a total of 369,600 finders warrants with a value of $53,432 and paid a total of $100,967 in cash commissions and other costs.

The following weighted-average assumptions were used for the Black-Scholes valuation of finders warrants granted above during the year ended December 31, 2011:

Risk-free interest rate	1.40%
Expected life of options	2.0 years
Annualized volatility	75.00%
Dividend rate	0.00%

During the year ended December 31, 2011, the Company issued 150,000 shares at a value of $21,750 towards a commitment to issue shares with respect to the Pine Grove property (Note 7(a)).

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

c) Capital Reserves

	Capital reserve - options	Capital reserve - warrants	Capital reserve - other	Total
	$	**$**	**$**	**$**
Balance as at December 31, 2010 (as restated, Note 2(a))	675,443	59,015	-	734,458
Year 2011				
Share issue costs – finder warrants	-	55,506	-	55,506
Share based compensation	267,863	-	-	267,863
Balance as at December 31, 2011 (as restated, Note 2 (a))	943,306	114,521	-	**1,057,827**
Year 2012				
Share issue costs – finder warrants	-	8,350	-	8,350
Share based compensation	42,333	-	-	42,333
Issuance of convertible debenture – equity component (Note 10)	-	-	215,386	215,386
Balance as at December 31, 2012	**985,639**	**122,871**	**215,386**	**1,323,896**

d) Stock options

The Company's stock option plan provides that the board of directors may from time to time, in its discretion, and in accordance with the TSX Venture Exchange ("TSX-V") requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase the Company's shares, provided that the number of the Company's shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. The price of the stock option will not be less than the last closing price of the Company's common shares and the term will not be permitted to exceed five years. Vesting provisions will be as determined by the Board of directors at the time of grant.

As at December 31, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
250,000	0.19	February 1, 2013
50,000	0.19	March 15, 2013
125,000	0.23	April 4, 2013
3,350,000	0.19	September 29, 2014
200,000	0.29	January 28, 2015
900,000	0.29	March 3, 2015
700,000	0.22	June 4, 2015
900,000	0.19	December 15, 2015
125,000	0.21	December 20, 2015
600,000	0.19	July 5, 2016
7,200,000		

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

Stock option transactions for the years ended December 31, 2012 and December 31, 2011 are summarized as follows:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		$		$
Balance, beginning of year	8,075,000	0.21	7,750,000	0.22
Granted	300,000	0.19	975,000	0.21
Expired	(450,000)	0.29	(500,000)	0.24
Forfeited	(725,000)	0.20	(150,000)	0.22
Balance, end of year	7,200,000	0.21	8,075,000	0.21
Options exercisable, end of year	6,962,500	0.21	6,625,000	0.22

During the year ended December 31, 2012, the Company granted 300,000 (2011 – 975,000) stock options with a fair value of $0.01 (2011 - $0.08) per option. The Company recorded $42,333 (2011 - $267,865) as share-based compensation for options vested during the year.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2012 and 2011:

	Year ended December 31, 2012	Year ended December 31, 2011
Risk-free interest rate	0.98%	1.62%
Expected life of options	1 year	1.6 years
Forfeiture rate	n/a *	1.53%
Annualized volatility	78.00%	75.00%
Dividend rate	0.00%	0.00%

*vested immediately

e) Warrants

As at December 31, 2012, the Company had outstanding warrants as follows:

No of warrants	Exercise price	Expiry date
	$	
3,110,589	0.35	June 14, 2013
302,100	0.35	June 16, 2013
1,185,971	0.22	November 4, 2013
2,387,000	0.10	February 17, 2013
394.440	0.075	February 17, 2013
454,544	0.22	December 21, 2013
7,834,644		

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

Warrant transactions for the years ended December 31, 2012 and December 31, 2011, are summarized as follows:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		$		$
Balance, beginning of year	15,038,569	0.34	24,836,869	$ 0.29
Issued warrants	2,781,440	0.10	5,053,203	0.31
Exercised	-	-	(65,000)	0.25
Expired	(9,985,365)	0.35	(14,786,503)	0.25
Balance, end of year	**7,834,644**	**0.23**	**15,038,569**	**$ 0.34**

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.

	Current Assets	Non-current assets	Liabilities
	$	$	$
December 31, 2011			
Exploration and evaluation of mineral properties	74,119	2,603,645	303,876
Corporate	138,618	45,959	406,739
	212,737	2,649,604	710,615
December 31, 2012			
Exploration and evaluation of mineral properties	151,286	4,865,293	1,761,425
Corporate	2,306,525	50,243	2,338,555
	2,457,811	4,915,536	4,099,980

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

	Non-current assets
	$
December 31, 2011	
United States of America	770,492
Mexico	1,833,153
Canada	45,959
	2,649,604
December 31, 2012	
United States of America	3,032,140
Mexico	1,833,153
Canada	50,243
	4,915,536

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

13 Financial instruments

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.

Categories of financial instruments

	December 31, 2012	December 31, 2011
	$	$
Financial assets *		
Loans and receivable		
Cash	2,202,131	47,977
	2,202,131	47,977
Financial liabilities		
Current		
Amortized at cost		
Accounts payable and accrued liabilities	264,770	386,739
Loans from directors	43,784	20,000
Debt and borrowings	1,649,108	145,145
Non-current		
Amortized at cost		
Convertible debenture	2,089,719	92,626
	4,047,381	644,510

* 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 accrued liabilities, promissory note, other debt balances approximated their fair value because of the relatively short-term nature of these instruments.

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.

At December 31, 2012, the Company had a net monetary liability position of US$190,834 (2011: US$381,900) and a net monetary liability of 795,564 Mexican pesos (2011: 995,900 Mexican pesos). Each 10% change in the US dollar and Mexican peso relative to the Canadian dollar will result in a foreign exchange gain/loss of $19,024 (2011: $39,000) and $6,079 (2011: $7,300) respectively. The Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

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

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.

14 Supplemental cash flow information

The significant non-cash investing and financing transactions are following

	December 31, 2012	**December 31, 2011**
	$	**$**
Common shares issued pursuant to the Pine Grove Property Agreement	24,500	21,750
Bell Mountain acquisition costs included in Debt and borrowings	2,263,514	-
Finders' warrants	8,350	55,506

15 Commitments

In addition to commitments disclosed elsewhere in the financial statements, pursuant to a premises lease, the Company's minimum annual commitments as at December 31, 2012 are as follows:

Year ended December 31, 2013	$ 56,948
Year ended December 31, 2014	$ 57,567
Year ended December 31, 2015	$ 9,595

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

16 Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31, 2012	Year ended December 31, 2011
	$	$
Loss for the year	(2,413,693)	(2,637,180)
Expected income tax recovery	(603,000)	(699,000)
Change in statutory, foreign tax, foreign exchange rates and other	(68,000)	(108,000)
Permanent differences	12,000	120,000
Share issue costs	(37,000)	(30,000)
Impact of convertible debenture	96,000	-
Change in unrecognized deductible temporary differences	600,000	717,000
	-	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	December 31, 2012	December 31, 2011	Expiry Date Range
	$	$	
Temporary Differences			
Mineral properties	3,009,000	1,350,000	No expiry date
Share issue costs and other	520,000	625,000	2032 to 2035
Non-capital losses available for future periods	9,716,000	8,040,000	2016 to 2032

Tax attributes are subject to review, and potential adjustment by tax authorities.

17 Subsequent events

No subsequent events have been identified at the date of the issuance of financial statements.

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF DECEMBER 31, 2012 TO ACCOMPANY THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE YEAR ENDED DECEMBER 31, 2012.

This Management's Discussion and Analysis ("MD&A"), which has been prepared as of March 13, 2013, should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2012. 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 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 Nevada subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp. The Company's main performance activities during the year of 2012 were raising capital, advancing its three existing projects and acquisition of Bell Mountain project (see "Project Summaries and Activities" for greater detail).

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.

Arrangement with Procon Mining and Tunnelling Ltd.

In November 2012 the Company closed the private placement of 22,000,000 common shares of the Company to Procon Mining and Tunnelling Ltd ("Procon") at a price of $0.05 per share for proceeds of $1,100,000. As a part of the private placement arrangement, the Company also issued a convertible debenture (the "Debenture") by the Company to Procon in an aggregate principal amount of $2,300,000, which is due and payable on November 22, 2015. The Debenture is convertible at any time, in whole or in part at the election of Procon, into up to 23,000,000 common shares of the Company on the basis of one common share for each $0.10 of principal. The Debenture bears interest at the rate of 6% per annum, calculated and payable monthly, on the outstanding principal amount. The Debenture is secured by a general security agreement granted by the Company.

The Company also closed a private placement of 10,000,000 common shares of the Company to Prairie Enterprises (Alberta) Inc., a private company controlled by Mr. Edward Yurkowski (who is the CEO, co-founder and a shareholder of Procon), at a price of $0.05 per share for proceeds of $500,000.

In September 2012, the Company issued a total of 24,000,000 shares at a price of $0.05 per share for total proceeds of $1,200,000.

At the closing of the private placements, Procon holds approximately 29.0% of the Company's 158,860,203 issued and outstanding shares. On a partially-diluted basis assuming the exercise of the entire principal amount of the Debenture, Procon would hold approximately 37.9% of the Company's outstanding shares.

No finder's fees or warrants were issued in connection with the private placements. All securities issued or issuable under the private placements (including the Debenture) are subject to a four month hold period in Canada expiring on March 23, 2013, in addition to such other restrictions as may apply under applicable securities laws of jurisdictions outside Canada.

Lincoln used the proceeds raised from the private placements towards the purchase price for the acquisition of the Bell Mountain project and to advance the work programs on its mineral projects and for general working capital purposes.

Bell Mountain Project acquisition

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 total Bell Mountain land package is 1,212 hectares (2,900 acres).

In December 2012, the Company filed a technical report dated December 18, 2012 entitled "Amended and Restated NI 43-101 Technical Report for the Bell Mountain Project, Churchill County, Nevada" prepared by Telesto Nevada Inc. (the "Technical Report"), in accordance with the requirements of National Instrument 43-101 ("NI 43-101"). Refer additional details to "Project Summaries and Activiites".

Other exploration and evaluation activity

In August 2012, the Company reported the completion of 5,091.3 m of core drilling in 20 angle holes at its 100% owned La Bufa property in Chihuahua State, Mexico. Drilling commenced in mid July 2011 and was completed in early December of 2011. Core recovery was excellent. All assays have been received. The drilling program has confirmed the presence of major structures and anomalous gold and silver with some significant intercepts. The abundance of quartz breccia veins, quartz stockwork, and quartz veinlets attended by consistent intercepts of detectable and anomalous gold-silver with low base metals suggest that drilling to date is high in the mineralized system. Deeper offset drilling of anomalous zones in both targets is warranted.

Termination of the Agreement with Elgin Mining Inc.

The Letter Agreement of March 31, 2011 (the "Agreement") with Elgin Mining Inc. ("Elgin") was terminated by Lincoln as certain obligations under the Agreement have not been fulfilled by Elgin. Elgin has disputed the validity of Lincoln's termination of the Agreement and the parties are now proceeding to arbitration under the terms of the Agreement to address and resolve the dispute. The Agreement required Elgin to fund certain exploration expenditures on the Oro Cruz and La Bufa properties by making payments on certain dates, so as to earn by March 31, 2013 the right to an option entitling Elgin to acquire an interest in the properties. Work on both the Oro Cruz and La Bufa properties has been delayed as a result of the dispute and arbitration process, and is not expected to proceed until the dispute has been resolved.

The likelihood of success and amount are not determinable at this time, as the arbitration process is still at an early stage. Examinations for discovery are scheduled for the third week of February.

Other capital transactions

In October 2012, the Company issued a total of 5,376,000 shares at a price of $0.05 per share for total proceeds of $268,800.

In August 2012, the Company issued 100,000 shares at a value of $24,500 towards a commitment to issue shares with respect to the Pine Grove property.

In February 2012, the Company issued a total of 4,774,000 units at a price of $0.075 per unit for total proceeds of $358,050. Each Unit is comprised of one common share of the Company and one- half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.10 per share until February 17, 2013. As compensation, the Company issued a total of 394,440 Finder's Warrants which entitles the holder to acquire one common share of the Company at a price of $0.075 per share until February 17, 2013.

Director Changes

At the closing of the private placements described above and as required by the Procon transactions, three incumbent directors of the Company resigned (Philip Walsh, Michael Price and Robert Elton), and the remaining directors appointed four nominee directors of Procon to the board resulting in Procon nominee directors constituting a majority of the board of directors of the Company. As a result, the board of directors of the Company is now comprised of the following persons:

- Paul Saxton (President, CEO and Corporate Secretary)
- Andrew Milligan (independent director)
- Robert Cruickshank (independent director)
- Edward Yurkowski (Procon nominee)
- James Dales (Procon nominee)
- Yan Luo (Procon nominee)
- Yuhang Wang (Procon nominee)

Biographies of the Procon nominee directors were disclosed in the Company's information circular dated September 25, 2012, available on www.sedar.com.

(in Canadian dollars, unless otherwise stated)

2. Results of Operations

Results of Operations – For the year ended December 31, 2012

For the year ended December 31, 2012, the Company incurred an operational loss of $2,413,693 (2011: $2,637,180). The Company's activities for the year ended December 31, 2012 were consistent to the comparative 2011 period. The significant expenses comprise of the following:

	2012	2011	2010
	$	$	$
Revenues	-	-	-
Exploration expenses	**992,013**	**887,437**	**2,394,252**
Administrative expenses (top 5 categories):			
Consulting and management fees	489,756	469,637	514,882
Office maintenance	193,444	183,057	212,959
Administrative support	152,166	139,129	140,600
Professional fees	226,854	175,085	167,075
Investor relations and shareholder services	191,391	320,858	302,332
Subtotal	**2,245,624**	**2,175,203**	**3,732,100**
% to total loss	93%	82%	85%
Other administrative expenses			
Share-based compensation	42,333	267,865	508,755
Other administrative expenses	73,047	168,753	157,823
Interest income	(362)	(1,604)	(7,482)
Interest expense	53,051	26,963	12,843
Loss and comprehensive loss for the year	**2,413,693**	**2,637,180**	**4,404,039**
Basic and diluted loss per common share	**(0.02)**	**(0.03)**	**(0.06)**
Total assets	**7,373,347**	**2,862,341**	**3,833,348**
Total non-current liabilities	**2,153,660**	**158,731**	**216,691**
Cash dividends declared per share	**n/a**	**n/a**	**n/a**

Other administrative expenses consists of travel costs of $59,900 (2011: 164,349; 2010:$144,725), depreciation of $7,678 (2011: $7,954, 2010: $11,125), foreign exchange loss of $5,469 (2011: gain of $3,550; 2010: $10,034) and gain on settlement of debt $ Nil (2011: $Nil, 2010: $8,061).

The decrease in investor relations and shareholder services was mainly caused by the liquidity issue the Company faced over 2012 period. The decrease in share based compensation was mainly caused by the reduction in share options granted to the directors and employees in 2012 and due to accelerated method (also referred as 'graded' vesting), when the significant portion of the vested options is allocated to the earlier periods. The decrease in travel expenses in 2012 in comparison to the previous period was due to cash liquidity issue. The increase in interest expense in 2012 was caused by the cost of additional loans provided by directors to support working capital, interest incurred in relation to the outstanding liabilities for Bell Mountain acquisition and issuance of convertible debenture in November 2012.

(in Canadian dollars, unless otherwise stated)

The Company's key projects in 2012 were Pine Grove, Oro Cruz, La Bufa and a recently acquired Bell Mountain property. The total costs incurred on those projects since 2007 is summarized in the table below:

Exploration expenses for the year ended December 31,	**Pine Grove**	**Oro Cruz**	**Bell Mountain**	**La-Bufa**	**Other properties (refunds)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
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
	3,671,422	**969,991**	**100,461**	**3,903,660**	**52,258**	**8,697,793**
Less recoveries in 2012 and 2011	**-**	**(328,765)**	**-**	**(1,051,735)**	**-**	**(1,380,500)**
Total exploration expenses incurred	**3,671,422**	**641,226**	**100,461**	**2,851,925**	**52,259**	**7,317,293**

Results of Operations – For the three months ended December 31, 2012

Summary of Quarterly Results:

2012 Quarterly Results:	**2012**	**4th Quarter**	**3rd Quarter (adjusted)**	**2nd Quarter**	**1st Quarter**
	$	**$**	**$**	**$**	**$**
Revenue	-	-	-	-	-
Exploration expenses	992,013	322,227	247,315	90,217	332,254
Administrative expenses (incl. interest expense)	1,368,991	543,711	307,770	241,449	276,061
Loss and comprehensive loss	2,413,693	928,973	554,867	331,666	598,187
Basic and diluted loss per share	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)
Total assets	7,373,347	7,373,347	3,128,889	2,827,649	2,828,312
Working capital (deficiency)	511,491	511,491	(695,809)	(901,195)	(583,223)

2011 Quarterly Results:	**2011**	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
	$	**$**	**$**	**$**	**$**
Revenue	-	-	-	-	-
Exploration expenses	887,437	113,022	377,264	93,757	303,394
Administrative expenses (incl. interest expense)	1,751,347	342,776	388,146	447,495	572,930
Loss and comprehensive loss	2,637,180	455,771	764,996	540,933	875,480
Basic and diluted loss per share	(0.03)	(0.00)	(0.01)	(0.01)	(0.01)
Total assets	2,862,341	2,862,341	3,018,183	4,289,543	3,114,819
Working capital (deficiency)	(339,147)	(339,147)	(155,411)	568,397	134,497

The results of the three months ended September 30, 2012 were adjusted for the reclassification of the first payment of $350,000 made for Bell Mountain acquisition project from exploration expenses into Mineral Properties on the face of the balance sheet. The Company's accounting policy requires that the acquisition costs, which include the cash consideration, option payment under the earn-in arrangement, the fair value of common shares issued for mineral property interests are deferred until the property is placed in development, sold or abandoned or determined to be impaired.

(in Canadian dollars, unless otherwise stated)

The reclassification entry had the following effect:

	3rd Quarter (previously reported)	To defer the acquisition payment	3rd Quarter (adjusted)
	$	$	$
Exploration expenses	597,315	(350,000)	247,315
Loss and comprehensive loss	904,867	(350,000)	554,867
Total assets	2,778,889	350,000	3,128,889

Management concluded that the reclassification entry did not have a material effect on the Company's financial position and operations as it represented less than 2% of the Company's reported deficit as at September 30, 2012, therefore the restatement of the consolidated financial statements for the three and nine period ended September 30, 2012 was not necessary. The adjustment was made during three months period ended December 31, 2012.

The administrative expenses for three months ended December 31, 2012 in amount of $543,711 (2011: $342,776) comprise of the following: consulting and management fees of $230,700 (2011: $104,250), professional fees of $102,404 (2011: $40,205), investor relations and shareholder services of $95,022 (2011: 67,692), office maintenance of $45,832 (2011: $23,367), administrative support of $48,454 (2011: $34,813); travel costs of $22,469 (2011: $37,725), share-based compensation of $1,837 (2011: $34,690), depreciation of $2,111 (2011: a negative effect of ($2,408)), foreign exchange loss of $13,112 (2011: gain of $4,145) and interest expense of $34,821 (2011: $6,587)

The increase in administrative expenses in the 4th quarter of 2012 in comparison to the previous corresponding period was mainly caused by the severance settlement paid to a former officer and a former consultant for the termination of the contract due to change in control; additional consulting fee of $88,000 in relation to the corporate development advice, legal costs caused by the dispute with Elgin Mining Inc. and start-up costs in relation to the opening a new office in Carson city, Nevada, US. No remuneration was paid/payable to the newly assigned directors and a chief financial officer in 2012 period.

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). Lincoln is aggressively advancing the project towards production via permitting and further technical work.

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 2013.

Plans are to mine Pine Grove and Bell Mountain project 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 drilling. Permitting and exploration drilling have been delayed pending arbitration.

La Bufa, Mexico - The large La Bufa property in Chihuahua State encompasses a historical mining district within the Sierra Madre Occidental and has multi-million ounces gold and silver potential. La Bufa is an exploration-stage project in a major mining district. 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. Further work is being considered pending arbitration.

UNITED STATES

Pine Grove Gold Property, Lyon County, Nevada

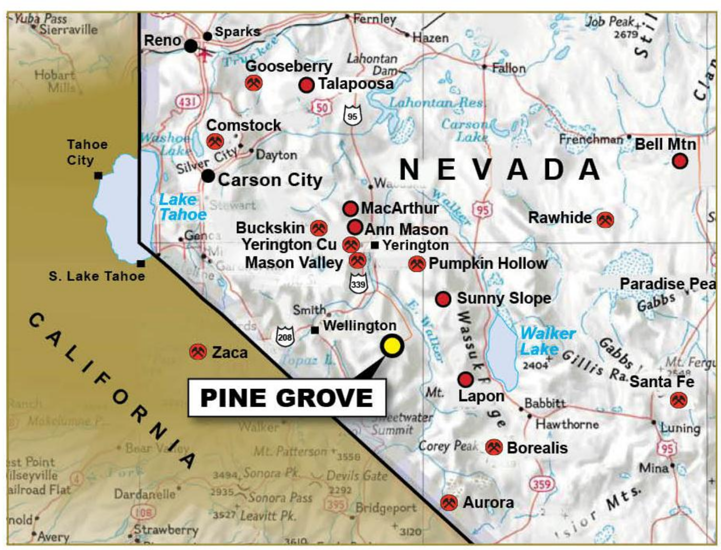
Pine Grove – Overview:

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. Eighty-three holes were drilled in 2009 & 2010 by Lincoln. Some high-grade gold intercepts were encountered. New targets offer potential for additional resources.

On March 21, 2011, Lincoln filed an updated NI 43-101 technical report, compiled by Tetra Tech, Inc. 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. The technical report supports step-out drilling and other work to expand exisiting resources.

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. Ultimate gold recovery from heap-leach operations is estimated at 75%. Mine life is 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. Access is excellent from Yerington via State Highway 208 (paved) southward to the East Walker Road (gravel) and then southward to the Pine Grove Mine Road turnoff and then 4 miles westward on a Forest Service dirt road to the property.

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 – Agreements:

Pursuant to an agreement dated July 13, 2007, Lincoln entered into a mining lease with the Wheeler Mining Company, owner of the Wheeler patented lode claims and mill site (private parcels). The lease has a 15 year term with an option to extend the lease for each subsequent year that the parcels are in commercial production. The terms of the agreement include advance royalty payments of US$10,000 in the first year and US$30,000 per year in subsequent years and a sliding-scale NSR ranging from 3% at a gold price of US$450 per oz to 7% at a gold price of US$701 per oz.

Pursuant to an agreement dated July 25, 2007, Lincoln purchased from Harold Votipka, the Harvest lode claim, the Winter Harvest lode claim, and the Harvest Fraction lode claim. The purchase price was US$12,000 and includes a 5% NSR. 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.

Also, pursuant to an agreement dated August 1, 2007, Lincoln entered into a mining lease option with Lyon Grove LLC, owner of the Wilson patented lode claims (private parcels). The lease has a 15 year term and can be extended for ten additional one (1) year terms at Lincoln's option on the condition that Lincoln is conducting exploration, development or mining activities on the property. Lyon Grove LLC also has the option to require Lincoln to purchase the entire interest in the property (except the royalty described below) for the purchase price of US$1,000. The terms of this agreement include advance royalty payments of US$10,000 in the first year, and US$25,000 per year in subsequent years and a sliding-scale NSR ranging from 3% at a gold price of US$450 per oz to 7% at a gold price greater than US$700 per oz. This agreement includes a 6 square mile Area of Interest that is covered by a fixed 5% NSR payment on any new claims put into production. A royalty buy-down agreement, effective July 21, 2010, lowers the NSR on the Wilson patented lode claims to a fixed 2.5% by paying to Lyon Grove US$300,000 in two installments and issuing 500,000 shares in the Company (which has now been completed). As part of this agreement, the fixed 5% NSR in the Area of Interest will apply only to unpatented lode claims staked by Lincoln and will exempt various other claims acquired by the Company.

In addition, pursuant to an agreement effective August 23, 2010, Lincoln entered into a purchase agreement with retained royalty with the Estelle D. Cavanaugh Trust, owner of eight unpatented lode claims, one unpatented placer claim, and one unpatented millsite claim. The ten claims are collectively known as the "Cavanaugh claims" and consist of the Southern Cross No. 4, Southern Cross No. 29, Southern Cross No. 30, Highlands, Upper Highlands, Protector, Little Jim, Sentinel, Crown Placer, and Crown Millsite. The purchase also includes three water rights in the Pine Grove drainage. Terms of the purchase include cash payments totaling US$650,000 and the issuance of 400,000 Company shares over a period of three years and a fixed 1.5% NSR. Upon closing, Lincoln paid to the owner US$250,000 followed by US$150,000, in August 2011 and to be followed by US$150,000, and US$100,000 over the next two anniversaries of the agreement. Upon closing, Lincoln issued to the owner 150,000 Company shares followed by 150,000 shares and 100,000 shares over the next two anniversaries of the agreement. Lincoln has the option to buy down the entire production royalty at a rate of US$75,000 per one-half (0.5%) point at any time up until 3 years after the Lincoln Board of Directors approves mine construction.

In addition to the aforementioned leases and purchases, Lincoln now has located 221 unpatented lode claims in the names of LGUS 1 through 189, LGUS 219 through 221, and LG 190 through 218. Also, Lincoln has located nine placer claims in the Pine Grove drainage which cover various placer gold ground, historic placer workings, and gold-bearing mine dumps and tailings. Lincoln controls approximately 7 square miles comprising the entire Pine Grove mining district.

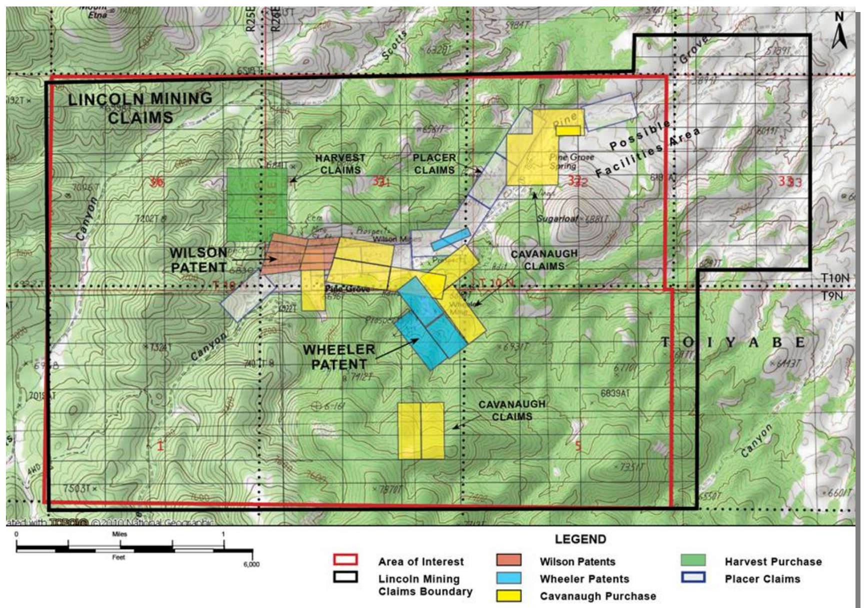
Pine Grove – Work & Claims:

Past drilling at Pine Grove includes 190 holes (68,102 ft.) drilled by Teck Resources from 1989 to 1992, including two core holes. In 2008, Lincoln drilled four metallurgical core holes (799 ft.). In January 2009, Lincoln filed an updated NI 43-101 technical report prepared in late 2008 by Minefill Services, Inc. The report utilized past drilling and reported an Inferred resource for the Wilson and Wheeler deposits of over 6 million short tons grading 0.053 opt gold using a cutoff grade of 0.01 opt gold with assays capped at 0.5 opt gold. The Inferred resource contains approximately 320,000 ozs gold.

The report utilized past drilling and reported an Inferred resource for the Wilson and Wheeler deposits

In the winter of 2009-2010, Lincoln drilled 63 reverse-circulation holes (16,341 ft.) in an effort to reaffirm and upgrade existing gold resource categories. A field office was established in Yerington, Nevada to support the drilling program. Drilling results indicate that gold mineralization remains open on the Wilson patent to the southwest, northwest, and northeast. Some new, narrow high-grade gold mineralization was encountered in the southwest and northeast.

Renewed reverse-circulation drilling commenced on July 26, 2010 and eleven (11) shallow holes were drilled on the southern Wheeler deposit with two holes being lost in overburden. Total drill footage was 2,015 ft for an average hole depth of 183 ft. Five of the holes encountered narrow zones of gold mineralization with intercepts ranging from 5 to 15 ft and grading from 0.013 to 0.035 opt gold. The best intercept was in hole WR-124 which encountered shallow gold mineralization from 60 to 75 ft (15 ft) grading 0.035 opt gold.



Initial drilling results show good continuity and distribution of gold mineralization at the Wheeler gold deposit. The Wilson gold deposit appears to need more drilling to develop additional resources amenable to open pit mining. New, high-grade gold intercepts at the Wilson may require consideration of a possible underground mining scenario in the future. Additional step-out drilling is required to develop the full potential of the Wilson gold deposit. Note: Hole WS-17, containing 45 ft grading 0.030 oz per ton gold, is 300 to 400 ft beyond the nearest Wilson deposit drill holes. The intervening ground and beyond may be mineralized and remains untested by drilling. Additional reverse-circulation drilling is warranted and is planned as part of future mine operations.

A soil sampling program was completed in July 2010 extending westward from the Wilson patented claims. North-south sample lines were spaced 100 ft apart with sample stations every 50 ft. All 843 samples collected were assayed for gold and copper. Sample results produced at least six strong gold anomalies trending northward along the western margin of the Wilson patented claims. Subtle northwest-trending gold-in-soil zones were also identified. Copper assays produced a strong anomalous area in the southwestern portion of the Wilson patented claims and an anomaly coincident with the gold anomalies just northwest of the Wilson patented claims. All anomalies are considered excellent drill targets.

Two 8-inch column-leach tests and three 4-inch column-leach tests were begun in February 2010 at McClelland Laboratories in Sparks, Nevada. Test results were reported in September 2010. Column leach tests on 80% material passing -3/8 inch resulted in 77% weighted average gold recovery. For the purpose of modeling, gold recovery of 75% was used over a heap leach period of 150 days.

During November-December of 2010, Lincoln drilled four additional PQ core holes for metallurgical samples. Two holes were drilled on the Wilson and two holes were drilled on the Wheeler for a total of 710 ft. The core was stored at ALS Chemex, Reno, NV, in a dedicated secure storage facility.

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. The updated technical report disclosed combined Indicated resources at 177,000 ozs of gold and a further 115,000 ozs of gold in the Inferred category. The cut-off grade used for this report was 0.010 opt gold.

Pine Grove – History:

Pine Grove falls within the Walker Lane Mineral Trend and has a history of high-grade underground gold production. The mining district, discovered in 1866, was originally called the Wilson mining district. Gold was produced from two underground mines, the Wilson and the nearby Wheeler. The mines are approximately 3,500 ft apart, separated by Pine Grove Creek. Most underground mining was completed by 1887, with sporadic production to 1915. Approximately 240,000 ozs gold were produced at an average grade of 1.36 oz per ton gold. Most of the old workings are no deeper than 140 ft. In the early 1990s, Teck Resources spent US $2.2 million and drilled 190 holes at Pine Grove. The Company has all of Teck's data.

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 – Recent Activities:

On December 8, 2011, Lincoln announced that it had received a positive preliminary economic assessment ("PEA") on the pro-posed open-pit and heap-leach operations at the Pine Grove gold project. The PEA was completed by Telesto Nevada Inc. of Reno, Nevada. A summary of total Measured and Indicated resources and Inferred resources is presented in the table above. Combined Measured resources (81%) and Indicated resources (19%) within designed pit shells total 3,470,000 tons grading 0.042 opt gold containing 145,000 ozs gold at a cut-off grade of 0.007 opt gold. The base case utilizes a gold price of $1,425 per oz. The PEA recommends two conventional open-pits with a combined stripping ratio of 3:1, including ramps and 50° pit-wall slopes. Contract mining will be employed with a goal to deliver 1 million tons of ore to the crusher per year. The ore will be crushed to 3/8 inch and agglomerated. Ultimate gold recovery from heap-leach operations is projected at 75% with gold stripped from loaded carbon at an independent offsite refinery. Mine life is 6 years with preproduction work in the first year followed by 4 years of gold 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." Total direct capital costs are estimated at $22.9 million plus $4.5 million contingency. Projected production cash costs are estimated $799/oz gold recovery on average. The Internal Rate of Return is 31% after royalties, reclamation costs and the Nevada Net proceeds Tax. Free cash flow is estimated at $32.2 million before discounting the Net Present Value. Payback on capital is expected in 32 months. Permitting is in process.

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. The updated technical report disclosed combined Indicated resources at 177,000 ozs of gold and a further 115,000 ozs of gold in the Inferred category. The cut-off grade used for this report was 0.010 opt gold.

Telesto Nevada Inc. in Reno, Nevada completed a preliminary economic assessment (PEA) dated September 8, 2011, which is compliant with Canadian National Instrument 43-101. The report was filed on SEDAR (www.sedar.com) on December 14, 2011. The combined gold resources of the Wilson and Wheeler gold deposits are reported below. Approximately 67% is measured and 33% is indicated.

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

At a 0.007 opt gold cutoff grade, Inferred Resources are reported at 1,596,000 tons grading 0.027 opt gold containing 43,100 ozs gold. The Wilson deposit is not drilled off and is open in several directions.

The combined gold resources that fall within a pit shell with at a gold price of US$1425 are reported in the table below. Approximately 81% is measured and 19% is indicated. These resources are potentially mineable in two separate pits, the Wilson and the Wheeler.

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.

In late 2012, the Company renewed aggressive permitting activities for condemnation drilling, geotechnical drilling, monitoring wells, and water wells. JBR Environmental Consultants of Reno, Nevada is assisting Lincoln in the permitting process. Negotiations are also in progress for water rights. Additional metallurgical studies are also in progress to include bulk densities, comminution studies, column leach tests, gravity separation tests, and waste-rock characterization. A new access road is also being designed to re-route public access around the proposed Pine Grove mining operation.

Lincoln plans to advance Pine Grove to production. Advancement requires additional metallurgy, waste rock characterization, condemnation drilling, geotechnical drilling and continued permitting. Some form of financing is required to advance the project to production.

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 southeast of Reno, Nevada in the Fairview mining district, approximately 54 miles (86 kilometers) from Fallon, Nevada. It is comprised of 174 unpatented lode claims covering a land package of 1,454 hectares (3,480 acres). The property consists of various epithermal calcite/quartz veins hosted within the Tertiary Bell Mountain Caldera. The principal host rocks are a monotonous sequence of stratified rhyolitic ashflow tuffs.

Bell Mountain is located within the Walker Lane Mineral Trend, which is a major NW-SE trending complex fault system related to major precious metal deposits at Goldfield, Tonopah, Rawhide and Paradise Peak, among others. The Rawhide mine, which produced over 2 million ounces of gold in the 1980-1990's, lies 20 miles (32 km) to the southwest and the Paradise Peak mine, that produced over 2 million ounces of gold in the 1980's, lies 35 miles (56 km) to the southeast. Bell Mountain is located approximately 65 straight line miles northeast of Lincoln's Pine Grove project.

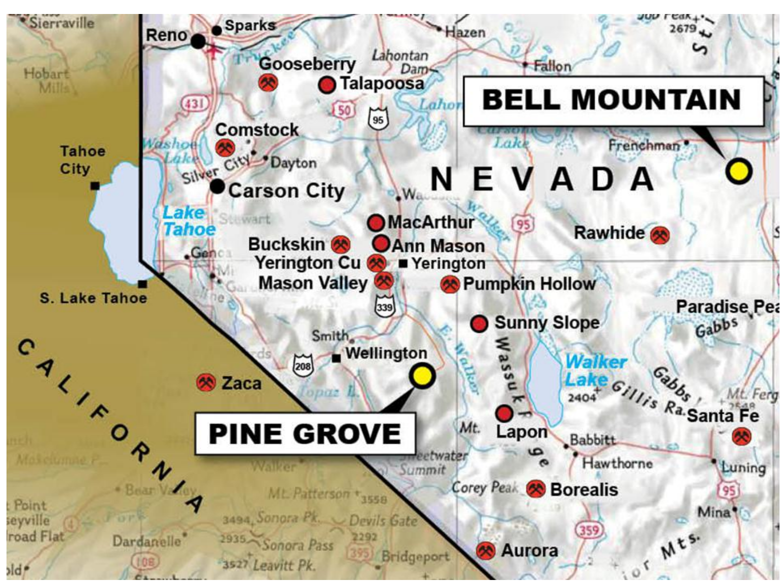
Bell Mountain – Agreements:

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"). Twenty-six core claims are optioned by Laurion from Globex Nevada Inc. under an Agreement dated June 28, 2010. Laurion has the right and option to acquire 100% interest in the Globex property by spending an additional $1,745,000 in exploration expenditures by June 28, 2015.

The purchase price of the transaction is in 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. The Company shall use its commercially reasonable efforts to complete the pre-feasibility study by June 30, 2013, and
- $900,000 on or before five months after completion of the pre-feasibility study.

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 with 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.



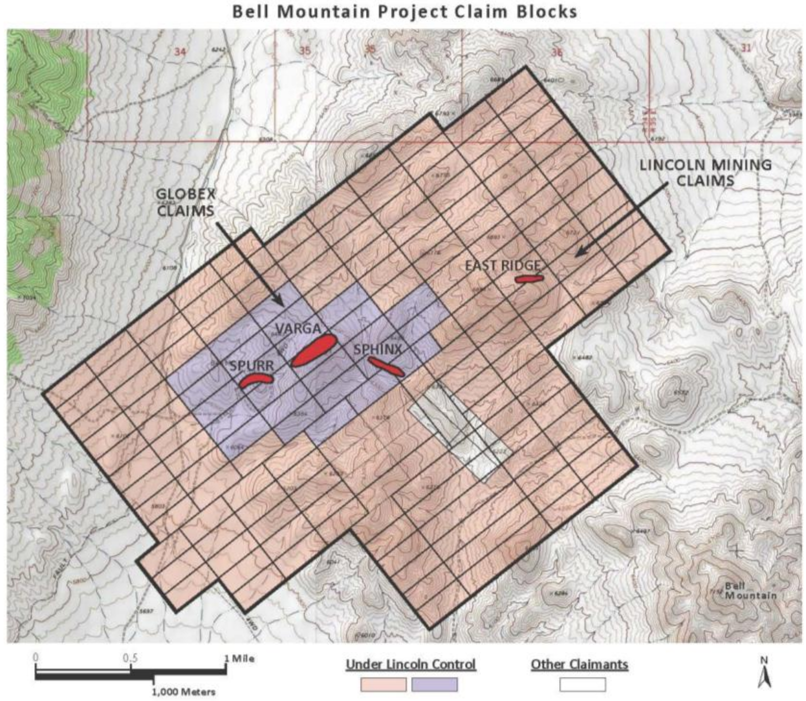
In December 2012, the Company filed a technical report dated December 18, 2012 entitled "Amended and Restated NI 43-101 Technical Report for the Bell Mountain Project, Churchill County, Nevada" prepared by Telesto Nevada Inc. (the "Technical Report"), in accordance with the requirements of National Instrument 43-101 ("NI 43-101"). The mineral resource in the Technical Report contains no material differences from the mineral resource estimate on the Bell Mountain project previously disclosed in the Company. A summary of the mineral resource estimate in the Technical Report is described below:

The resulting resources reported herein for Bell Mountain were classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") definitions. Resources are reported as measured, indicated and inferred. Gold and silver values were carried in parts per million (ppm) in the database. Grams per metric tonne (g/t) are equivalent to ppm, so the resource is reported in terms of g/t. The resource is also reported in terms of troy ounces per short ton (opt). Results of the modeling indicate the presence of an estimated NI 43-101 compliant measured and indicated mineral resource and inferred resources at Bell Mountain.

Bell Mountain – Work & Claims:

The project consists of unpatented mining claims located on BLM land and therefore any proposed mining activities will be subject to Federal land use regulations as well as State of Nevada environmental regulations. Key environmental issues that will need to be addressed in future applications for operating permits include an evaluation of potential impacts on these key resources: air, water, biological (threatened and endangered species), impacts on conflicting land usage.

LINCOLN MINING CORPORATION
Bell Mountain Project Claim Blocks



Bell Mountain – History:

The earliest known work at Bell Mountain was in 1914, when W.W. Stockton located claims and began sinking a 15 meter shaft on the vein outcrop of what is now called the Spurr deposit. The only recorded production from Bell Mountain was a 35-ton carload of hand sorted material that averaged 16 gpt gold plus 510 gpt silver shipped by Stockton in 1927. Between 1978 and 1982, American Pyramid Resources prepared a feasibililty study but the project did not go forward. In 1989, N.A. Degerstrom acquired the property and advanced it for production. However, work ceased due to falling gold prices. In 1994 Globex Nevada acquired the property and leased it to various companies. In June 2010, Laurion Mineral Exploration Inc. ("Laurion") optioned the property and prepared a non-compliant geological technical report in August 2010. Subsequently, Laurion filed a NI 43-101 compliant technical report on SEDAR on May 3, 2011. On November 28, 2012, Lincoln Mining announced that the Company had signed a definitive agreement with Laurion and its Nevada subsidiary Laurion Mineral Exploration USA LLC for the purchase and assignment of an option to earn a 100% interest in the Bell Mountain Property.

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. At the Bell Mountain deposits gold-silver mineralization is structurally controlled. The primary control is an east-northeast trending zone of faulting, named the Varga-Spurr fault. 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. The Bell Mountain database contains 227 drill holes for over 35,000 ft of drilling with 8,727 assays.

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:

Lincoln is in the process of permitting for infill drilling, PQ core drilling for metallurgical samples. Geotechnical drilling, and condemnation drilling. A new Notice of Intent and reclamation bond is being submitted to the U.S. Bureau of land Management to allow this work during 2013. An on-site weather recording station will also be installed as conditions permit. A Preliminary Economic Assessment is also planned to advance the project towards open pit mining with heap leach gold production. The subsequent "foot print" of the planned operation will dictate additional environmental studies. .

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.

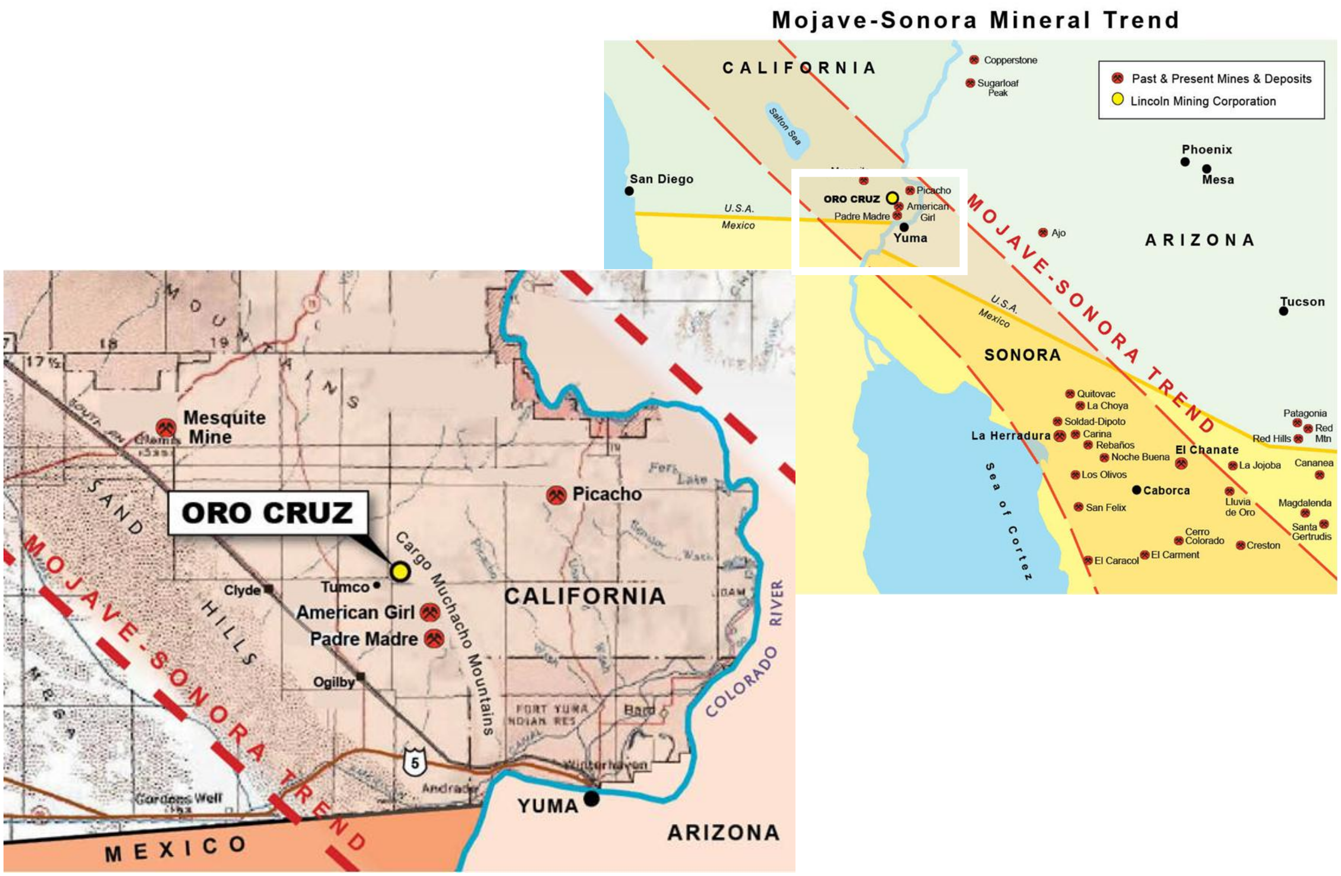
Historic mining from between 1890-1916 and again in 1932-1941 produced in excess of 150,000 ozs gold. More recently, MK Gold Company produced 61,000 ozs gold in one year, 1995-96, from both open-pit and underground mining. Mining ceased in 1996 due to low gold prices. Prior to cessation, MK Gold was conducting a significant pit wall push back to reach in-place "ore." Gold mineralization remains exposed in the open-pit and in underground workings. Numerous targets remain untested.

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.

Lincoln Mining, with its joint venture partner Elgin Mining Inc. ("Elgin"), planned a drill program for Oro Cruz. However, in September 2012, Lincoln announced that it had terminated its agreement with Elgin Mining due to certain unfulfilled obligations. The Agreement is pending arbitration in 2013.

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.



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.

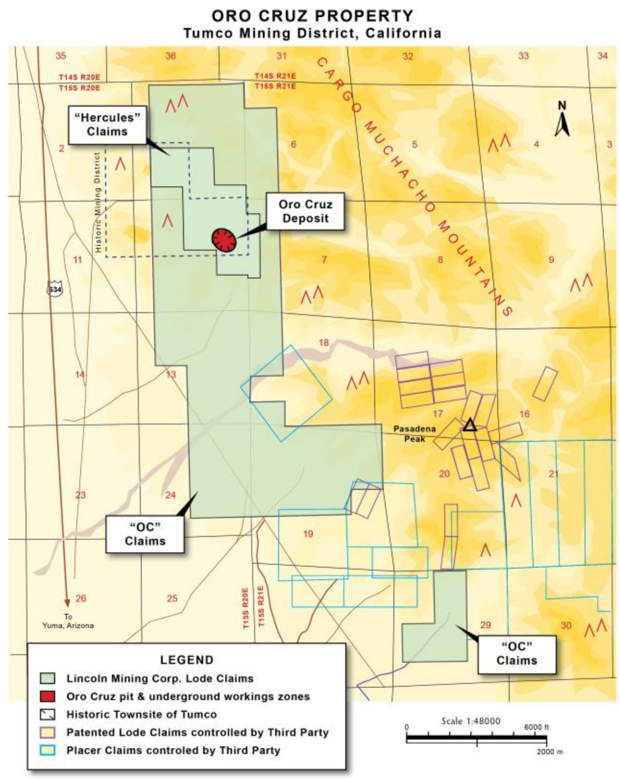
(in Canadian dollars, unless otherwise stated)

Oro Cruz – History:

The Tumco district was first discovered by the Spaniards and mined as early as 1780-81. The district is believed to have produced the first gold in California. Most recent production was by the American Girl Joint Venture whereby MK Gold Company produced 61,000 ozs gold in one year (1995-96) from open-pit and underground operations. Ore was hauled 2 miles to the southeast where it was milled and heap leached on the American Girl mine site. MK Gold ceased mining when gold prices dropped. Prior to cessation of mining, MK Gold was in the process of a pit wall push back to access additional "ore" in the pit. Gold mineralization remains exposed in the open pit and also in the underground workings

Oro Cruz – Work:

In early 2010, Lincoln contracted Atkinson Underground LP ("Atkinson") of Golden, Colorado to open and inspect the underground decline and ventilation shaft system. The decline was reported to be in good condition and the mine air is good. The air and water lines appear to be in usable condition. Copper electrical wire has been stolen. CAL-OSHA inspectors conducted a courtesy inspection of the underground workings in early 2010 with no negative comments. The Company has welded the underground portal closed to prevent future unlawful entry by trespassers. The portal can be reopened as necessary.



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.

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

Tetra Tech recommended a twin-hole drilling program to validate the deposit and upgrade the resource category. Lincoln plans to eventually drill approximately 28 twin holes plus additional oriented core holes for geotechnical purposes. Tetra Tech also recommended bulk density testing, preliminary metallurgic test work, location of a suitable water and power source, and baseline environmental studies.

In February 2010, Lincoln acquired 20 "Hercules" lode claims that cover the Oro Cruz gold deposit. Thereafter, the Company staked additional contiguous lode claims and Lincoln's land position now totals 151 claims covering an area of approximately 3,000 acres. In September 2010, Lincoln filed a NI 43-101 technical report prepared by Tetra Tech, Inc. detailing an Inferred gold resource of 376,600 ozs gold contained in 7,860,000 tons with an average grade of 0.050 opt gold. The report recommends a work plan to potentially upgrade the resource to Indicated and Measured category. In March 2011, Lincoln entered into an exploration financing agreement with

Elgin Mining Inc. As a commitment under the agreement, Elgin agreed to fund $3 million on exploration at Oro Cruz, prior to earning any interest in the property.

Oro Cruz – Geology & Mineralization:

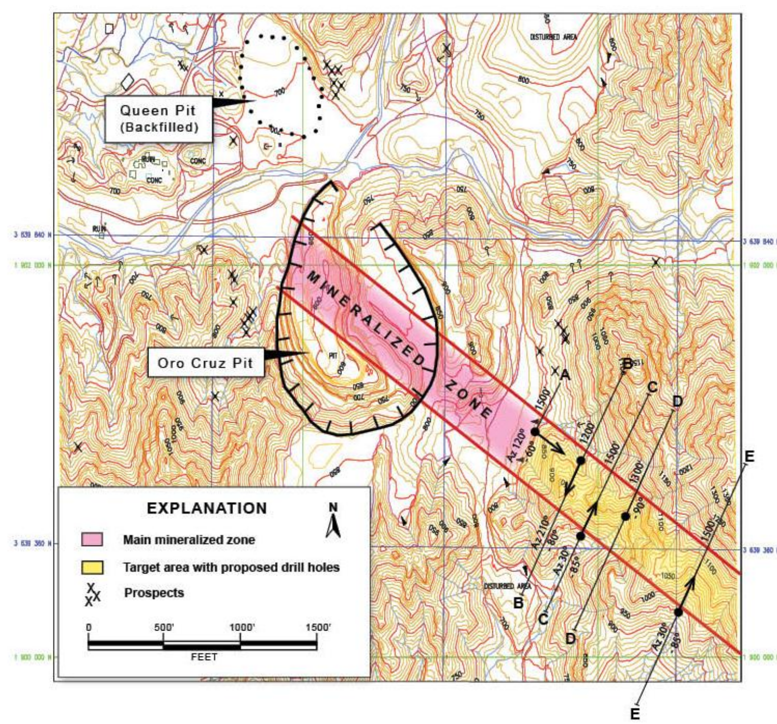
The local geology consists largely of Jurassic schist and gneiss of the Tumco Formation. Conspicuous white Tertiary pegmatite dikes and latite dikes cut the metamorphic terrain. The main Oro Cruz gold deposit is an irregular, elongate, tabular zone that dips approximately 25° downward from the open-pit 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 – Recent Activities:

In April 2011, Lincoln conducted aerial photography over the mining district as part of the new base map program. Drill road planning was also completed. Lincoln is working with Tetra Tech and the BLM to produce a Plan of Operation and Environmental Assessment ("EA") to advance the property towards drilling.

In 2011, the Company hired Sonoran Resources, LLC of Somerton, Arizona to design drill roads in steep terrain for the down-dip drilling. Lincoln also plans to drill approximately 23 holes to validate the deposit and upgrade the resource categories plus four geotechnical holes to determine future pit wall stability. These holes will be drilled in the immediate vicinity of the existing Oro Cruz pit. The location of these holes has been determined by engineers at Tetra Tech in Denver, Colorado.

ORO CRUZ – MINERALIZED ZONE & PROPOSED DRILL HOLES

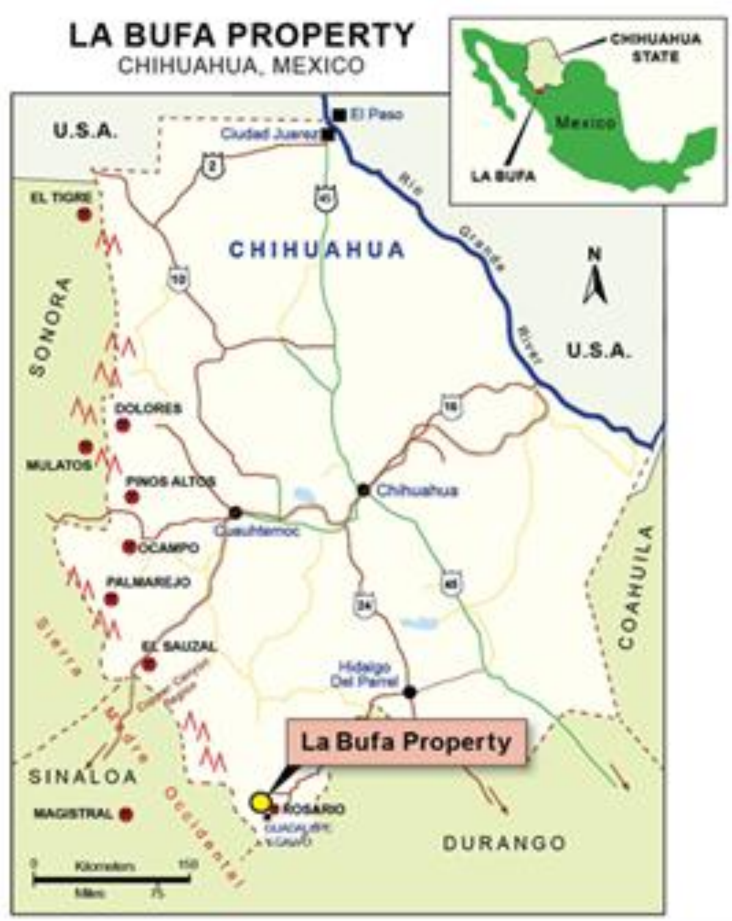


The BLM field office in El Centro, California has informed the Company that future drilling will require an Environmental Assessment ("EA"). Qualified personnel with Tetra Tech's office in San Bernardino, California will be utilized to prepare the EA in 2011. The EA will require that Lincoln provide detailed topographic maps for project access, drill-hole locations, and environmental studies. In April 2011, Lincoln conducted aerial photography over the entire mining district. As part of the new base map program, various old MK Gold drill hole collars were re-surveyed in an effort to ensure that all drill hole coordinates are correct. New topographic base maps were received in early July 2011. Thereafter, various biological surveys and site visits were conducted by Tetra Tech personnel to establish background information for permitting in the proposed drilling areas.

Permitting meetings have been held with the BLM and the Imperial County Planning Department. On November 11, 2011, an extended meeting was held with the BLM at their field office in El Centro, California. Attendees included Lincoln's Tetra Tech consultants and the BLM's technical staff. At this meeting the BLM stated specific permitting items that need to be addressed in the Plan of Operations for drilling.

In September 2012, Lincoln announced that it had terminated its agreement with Elgin Mining Inc., due to certain unfulfilled obligations by Elgin. Exploration permitting and a drill program have been delayed pending arbitration. Lincoln plans to advance the Oro Cruz property and the Company is planning a drill program in order to both confirm and expand current resource estimates. The drill program is designed to test the down-dip extension of the deposit as well as laterally.

The next step, once the arbitration with Elgin has been settled, will be to carry out a drill exploration program. Holes are planned to the southeast of the main deposit to determine to what extent the mineralization carries in that direction.



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. Encouraging drill hole intercepts ranged up to 2.5 m in width and graded from 0.12 opt to 0.31 opt gold and 8.2 opt to 15.1 opt silver. A total of 17 core holes (5,478 m) have been drilled in the southern concession. Lincoln filed an amended and restated NI 43-101 technical report on La Bufa in February 2009. The report recommended continued drilling and other work to develop drill targets in the La Bufa northern concession.

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. Signifcant silver-gold intercepts from the drill program warrant further drilling. Results are being analyzed for the development of a future drill program.

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 Agreement is pending arbitration in 2013.

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. The Company's concessions surround the El Rosario mine which was discovered in 1836 and where nearly all of the historic gold-silver production was derived. AuRico Gold Inc. (formerly Gammon Gold Inc.) presently controls the concessions that cover the historic mine. AuRico also controls very large concessions surrounding the Company's land position in the main district.

La Bufa – Agreements:

See section in 'Recent Activities' regarding the Exploration Financing Agreement with Elgin Mining Inc.

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

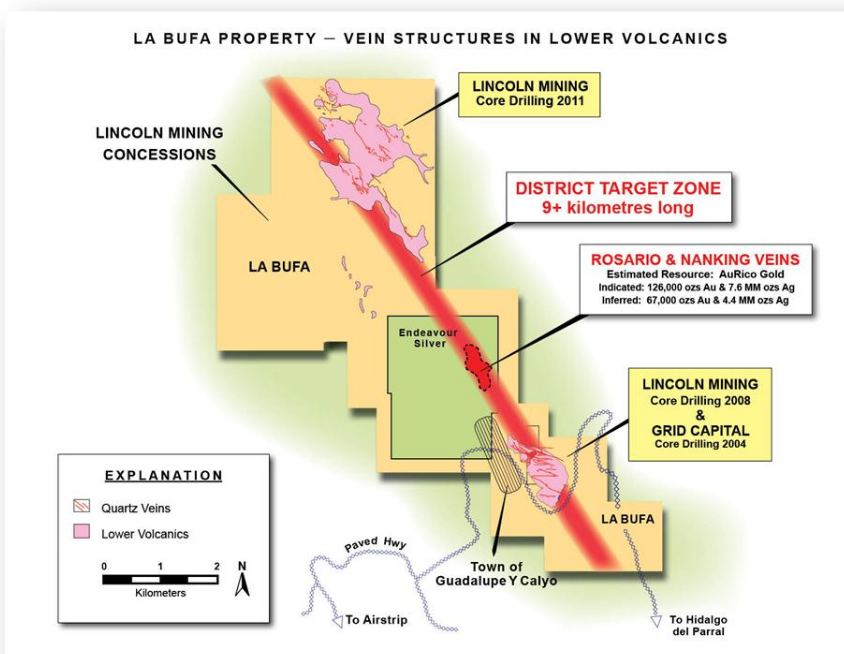
The La Bufa Property is an early-stage exploration gold-silver property. The key target is an epithermal quartz-breccia vein and stockwork system hosted in "Lower Volcanics."

La Bufa – Work:

Lincoln has flown the district with aerial photography and has generated high-quality topographic maps for mapping, sampling, drilling and engineering. In 2008, the Company drilled 12 angle core holes in the southern portion of the Property for a total of 4,811.85 m. The widely spaced holes focused on the El Rosario vein system which extends onto the Company's ground. Encouraging results were received from along a 300 m strike of the vein system within 400 m of the El Rosario mine property boundary. Previous drilling by Grid Capital Corp. in 2004 within the same general area also had good drill intercepts. Drilling results in the southern area suggest that significant gold-silver mineralization occurs primarily in the shallower portions of the vein system.

From late 2009 to early 2010, Lincoln completed eight geophysical lines (20,000 m) of induced polarization and resistivity in the unexplored northern portion of the La Bufa concessions. During the course of the survey, new exposures of mineralized structures were discovered, mapped, and sampled in difficult terrain. Based on 234 rock-chip samples and geophysical anomalies, three new target areas were identified.Geophysical data suggest that the targets may extend to depths over 300 metres.

A drill program was developed to test new targets in the north concession and in the vicinity of the Rosario mine. Work to develop drill pads and pad areas began in late Spring 2011.



Lincoln received permission from the Ministry of Environmental and Natural Resources, Semarnat (Secretaria de Medio Ambiente y Recuersos Naturales) to carry out its planned 5,000-meter drill program in the northern portion of the La Bufa Property. The Company contracted Perforaciones Corebeil SA de CV of Mazatlan to conduct the core drilling program which commenced on July 14, 2011 and was completed on November 29, 2011. Drilling began with hole LB-13 and was completed with hole LB-32 for a total of 5,091.80 m with an average hole depth of 254.6 m. All holes were drilled at angles ranging from -45° to -75°. Hole depths ranged from 151.50 to 787.50 m. Core recovery was excellent. All assays have been received. Drill hole intercepts reported here are apparent and do not represent true thicknesses.

(in Canadian dollars, unless otherwise stated)

Summary of Anomalous Gold and Silver in La Bufa Core Holes

(NA=Not Applicable)

Hole No.	Target Area	TD (m)	Angle	No. Quartz Zones	Best Gold (gpt)	Best Silver (gpt)	From (m)	To (m)	Intercept (m) (not true thickness)
LB-13	1	232.00	-65	4	1.28	4.4	23.73	25.33	1.60
LB-14	1	226.50	-45	2	0.355	3.0	3.0	7.50	4.50
LB-15	1	151.50	-65	0	NA	NA	NA	NA	NA
LB-16	1	181.00	-60	1	NA	NA	NA	NA	NA
LB-17	1	231.50	-45	5	0.216	0.8	184.50	187.50	3.00
					0.652	1.8	214.40	215.40	1.00
LB-18	1	220.50	-45	2	0.064	1.5	170.55	171.80	1.25
LB-19	1	247.50	-45	5	NA	NA	NA	NA	NA
LB-20	1	255.00	-65	2	0.239	1.5	24.00	26.00	2.00
LB-21	1	258.00	-70	5	1.66	10.2	57.60	58.50	0.90
LB-22	2	247.50	-75	4	0.293	6.4	162.00	163.50	1.50
					4.38	11.6	179.50	181.00	1.50
					0.538	1.6	184.00	185.50	1.50
					1.16	6.6	220.70	222.00	1.30
					0.144	2.4	223.50	225.10	1.60
LB-23	2	169.20	-75	4	0.341	8.5	49.50	50.20	0.70
					0.481	249	116.50	118.00	1.50
LB-24	2	231.00	-60	6	0.038	19.5	6.00	7.50	1.00
					0.016	28.7	194.50	200.50	6.00
LB-25	2	225.00	-60	5	0.122	5.4	198.50	199.50	1.00
LB-26	2	256.50	-45	9	0.110	4.1	18.00	19.50	1.50
					0.712	3.1	73.50	75.00	1.50
LB-27	2	248.40	-80	6	0.106	4.1	124.50	126.00	1.50
					0.151	1.3	187.50	189.00	1.50
					0.388	11.8	244.50	245.70	1.20
LB-28	Other	189.40	-70	7	0.437	11.4	18.00	19.50	1.50
					0.122	21.6	27.00	29.70	2.70
					0.355	6.7	36.00	37.50	1.50
					0.146	0.5	151.50	153.00	1.50
LB-29	2	307.5	-75	10	0.580	28.5	42.00	43.50	1.50
					0.119	4.9	58.00	58.50	0.50
					0.127	0.2	148.50	150.00	1.50
					1.355	4.5	157.50	159.00	1.50
					0.119	2.8	190.50	192.00	1.50
					0.136	0.3	205.50	207.00	1.50
LB-30	Other	163.50	-50	3	NA	NA	NA	NA	NA
LB-31	Other	262.30	-65	7	0.728	0.9	67.50	69.00	1.50
					0.208	1.3	160.50	162.00	1.50
					0.238	8.2	237.00	238.50	1.50
LB-32	Deep Target	787.50	-65	0	NA	NA	NA	NA	NA
20 holes		**5,091.30**		**87**					

Anomalous gold-silver mineralization is widespread and was encountered by the drilling program in multiple stockwork, breccia, and vein zones. Two to six quartz-bearing zones are present in most drill holes. Stockwork zones are prevalent and are commonly 9 to 20+ m in apparent thickness. The thickest stockwork intercept is 55 m (not true thickness). Most gold assays range from no detection to continuous down-hole strings of 0.0X and 0.X gpt gold. The best gold intercept is in hole LB-22 which hit 4.38 gpt gold attended by 11.6 gpt silver from 179.5 to 181.0 m (1.5 m; not true thickness) hosted in Tertiary andesite with quartz veinlets. Silver values are commonly in continuous down-hole strings of less than 1 gpt punctuated with higher values running 1 to 4+ gpt. The best silver intercept is in hole LB-23 which hit 249 gpt silver attended by 0.481 gpt gold from 116.5 to 118.0 m (1.5 m; not true thickness) hosted in Terrtiary andesite with quartz veinlets. Base metals (Cu, Pb, Zn) are commonly associated with ore-grade gold-silver mineralization within the district. The lack of significant base metals in the drill assays suggests that ore-grade gold-silver mineralization maybe deeper in the system. Follow-up drilling is warranted.

Lincoln Mining and Elgin Mining Inc. Exploration Financing Agreement (Oro Cruz & La Bufa)

On March 31, 2011, the Company announced that it had entered into an option agreement (the "Agreement") granting Elgin Mining Inc. ("Elgin") the exclusive right and option to acquire up to a 60% undivided interest in each of Lincoln's Oro Cruz and La Bufa properties by funding expenditures totaling $10,000,000 over a maximum four year period.

Pursuant to the Agreement, Elgin shall as a binding commitment (the "Initial Exploration Commitment") fund an initial aggregate amount of $4,000,000 in exploration expenditures on the Properties ($3,000,000 on Oro Cruz and $1,000,000 on La Bufa) over a period of up to two years from the date of the Agreement prior to earning any interest in the Properties. On the date that the Initial Exploration Commitment has been satisfied (the "Option Acquisition Date"), Elgin will have acquired the exclusive right and option to earn up to a 60% interest in each Property on the basis of a 20% interest earned in a Property for each $1,000,000 in additional expenditures funded on the Property over a two year period following the Option Acquisition Date. If within two years of the Option Acquisition Date, Elgin fails to fund at least $1,000,000 in respect of a Property, Elgin shall acquire no interest in that Property. The parties have agreed to negotiate and enter into a formal option and joint venture agreement, based on the terms of the Agreement, following the Option Acquisition Date. Lincoln will continue to be the operator of the Properties until such time as Elgin has earned a greater than 50% interest in a Property, at which time Elgin will be entitled to be the operator of such Property.

The Company received $1,380,500 in 2011 from Elgin pursuant to this agreement and incurred exploration and capital expenses of $1,412,080 for the year ended December 31, 2011. Operational and funding delays have necessitated a review of the agreement, which process is currently underway.

In September 2012, The Company announced that the letter agreement with Elgin Mining Inc. has been terminated by Lincoln as certain obligations under the agreement have not been fulfilled by Elgin. Elgin has disputed the validity of the Company's termination of the agreement and the parties are now proceeding to arbitration to address and resolved the issue.

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

The Company has an authorized share capital of an unlimited number of common shares, of which 158,860,203 were issued and outstanding as at the date of this report.

The Company has outstanding a total of 7,834,644 full share equivalent warrants outstanding as at the date of this report at prices from $0.075 to $0.35 per share and 7,200,000 options with exercise prices from $0.19 to $0.29.

(in Canadian dollars, unless otherwise stated)

5. Related Party Transactions

Transactions with directors and management

During the years ended December 31, 2012 and December 31, 2011, the Company paid or accrued director fees of $55,896 (2011 - $54,000) to the Company's directors, management fees of $108,000 (2011 - $108,000) to a company owned by the President of the Company, exploration fees of $106,766 (2011 – $106,692) to the Vice President of Exploration of the Company, exploration fees of $130,324 (consultant fees 2011 – $152,426) to the Vice President of Operations and consulting fees of $88,000 (2011 - $96,000) to the former Chief Financial Officer of the Company. The severance fee in amount of $50,000 in cash and $20,000 in stock was also paid to the former Chief Financial Officer during the reporting period.

As at December 31, 2012, the Company owed $40,270 (2011 - $42,824) to various directors for the services rendered, which is included in accounts payable.

Loans from directors

During 2012 the amount of $98,000 (2011: $20,000) was loaned by the directors of the company to support the Company's working capital. The amount of $76,500 (2011: Nil) was repaid by the end December 31, 2012.

Capital raise transactions

In February 2012, a director of the Company purchased 200,000 Units as part of a private placement.

In October 2012, the Company issued a total of 3,176,000 shares to directors of the Company as part of the private placement.

In November 2012, the Company issued a total of 10,000,000 shares to a company related by common directors.

Refer to the Note 10 "Related party transactions" of the consolidated financial statements as at December 31, 2012.

6. Liquidity and Solvency

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

	December 31, 2012	December 31, 2011
	$	$
Cash	2,202,131	47,977
Working capital (deficiency)	511,491	(339,147)
Long-term debt	2,153,660	158,731

	Year ended December 31, 2012	Year ended December 31, 2011
	$	$
Cash used in operating activities	(2,546,637)	(2,223,523)
Cash used in investing activities	(746,238)	(1,343)
Cash provided by financing activities	5,447,029	1,135,837
Change in cash	2,154,154	(1,089,029)

Lincoln intends to use the net proceeds raised from the private placements to acquire new mineral property interests, which would benefit the existing projects, to advance work programs on its mineral properties and for general working capital purposes.

All securities issued under the private placements are subject to a four month hold period in Canada, in addition to such other restrictions as may apply under applicable securities laws of jurisdictions outside Canada.

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.

Year ended December 31, 2012:

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 payable 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 23,000,000 common shares of the Company on the basis of the one common share for each $0.10 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.

In November 2012, the Company issued a total of 32,000,000 shares at a price of $0.05 per share for total proceeds of $1,600,000.

In October 2012, the Company issued a total of 5,376,000 shares at a price of $0.05 per share for total proceeds of $268,800.

In September 2012, the Company issued a total of 24,000,000 shares at a price of $0.05 per share for total proceeds of $1,200,000.

No warrants or finder's fees were issued in connection with the above mentioned private placements.

In August 2012, the Company issued 100,000 shares at a value of $24,500 towards a commitment to issue shares with respect to the Pine Grove property.

In February 2012, the Company issued a total of 4,774,000 units at a price of $0.075 per unit for total proceeds of $358,050. Each Unit is comprised of one common share of the Company and one- half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.10 per share until February 17, 2013. As compensation, the Company issued a total of 394,440 Finder's Warrants which entitles the holder to acquire one common share of the Company at a price of $0.075 per share until February 17, 2013.

Year ended December 31, 2011

In December 2011, the total of 909,090 units at a price of $0.11 per unit for total proceeds of $100,000 was issued. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.22 per share until December 21, 2013. No commissions or finder's fees were paid in connection with the private placement.

In November 2011, the total of 2,228,020 units at a price of $0.10 per unit for total proceeds of $222,802 was issued. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.22 per share until November 4, 2013. Each finders warrant entitles the holder to acquire one common share of the Company at a price of $0.22 per share until November 4, 2013. In connection with the private placement, the Company issued a total of 71,961 finders warrants with a value of $2,074 and paid a total of $13,603 in cash commissions and other costs.

In June, 2011, the Company issued a total of 6,086,177 units at a price of $0.17 per unit for total proceeds of $1,034,650. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.35 per share for two years.

Each finders warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share for two years. In connection with the private placement, the Company issued a total of 369,600 finders warrants with a value of $53,432 and paid a total of $100,967 in cash commissions and other costs.

(in Canadian dollars, unless otherwise stated)

7. Commitments

In addition to commitments disclosed in the current document, pursuant to a premises lease, the Company's minimum annual commitments as at December 31, 2012 are as follows:

Year ended December 31, 2013	$ 56,948
Year ended December 31, 2014	$ 57,567
Year ended December 31, 2015	$ 9,595

Due to change in control transaction occurred during 2012 period, the Company paid a severance fee on total $143,571 to a former Chief Financial Officer and a consultant of the Company. There are no other outstanding commitments in relation to the change of control.

8. Capital Resources

The Company's capital resources as at December 31, 2012 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 Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IRFS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses for the period.

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

12. 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.

(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.

The most significant accounts that require estimates as the basis for determining the stated amounts include:

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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.

13. Financial Instruments

Categories of financial instruments

	December 31, 2012	December 31, 2011
	$	$
Financial assets *		
Loans and receivable		
Cash	2,202,131	47,977
	2,202,131	47,977
Financial liabilities		
Current		
Amortized at cost		
Accounts payable and accrued liabilities	264,770	386,739
Loans from directors	43,784	20,000
Debt and borrowings	1,649,108	145,145
Non-current		
Amortized at cost		
Convertible debenture	2,089,719	92,626
	4,047,381	644,510

* 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 accrued liabilities, promissory note, other debt balances approximated their fair value because of the relatively short-term nature of these instruments.

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.

At December 31, 2012, the Company had a net monetary liability position of US$190,834 (2011: US$381,900) and a net monetary liability of 795,564 Mexican pesos (2011: $995,900 Mexican pesos). Each 10% change in the US dollar and Mexican peso relative to the Canadian dollar will result in a foreign exchange gain/loss of $19,024 (2011: $39,000) and 6,079 (2011: $7,300) respectively. The Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate 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.

14. 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.

15. 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 strong during 2013. 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.

16. 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.